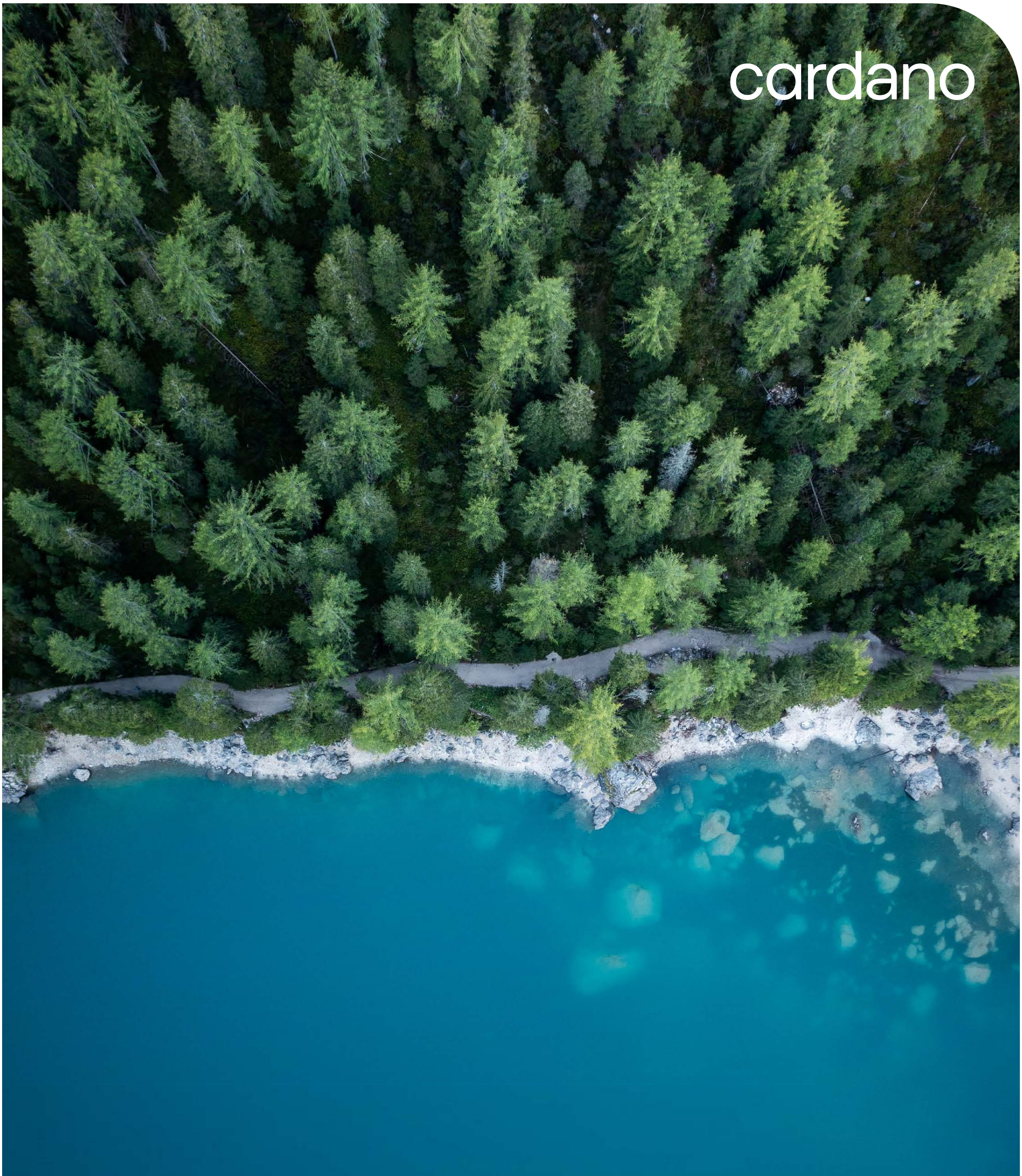


Cardano 2024 Stewardship Code Submission

April 2025

Our submission

This document has been prepared by Cardano Risk Management Limited and Cardano Asset Management (hereafter, "Cardano") to comply with the UK Stewardship Code.

Cardano is a UK Stewardship Code signatory since 2021.

In June 2024, Marsh McLennan announced that it reached an agreement to acquire Cardano and the transaction completed in November 2024. Following this transaction, Cardano is part of Marsh McLennan Group and is being integrated in Mercer, one of the four businesses of Marsh McLennan. Mercer, a global leader of investment services, helps clients with a resilient investment strategy, supported by experts in strategic asset allocation and management, manager selection and monitoring, performance and risk monitoring, responsible investments and sustainability, financial modelling and fiduciary management.

As this stewardship code submission relates to the 2024 activities of Cardano, we will mostly not mention the integration with Mercer as little change happened in that year since the acquisition only officially closed in November. Where we mention Cardano in this report, this applies to Cardano pre-acquisition by Mercer. We will mention where relevant how the acquisition may change our 2025 stewardship activities. Mercer will submit its own application separately.

About Cardano and the relevant stewardship code principles

Cardano Risk Management Limited is a fiduciary manager and investment advisor to UK asset owners, including pension schemes and endowments. Cardano Asset Management is an investment manager to UK, Dutch and European asset owners, including pension schemes and insurance companies. We therefore adhere to both:

- Principles for Asset Owners and Asset Managers (because we are an asset manager), and
- Principles for Service Providers (because we are an investment advisor)

When our response refers to our specific activities as an asset manager or an investment advisor, we will highlight it. Otherwise, we refer to ourselves in this document as "Cardano" as our approach to stewardship applies to our group as-a-whole.

Kerrin Rosenberg
CEO Investments Cardano UK

Keith Guthrie
Head of Sustainability UK

Contents

Continued

Updates in 2024

Some relevant publications and updates worth highlighting for 2024 are listed below. We will go into more detail on some of them later in this submission:

- As well as our continued role leading engagements in collaborative engagements, we joined new initiatives such as the VBDO led Plastics Initiative, engaging companies on reducing plastic production and consumption.
- Alongside 3 other Dutch investors, we officially launched and publicised a new collaborative initiative on the topic of health and started engaging companies.
- We continued engaging with our ESG data and stewardship providers MSCI and Sustainalytics to improve data quality and product offerings.
- In the second half of 2023, as described in our previous submission, we changed voting providers and started using a new online tool for the management of our engagement activities. In 2024, we continued working on the integration of these tools into our processes and working with the providers to maximise the benefits of using these platforms for both internal purposes as well as to better report our stewardship activities to our clients. For example, we worked on a letter writing service with our proxy provider to help us increase the number of shareholder meetings where we inform the investee company of our voting intentions ahead of the meeting. This allows us to convey the reasoning for our votes more clearly to management.
- For our indirect investments:
  - We continued to try to encourage third-party managers to progress their sustainability journeys. In our yearly letter to managers, we asked them to focus on future ambitions by developing a plan to support the transition, demonstrate progress via reporting and leverage their influence via collaborative engagement opportunities.
  - We engaged with a range of third-party managers, challenging them on their stewardship practices backed by details on their process and examples of their voting activity, supported by our own analysis. In some cases, managers were re-assessed because of stewardship concerns.
- In our investment consultant capacity, we published our Progress Report 2024 as part of the Net Zero Investment Consultants Initiative.
- We participated in various working groups and roundtables on the FRC consultation to review the UK stewardship code. In 2025, we are continuing to participate in roundtables with the FRC and finalising our response (together with Mercer).

Principle 1:

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Our purpose

Founded in 2000, Cardano is a long-term savings and investment specialist, and purpose-built pensions advisory with a sustainability offering. We provide specialised services to private-sector and collective pension schemes in the United Kingdom and the Netherlands. Our more than 550 professionals strive to deliver better and more secure financial outcomes through:

- **Advisory:** We are a specialist provider of pensions and corporate finance advisory services in the market, advising over 400 clients, both sponsors and trustees, with combined pensions assets approaching £327 billion, ranging from £2 million to over £20 billion.

- **Investment Management:** A purpose-built asset and fiduciary management provider, with a leading-edge sustainability offering, serving pension schemes, insurance companies, banks and distribution partners with £52 billion of assets under management and £17 billion of assets under advice as of 31 December 2024.

- **Defined Contribution (DC) Pension Provision:** We manage DC assets across the UK and the Netherlands. In the UK, we operate now:pensions with £5.3bn assets under management, an award-winning UK workplace pension provider, serving over 2 million members and tens of thousands of employers from a wide range of industry sectors. now:pensions is a UK Stewardship Code signatory since 2024 as an asset owner and their application is separate from this one. In the Netherlands, we manage €27.9bn (end of December 2024) in DC assets, representing around 87% of total AUM (€32,1 bn) we manage in the Netherlands.

- We bring a distinct approach to advisory and investment management that challenges the status quo. By bringing together cognitively diverse teams with a mix of perspectives and skill sets, we reduce blind spots and open up new possibilities, delivering tailored solutions for our clients. We go beyond financial returns; we seek to contribute to pension security and to the transition to a sustainable world.

Our mission is to deliver better long-term savings solutions that benefit everyone. We believe that steady, predictable and sustainable returns are in our clients' long-term interests, and that these can be achieved through strong stewardship and risk management and by incorporating sustainability into the core of our business, and the products and services we offer our clients.

At the heart of our approach to sustainable investment are our people. Our dedicated client, investment, sustainability, operational and technology professionals are experts in understanding client needs, investments, and all things sustainability: environmental, social and governance data, sustainability research, stewardship, impact investing, and thematic sustainability issues, such as climate change and biodiversity. By bringing together diverse teams with a mix of perspectives and skill sets, we reduce blind spots and open up new possibilities, delivering tailored solutions for our clients.

Our purpose, which puts sustainability and the long-term interests of our clients at its centre, enables effective stewardship. This guides our decisions, aiming for long-term value creation benefitting our clients and beneficiaries, promotes accountability and fosters sustainable outcomes.

Our strategy, culture and beliefs

Sustainability has always been at the core of our culture and how we run our business. Cardano Asset Management (then ACTIAM) was one of the first asset managers in the world to incorporate sustainability issues in fund and asset management.

Our clients are overwhelmingly pension schemes and insurance companies in the UK and Europe. Their members and beneficiaries are representative of society across industries, income levels, age groups and cultural and ethnic backgrounds. The youngest members of these pension schemes may be over 50 years away from retirement. Many of them will have families who will live into the next century. All will be affected by the immense challenges we face in the coming decades.

Social foundations and planetary boundaries

We recognise that society is at a crossroads. Current economic behaviour is placing the planet and society at risk. Climate change, increasing inequalities, security concerns, environmental degradation and resource scarcity are major global challenges faced by society and economies worldwide.

We base our sustainable investment framework on the concepts of social foundations and planetary boundaries. Global resource consumption already surpasses the earth's regenerative capacity, and to enable a growing world population to thrive, it is urgent that we solve these challenges. Society can only be sustainable if it produces and consumes within the boundaries of what the planet can sustain.

The transition to a sustainable society

We believe in a society in which people and businesses can prosper, while operating within the planetary boundaries and respecting social foundations, now and in the future. Our clients' members and their dependents should enjoy a quality of life similar to, or better than, that possible at present. This should be in a sustainable and less polluted environment within a fairer society where they can enjoy financial security.

We believe multiple transitions (systemic changes) in human activity are needed to achieve this sustainable society, which create both financial risk and opportunity.

We support investing in these transitions to make our clients' portfolios more resilient to uncertainty and realise better returns, while aiming to contribute to the transitions in the real world. Not only are these outcomes good for society, but they would also directly reduce the systemic risks faced by the global financial system and will therefore lead to better financial outcomes for our clients' members.

Our role

We can contribute to achieving these objectives in the way we invest, manage and steward our client assets; we believe it is our responsibility to do so. Sustainable investment stewardship is core to our corporate values and is right for our business, our society, and our world.

These concepts form the basis of our sustainable investment framework, including our approach to stewardship that we elaborate on later in this submission.

The continuing evolution of our culture

Revised in 2023, Cardano's Code of Conduct is applicable to all employees of the Group and describes our values, our commitments, and our responsibilities and is externally available.

With the integration of Cardano in the MarshMcLennan group, Cardano has moved to the group's code of conduct The Greater Good. Given the focus of this submission is the 2024 calendar year, we are describing below the Cardano's Code of Conduct and Group Values as these were applicable for this reporting period, prior to the change in ownership. In our following submission, we will update this section to reflect the change in ownership and applicable codes.

Our Group Values are shown in the graph below.

The code also describes our commitments and responsibilities towards our clients, our markets, our colleagues, our company, and our society. This new group level code of conduct highlights how clients and sustainability are core to Cardano's values. As well as our client and colleague experience, Cardano is mindful of the real-world impacts of our activities and is committed to managing sustainability risks to our business and to wider society. Cardano has always embodied a sustainable mindset and policies and works hard to achieve better financial outcomes; managing sustainability risks is key to achieving this.

From a stewardship perspective, it is important to note how our purpose, strategy and values tie directly into our investment beliefs, and our consequent stewardship practice.

We highlight:

- Our approach to stewardship is a consequence of our mission, which is to deliver better long-term savings solutions that benefit everyone.
- Our approach to stewardship is motivated by our values around making an impact for a fairer society and for our planet, and by being impactful through our activities.

As we discuss in the investment beliefs below, sustainability must be at the heart of delivering the financial outcomes our clients aim to achieve.

Our investment beliefs

Our mission is to deliver better long-term savings solutions that benefit everyone. We believe that steady, predictable, and sustainable returns are in our clients' long-term interests, and that these can be achieved through strong risk management and by incorporating sustainability into the core of our business, and the products and services we offer our clients.

Our clients are typically asset owners and institutional investors, such as pension funds managed by groups of trustees operating on behalf of their member beneficiaries with long-term time horizons. They have a fiduciary interest to act in the best interests of their members. For most of our clients, the financial risk, return and outcomes of their investments is of primary importance, and as a fiduciary manager and advisor we aim to facilitate them achieving those outcomes.

Our approach to investing is articulated in detail in our sustainable investment policy, which includes our sustainable investment framework, responsible capital allocation approach and stewardship approach, which aim to create long-term value for our investments, and sustainable benefits for the economy, the environment and society. Below we extract key concepts relevant to our approach to stewardship.

We approach making such investments on our clients' behalf with "dual objectives" or a double materiality perspective. We believe that we should aim to achieve both financial returns commensurate with the risks that we take, and that we should contribute to the transition to a sustainable society (defined below in more detail). We believe these two objectives are mutually re-enforcing of each other.

Specifically:

- Financial risks are best managed by incorporating environmental, social and governance factors into the risk assessment of each investment. Many of these risks can be financially material to investments. Good stewardship practices are therefore more likely to create long-term value at the individual investment level.
- At the economy and systemic level, systemic sustainability risks (both environmental and social) are amongst the most fundamental future risks faced by investors. These systemic risks will impact economies through direct effects, and impacts on government policies, economic growth and inflation, which will in turn impact market outcomes and our client portfolio level outcomes. Our clients' portfolios are exposed to a wide range of systemic sustainability market risks, which cannot be mitigated through asset class or security diversification. Instead, through sound stewardship practices, we can advocate for real economy changes, that if successfully achieved is likely to lead to lower financial risks in future for members. Therefore, good stewardship is likely to lead to sustainable benefits for the economy, the environment and society, and hence better financial outcomes of our client portfolios.

Hence, our approach to stewardship seeks to both deliver financial outcomes at the individual investment level, and to contribute to the transition to a more sustainable society to the benefit of the economy, the environment and society, that will ultimately deliver better financial outcomes at a portfolio level for our clients. We believe this is therefore in strong alignment with our clients' fiduciary duties to their members..

We believe that the financial outcomes are driven by two key investment processes:

- Capital Allocation
- Stewardship and Engagement

As a fiduciary manager and asset manager, we manage some portfolios directly on behalf of clients, and others are outsourced to third parties or make extensive use of derivative instruments. Capital allocation therefore includes two channels:

- Direct Capital Allocation: where we are responsible for making an investment in an issuer – a corporate, a sovereign issuer, or even a specific project across public and private markets in both primary and secondary market allocations.

- Indirect Capital Allocation: where we gain exposure to investments either through third-party managers or via derivatives executed with counter-parties.

Our approach to Capital Allocation and Stewardship and Engagement will differ between these two channels.

- For direct capital allocation we have an Investment Framework that determines our classification of every investment we make from a forward-looking sustainability perspective. This classification determines whether a direct investment is eligible for our portfolios and what our stewardship and engagement priorities for that investment will be (for more detail see Principle 7).

- For indirect capital allocation, we recognise our approach to sustainable investing is only one of many valid sustainable investment approaches. We apply a framework for assessing the approach that third-party managers or counterparties take to integrating environmental social and governance risk and sustainability into their processes, determining whether they meet our minimum standards, and we engage with those third-party managers and counterparties to improve their approach over time (For more detail see Principles 7 and 8).

We believe in a robust approach to risk management which bears on our approach to Stewardship. This includes:

- Using scenario analysis to consider not only likely outcomes, but alternative scenarios and creating portfolios that are robust to a range of potential economic and sustainability and climate scenarios.

- We are sceptical of statistical modelling of many risks and prefer an approach that considers potential outcomes without assigning probabilities or overly relying on statistical models.

- We aim to hedge unrewarded risks where it is economic to do so (e.g. liability driven investment (LDI) risks for DB pension funds).

- Diversified asset allocation (focused on fundamental economic scenario diversification rather than statistical diversification) is more likely to lead to longer-term, more stable outcomes.

- Deliberate use of "protective" assets, such as options.

- Actively managing the asset allocation to protect the downside and capture the upside.

- Access to diversified third-party manager skill can lead to more portfolio diversification where this is consistent with clients' expense budgets and beliefs.

- Influencing risk outcomes can be done through effective stewardship and engagement both at the investment level and at the systems or ecosystem level. In the case of some systemic risks, such as climate change, biodiversity loss or social inequality, this may be the only mechanism to influence risk outcomes.

Managing these risks enables Cardano to practice effective stewardship as it participates in safeguarding the long-term interests of our clients and beneficiaries.

We seek to have as much impact as possible in driving financial and real-world outcomes in different investment situations using various instruments and approaches. To assist in refining the most appropriate approach in each circumstance, we have developed a Model of Influence, linked here, which guides our teams towards which activities and tools are more or less impactful in different circumstances. This informs our approach to stewardship as it is applied to different strategies and asset classes.

Our investment beliefs drive our activities, and hence outcomes for our clients in line with our purpose, enabling effective stewardship of our clients' assets. In addition to these key high-level beliefs, we have many specific investment beliefs which we have not elaborated on in more detail here.

Our stewardship beliefs

How we approach stewardship

For our direct and indirect investments, we undertake active ownership across our investment activities, engaging with many of the companies we own (both through bonds and equities) in our equity investments, voting at shareholder AGMs and engaging our third-party managers, counterparties, regulators and policymakers.

Our purpose, investment and sustainability beliefs influence our stewardship activities. By exercising engagement and voting activities, we aim to drive positive change aligned with the interests of our clients and beneficiaries. The below describes in more detail why we do stewardship.

Managing systemic risk
As a globally diversified (index fund) investor aiming to maximize risk-adjusted returns there is a benefit to us using stewardship to reduce systemic risk.

These include among other climate change and biodiversity risk, as well as financial and social stability risk.

Maintain investments while pushing for improvements
For companies we see as adaptive and capable of providing long-term value – but have not yet transitioned – we use influence to engage the company to change.

Real world sustainability outcomes
We use stewardship to contribute to positive real-world sustainability impact.

Improving Risk-adjusted returns
By using stewardship activities to encourage improvements to reduce sustainability risks (like climate change) it lowers our systematic portfolio risk and is more likely to improve our risk-adjusted returns.

Our stewardship activities are rooted in the conviction that engagement and voting are powerful tools to drive companies toward embracing and acting on the sustainability transitions currently underway. Our approach is carefully aligned with the Cardano Sustainable Investment Framework, ensuring that our investments support businesses capable of adapting to and thriving in a sustainable future. Our stewardship is not just about dialogue but about setting clear objectives, monitoring progress, and, if necessary, taking decisive actions such as voting against board members, filing shareholder resolutions, or adjusting capital allocation. We understand that some engagements may not always bring the desired outcomes, and we therefore remain transparent and realistic in our approach. Our stewardship approach is grounded in the following principles for effective stewardship:

- **Collaboration** – engagement is more efficient and impactful when investors collaborate. This is true from the perspective of investors (who can join forces and reach out to more companies) as well as for investee companies (who will field fewer, but higher conviction, engagements from their investors.
- **Quality over quantity** – we are interested in meaningful engagements, seeking tangible results with strong reporting.
- **Long-term** – we encourage long-term relationships with entities. Successful stewardship can take many months, and sometimes years.
- **Real-world impact on systemic issues** – we are interested in engagement on topics that contribute to positive real-world impacts and address systemic issues.
- **Innovation** – we encourage innovation for example, our satellite-based engagement towards zero deforestation.
- **Integrated** – stewardship contributes to investment decisions, potentially contributing to changes in capital allocation.
- **Goal-oriented** – recognising that each entity operates within a specific context facing different challenges, we tailor our goals and approach for each engagement dialogue. During an engagement process, we set clear objectives and milestones to monitor progress. If progress is not meaningful, we will consider escalation, including voting against Board members or changing capital allocation.
- **Transparency** – some engagements will be unsuccessful. We report on our efforts (both positive and negative) throughout the process.

We aim to apply a consistent approach to Stewardship across asset classes, geographies and public and private markets, all of which are addressed in our Cardano Sustainable Investment Framework. The key distinctions in the process are between.

- the approach applied to direct investments (for example equities or bonds purchased by our in-house portfolio managers) where we apply our own Cardano Investment Framework, and
- third-party asset managers where we apply a consistent Third-Party ESG Assessment framework to assessing their policies and processes across asset classes and geographies.

These distinctions are highlighted throughout this report.

Beliefs about Third Party Manager Stewardship
We do not believe that there is only one approach valid to sustainability or ESG integration, our approach is one amongst many that may be valid for our clients. We observe that many investment managers are at different stages of their sustainability journey, and many have not yet adopted an approach consistent with our "dual objective" approach.

We believe one of our most effective levers for change, given the size and importance of our client assets, is engagement with third party investment managers we allocate to where we can act as a thought-partner, sounding board and source of challenge with the aim to improve the standards applied in the industry.

To achieve effective stewardship of the underlying assets we believe that there needs to be consistency between an appointed investment manager's investment beliefs, their identification of the key material risks and objectives, their engagement with companies around these risks, their approach to voting, their approach to escalation if companies fail to engage (voting against Board members, in favour of shareholder resolutions, and co-filing of shareholder resolutions if necessary) all of which should ultimately tie back to the portfolio through for example exclusions if engagements fail to make progress. We also believe effective stewardship is best achieved through effective collaboration with like-minded investors and we would like to see third party managers engaged in collective efforts where appropriate.

As a result of these beliefs, we usually reject the approach of "split voting" being followed by some market participants and would not ask a manager to vote in line with a different policy from their own primary policy. We believe that such an approach necessarily divorces the engagement activity of an investment manager from voting, escalation and portfolio actions and this will lead to suboptimal outcomes for our clients and is inconsistent with our beliefs.

Instead, we place great emphasis on the consistency between the investment manager's investment beliefs and their actions in terms of stewardship and engagement. This is a key criterion both at appointment and in the ongoing monitoring of investment managers. In practice we still find significant gaps in the consistency of many third-party managers behaviours and process, and we aim to engage with them to improve this over time. This is explained under Principle 7 and Principle 12 in more detail.

Effectiveness of Cardano in serving client stewardship needs
Through effective stewardship, we seek to integrate and serve clients' best interests.

We aim to demonstrate our effectiveness by being transparent about our activities, evidencing impact through clear communication and alignment with our investment framework and seeking client feedback through regular meetings with our clients. We believe this enables us to integrate clients' interests and to service their stewardship needs better over time as we seek to learn what is working well and what could be improved.

- **Transparency:** We provide transparent updates on stewardship activities in a quarterly ESG report to all clients, highlighting progress with several case studies per quarter. These cases describe our objectives, how the dialogues are progressing, how the companies are responding and where the challenges are. Every other quarter, the reports contain comprehensive voting statistics and detailed case studies to demonstrate how we implement our voting policy with specific vote decisions and escalations. In 2024, we made changes on how we report on engagement statistics. Case studies continue to be part of the quarterly ESG report, but statistics are now provided in a standalone biannual report alongside voting statistics. In this new overview, available on our dedicated stewardship page, we have enhanced engagement statistics to show progress against milestones. Together the case studies and statistics aim to demonstrate progress on milestones, how the dialogues are progressing, and where we are facing challenges. By being transparent, we enhance engagement and trust with our clients and beneficiaries. By highlighting some of the challenges we are facing, we provide a balanced picture of our stewardship activities.

- **Evidence of impact:** Our clients look for tangible evidence of the impact of our stewardship activities. For this, we track progress on individual engagement objectives, as well as tracking whether engagements are successful, neutral or unsuccessful. In 2024, we enhanced our engagement reporting by adding more granularity (see above under Transparency), and for 2025 we will continue to improve methods for consistently tracking engagement development that can show clients how investees are progressing on a more structural basis.

- **Communication and alignment:** Although our stewardship activities are an implementation of the Cardano Sustainability Framework, clients may provide input on themes or engagements they find important and provide feedback on the quality, depth and breadth of our activities. When requested, we provide clients with updates on our stewardship activities. For example, after one client requested regular stewardship updates, the stewardship team started joining the client service team biannually in their meetings to discuss relevant updates and outcomes. Those calls were also a good opportunity to collect client feedback on stewardship activities and how these are reported on. Based on feedback from this client, alongside the biannual meetings, we started sending them a quarterly voting overview report.

- **Third-party manager assessment and engagement:** We provide an annual update on our third-party manager ESG assessment process, which includes assessments of their own stewardship and engagement processes. These assessments can and have led to re-assessing five managers in 2024, on the back of poor voting and engagement performance that we felt was not in line with leading sustainable investment practice. We provide clients with details on managers' stewardship activities, including most significant votes. These assessments are for client use only and not made publicly available.

- **Collaborative action:** We believe that by participating effectively in collaborative engagement initiatives we can be more effective than we would be engaging on our own. This is evidenced in later principles.

- **Ecosystem participation:** As evidenced in Principle 4 and 10, we have extensive involvement in industry initiatives. Involvement with bodies such as the PRI, the IIGCC, the ICSWG and others ensures we remain at the forefront of thinking on many stewardship topics and are able to contribute to future direction and shaping of the industry around these important themes.

- **Resourcing:** According to the Asset Owner Council, there is concern within the asset management industry regarding resourcing of stewardship. Cardano is addressing the issue through increasing collaborative engagements with other industry players and making use of the engagement services of Sustainalytics' Engagement 360 Solution. Furthermore, in 2024, Cardano's Stewardship team expanded with an additional team member specialising in Reporting, increasing the total Stewardship team headcount to four.

Looking ahead, we will continue improving on our transparency, taking into account client feedback and therefore continue building on the trust with our clients. We will also continue to refine our collaborative engagement efforts and ecosystem engagement.

Principle 2:

Signatories' governance, workforce, resources, and incentives support stewardship.

Integration of stewardship in sustainability oversight and governance

Sustainability governance
To oversee our sustainability activities, Cardano has a sustainability governance structure. This supports stewardship as it allows us to have one approach to sustainability, taking into account the views of the different businesses and clients. By having representatives of different teams in our governance of sustainability, we enhance internal communication, as well as consideration of multiple perspectives, which lead to better decision making.

The graph below shows this governance framework.

Our three sustainability committees

The Sustainability Policy Committee (SPC) is responsible for setting overall sustainability strategy and approving sustainability policies and frameworks, prepared by Cardano Sustainability Group (CSG).

The Investment Committee Sustainability (ICS), a part of the Investment Committee, is responsible for implementation of sustainability polices and frameworks into investment strategies and decision-making.

The Sustainability Categorisation Committee (SCC) is responsible for determining how entities (companies and governments) are classified under our sustainability policies and frameworks.

The activities of these committees are supported by the Cardano Sustainability Group (CSG), which is described in more detail in the Resourcing section below.

The Sustainability Policy Committee (SPC) oversees our sustainability policies, both for Cardano Group and for our client portfolios. It meets monthly with representatives from the Cardano Group Board, the Cardano Sustainability Group, Investment teams and commercial business. Decisions made by the SPC are discussed separately in the Board meetings of Cardano Group affiliates. Members from the stewardship team will attend the committee meetings when required (for example to present the voting policy updates).

- The SPC approves any changes to the group sustainable investment policy as and when these are made. This includes the sustainable investment framework, targets such as the Net Zero commitment, the stewardship policies, strategies on climate, biodiversity, and water, etc.
- The SPC also approves the annual update to the voting policy. We update our voting policy every year to keep it in line with market best practice and to incorporate our evolving views on how to effectively use our votes as a stewardship tool. Each year, we have increased expectations about corporate disclosure, oversight and performance related to the sustainability topics covered in our policy. A member of the stewardship team will present the updates at the relevant committee meeting and be there to answer questions the policy committee members may have.
- The SPC also approves the annual process of the voting audit, which ensures that the vote decisions have been applied in line with the policy.

The Sustainability Categorisation Committee (SCC) decides on the classification of all investments in line with Sustainable Investment Policies agreed at the SPC, which result in decisions on what can be invested by different portfolios and what is excluded.

- This committee considers proposals for the reclassification of investments between categories.
- The committee includes representatives from our Sustainability Group, Investment teams and Stewardship teams, and meets at least quarterly.

- Investment teams can raise challenges to classification proposals prepared by the CSG.
- One of the voting members of the committee is the head of the stewardship team. The rest of the stewardship team is also present at the meeting to be able to provide input on engagements which may be relevant to our categorisation of a specific company. This allows for stewardship activities and points of view to be integrated in the investment portfolio decision process that determines whether positions are allowed in our direct portfolios.

The Investment Committee Sustainability (ICS) focuses on the implementation of the sustainability policies in investment decision making and portfolio construction in line with our Sustainable Investment Policy. It includes representatives from the Sustainability Group and our Investment teams, who meet monthly.

- Kerrin Rosenberg, CEO, Cardano Investment, is the Cardano Group Management Board member with overall responsibility for Sustainability and hence stewardship.
- The board of directors of the Dutch Cardano entities also have oversight of sustainability. The head of the Cardano Sustainability Group, based in the Netherlands reports directly to the board of directors for the Dutch legal entities of Cardano. The board is also the final approver of Sustainability policy changes.

Stewardship at Cardano

Our stewardship policy outlines what we see as effective stewardship. It describes how we see the importance of engagement, which tools we use to work with companies to make the transition towards a sustainable way of operating and how we set engagement priorities.

For our direct investments, we prioritise our engagements with entities on the topics listed in the figure below. These topics are relevant and material from an investment perspective and considered the most urgent for achieving system resiliency. Our focus is not only on the immediate sustainability performance of a company, but also on its broader contribution to issues that align with the major environmental and social transitions we have identified.

We have published Climate, Biodiversity and Water strategy documents which describe in detail the corresponding ambitions, as well as the specific actions we will pursue to make progress on these. These strategies provide us with the input to set priorities and allow us to focus.

When we engage, we aim to discuss similar topics with multiple companies within one value chain (for example, all the players along the commodity value chain from retailers to producers) or with multiple companies within a sub-sector. This allows us to better understand the challenges and complexities of achieving progress or implementing solutions to complex issues. It helps us as an investor to set better-informed objectives for our dialogues.

Environmental				Social		
Climate	**Biodiversity**	**Water**	**Materials**	**Basic Needs Provision**	**Fairer Society**	**Governance**
Decreasing fossil fuel use Alternative energy sources Carbon capture Energy storage Lower emitting industrial processes Adapt to physical risks	Reduction of natural land conversion to agricultural, livestock or human occupation Deforestation Impacts of fertilizers, pesticides & chemical pollution Sustainable agriculture & reforestation Plant-based proteins	Reducing freshwater use for human, agricultural and industrial processes in water scarce areas Water pollution Impacts on oceans through pollution and overfishing Wastewater treatment Sustainable fishing	Reducing impacts of industrial processes and their use of natural resources, through overexploitation of scarce resources, environmental impact of the extraction and processing Pollution of by products affecting air, earth and water Moving towards a circular economy Waste management	Clean water Nutrition Healthcare Access to energy, housing & financial services	Equal opportunities through access to education & training, income & work Diversity and gender equality Community support	Strong governance that considers the impacts of activities on people, communities & environment Respecting minimum standards, right to unionize Stakeholder capitalism

Our approach to stewardship

Under Principle 1, we described our approach to stewardship and the principles we have implemented for effective stewardship: collaboration, quality over quantity, long-term, real-world impact on systemic issues, innovation, integrated, goal-oriented and transparency.

We provide here two case studies on how this applies to our direct and indirect investments. These show:

- For direct investment: how we dedicate resources over the long-term, and keep engagements opened if objectives are not yet met, leading to effect gradual and long-term change. Our collaborative approach also allows us to be more effective and impactful.
- For indirect investment: engagement activities of our third-party manager research team, showing how we engage with managers on issues across responsible investment and stewardship best practices.

Direct Investments – Living wage in the UK retail sector

In our 2022 and 2023 submissions, we provided a case study relating to our collaborative engagement with a UK Food Retailer on the topic of living wage. Although not yet accredited, the progress made by this company places it now as one of the better performers in the sector on the topic of living wage. In 2024, we kept engaging with that company and at the same time, additional resources and focus were put on engaging other UK retailers who are showing less progress on the topic. We have broadened the scope of this case study to illustrate this.

Importance of the topic
The payment of a living wage is one component of good human capital management and a key topic in the engagements done by the ShareAction Good Work Coalition, of which Cardano is an active member. It can contribute to mitigating legal risks, enhancing company performance, and fostering social stability, reducing long-term systemic risk.

Objectives of the engagement
The collaboration engages the UK Retail sector on working practices with a focus on insecure work, workforce disclosure, living wage, and diversity and inclusion. As part of the work on living wage, the main objectives of the engagements with the companies engaged are:

- Go beyond legal minimum wage requirements and pay a Real Living Wage as set by the Living Wage Foundation to all direct employees.
- Improving oversight of regular third-party contracted worker staff pay levels and work towards implementation of the real living wage for these workers.
- Become accredited as a Real Living Wage Employer with the Real Living Wage Foundation.

Actions and Outcomes in 2024
- The coalition sent wo letters to the above-mentioned UK retailer and ShareAction had a collateral meeting with them.
- More resources were dedicated to engaging the companies in the UK retail sector showing less progress on the topic of living wage.
- Letters were sent to all companies under engagement and meetings were held with most companies.
- Although some companies are showing progress (one for example is now paying real living wage rates to direct employees), progress remains generally slow. Therefore, the coalition is focusing resources on potential escalations for 2025.

Indirect Investments – Engaging an equity manager on collaborative engagements

Within our third-party manager research, we look for investment managers with strong sustainability credentials who engage and take their stewardship role seriously. This process requires resources, but we believe it makes a difference. An example of this activity in 2024 was with an equity manager.

What
We have been encouraging one of our equity managers to lead and be involved in collaborative engagements.

Why
Whilst the Manager regularly engages with company management of their underlying holdings, we noticed that they were less focussed on collaborative engagements. We wanted to engage with them on this issue because we recognise that collaborative engagements can have important impacts on addressing systemic risk, and that it would be helpful for other investors to benefit from their expertise and research.

How
We brought this to their attention in our regular interactions with the Manager and have done so over multi-year time periods.

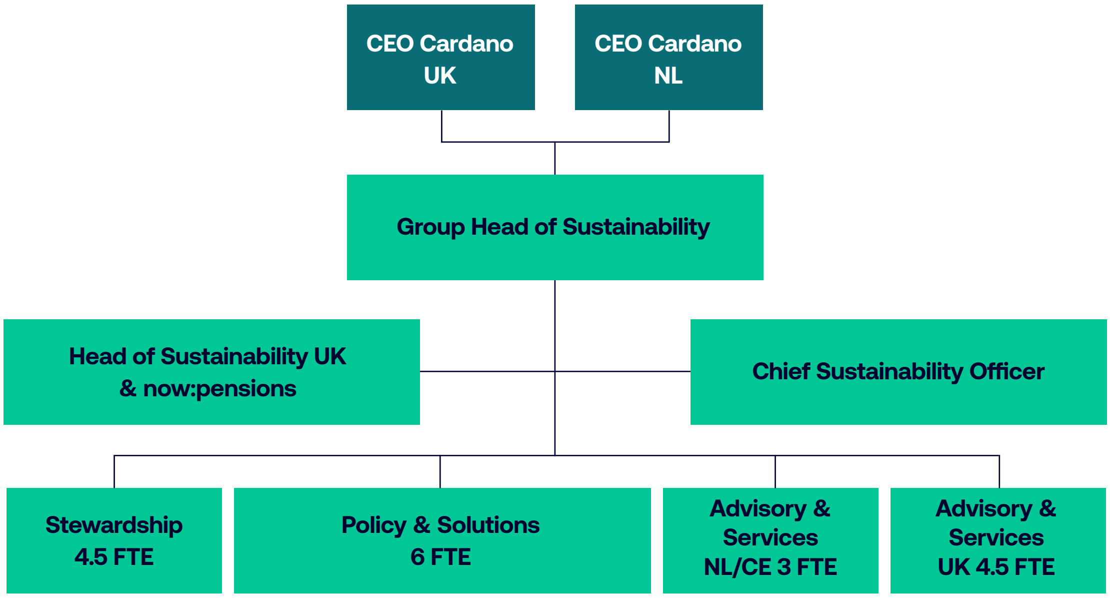
Outcome
The Manager has undertaken and led a collaborative engagement.

In addition, this year, we are also pleased to see they have gone further and joined a collaboration focussed on Modern Slavery, which is a thematic area, which had been highlighted to them.

Resourcing stewardship activities for direct investments
We understand the importance of adequate resourcing of stewardship activities to enhance their effectiveness and serve clients' interests. The below describes how our team structure and organisation, use of providers, as well as collective engagements enable effective stewardship.

Cardano Sustainability Group (CSG)
While sustainability is a part of the objectives of every employee in the group and embedded into all our investment processes, core sustainability expertise, thought leadership and sustainability activities (e.g. policy development, research, screening, engagement and voting) are carried out by the Cardano Sustainability Group (CSG). The group of over 25 sustainability professionals serves the whole Cardano Group with sustainability running across all businesses, operations, services we provide and clients we serve. The below graph shows the make-up of the CSG:

Cardano Sustainability Group | Team



Our stewardship activities for our direct investments are carried out by dedicated stewardship professionals and are supported by the whole CSG. For example, the stewardship individuals can draw on the experience of members of the research or policy groups when engaging businesses on a particular topic.

The CSG builds vision, intelligence and propositions for our internal sustainability strategies and external sustainability servicing. The CSG prepares our sustainability policies and strategic choices for individual sustainability themes. It performs research and categorises issuers based on our sustainable investment framework. The team organises and manages collaborative and individual engagements, implements our voting policies, and prepares shareholder resolutions. The team also provides advisory services to our clients.

The CSG operates at Cardano Group level. The Global Head of Sustainability reports to the CEOs of Cardano Risk Management Ltd and Cardano Asset Management N.V. The Chief Sustainability Officer (CSO) is responsible for thought leadership and developing new sustainable finance-related content for Cardano.

Every Cardano investment team is tasked with incorporating sustainability into their approach and works closely with the CSG, the CSO and the Investment Committee on Sustainability (ICS) to formulate specific implementation of our sustainability-related policies in their area. This includes implementation of stewardship activities which are coordinated with the CSG.

In 2024, we added one full-time team member to the dedicated stewardship sub-team to assist us with external and internal reporting of stewardship activities, increasing the headcount to four members.

The Stewardship sub-team of the CSG is responsible for:

- formulating proposals for the Stewardship and engagement policy, voting policy and stewardship priorities which are approved by the SPC.

- Implementing the stewardship process in line with the policies agreed at SPC with direct investments including engagement, voting and escalations via filing of shareholder resolutions and voting decisions.
- Working together with various investment teams to effectively engage public investments.
- Working together with our engagement support provider (Sustainalytics, see below).
- Working as part of the various collaborative engagement initiatives that we participate in, including leading on specific engagement dialogues in these initiatives.

For our indirect investments via third party managers, engagement is undertaken by our Manager Research and Operational Due Diligence teams. They will also draw on the expertise of the CSG if they need it on specific topics, but because other investment management organisations will have different approaches and priorities, they follow a separate process (explained in more detail in a later principle).

Thematic organisation
Within the CSG, our stewardship professionals specialise by topics and oversee all activities relevant to stewardship for their area of expertise. They manage our relationship with investor collaborations, lead company engagements, carry out voting activities, co-file shareholder resolutions, participate in investor statements and other activities which are linked to stewardship.

This thematic approach to our stewardship activities has allowed individual team members to build expertise. Consequently, the same investee company may be engaged by different Cardano team members, depending on the topic of the engagement. For example, a food manufacturer will be engaged on the topic of healthy diets by one team member, while another may engage on the topic of deforestation in the supply chain. We have assessed this as being the most effective way to conduct our stewardship activities. Having several team members engaging the same company has not shown to be problematic. Usually, a call is only held with an investee company around one specific topic and the interlocutors will also differ (for example Nutrition and R&D when it relates to healthy diets and Purchasing department and supply chain management when it comes to supply of raw materials). We chose this approach as we believe it is the best way for us to conduct high quality engagements, exercise effective stewardship and serve our clients' interests.

Use of service providers
We also use a provider, Sustainalytics, to support our engagement activities. Resources are dedicated to managing the relationship with Sustainalytics in order for the support to be as effective as possible. Sustainalytics works collaboratively with its clients to foster constructive dialogues with target companies. The use of these services helps us achieve ESG engagement outcomes with more companies and topics than we could without the use of this external provider. Although the engagements are led by Sustainalytics, Cardano strives to have an active role in some of them by participating in calls with the investee companies, attending Sustainalytics webinars and providing feedback to Sustainalytics on the development of their products.

Sustainalytics supports us in different ways:

- Engagements linked to controversies and (potential) breaches of the UN Global Compact and the OECD Guidelines for Multinationals. Sustainalytics monitors and screens a large number of issuers and opens new engagements in case of breaches. The engagements focus not only on resolving the problematic behaviour or incident, but also on asking for overall ESG improvements to mitigate the risk of reoccurrence.
- Engagements with companies with a high unmanaged risk on financially material ESG issues.
- Thematic engagements: Engaging a group of companies on a common theme, such as human rights, or circularity. These thematic programmes seek to achieve positive change and impact within key relevant industries.

Since 2023, we are also receiving a voting policy overlay service from Sustainalytics, which allows us to have an additional source of information for shareholder resolutions as well as escalating votes at companies with poor ESG performance and lack of engagement responsiveness. The service provides us with another point of view on a company and resolution, which we can incorporate in our analysis of a resolution when making our voting decision. In this process, we also consider the company's recommendation and rationale, our voting provider Glass Lewis' view and recommendations based on the Cardano custom voting policy as well as our own understanding of the topic and company to come up with our final decision.

Since the second half of 2023, we also subscribe to another provider that allows us efficiencies in tracking all the engagements we conduct. The platform, provided by GlassLewis in collaboration by Esgaia, allows us to track engagements, record outcomes, follow progress towards goals and report on additional data points, such as meetings and calls. It also allows us to collaborate more internally with different teams at Cardano being given access. In 2024, we continued to dedicate resources and time to integrate this platform in our processes and to ensure all users enter engagements and track progress in a similar way to ensure consistency in reporting.

Use of collaborative engagements
Cardano is part of collaborative engagement initiatives, as well as working groups. We see collaboration as a way we can contribute to a more sustainable financial system. By coalescing around common themes and methodologies, we benefit from external expertise, as well as sharing our own expertise.

Collaborating with other investors on stewardship activities is an effective use of resources.

- It enhances influence and legitimacy: the collective voice of investors carries more weight and can help drive more progress.
- Increased efficiency both for investors and companies.
- More industry-wide impact by contributing to broader environmental, social and governance benefits.

We will go into more details on the initiatives we are part of in subsequent principles, including Principle 4 and 10.

Engagement by portfolio managers
For our active strategies, our portfolio managers also perform engagement activities by addressing – when financially material, financial, environmental, social and governance topics during their conversations with companies. For example, our portfolio managers may address issues such as:

- The corporate strategy, balance sheet management and financials of the business
- Verify, clarify and receive an update on controversies
- Identify and understand potential vulnerabilities, regulatory impacts/threats and identify how the company tends to deal with them
- Companies' disclosures on certain metrics/policies.

Over 2024 we started a project to create more effective collaboration between investment teams and the stewardship team to begin tracking some of these engagements more formally.

Case Study:
Engagement with a Norwegian oil & gas producer

In September 2024, the portfolio managers engaged a Norwegian oil & gas producer on their response to the assumptions and recommendations made by the Australasian Centre for Corporate Responsibility (ACCR), which in 2024 released research showing that if the company stops exploring for new oil and gas reserves, and halts new projects outside of Norway, it can take material steps towards Paris alignment without diluting shareholder value.

Company's response to the recommendation to stop exploration of new oil and gas reserves worldwide:
The company stated that they do not focus on exploration activities in new areas. They clarified that their definition of exploration sometimes differs from common industry definitions. Typically, exploration activities are classified as exploration in new frontier areas, while drilling additional wells in the same formations or near existing production hubs is classified as brownfield development. Sometimes, these activities fall under maintenance capex, as they help maintain production levels and prevent natural decline. The company, however, classifies brownfield and part of usual maintenance activity as "exploration activity." Further development of existing or near-shore formations also comes at lower costs compared to developing new frontiers and generates higher returns.

Company's response to the recommendation to stop the development of Norwegian fossil fuel projects
The natural decline rate of oil and gas on the Norwegian shelf is rather high (5-10%), necessitating constant development to compensate. Cash generated from oil and gas activities is used to subsidize the development of renewable energy projects, which are often more costly, have less developed technology, and tend to have lower returns. The company is at the forefront of developing carbon storage projects to mitigate the impact, helping industries that have difficulty decarbonizing due to a lack of viable solutions to offset emissions.

Company's response to the following assumptions: "[The company] is unlikely to generate positive free cash flow from exploration until the 2050s. [The company] is not likely to be able to reinvest cash flows from exploration activities towards the energy transition due to its track record of taking an average of 13 years from discovery to start of production."
The payback period for brownfield developments that the company focuses on is on average ix months to 2.5 years. Sometimes producers make discoveries but shelve the projects due to financial or economic factors, prioritizing projects with high internal rate of return (IRR). Some discoveries never get the green light. It is not appropriate to use the methodology ACCR used for analysis. The brownfield exploration/developments tend to be low cost as producers do not have to develop the infrastructure to support the project

Conclusion:
We appreciate the company's clarifications, which broadly align with our expectations.

Incentives and training

Sustainability is embedded throughout Cardano and incorporated into compensation plans. Everyone at Cardano has a core sustainability and risk management objective as one of their formal targets and is supported by dedicated sustainability resources and commitment from the department heads and board members. Stewardship is incentivised through clear KPIs which are tailored to each role and individual, as well as aligned with our core values, which we described under Principle 1.

All employees of Cardano are provided with regular updates and information on sustainability. We continue to organise regular training sessions throughout the year for all employees to understand how different teams work, such as sessions on our investment strategies which incorporate how sustainability fits in the investment process. In 2024, Cardano launched the "Cardano University", a 12-week inhouse course to gain in-depth knowledge of the business and develop a solid foundation in key financial concepts. One of the sessions was dedicated to Sustainability and how it is integrated into our financial decision-making and corporate responsibility initiatives.

Sustainability information, education and know-how is regularly circulated on a dedicated sustainability distribution list, accessible by the investment team. Environmental, social and governance factors are also regularly discussed at quarterly investment committee meetings.

Cardano has actively encouraged several employees to undertake formal training in sustainable investing through the CFA. In 2024, one of the stewardship team members completed the Oxford Stewardship and Engagement Leadership Program.

Equality, diversity and inclusion (EDI)

Equality, diversity and inclusion (EDI) is at the core of our culture and how we run our business. This facilitates effective stewardship by diversifying talent, managing risks and helping inform balanced decisions. We believe our own diversity makes us better stewards of our client assets.

We aspire to be truly diverse, fair and inclusive with the right talent to deliver the best possible results for our clients and to reflect the society we serve. We aim to achieve diversity across all dimensions and to make the Cardano Group a truly great place to work, where all of us can thrive and contribute to our success and where we all feel a sense of belonging. Our strong company values and beliefs lead us to engage with different initiatives and to improve the debate across all types of activities that we are engaged in around EDI. Our EDI approach and initiatives can be found here.

A few examples worth highlighting are:

- We continue our partnership with mallowstreet, a pension dedicated members-only community website and published our Equality, Diversity and Inclusion report 2024.
- External managers Diversity Inclusion Survey: on a yearly basis, Cardano conducts a survey covering all managers for Cardano delegated and advisory clients. This was conducted again in 2024.
- Cardano is part of the Diversity Project since 2020. This is a cross-company initiative championing a more inclusive culture within the investment and savings profession. In 2024, one of our senior client directors took over as representative of Cardano at the Advisory Council of the project. At the end of 2024, Cardano ended its membership as Mercer is also member of the Diversity Project. In 2025, we will continue to attend the Advisory Council meetings as one entity.
- In 2024, we continued our partnership with the #10000BlackInterns and Able Interns Programme.
- Via our Pride Network, Cardano aims to support LGBTQ+ colleagues and allies both within and outside the workplace.

In terms of diversity data for Cardano, at the end of 2024, the company's management board had 17% Female and 83% Male (same as 2023), partners were 19% Female and 81% Male (up from 16% female in 2023)) and at group level, employees were 60% male and 40% female (constant since 2023).

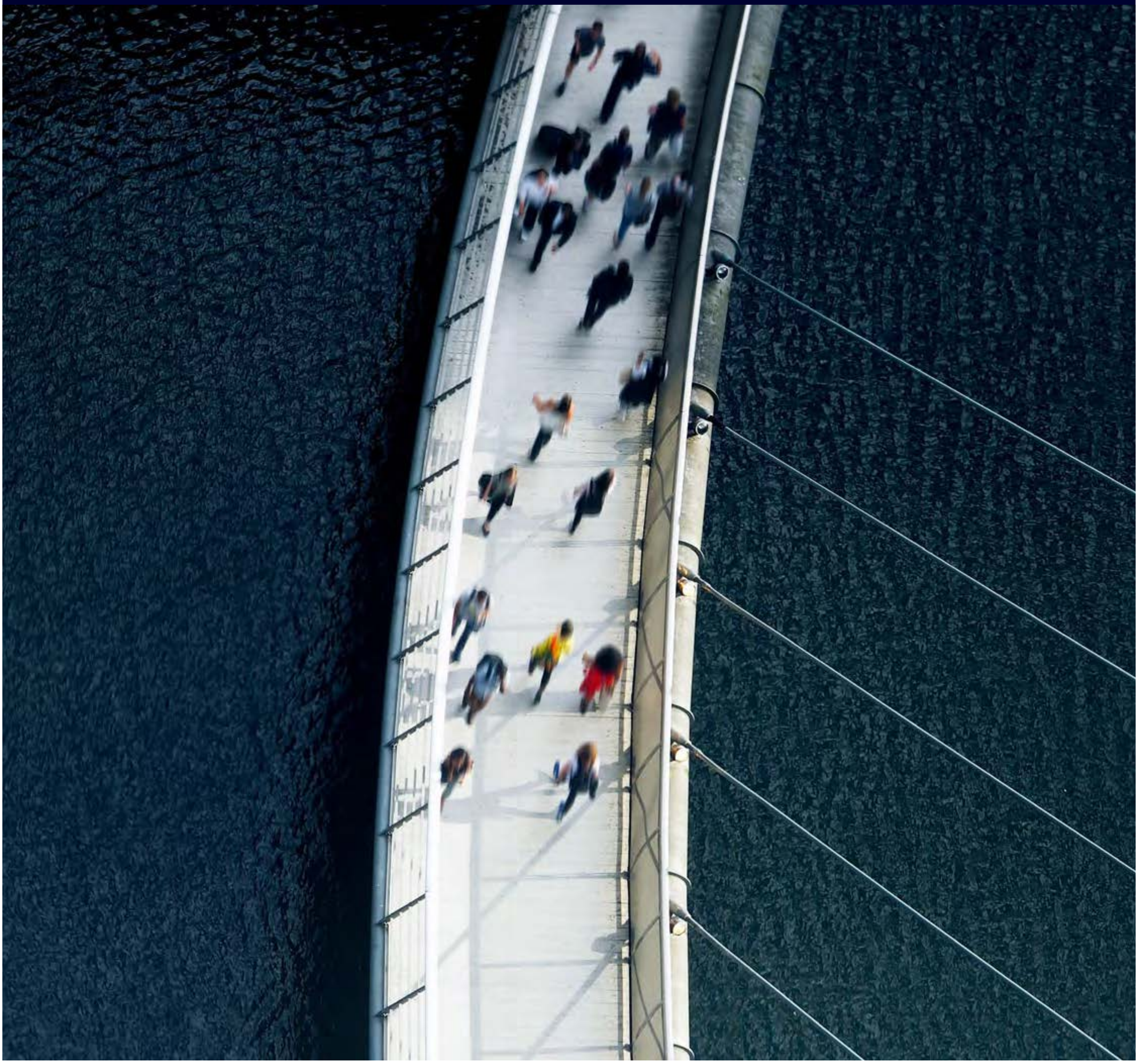
Improvement

Cardano recognises the importance of sustainability and effective stewardship – but also the challenges involved in 'doing it well'. We continue to develop and evolve our policies to reflect sustainability challenges. This reflects the evolution of our thinking on sustainability and the changes underway in the financial services sector, and society more broadly. For example, in 2024 we invited a guest expert to present to the Cardano Sustainability Group on the topic of deep-sea mining, which is still in its early stages of development and not yet used on a commercial scale. This conversation helps us make informed decisions on this topic as it develops.

In 2024 we continued our participation in the PRI and Thinking Ahead Institute-led Stewardship Resourcing Technical Working Group. The main objective of the group was to develop a calculation methodology to estimate the appropriate levels of resources that investors should dedicate to stewardship activities. In 2024, Cardano participated in working group meetings and contributed to the research report, which was published in May 2024.

Principle 3:

Signatories identify and manage conflicts of interest to put the best interests of clients and beneficiaries first.



Given our broad client base and diverse business offerings, we will face situations where the interests of one client may conflict with the interests of another, or even with the interests of the Company itself. Our code of conduct requires us to identify such situations promptly, resolve them with integrity and treat our clients fairly. The Conflicts of Interest Policies adopted by the different Cardano entities set out guidelines and procedures for identifying, monitoring, and managing actual, potential, and perceived conflicts of interest to enable conflicts to be identified and managed. The conflicts of interest policies are maintained and reviewed regularly to ensure that all decisions are made placing the best interests of clients and beneficiaries first.

Cardano Risk Management Limited

Cardano Risk Management Limited has a detailed Conflicts of Interest Policy which is reviewed and updated annually. The policy is supported by a Conflicts of Interest Register and a Conflicts of Interest Inventory which are updated with details of conflicts of interest that arise, and the mitigation activity undertaken. A summary of our Conflicts of Interest Policy is available on our UK website and can be found here.

Although we recommend reviewing the policy in full, the key points are as follows:

- The Conflicts of Interest Policy identifies actual and potential conflicts arising within Cardano Risk Management Limited and procedures for managing those conflicts. Employees and contractors and any other person directly or indirectly linked to us by control involved in the provision of investment services to Cardano Risk Management Limited's clients must adhere to this policy.

- Cardano Risk Management Limited has established and implemented the Conflicts of Interest Policy which is appropriate to the investment services it provides. This policy is designed to address and manage potential conflicts of interest effectively, taking into account the needs and characteristics of its client base. The policy considers circumstances, of which Cardano Risk Management Limited is, or should be, aware, that may give rise to a conflict of interest. This includes considerations related to the structure and business activities of other members of the Cardano Group, ensuring transparency and alignment with ethical standards.

- Cardano Risk Management Limited is required to take all appropriate steps to identify and prevent or manage conflicts of interest that may adversely affect the interests of a client. Everyone in Cardano Risk Management Limited involved in providing investment services to clients must be aware of potential conflicts of interest.

- Conflicts of interest, once identified, must be managed in a way which ensures that clients' interests are not adversely affected. This means that the conflict should be managed in such a way that all clients are treated fairly, and Cardano Risk Management Limited conducts its business with integrity and according to proper business standards.

As well as the Conflicts of Interest Policy, other policies, including the Personal Account Dealing Policy, Market Abuse Policy, Anti-Bribery Policy, Inducements Policy, and Best Execution Policy ensure that certain conflicts of interest are managed appropriately.

All colleagues receive an introduction and periodic training on their obligations regarding conflicts of interest under Cardano policies and the regulatory system. This includes, but is not limited to:

- The obligation to take all appropriate steps to identify conflicts of interests that arise, prevent conflicts of interest from adversely affecting the interests of our clients and where we are not able to ensure this, Cardano must clearly disclose the nature of conflicts of interest to the client before undertaking business on its behalf; and

- As it is not possible to ensure that colleagues are not made party to inside information by clients and other third parties, colleagues are trained on what constitutes inside information and their obligations in respect of insider lists, not disclosing inside information and trading activity.

This approach is designed to ensure that conflicts of interest between clients of Cardano and between Cardano and one or more clients are managed appropriately.

Example of potential conflicts of interest:

We encourage an active stewardship strategy by third party managers, and we retrospectively monitor the extent of stewardship activity and stewardship results. We will not ordinarily request that a manager undertakes specific stewardship activity or give a view on a stewardship decision to be taken. Therefore, conflicts of interest will not ordinarily arise as a result of us voting or influencing voting on matters affecting a client or parent company. In the unlikely event that a conflict does arise due to Cardano giving a view to a third-party manager on a stewardship decision in respect of an investee company that is either connected to a client of Cardano, an affiliate of Cardano or an employee of a Cardano Company or affiliate;

- as required by the Cardano Conflicts of Interest Policy, the issue will be escalated to our Compliance Officer to oversee that the conflict is managed appropriately. This may involve consultation with our Legal function, Chief Investment Officer and Chief Executive Officer as appropriate.

- As it is likely that more than one client will have exposure to the investment in question, in order not to favour one client over another and to stay within its mandate, we will ordinarily push for the course of action that maximises the likely return under the stated strategy of the manager.

- We will aim to be transparent with a client that is subject to the stewardship activity, however, this may not be possible depending on the extent to which we are an insider or subject to non-disclosure obligations.

An inventory of the potential conflict of interest that could arise day to day is maintained by the UK compliance team and is part of the Compliance Manual. The Inventory contains the expected mitigation measures.

No conflicts of interest issues pertaining to our stewardship activities were escalated during the 2024 period.

Cardano Asset Management
In 2023, we merged the conflicts of interest policies of Cardano Asset Management and Cardano Risk Management B.V. (Dutch legal entities of Cardano Group). Since then, the two entities apply a consistent conflict of interest policy in order to safeguard the interests of their clients in a balanced manner.

Cardano Asset Management is an authorised Alternative Investment Fund Manager regulated by the Netherlands Authority for Financial Markets (AFM) as referred to in Article 2:65 of the Financial Supervision Act (Wet op het financieel toezicht - Wft). In addition, it is authorised to provide asset management services and investment advice as well as to receive and transmit orders on behalf of its clients as referred to in Article 2:67a (2a, b and d) (Wft). The execution of these activities can result in conflicts of interest situations, which are captured by the Conflicts of Interest policy.

The purpose of the policy is to ensure that conflicts of interest within Cardano are identified, managed and, where necessary, disclosed in order to ensure the fair treatment of clients (including a client's sustainability preferences) and to reduce the risk of legal liability, regulatory censure or damage to Cardano's commercial interests and reputation.

This responsibility rests with all colleagues of Cardano and colleagues should escalate to Compliance as and when it is appropriate to receive advice or approval to ensure that (i) conflicts of interest are managed appropriately and (ii) for conflicts of interest to be documented in the register. The Conflicts of Interest Policy identifies actual and potential conflicts arising within Cardano and describes procedures for managing those conflicts. Everyone in Cardano (including contractors and any other person directly or indirectly linked to us by control) involved in the provision of services to Cardano's clients must adhere to the policy.

In summary:

- The policy defines a conflict of interest as a situation where competing obligations or motivations result in or are likely to result in detriment to the client and/or its sustainability preferences. The policy provides a non-exhaustive list of such situations, where such a conflict may occur.

- The policy identifies the risk owner of the policy as the Chief Financial Risk Officer. He is responsible for ensuring the effective development, operation and management of the entire policy and related processes.

- The policy mentions that the policy is maintained by the Chief Financial Risk Officer in cooperation with the Compliance team acting in close consultation with the Cardano Board of Directors and relevant Cardano departments.

- The policy details the responsibility of managers and employees to identify, prevent, manage and monitor conflicts of interest. In summary, employees are obliged to report any situations that give rise to a potential conflict of interest to their immediate manager and the Compliance Officer. Compliance will review on an annual basis the conflicts of interest register and reports to the Board of Directors.

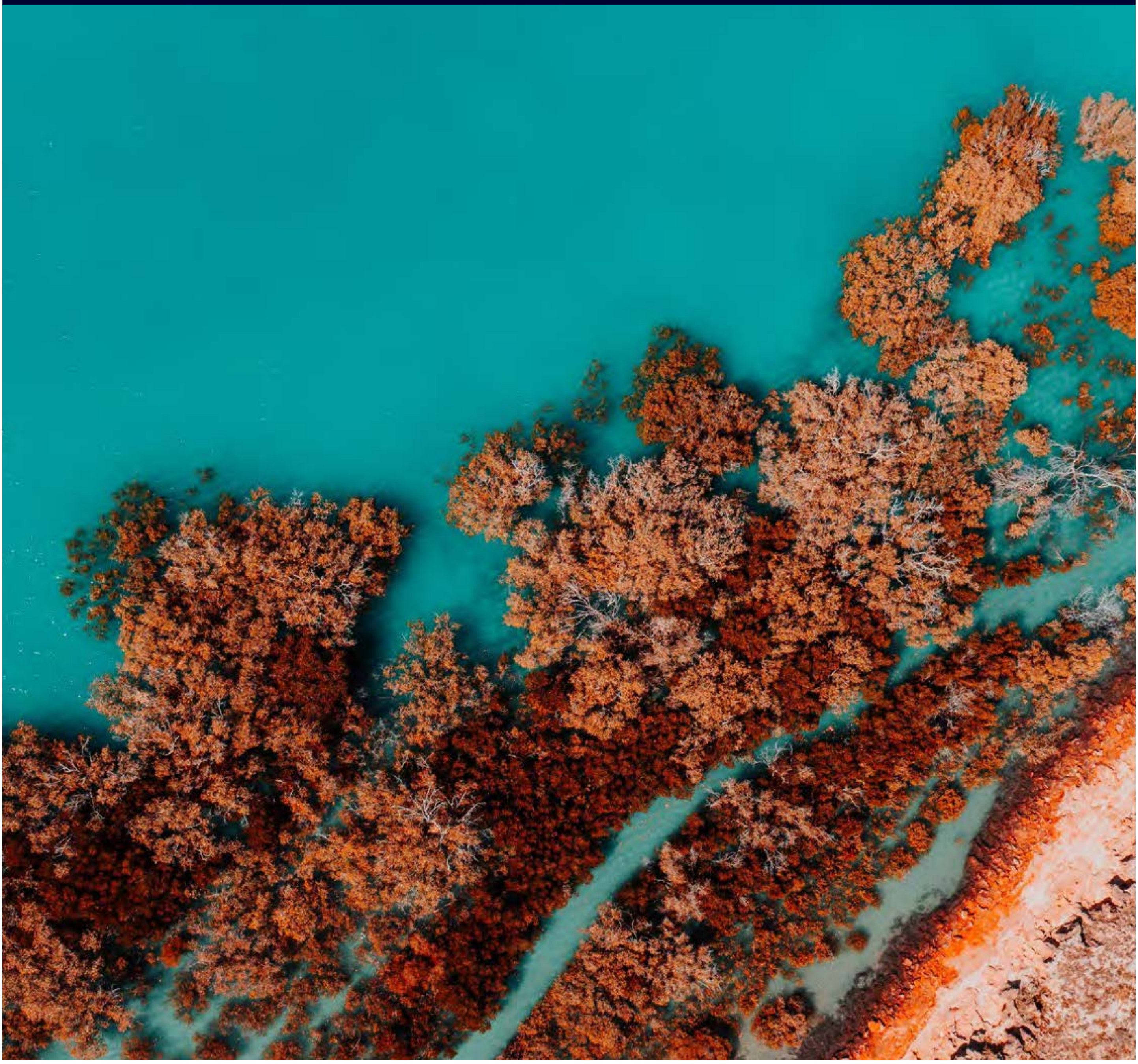
Cardano could be in a situation where there is a financial incentive to favour the interests of one client or group of clients over the interests of another client or group of clients. The policy stipulates that Cardano is required to take all appropriate steps to identify actual and potential conflicts of interest that may cause a material risk of damage to the interests of a client and/or fund. For example, in the case of bond orders across clients with limited capacity such that a full position cannot be obtained by all clients, Cardano's allocation policy ensures that there is fair allocation between all clients on orders and ensures that no client is given preferential treatment.

To ensure the organisation is informed of potential conflicts of interest at all times, employees are obliged to report every situation that may give rise to a conflict of interest to their immediate manager and the Compliance Officer. All potential material conflicts of interest identified at Cardano are recorded in the Conflict of Interest Register.

No conflict of interest was recorded in 2024 in the Conflict of Interest Register.

Principle 4:

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.



Managing market-wide and systemic risks

All market and systemic risks are overseen by our Investment Committees apart from Sustainability risks which are overseen by the Sustainable Policy Committee. The Sustainability Investment Committee brings the sustainability team together with the investment team to make decisions which may require input from both areas.

Our clients are exposed to several market-wide and systemic risks, including:

1. Interest rate risks
2. Inflation risks
3. Equity market risks
4. Credit market risks
5. Currency risks
6. Geopolitical risks
7. Collateral risks (arising from the use of derivative contracts) and liquidity risks
8. Longevity risks
9. Systemic sustainability risks including climate change, biodiversity loss, water scarcity, cost of living crisis and other environmental, social and governance risks.

These risks are identified through the extensive in-house expertise that the team have gained from operating in these various markets. For example, our in-house LDI and Credit teams have extensive experience in managing collateral risks and monitoring market liquidity conditions and regularly trade in interest rate and inflation linked markets.

The Board considers risk management as a critical component of the company's strategic decision-making and governance framework. It ensures risks are identified, assessed, and managed in alignment with the company's risk appetite. The Board regularly reviews risk reports and fosters a risk-aware culture to enhance the company's operational resilience.

Understanding of systemic sustainability risks is supplemented by the external working bodies we are part of such as the UN PRI, IIGCC etc.

Our investment approach seeks to consciously manage the first six of these risks through diversification, the use of "protective" assets and active asset allocation.

For collateral risks, we regularly use scenario analysis to understand the potential impact of market-wide and systemic risks, which feed into both portfolio management (for example in our multi-asset team portfolios) and in collateral management. In 2023 various enhancements were made to the collateral and liquidity management frameworks in response to the experience and learnings of the 2022 Gilt market crisis and new regulatory requirements.

We have investigated longevity risk for several of our clients, and many of them use specific tools, including longevity swaps and buy-ins to manage those risks.

Regarding systemic sustainability risks, in 2024 we published an updated Sustainable Investment Policy and related Appendices, available on our website. The policy's starting point is based on the understanding that we face a diverse yet interlinked set of systemic sustainability risks which impact our entire portfolio and that we have a responsibility in addressing. Lack of progress in maintaining social foundations and operating within the planetary boundaries increase longer-term systemic risks that will impact the economy and our portfolio. As explained in our investment beliefs, we believe that by addressing these systemic sustainability risks we can contribute to reducing long-term financial risks by driving real world change towards a more sustainable society that operates within the planetary boundaries and with strong social foundations.

We believe that focusing on the transition to a sustainable society in our investments helps address these systemic risks. We shape our investment strategies and influence through two channels: capital allocation and stewardship.

One of our goals with stewardship is to help reduce market-wide systemic sustainability risks and achieve real world positive outcomes, which will improve overall economic system resiliency. In relation to systemic sustainability risks, we defined several portfolio goals, including reaching:

- Net zero green-house-gas emissions by 2050 with interim objectives
- Net zero deforestation by 2030
- Water neutrality in water scarce areas (not consuming more than nature can replace) by 2030
- Although more difficult to monitor through key performance indicators, we have also set a goal of progress towards a circular economy by 2050 and human rights and social capital goals for our portfolio

We invest globally and need to protect the long-term value of our diverse portfolio. To do this, we combine stewardship tools to effectively encourage improvements for addressing sustainability risks and opportunities. We encourage companies to address their externalised social and environmental costs, which are an outcome of insufficient regulation and market failures in having companies account for them in their balance sheet calculations.

Case study:
Health as a market wide risk

One example of our response to market-wide risks is related to health. Good health is important to individuals, to communities and to the economy. By affecting people's ability to work and inflating healthcare costs, ill health represents a long-term systemic risk. Cardano therefore sees it as an important sustainability topic and thrives to encourage change on the topic through stewardship.

Cardano sees health as an essential component of a sustainable society, in line with the third UN Sustainable Development Goal (SDG), which promotes good health and wellbeing. Through several initiatives, Cardano continued to encourage progress on the topic of health:

HEAL – Engaging companies in the restaurant industry on access to healthy diets
Growing obesity rates worldwide represent a long-term systemic risk, with cost of healthcare linked to this health crisis being a strain on the economy. The role of companies in this crisis are not ignored by governments, who are introducing legislation to try and address the issue. Health is therefore also a legal and financial risk to companies in the food industry.

Cardano already engages food manufacturers on the topic via the Access to Nutrition Initiative (ATNI) and the ShareAction Long-term Investors in People's Health (LIPH) program but wanted to do more. Recognising the need to expand work on the topic, it started working in 2023 with three other Dutch investors and created the Health Engagement Alliance (HEAL), which officially launched in September 2024. The group recognises the role the financial sector must play in enhancing health worldwide and has started to engage six companies in the out-of-home food sector, which include restaurant chains, cafes and catering companies. These companies were not yet engaged on the topic of health and recent research show that they contribute to higher calorie intake than food prepared at home, due to large portion sizes and menus that are typically higher in fat, sugar and salt.

Cardano believes the sector has an important role to play and can make progress on addressing health as a risk and opportunity. The goals of the engagement are set on an assessment framework which looks at whether the company has a policy in place on healthy diets, efforts on labelling and accessibility of nutrition information, responsible marketing practices and alignment with lobbying efforts. Calls were held with three companies in 2024, and further calls are being scheduled in 2025.

Recent investor statements supporting health as a sustainability topic
As part of our stewardship efforts, Cardano recently signed several public investor statements on the topic of health. These contribute to communicating our commitment to broader stakeholders and influence corporate and public behaviour.

Investor Air Quality Statement
Air pollution is a major issue affecting public health and the performance of businesses and the economy. It is responsible for many economic costs, including healthcare, environmental damage, and loss of work productivity. Recognising the important of the issue for the transition to a sustainable society, Cardano signed in September 2024 a joint Investor Air Quality Statement. Coordinated by ShareAction. The statement highlights investor support for public action on the topic, and encourages companies to better measure, disclosure, and manage air pollution related risks.

Investor and Banking Statement on Vaping
In September 2024, Cardano signed the Investor and Banking Statement on Vaping, which is part of the Tobacco Free Portfolios initiative, to which Cardano is a signatory. The Statement calls on UN member states to prioritise and implement measures to reduce the appeal and availability of vapes to children; strengthen enforcement around vaping sales; and reduce vaping through stronger legislation, enforcement, education, and support. The statement highlights WHO research on the topic and associated health risks, as well as the environmental impact of vaping products.

Investor Action on AMR (IAAMR) Public Investor Statement
The financial and economic risks linked to antimicrobial resistance (AMR) represent a systemic risk to long term investment returns, the economy and society. In August 2024, 80 investors, including Cardano, together representing over US $13 trillion in combined assets, signed the Investor Action on Antimicrobial Resistance (IAAMR) Public Investor Statement. The statement is the latest call to action from the IAAMR initiative, founded by the Access to Medicine Foundation, the FAIRR investor network and the UK Department of Health and Social Care. The investor signatories are calling on global leaders and policymakers to act on seven critical asks for tackling AMR, including science-based guidance and targets.

Case study:
Engagements on biodiversity

A second example of our response to market-wide and systemic risks is related to biodiversity. We have engaged on biodiversity for many years. In 2024, we made progress on the implementation of our objective set in our biodiversity strategy, which describes the risks biodiversity loss creates for financial markets and the steps we take to mitigate for these risks. We also describe our aim to reverse the trend of biodiversity loss. To reach this, we aim to become climate neutral, halt deforestation, become water neutral and reduce waste and pollution, which all help to reverse biodiversity loss.

We take two steps to monitor progress on these goals.

- First, we monitor how well issuers in which we invest manage their biodiversity impacts and take steps to halt or reverse their negative impacts. Second, we work on novel indicators to measure the impacts of our investments on biodiversity. We have assessed the biodiversity-related risks of our investments with the UNEP-FI ENCORE tool and with the WWF Risk Filter which allows us to identify the sectors and regions that cause the highest biodiversity-related risks and impacts.

- In addition, jointly with the Impact Institute, we have developed a novel indicator to measure biodiversity loss of our investments (see e.g. https://www.cardano.nl/en/unique-methodology-to-measure-impact-on-biodiversity-loss-helps-investors/). This provides information on a company level about the impact of a company's activities on biodiversity and the driver that creates this loss.

The information helps us to improve screening and research and only select issuers that properly manage their biodiversity-related risks or that take the necessary steps to reduce their risks. It also helps us to prioritise our engagement efforts on biodiversity.

We have signed on as an early adopter for the Taskforce on Nature-related Financial Disclosure (TNFD). We are now part of the list of inaugural Early Adopters who have flagged their intent to adopt the TNFD recommendations and incorporate them into our reporting by the end of 2025. Cardano can be found on the list here.

Engagements

Investor Initiative on Hazardous Chemicals
The vast majority of products rely on some form of industrial chemical processes. However, many of the chemicals used for these processes, such as PFAS, are considered hazardous to biodiversity and human health. The chemicals are seen as a major cause of the decline of animal species and global biodiversity. Despite these large risks, chemical companies continue to use these hazardous chemicals. Hazardous chemicals pose systemic risks to universal owners like Cardano because their use and distribution lead to widespread externalities. To reduce the negative effects of these chemicals and the financial risks to our portfolio, we joined the Investor Initiative on Hazardous Chemicals (IIHC) in 2023.

To mitigate these systemic risks and promote safer chemical practices, Cardano actively participates in the **Investor Initiative on Hazardous Chemicals (IIHC)**.
The initiative coordinated by ChemSec engages with 31 companies to encourage:

1) **Greater transparency** – Companies should disclose the revenue share and production volume of products that contain hazardous chemicals or are themselves classified as hazardous.

2) **Time-bound phase-out plans** – Companies should publish clear, time-bound plans to eliminate the use of hazardous chemicals.

3) **Development of safer alternatives** – Companies should actively work towards replacing hazardous chemicals with safer substitutes.

ChemSec evaluates companies based on these objectives, using a structured assessment framework with a maximum score of 48 points.

Cardano's Engagement
As part of this initiative, Cardano leads the engagement with one chemicals company alongside another investor and actively participates in dialogues with three other companies in the sector. Initial discussions with all four companies took place in early 2024, followed by written follow-ups outlining investor expectations. In November 2024, the investor coalition sent formal letters to all 31 companies in the initiative, urging them to commit to the stated objectives. Subsequent meetings with two of the companies took place in early December.

Progress and Challenges
While discussions have been constructive, progress towards safer chemicals remains slow. Many companies continue to prioritize the production of hazardous substances over the development of sustainable alternatives. Two key obstacles frequently cited by companies include:

1) **Concerns about competitive disadvantage –** Increased transparency is perceived as a risk to their market position.

2) **Disputes over PFAS risks –** Some companies argue that certain PFAS, such as fluoropolymers, do not pose significant harm to human health or the environment.

Despite these challenges, one company has made notable progress in improving transparency. Three years ago, the company removed all publicly available details about its product portfolio, making it impossible to assess its chemical production activities. Additionally, the company initially refused to engage with ChemSec. Recognizing transparency as a critical issue, investors prioritized this topic in their engagements. As a result, in June 2024, the company republished its manufacturing portfolio and resumed discussions with ChemSec, leading to a 4-point improvement on transparency.

Engagement with all companies will continue into 2025, with a focus on accelerating the transition towards safer chemical alternatives. Cardano remains committed to addressing systemic risks in the chemical sector and driving meaningful improvements in corporate practices.

Case study:
Satellite-based engagement towards deforestation-free supply chains (continuation of programme)

In 2024, the Cardano-led Satellite-based engagement towards deforestation-free supply chains programme made additional progress since previously reported to stakeholders. Deforestation is a systemic risk involving numerous sectors. Forest degradation driven by agricultural commodity production is one of the largest drivers of biodiversity loss, with sequential impacts on climate as a result. We therefore see this engagement initiative as essential to our stewardship programme.

The goal of our collaborative initiative is to encourage investee companies to make progress on preventing forest loss and achieving sustainable, deforestation-free supply chains. Cardano sources analytics from Satelligence, allowing our engagement group to detect and quantify forest cover loss, caused by palm oil commodity production, which is linked to our investees' supply chains.

In the second half of 2024, we acquired new data from Satelligence with an expanded scope. Previously, we received reports on deforestation incidents which were updated every six months, whereas we now have access to an online portal with data updated on an ongoing basis. With the new system, we can focus on incidents that are occurring in protected reserves, or on peatlands, and see whether they occur in primary forest, disturbed forest or regrowth areas. This allows us to engage with companies about their links to deforestation in areas that are most impactful and to then encourage more robust remediation.

With the online portal, we also have a view into companies' suppliers and mills that do not comply with the EU deforestation regulation cutoff dates. Beyond palm oil data, also have jurisdictional risk maps for cocoa and soy from Satelligence. These help us assess how companies are addressing risk in the most critical regions in their supply chains and as input for our dialogues.

Source: Satelligence

Cardano's responsibility for the programme remains as the convener and coordinator. We take the lead in organizing investor group meetings, ensuring investors are progressing with each engagement, providing advice and strategic input, improving information sharing, and bringing in external expert organizations to improve the knowledge of the group. Beyond our programme leadership role, we also continue to take the lead on the company engagements for two of the companies in the program. As we continue our engagement activities with the new data, the level of detail in our dialogues evolves and we refine our objectives. While progress has been made in the palm oil supply chain, we understand from the research and from our portfolio companies that cocoa and in particular soy, remain very challenging areas to address, due to lack of traceability. Looking forward, we will continue working with Satelligence to get access to more granular level insights in these supply chains as well.

We innovate

Eco-acoustic study
Cardano has increasingly been prioritising the management of systemic risks of its portfolio, and it has become clear that a deeper understanding of diverse issues affecting the portfolio – and the broader economy – is essential. Among these topics, biodiversity is a significant area of focus. The need for effective methods to measure progress towards biodiversity goals is growing. A key challenge that remains

is obtaining reliable real-time data to evaluate the success of biodiversity management strategies. In 2023, we started to sponsor an eco-acoustics project, led by Green Praxis, a nature-based solutions provider. In December 2024, we received the results of the second Green Praxis-led eco-acoustics study sponsored by Cardano in collaboration with the same investor group.

Objective of the study

The study was conducted to assess biodiversity in palm oil production, conservation, and pristine forest areas in Malaysia using ecoacoustics methods. The palm oil production and conservation plots were owned by a public integrated palm oil plantation company who agreed to participate. Picking up on the first study conducted in Indonesia, the goal for this second study was to refine and improve the method to conduct rapid, non-invasive and scalable biodiversity assessments, using audio recordings combined with automated analysis to evaluate biodiversity and habitat restoration efforts.

Improvements in the method since the first study

- Data Collection: A much larger data set was collected compared to the first study, with three weeks of recordings made across production, conservation, and pristine forest plots. Affordable AudioMoth devices[1] were used alongside high-end equipment, to determine whether they could provide quicker scalability.
- Analysis: Machine learning was integrated to help automate the classification of habitat types and biodiversity scoring, and proved useful in accurately differentiating between production, conservation and pristine forest plots.
- Access to a Pristine plot: A limitation during the first study was the absence of a pristine forest (as a control to the study), as true pristine forests are no longer common and are difficult access. For this second study, the Green Praxis team with some perseverance was able to conduct recordings in the Ulu Kinta Forest Reserve, which is one of the oldest tropical rainforests globally. It served as a strong control to the corresponding conservation plot and production plot recordings.

Image: Production plot in Malaysia

Source: Green Praxis

Key findings

- Biodiversity patterns: There were clear differences recorded in soundscapes between production, conservation and pristine areas. Conservation plots demonstrated biodiversity levels which were halfway between those observed in pristine and production plots. Given the relatively short period (under 10 years) that the conservation plots were initiated, this suggests that there was success. Pristine plots had unique biodiversity features not shared with production areas.
- Scalability: A key consideration for the investor group was to understand the scalability of eco-acoustic technology. The more affordable AudioMoth recorders proved that they were just as reliable as the more expensive devices, paving the way for more widespread use and uptake.
- Technical advances: The success thus far of adding machine learning components allows for more rapid scalability.

Cardano takeaways

- Practical applications: We were excited with the results and that the study demonstrates the feasibility of cost-efficient, scalable biodiversity assessments using ecoacoustics.
- Conservation outcomes: Conservation efforts by the palm oil company show promising biodiversity recovery. This can be used by the investor group to provide a signal to other investee companies that conservation efforts may be fruitful for improving biodiversity in a relatively short period. However, there does remain a gap between restored and pristine ecosystems.

1 An AudioMoth device is a low-cost, open-source, portable sound recorder designed for environmental monitoring.

- Future potential: The approach supports large-scale, inexpensive biodiversity monitoring, with the ability to adapt to new geographies and ecosystems. This could be valuable as investors seek increased consistency and transparency from portfolio companies about their biodiversity impact. It also provides a tool for quantitatively measuring progress towards achieving their nature goals.

Geospatial data
Part of the challenge of addressing systemic and market-wide risks is having insights into where physical risks and impacts are occurring and the actions that should be taken to mitigate them.

Cardano's solution to this challenge was the creation of Geospatial risk data. This pioneering new initiative uses remote sensing, based on cutting-edge satellite imagery, to provide a vivid picture of the environmental risks to which a particular investee company may be exposed worldwide – or of situations where its operations may be at risk of doing harm.

Risks which can be identified from space range from hurricanes, droughts, wildfires, coastal flooding, heat stress or cold stress, water depletion, untreated connected wastewater, deforestation and diminished air or soil quality.

The Geospatial Data model we have developed has a plug-and-play dashboard into which information is fed about a company's geographical locations, its plants, operations and activities, and where its revenues are generated. This information is then overlayed with heat maps to answer key questions regarding elements of risk. They could for example, be related to water scarcity, and whether a company's production facilities are water dependent. Or, if for example the business involves agriculture, then the tool can provide insights about any increased likelihood of extreme heat in the future as well as the risk of proximity to a pristine habitat. In addition, the tool explores the risk exposure to social issues i.e. the presence of damaging operations within or near indigenous land.

In 2024, we continued to investigate and develop multiple uses for the data. This includes assessing the water risk of assets, the detection of deforestation incidents in commodity supply chains, assessing asset exposure to climate risk in the Real Estate sector, and the creation of physical risk reports at the company level. We are in the process of integrating the Geospatial Data into our processes, including engagement activities. These more detailed and granular insights can help us to have more informed discussions with companies.

Participation in policy consultations and market initiatives

This past year, we responded to multiple market and public policy consultations and initiatives, covering a range of sustainability topics. We collaborate on market-wide initiatives and public policy to strengthen our influence beyond individual companies, aiming to affect industry standards and regulatory frameworks – all with the goal of managing systemic and market-wide risks. A few examples of these are below.

Institutional Shareholder Services (ISS) and Glass Lewis Global Policy Surveys
In 2024, we submitted our recommendations to both Glass Lewis and ISS on how to strengthen their policy recommendations and incorporate the principle of 'universal ownership' in their voting advice. ISS and Glass Lewis are the most influential proxy advisors and play a large role in determining proxy voting outcomes globally. We believe that advisors should incorporate systemic risk assessments in their voting advice. The impact of companies on environment or social factors can cause instabilities across industries or economies, leading to systemic risks that can impact the entire portfolio. We advised ISS that the prioritisation, evaluation, and mitigation of systemic risks are key elements to voting advice and that it should consider principles of 'double materiality' to inform its voting recommendations on topics including racial justice, human rights, climate, nature and biodiversity.

Our 2024 submissions included among others:

- Input about the executive pay gap being problematic both for companies and systemically as it can impact employee morale and organizational culture in addition to income inequality, and social unrest.
- Feedback on data points relevant for assessing climate transition strategies including 1) scope 1 through 3 emission targets and whether they are externally validated 2) efforts to ensure a just transition 3) public policy transparency and positioning 4) board accountability: oversight and expertise, accountability mechanisms, scenario analysis and robust risk assessment.
- Our position on evaluating corporate climate transition strategies to inform board member elections.
- Feedback on companies' climate strategies and targets, stating that these should include all emissions include scope 3 and include short, medium and long-term goals, since scope 3 emissions account for 70% of the emissions on average for most sectors.
- Expectations of the disclosure of decarbonisation plans and evidence of CapEx alignment to those plans.

- Support for proposals on disclosure related to board diversity, political spending, human capital management, consumer product safety, climate and environmental justice, and oversight of technology company products and services.

- What type of actions and escalation measures we may pursue during or following unsuccessful engagements, highlighting our comprehensive stewardship approach, and expectations of a proxy advisor.

EU Deforestation Regulation Investor Statement
Towards the end of 2024, we signed on to an investor statement opposing the delay and dilution of the EU Deforestation Regulation (EUDR). Deforestation poses material financial and systemic risks that threaten the long-term value of our portfolios. The EUDR represents a critical regulatory step in mitigating systemic biodiversity loss and climate change by ensuring that supply chains become free from deforestation-linked products. Delaying and weakening the regulation undermines global efforts to protect forests. This statement was aligned with the discussions we have with companies via our collaborative engagement program using Satelligence data, as described earlier in Principle 4.

Unfortunately, despite our support, the European Parliament approved the one-year delay and introduced a 'no-risk' rating, weakening the regulation by exempting entire countries from the law's requirements. We will continue to engage companies on this topic, and via policy consultations and statements as opportunities arise.

Science Based Targets Initiative (SBTi) consultation on Chemicals Sector guidance
Cardano provided feedback to the Science Based Targets initiative (SBTi) consultation on its 2024 Chemicals Sector Guidance, emphasizing the need for stringent emissions reduction targets across the chemicals value chain. Our response strongly supported mandatory scope 3 category 1 emissions targets for purchased primary chemicals, ensuring accountability for feedstock-related emissions. We also advocated for absolute emissions reduction targets for nitrogen fertilizer use, rejecting nitrogen use efficiency (NUE) as a proxy due to its limitations in directly addressing greenhouse gas emissions. Additionally, we backed ambitious thresholds for alternative feedstocks, reinforcing the necessity for transparent transition plans in line with 1.5°C pathways. Our engagement aligns with investor priorities by promoting clear, science-based decarbonization strategies, providing investors with the necessary disclosures to assess companies' transition plans effectively to reduce systemic risks.

Participation in collaborative engagement initiatives and industry working groups
As we mentioned in Principle 2, we strongly believe in collaboration and it is one of our defining principles on how to approach stewardship. Collaboration is efficient and effective. It allows us to benefit from external expertise, and we of course contribute our expertise where appropriate to do so.

Collaboration forms a key part of our contribution to a more sustainable financial system. By coalescing around common themes and expectations, we send clear messages to the companies we own – and to our regulators. Collaboration allows for a faster, smoother transition. The themes we engage on are not isolated issues, they are interconnected and require a multi-stakeholder response. These themes drive our collaboration efforts and comprehensive approach. Addressing climate transition for instance, requires coordination with industries on decarbonisation, and encouraging progress on biodiversity loss needs to be addressed within multiple drivers such as deforestation, waste management and hazardous chemicals production. Similarly, social themes, such as living wages and human rights, also require collaboration to drive meaningful improvements in global supply chains.

We participate in working groups, contribute our input and expertise where appropriate, and listen to and learn from others. We participate across our business so that our sustainability expertise is widely embedded across our investment, manager research, LDI and client teams. In addition, we encourage and assess our third-party managers on their participation in relevant sustainable investment organisations.

In 2024, we were heavily involved in a number of industry initiatives, including the below.

Planetary Boundary	Initiative	Sector/Topic
Climate	Dutch Climate Coalition	Oil & Gas, Chemicals: Climate transition
	Sustainalytics Net Zero program	Metals, Utilities, Airlines, Oil & Gas: Climate transition
	IIGCC Net Zero Engagement Initiative (NZEI)	Utilities: Climate transition
	ShareAction: Chemicals decarbonisation program	Chemicals: Climate transition
	ShareAction: EU banking program	Banks: Climate transition
	Climate Action 100+	Agriculture: Net Zero and climate transition
	FAIRR Protein Diversification	Food & agriculture supply chain: Climate transition strategies
Biodiversity	Satellite-based deforestation program (Cardano-led)	Consumer Goods: Deforestation in the supply chain
	PRI Spring	Agriculture, Mining: Lobbying related to public policy to prevent deforestation and biodiversity loss
	Nature Action 100	Specialty Chemicals: Biodiversity
	Sustainalytics Biodiversity & Natural Capital program	Banks: Biodiversity oversight and transition
	Share Action Pesticides initiative	Chemicals: Pesticide production and biodiversity loss
	FAIRR Waste & Pollution	Packaged Foods & Meats: Biodiversity risks from waste
Water	Valuing Water Finance Initiative	Restaurants: Water scarcity and water quality
Materials Use	Nature action 100	Specialty Chemicals: Biodiversity
	Investor Initiative on Hazardous Chemicals (IIHC)	Chemicals: Phase-out of hazardous chemicals
	Plastic Solutions Investor Alliance (PSIA	Consumer Goods: Plastic reduction
	VBDO plastics initiative	Consumer Goods: Plastic reduction

Social Foundations	Initiative	Sector/Topic
Basic Needs	ShareAction Healthy Markets	Food & Beverage: Transition to healthy offerings
	HEAL - Dutch investor coalition	Restaurants & Catering: Transition to healthy offerings
	Access to Nutrition Initiative	Food production, retail, distribution: Access to affordable healthy nutrition
Fairer Society	Platform for Living Wage Financials	Garment & footwear: Living wage in the supply chain
	ShareAction Good Work coalition	Retail: Labour rights, Living Wage
	Interfaith Center on Corporate Responsibility	Online Retail: Workers rights, freedom of association, living wage
Governance	PRI Advance (Human Rights)	Utilities: Human Rights and application of the UNGPs
	Heartland Initiative (Conflict Affected and High-Risk Areas)	Technology: Human Rights in conflict areas
	Collective Impact Coalition for Ethical AI (World Benchmarking Alliance)	Technology: Ethical AI development
	Big Tech and Human Rights (led by the Swedish Council of Ethics)	Technology companies: human rights
	Sustainalytics UNGC Watchlist Engagement program	UN Global Compact violations

Initiatives where we play an active role in a working group during 2024:

- Finance for Biodiversity – Cardano is a member of the Finance working group and represented in the advisory board.
- Partnership Biodiversity Accounting for Financials (PBAF) – Cardano participated in working groups on measurement and nature positive.
- Institutional Investors Group on Climate Change (IIGCC) – we participate in the Derivatives and Hedge Funds Working Group (co-chaired by Cardano) which finalised its findings and published guidance in early 2024. We participated in the Investor Strategies Programme Advisory Group.
- Investment Consultants Sustainability Working Group (ICSWG) – we participate in the Steering Committee, and from 2024 the Influence workstream. Over 2024 we contributed to the Influence workstream through developing specific position papers on the objectives of the group focused on achieving simplification of reporting burdens on trustees, allowing time for more effective and impactful sustainability focused actions and aligning the governments productive finance agenda with the sustainable economic transition needs. We participated in regular quarterly conversations with regulators including the Department for Works and Pensions, The Pensions Regulator, the Financial Conduct Authority and the Financial Reporting Council.
- Net Zero Investment Consultants Initiative – we participated in the steering committee. This initiative focuses on incorporating Net Zero objectives into Investment advice to clients.
- Partnership for Carbon Accounting Financials (PCAF) – we participated in the Sovereign Bonds Working Group.

- Pensions for Purpose – we participate in various events each year including a podcast on incorporating sustainability into passive strategies, a community partner group giving input into their future direction, hosting an all-member event a qualitative approach to climate scenario analysis, participating as speakers at events on systemic risk and hosting breakout sessions at other events.

- Principles for Responsible Investment (UN PRI) – we presented a case study on incorporating real world impact into investment objectives as part of the final publication of the Legal Framework for Impact publication. We continued in our role as a member of the advisory committee member to PRI's new nature initiative called Spring. Having previously contributed to the methodology of company selection, this initiative has now advanced to engaging with identified companies, some of which we are leading on.

- The Diversity Project – Cardano joined the Diversity Project in 2020. The Diversity Project is a cross-company initiative championing a more inclusive culture within the investment and savings profession. In 2024, one of our senior client directors took over as representative of Cardano at the Advisory Council of the project. At the end of 2024, Cardano ended its membership as Mercer is also member of the Diversity Project. In 2025, we will continue to attend the Advisory Council meetings as one entity.

- ICMA – Cardano participated in the green enabling activities and impact reporting working groups.

- Working Group Social of the DNB Sustainable Finance Platform – active member of the working group.

- Member of the ICMA Social Bonds Working Group (SBWG) – the main objective of the working group is to accelerate the development of the social bond market through the consolidation and promotion of the Social Bond Principles, and the establishment of a market forum for potential Social Bond issuers, investors, and other market participants. Cardano has been part of the sub-working group on the exploration of market impediments, whose aim has been to reach out to investors and issuers to identify any key impediments in the market or limitations and the need for further clarification in the current guiding frameworks.

- CFA Committee on Sustainability in the Netherlands – Participation in monthly meetings and co-leading the organisation of an annual sustainability-related event for members.

- DUFAS – The Dutch Fund and Asset Management Association – chairing the Sustainability Committee.

- Member of the Management Committee (ManCo) of the Platform for Living Wage Financials

Over the past year, we have pursued our stewardship responsibilities, making progress in addressing systemic and market-wide risks. Our collaborative engagements have been at the forefront of our stewardship strategy, allowing us to leverage collective influence to enact meaningful changes within the companies and sectors in which we invest. As a summary of the above, our accomplishments include:

- Enhanced Engagement Impact: Through strategic partnerships and innovations, we have successfully influenced corporate behaviour and regulatory frameworks, contributing to reduced risks and improved sustainability and long-term value creation.

- Focus on Systemic Risks: Our engagements have increasingly centered on systemic risks such as climate change, biodiversity, supply chain weaknesses, and social issues, aligning with our commitment to safeguard our investments from market-wide uncertainties.

- Innovative Stewardship Practices: Adoption of new technologies has enabled us to monitor and measure progress on our engagements more effectively.

Looking ahead
We are committed to enhancing the quality and efficacy of our stewardship programme to manage systemic and market-wide risks by focusing on the following areas:

- Quality Over Quantity: we aim to deepen our impact by prioritising quality over quantity. This involves selecting engagements that have the potential to create substantial change and allocating appropriate resources to manage these engagements more intensively. This will mean dropping some existing commitments that we believe are less impactful to be more focused and achieve stronger outcomes on priorities. We will continue to cover key initiatives in all of the systemic risk areas we focus on.

- Increased Policy Dialogue and Systemic Stewardship: In 2023 we set out to further influence systemic changes by engaging more extensively in policy dialogues that shape regulatory frameworks and industry standards, ensuring that we can shape the 'state-of-play' in which we operate. Our participation in the Investment Consultants Sustainability Working Group Influence

Workstream over 2024 has been a successful initial foray in this direction establishing strong relationships with various UK regulators. Our involvement in the PRI spring initiative which focuses on company lobbying activity (that contributes to deforestation) highlights the importance of having countervailing sustainability voices when engaging with governments. Our conviction that this is an important part of stewardship and driving the transition to a sustainable society is increasing. It is clear this is still a nascent area where investors including ourselves have further to develop our skill sets to be effective. We will continue to evolve this approach considering whether there are additional forums through which we can broaden such contributions in 2025.

Principle 5:

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Here we respond to Principle 5 for Asset Owners and Asset Managers. We respond to Principle 5 for Service Providers alongside Principle 6 for Asset Owners and Asset Managers.

Review of policies

Our CSG are tasked with reviewing and maintaining our policies on an ongoing basis to ensure compliance with evolving legislation and industry norms. This is led by a policy and regulatory expert with a legal background who is also secretary to our Sustainable Policy Committee (SPC). The SPC approve all changes to the policy before they are finally approved by the Dutch Cardano board. Regular proposed updates to the policy are discussed and agreed at each quarterly SPC meeting with official changes to the policy typically published once or twice a year.

We recognise that sustainability is a dynamic and constantly evolving topic and therefore our approach to sustainability has evolved in the past few years and continues to do so as our understanding of science, technology, corporate and investment practice evolves. For example, in 2024, we updated the threshold for exclusion of tobacco in our sustainability policy. Indeed, as part of the EU fund naming guidelines, funds using ESG-related terms in their names should comply with the exclusion criteria for Climate Transition Benchmarks (CTB). One of the exclusion criteria is that "companies involved in the cultivation and production of tobacco" should be excluded. To meet this requirement, the previous threshold for exclusion of tobacco production of 5% has been set at 0% and we added cultivation as an exclusion criterion as well.

Improvements to our voting policy

For our direct investments, we have a standalone voting policy which provides clear guidelines on how we use the voting rights connected to our holdings and clients' capital. The views in our policy are based on international best practice guidelines for sustainability and corporate governance and are also shaped by our sustainability framework and how we want to communicate our views and expectations to investees.

We see voting as central to our stewardship activities. The annual update to this policy is critical in ensuring our votes are cast in a way that encourages an ambitious pace of progress on sustainability topics by our investees. As described under Principles 1 and 2, the voting policy updates are approved by the Sustainability Policy Committee.

During this annual process, we review the existing guidelines taking into account evolving developments and in some cases to consider how we can reflect a stricter application of votes. After the 2024 proxy season, we started working on policy updates to be applied for the 2025 proxy season. The process includes looking at regulatory updates as well as an analysis of our voting records during the 2024 proxy season with our provider. The updates are then presented to the Sustainability Policy Committee and at board level, as described under Principle 2. The updates which were approved included:

- Adding global thresholds for board gender diversity, making our policy more specific on this point.
- Added clarity on when we may vote against directors in high emitting companies when the company does not have a net zero target or when reporting does not align with TCFD (targeting CA 100+ companies and IIGCC Net Zero Engagement Initiative).
- Adding an expectation that companies have a human rights policy which refers to international standards: in the absence of such a policy, a vote against relevant directors will apply (committee members who have oversight of ESG and/or the chairman of the board).

Use of voting provider and engagement database

Use of Glass Lewis as voting provider

In 2023, we went through an RfP process to find a new voting provider to help us with our voting activities for our direct investments and selected Glass Lewis as our provider. We described this process in our previous application and how the new provider would enable us for example to have better reporting, better vote record disclosure capabilities and access to a letter writing service, helping us with sending vote intentions to investee companies ahead of the meetings. In 2024, we continued to work closely with the provider to finalise the setup of these processes, customise the letter writing service and had regular meetings with the provider.

Tool for recording and tracking progress of engagement activities

As described in our previous submission, in 2023 we subscribed to a purpose-built tool to improve the tracking of our engagement activities, allowing us to collaborate better internally and improve our reporting. The aim is to increase transparency of our engagement activities for the benefit of our clients and other stakeholders.

The new tool, which is purpose built for tracking engagements, is managed by our provider Glass Lewis in collaboration with Esgaia. It allows us:

- More flexibility in recording and tracking engagement activities

- Improvements in documenting of all activities related to our engagement trajectories – including milestone tracking, objectives, meeting minutes, email correspondence, and progress on goals.
- Better coordination internally with the aim for multiple teams, including portfolio managers to have access to the platform
- Improved reporting

We started using the tool in the second half of 2023 and continued working on integrating the tool in our daily processes in 2024 and expanding our use of the platform's various features. Since our engagements are long-term in nature, with dialogues continuing over the span of years, the new system allows us to look back at the history of an engagement and follow the progress. This helps us to become more strategic in our approach, leveraging historical insights about the engagement. Having this improved internal process helps us run higher quality engagements leading to improved engagement outcomes.

2024 updates relating to our indirect investments

It is essential for us to assess managers based on their sustainability credentials and look at how they engage and approach stewardship.

We believe one of our most powerful areas of influence is in engagement with third party managers to drive improvement in ESG integration and sustainability across the industry.

As part of our assessment of managers where we identify gaps, we challenge managers to do more and be ambitious. For particular managers where we identified weaknesses, we set up more structured engagements with specific milestones which are monitored. Milestones are set for all recommended managers, and these are created during our ESG assessment process. The milestones are key objectives for the manager to focus on improving if they want to see their ESG profile improve. This year, this process created milestones for 84 funds, which were monitored by the Manager Research Team over 2024.

In 2024, we sent our annual letter to third-party managers, setting our evolving sustainability expectations.

At Cardano, we look for investment managers with strong sustainability credentials who engage and take their stewardship role seriously.

As the sustainable investment landscape evolves, this year we are challenging managers to do more and be ambitious. In this year's letter we outline our views and expectations across several areas; Biodiversity, Diversity & Inclusion and Collaborative Engagement.

We want our managers to have an impact with the capital they have been entrusted with and demonstrate how they play their part in building a more sustainable world. We intend to learn and develop alongside our managers and to meet our portfolio's and clients' objectives in this area together.

The letter we sent this year to third-party managers can be found here.

In 2024, we have continued engaging with our external managers on sustainability and stewardship as described in the below case study.

Case study:
Engaging with a real estate Manager

What
When providing feedback to the Manager after they completed our annual ESG questionnaire, we encouraged them to become a UNPRI signatory. In addition, we asked them to consider hiring a dedicated ESG professional.

Why
Becoming a UNPRI signatory allows a Manager to gain access to a large global network of like-minded professionals and provides them with the opportunity to share best practices and collaborate in initiatives that contribute towards the impact of responsible investment.

In addition, by hiring a dedicated ESG professional, this allows a Manager to have someone to spearhead their approach towards ESG and allow for more engagement and progress with ESG initiatives.

How
We raised these topics as part of our annual ESG feedback to Managers and regularly through our on-going monitoring

Outcome
Following these engagements, the Manager is now applying to become a UNPRI signatory in January 2025.

Although the Manager has not hired a dedicated ESG professional, they have formally assigned the responsibility of Head of Sustainability to the Chief Compliance Officer which is a sign of progress.

Monitoring the effectiveness of third-party manager stewardship
During 2024, we had several discussions with third party managers on the effectiveness of their voting and engagement approach. This includes discussions on voting activity, by discussing voting record, collaborative engagement, escalation avenues, prioritisation, voting performance and most significant votes on behalf of our various pension fund clients. One example this year included engaging with some of our equity managers, where we noticed less support for ESG-related shareholder proposals. This was also an industry trend highlighted by several reports. The conclusion from the engagement was that we were satisfied that our equity managers continue to review the individual merits of each shareholder proposal and that they will vote in accordance with their established policies, which focus on financial materiality.

One other issue identified was the issue of “Anti-ESG” resolutions. In one case we noticed a manager with a strong track-record in ESG voting, had voted in favour of an “Anti-ESG” proposal. It appeared that the manager missed several anti-ESG resolutions and mistakenly voted in favour of these. As a result, the third-party manager collaborated with their proxy advisor and the Corporate Governance Forum to understand how they and the industry can be better equipped to identify anti-ESG proposals.

New tool for external manager data collection
As described in our previous submission, in 2023 we implemented a new tool for data collection from third party managers called Diligence Vault. This tool allows us to standardise and manage our data requests to third party managers.

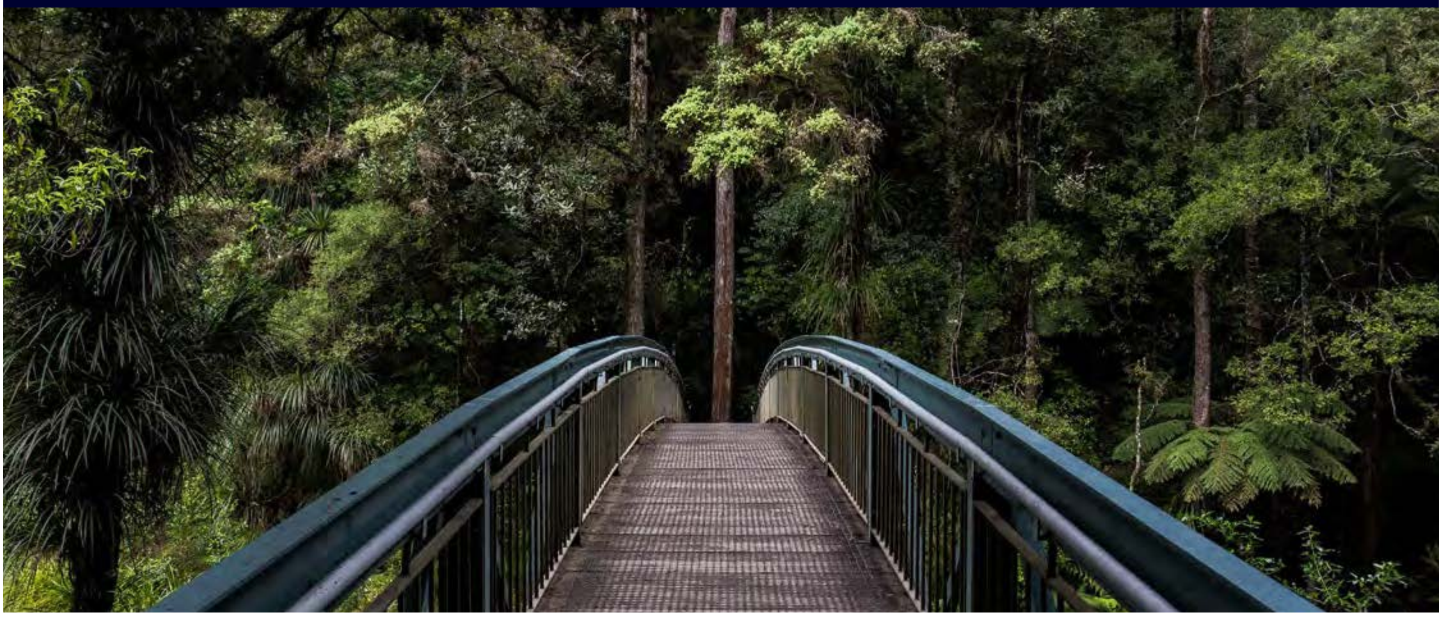
In 2024 we further refined our ESG due diligence questionnaires, incorporating industry best practice based on templates from the PLSA on engagement and voting and recommendations from ICSWG on standardisation of certain manager data requests.

Principle 6 of the Principles for Asset Owners and Asset Managers:

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Principle 5 of the Principles for Service Providers:

Signatories support clients' integration of stewardship and investment, taking into account, material environment, social and governance issues, and communicating what activities they have undertaken.



Client base and objectives

Fiduciary, Risk management and Investment advisory clients
The Cardano client base is summarised as follows:

Number of clients	Fiduciary	Investment Advisory	Endowment	Risk management
>£1bn	3	6	1	8
£500m - £1bn	2	0	0	4
£250m - £500m	8	1	0	6
<£250m	19	2	0	14
Total	**32**	**9**	**1**	**32**

As of 31 December 2024, note that the fiduciary and advisory columns include DB and DC clients.

The vast majority of clients are institutional investors in the UK and the Netherlands, with the vast majority being the trustees of defined benefit pension schemes serving the corporate sector. For fiduciary and advisory clients, our investment objectives are to outperform a government bond or swap-based proxy for the scheme's liabilities by between 1% and 3.5% p.a. Most of our clients have long-term time horizons, typically five to ten years.

now:pensions the autoenrollment pensions provider that is part of the group. now:pensions Trustees have appointed Cardano Risk Management Limited as their asset manager. As a scheme with a very diverse and young member base they have a much longer-term time horizon out to 2050 and beyond and place a strong emphasis on sustainability.

Our risk management clients includes clients for whom we implement LDI hedging programmes as well as risk management overlay programmes. The LDI programmes are invested in a range of European government bonds and can occasionally include high quality green bond investments. The risk management overlay programs are typically executed through various derivative instruments.

Cardano Asset Management
Cardano Asset Management manages around €32.1bn (as of 31 December 2024), with around €28bn managed for eight DC clients and over €3 for wholesale (this is represented as one client in the table below). Our key objectives are a financial result, environmental, social return and risk management. We serve institutional investor clients through our investment funds (active and passive strategies), impact investing funds and with segregated mandates.

Among the services offered, Cardano Asset Management also offers ESG services, helping clients for whom we may not directly manage any assets with ESG policy development, active share ownership, research and monitoring, as well as impact measurements and reporting.

The Cardano Asset Management client base is broken down below by Assets under Management (AuM) and Assets under Advice (AuA) as of 31st December 2024:

Number of clients	Asset Management clients (AuM)	ESG-services (AuA)
>€1bn	4	8
€500m - €1bn	2	3
€250m - €500m	3	2
<€250m	2	0
Total	**11**	**13**

AUM across Cardano Fiduciary, Risk Management, Investment Advisory, and Asset Management clients

Assets under management as of 31 December 2024 (incl third party manager advisory coverage)	GBP (bn)
Equities	19.5
LDI & Government Bonds*	23.6
Credit	2.8
MultiAsset**	3.0
Private Markets - EM Impact Debt	0.2
Third Party Managers - Managed	2.7
Total AUM	**51.8**
Third Party Managers - Advised	17.4
Total AUM & 3rd Party Manager Advised	69.2
Total Third Party Managers monitored	**20.1**

* This is major developed market government bonds except for 0.4bn of Emerging Market Sovereign Debt

** This is government bonds, green bonds, inflation assets, derivative exposures and cash (excludes third party managers and inhouse equity/credit)

Broadly the geographic splits are:

1) our equity exposure is broadly in line with global market cap indices across developed and emerging markets

2) government bond exposure is predominantly focused on UK and Western European developed market government bond exposure (mostly from LDI strategies), some multi asset exposure to US, Canadian and Australian government bonds with a small exposure (£0.5 billion) to emerging market debt.

3) credit exposure is UK and European investment grade corporate credit

4) private market exposure is all emerging market impact debt

5) third party manager exposure is globally diversified across managers, asset classes and strategies with managers located in the US, UK, Europe and Asia.

We note that our approach to stewardship is consistent across asset classes and geographies with the primary distinction in process being between direct investment (where our Sustainable Investment Framework applies across debt and equity, public and private markets) and the process applied to indirect third-party managers as described in this document.

Reflecting clients' needs and reporting

Fiduciary, Risk management and Investment Advisory Clients
At the outset of a new appointment, we undertake significant fact-finding and initial analysis to establish our clients' returns requirements, their appetite and tolerance for risk, their comfort with different types of investment and their investment beliefs, including their ESG beliefs and policy. This mandate specification will form the basis of our fiduciary management contract (or investment advisory agreement, in the case of an advisory client).

The mandate specification includes the risk / return requirements and approach to sustainability, including stewardship. The approach is reviewed on a regular basis (usually in conjunction with triennial actuarial valuation cycle) and is supplemented with ongoing sustainability reporting and, where necessary, training. We provide our clients with training and advice in updating their ESG policies and Statement of Investment Principles.

It is the responsibility of the Cardano Client Director to ensure that client specific stewardship and investment policies are correctly reflected in our mandates.

We evaluate the effectiveness of our understanding of client needs by several means:

- Client customer care visit undertaken by a senior colleague who is not part of the client service team
- Survey feedback via independent third parties. Our questionnaire invites trustees to set out their views on a range of sustainability topics, which we synthesise, present and discuss
- Formal annual review of our performance (in the broader sense)

All our portfolios are managed in alignment with our clients' stewardship and investment policies. We take account of clients' views in several ways:

- Customising our advice (both style and content) to meet their requirements
- Customising our reporting to meet their requirements
- Engaging in client specific research projects (e.g. searching for a new manager to meet specific requirements, or evaluating an investment opportunity at the client's request)
- Providing training on a wide variety of investment topics, including sustainability and stewardship

Our regular quarterly reports include ESG ratings for all fund managers. Voting activity and specific engagement examples are reported annually, to coincide with the Scheme Report and Accounts completion as part of the Implementation Report.

Many of our clients employ specialist and independent advisers to help them review us, and that review will include our activity and reporting on ESG issues.

We make use of the PLSA voting template, as well as the ICSWG engagement reporting guide.

Cardano Asset Management
As Cardano Asset Management is an asset manager with a MIFID license, the sustainability preferences of our mandate and ESG clients are part of the MIFID suitability test.

As part of the suitability test, we undertake a significant fact-finding and initial analysis to establish our clients' returns requirements, their appetite and tolerance for risk, their comfort with different types of investment and their investment beliefs, including their ESG beliefs and policy. The mandate specification includes the risk / return requirements and approach to sustainability, including stewardship. The approach is reviewed on a regular basis and is supplemented with ongoing sustainability reporting and, where necessary, training.

For our direct investments, we report on our voting and engagement activities on a bi-annual and quarterly basis. The reports used to only be provided in Dutch but since 2024 are also available in English, reflecting our changing client base with the opening in 2023 and 2024 of funds for UK based clients. These reports provide:

- A thought leadership piece on a current topic. For example, in 2024 we covered the topics of the hidden costs of nature loss (Q1), investing in arms and defence (Q2), transitioning to sustainable growth (Q3) and climate scenarios (Q4). In 2023, we covered the outcomes of biodiversity (Q1), sustainable investing (Q2), investing in livelihood security (Q3), and the outcomes of COP28 (Q4).
- Sustainability news and trends from the previous quarter (both internal and external)
- Sustainability data on our investments, including impact bonds data, new exclusions and inclusions based on our screening, progress towards our sustainability objectives (Co2 reduction, water consumption).
- Stewardship case studies. We strive to provide fair, balanced and understandable reporting to our clients highlighting our successful outcomes as well as cases which were less successful.
- Stewardship statistics: Since Q2 2024, we decided to move the statistics out of the quarterly reports and provide a bi-annual statistical overview of our engagement and voting activities. On engagements, the report includes a geographical spread of active engagements, a split by topics and sectors and a new overview on progress which includes milestones achieved the past six months. On voting, the statistics include a geographical split of meetings voted as well as votes with and against management per category of resolution. The latest overview is available here.

We ask our clients feedback on our ESG report and integrate it where appropriate. For example, in 2024, we started providing some client with fund level voting statistics and data on a quarterly basis.

Annual vote audit
This is an annual process and part of our key controls on voting, which are assessed by our external auditor (as part of our ISAE 3402 report). The checks we have put in place service two goals, namely that:

- Votes are submitted in a timely manner by the provider, in accordance with the Cardano policy and that vote rejections are explained. A stewardship professional at Cardano analyses these rejections to see if anything can be done to prevent reoccurrence.
- Vote recommendations are carried out consistently in line with the Cardano policy by auditing the recommendations made by the provider on a subset of meetings.

The vote audit covering 2024 was successfully completed in January 2025.

Regulatory Disclosures:
As well as our Annual Report and quarterly Sustainability Reports, we publish several other reports that relate to regulatory requirements:

- Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation (TR): We fulfil our disclosure obligations under the SFDR, at legal entity level and at product level. As per 1 January 2023, the regulatory technical standards (RTS) under the SFDR apply, through which we make pre-contractual disclosures, create periodic reports and website disclosures for our Article 8 and 9 financial products, and report entity level information about principal adverse indicators, sustainability risks, and remuneration. Taking into consideration the requirements from the SFDR and the TR, for each financial product, we periodically publish Principal Adverse Indicators, ESG scores, greenhouse gas emissions, water use and the contributions to our sustainability targets, especially in the fields of climate, water, and deforestation.
- Taskforce on Climate-related Financial Disclosures (TCFD): We follow the recommendations of the TCFD across governance, strategy, risk management, and metrics and targets. We support our clients in preparing their TCFD reports and produce a TCFD report for Cardano Risk Management Limited as an FCA regulated asset manager.
- UN Principles for Responsible Investment (UN PRI): As signatories to the UN PRI, we commit to the reporting requirements on our responsible investment policies and processes.
- Net Zero Asset Managers Initiative (NZAMI): As signatories to the NZAMI, we report on our decarbonisation targets, our metrics, and our progress towards meeting our targets.

- Net Zero Investment Consultants Initiative (NZICI): As signatories to the NZICI, we report on how we incorporate net zero climate change alignment into our investment advice.

- Dutch Climate Agreement: As a signatory to the Dutch Climate Agreement, we report on our progress in our greenhouse gas emissions and the strategies we follow to align our operations with the agreement.

Reflecting

Within the Cardano Group values, client focus is one of the five key themes which was identified as best reflecting our distinctive ways of thinking, acting and behaving. We define our client focus as our ability to solve problems, driven by our desire to provide the best outcomes for our clients and members. We do this by being professional, knowledgeable, and trusted advisors, through listening, understanding, and partnering with our clients. By recognising client focus as one of our core values, Cardano enhances effective stewardship by putting the best interests of its clients first and at the centre of its business strategy and culture.

As we look forward to 2025, we will be entering a new phase working closely together with our new affiliate Mercer, which offer Advisory and Fiduciary services. Mercer are a client centric organisation and we see great opportunity to learn from each other in how to better assess our client needs and serve them.

Principle 7:

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Integrating stewardship – our Sustainable Investing approach

Our sustainability policy was revised in 2023 and relates to our investment and advisory activity and sets out how we integrate Environmental, Social and Governance (ESG) issues and real-world sustainability impact insights into our investment decision-making, stewardship and policy engagement activities.

Our Sustainable Investment Policy draws on over 30 years' sustainability-related experience at the Cardano Group. It incorporates our Group-wide beliefs, sustainability targets and an overview of the policy's implementation for our internally and externally managed assets. This policy is underpinned by a series of documents, which apply to our directly managed assets:

- Our Sustainable Investment Policy, elaborates on:
  - investee entity compliance with international standards
  - investee entity involvement in activities deemed too harmful for society
  - how we assess the capacity of investee entities to transition towards a sustainable society
  - how we evaluate if investee entities make a positive contribution to society (see the Cardano Sustainable Investment Framework in appendix A and the Impact Investing Policy in appendix B.)
- Our approach to stewardship, engagement and voting (see our Engagement Policy and Voting Policy – appendices C and D).
- Our priority sustainability themes (see thematic strategy documents on climate change, biodiversity and water – appendices E1 to E3).
- Asset class-specific policies and proprietary measurement methods (see appendices F and G).

All documents mentioned above are available here.

Our sustainable investment framework is based on our belief that the world needs to transition towards a sustainable future. We are in the midst of a long-term global economic transition towards a more sustainable society, which creates tremendous challenges and uncertainties. This transition provides opportunities for companies and sovereigns but also brings risks. Financial institutions face new responsibilities to mitigate and manage sustainability related risks through capital allocation and stewardship. Stricter regulations, changing market conditions and changing consumer preferences will impact all companies and financial institutions. We identify the following priority themes, which, if tackled in combination, will contribute to a successful transition to a sustainable society:

- Fighting climate change
- Halting biodiversity loss
- Using water sustainably
- Transition towards a circular economy
- Fulfilment of a set of social foundations:
  - Basic needs such as clean water, nutritious food, healthcare, housing, energy and financial services which are accessible and affordable
  - Transition to a fairer society addresses inequality through access to education and training, income and work, improved diversity, and gender equality in the workplace.
  - Strong governance, which is vital for businesses to maintain their social license to operate and for governments to maintain their democratic legitimacy.

Our Sustainable Investment Framework is based on those priority themes and classifies each entity on its ability to transition towards a sustainable society. Where entities fit on this framework is determined by the sustainability-related risks and opportunities and the entities' real-world impacts and determines whether we should invest in them. It also determines to what extent engagement can mitigate remaining sustainability-related risks or advance their transition. Classification of each entity in the framework is based on a two steps procedure (below figure). Each step is summarised below and described in more detailed in the Sustainable Investment Policy document.

- Step 1: Evaluate if the entity behaviour and the activities fit within a sustainable society. We assess if the entity violates international standards or is involved in activities considered too harmful for society such that it would cause too much harm to the social foundations or planetary boundaries. These entities are excluded from investment.
- Step 2: Classify the entity based on its ability and likelihood to contribute to, or adapt to, the transition

to a sustainable society and on how sustainable its operations are. If the entity adapts and contributes, either through reducing negatives or accelerating positives, we may invest. If it is unlikely to adapt and, therefore, represents unacceptable risk to our portfolios and creates unacceptable negative impacts to society, we avoid investing.

Sustainable investment framework
Positive impact
Sustainable
Adapting
At risk
Non-adapting
Harmful
International standards

Sustainable Investment Solutions

We work with clients in different ways:

- As an asset manager, we invest directly (direct investment)
- As a fiduciary manager, next to our direct investments, we also invest indirectly via third-party managers and, for derivatives, via counterparties
- As an investment advisor, on pensions and risk management, and as an advisor on sustainability and corporate covenants, we support our clients to be in control and reach their ambitions in pension solutions, risk management, sustainability, and corporate covenants.

Through our capital allocation, stewardship activities, and advice, we not only create investment solutions that mitigate sustainability-related risks but also have a real-world impact.

As explained in Principle 1 we believe that these real-world and financial objectives are mutually re-enforcing and hence inform our approach to stewardship.

Direct Investments

We invest directly in individual entities, either in equity or credit. We select direct investments in our investment funds and bespoke mandates. For our direct investments, we use our Sustainable Investment Framework to construct our portfolios (figure below).

Cardano Asset Management manage three types of investment strategies on behalf of our clients, each having dual objectives – delivering financial returns as well as aiming to contribute to the transition to create a sustainable society:

- Impact strategies: we allocate capital to positively impact investments and invest in entities with the intent to generate measurable positive social or environmental impacts that accelerate the transition towards a sustainable society alongside financial returns.
- Sustainable strategies: investments in entities classified as 'sustainable' or 'positive impact'. Next to complying with principles of good governance and do no significant harm, these entities are operating sustainably and contribute to at least one of our sustainability targets, in line with the SFDR definition of a 'sustainable investment'.
- ESG Transition strategies: investing across 'adapting', 'sustainable' and 'positive impact' entities, while focusing attention on entities in public markets that need to transition.

Alongside the classifications we consider a range of proprietary data and qualitative assessments in assessing companies. We do not adopt an approach of only allocating to "high scoring" companies, as part of our belief is that we need to support companies in their transition.

Sustainability Objectives for our Direct Investments
To contribute towards the transition to being a sustainable society, all our directly managed strategies aim to achieve the sustainability objectives below:

- **Climate change:**

We support the Paris Climate Agreement of limiting global warming to +1.5°C versus pre-industrial levels. We do this by committing our investment portfolios to net zero greenhouse gas (GHG) emissions by 2050, known as 'net zero'. Our climate target was approved by the Science Based Target initiative (SBTi) in 2023. We aim for an emissions reduction for our own managed strategies of 50% by 2030 and 75% by 2040, with the baseline year set at December 2019. This implies an average 7% reduction in GHG emissions every year, which informs our asset-class decarbonisation targets.

We support the concept of 'fair share' decarbonisation targets: countries with historically higher emissions (which tend to be developed markets) should decarbonise more rapidly than countries with historically lower emissions (which tend to be emerging markets). Our default position is in our fiduciary management, our asset management, our advice, and our liability-driven investments.

- **Biodiversity loss**

Deforestation is a major cause of biodiversity loss, also impacting water availability and climate change through the release of sequestered carbon. As a short-term proxy for the aim to reverse biodiversity loss, and until biodiversity loss can be better monitored, we are focused on reducing deforestation. In our directly managed strategies, we aim to reach net zero deforestation by 2030, with any deforestation replaced with reforestation of similar or higher quality.

- **Sustainable water use**

It is predicted that, by 2030, 40% of the world's population will not be able to meet their need for water if water is not used more efficiently[2]. In our directly managed strategies, we aim to achieve water neutrality by 2030, where businesses in water-scarce areas consume no more water than nature can replenish.

- **Materials use and waste**

Transitioning towards a sustainable society also includes transforming towards a circular economy: reducing, reusing and recycling materials to minimise waste and to keep pollution and the consumption of materials within planetary boundaries. In our directly managed strategies, we aim to reach a circular economy by 2050. Until science-based pathways are determined to measure progress on this aim, we monitor whether companies adapt their processes towards a circular business model that limits the use of non-renewable resources and prevents, as much as technically feasible, chemicals and hazardous and other waste problems.

- **Social and governance ambitions**

Across three core social foundations – provision of basic needs, a fairer society and strong governance – we have minimum expectations of entity behaviour:

  - We aim to invest in businesses that comply with the UN Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises. In addition, we expect sovereigns to comply with international treaties, conventions, or best practices such as the Universal Declaration of Human Rights, and the International Covenant on Economic, Social and Cultural Rights.
  - We expect entities to provide transparency about how they contribute to human rights and the living standards of the communities affected by their operations, secure the proper wellbeing of their employees or inhabitants, protect against social injustice and inequality, and follow principles of suitable governance, good human capital management, and appropriate social capital management.

2 Global Commission on the Economics of Water (2023), Turning the Tide: a call to collective action. OECD Environment Directorate. https://watercommission.org/wp-content/ uploads/2023/03/Turning-the-Tide-Report-Web.pdf

- We exclude violators of the UN Global Compact principles. As the transition to a sustainable society progresses, we raise the minimum expectations on how entities contribute to the basic needs of affected employees and communities, contribute to a fairer society, and organise good governance in line with the Sustainable Development Goals.

- We work towards these targets through our stewardship approach and by integrating the double materiality principles into our sustainable investment solutions

As explained under Principle 1 we believe these systemic sustainability issues drive long term outcomes for our members and are therefore an essential part of our approach to good stewardship.

Examples of integrations sustainability issues into our investment process
As explained above, sustainability is key to our investment framework. For equities the framework above describes the approach as do later principles on our engagement and voting activities.

We also integrate sustainability into the investment process in other ways such as:

1) Sustainability and investment team meetings
The sustainability framework for companies and countries described above is our starting point for investment decisions and we assess all direct investments according to the sustainability levers of change. To integrate these views further across investment teams, we hold a monthly research meeting that involves our sustainability team and investment teams. The meetings cover rotating sustainability topics and how these impact our assessments at the company, issue and sector level. The goal of these meetings is to exchange views and systematically integrate our approach across the firm.

For example, in 2024 we had a research meeting on the luxury sector where the below was discussed:

- Market overview: segments, drivers, regions, key players
- Equity and Fixed Income exposures
- Overview of sustainability rating and ESG performance of companies in the sector

2) Sustainability in bond investments
We invest in a wide range of bond asset classes including corporate credit, government bonds, LDI strategies and use of proceeds bonds (Green, Blue, Sustainable and Social bonds). Our approach in each differs according to the needs to the specific sub-asset class.

A large portion of our bond AUM comes from clients who allocate to **LDI risk management strategies** (Liability Driven Investment). These strategies invest in government bonds in the UK and Europe in order to match the cash flow characteristics of the liabilities. From a stewardship perspective for these assets, our primary approach is to engage with the issuing governments around regulation and government policy, for example net zero commitments and strategy, or pensions policy that affects our client members. We are regular responders to government and regulator consultations (see examples under other principles), consult with debt issuance departments (see examples in previous years submissions on the UK Green Gilt engagement with the UK Debt Management Office) and work together with like-minded investors in engaging on government policy.

Our **corporate credit** portfolios operate using the same sustainability framework as we apply to equities. This means that issues from bonds that are deemed to be non-adapting, at-risk, harmful or in violation of international standards are excluded from our credit portfolios.

Bond issuers will also be subject to the same engagement process with priority companies identified based on the systemically important transition themes. The CSG Stewardship team will lead on many of these systemic engagements. The investment teams will often lead engagement conversations with issuers as they come to market with new issuance, an ideal time to raise any sustainability concerns.

We have a detailed approach to the selection of **Green Bonds**, Blue Bonds and Sustainable -Use of Proceeds or Sustainability linked bonds detailed in this Sustainable Bond Methodology document. This process does not accept that any bond with a green label will qualify for our portfolios, rather it needs to meet our own internal criteria for sufficient ambition in promoting the transition to a more sustainable economy.

For **sovereign bonds** we adopt a different framework from corporate issuers, but the objectives and principles are similar: understand the risk exposures, understand what sovereigns are doing to align themselves to a more sustainable society and engage where possible. Because no sovereigns are currently operating as “sustainable” or “positive impact” most fall into our “Adapting” or “At Risk” categories. However, a number of sovereigns particularly in certain emerging markets are excluded from our direct investment portfolios because they are considered “Non-Adapting” as they may not comply with our policies on international standards around human rights or other relevant issues under our investment framework.

Case-study:
ESG engagement with counterparties

The Dealer Committee, responsible for overseeing relationships with market counterparties, conducts ESG risk assessments for each counterparty. In most cases, the ESG team evaluates these risks using publicly available information. However, for privately held companies with limited or no ESG disclosures, additional due diligence is required.

To bridge this gap, we initiated direct engagement with Delivery vs. Payment (DVP) Brokers to screen for any violations of international standards. As part of this process, we posed three key questions to assess their adherence to ESG principles:

1) Fair Labor Practices & Human Rights: How do you ensure fair labour practices and guarantee that your staff are paid a living wage? Please elaborate on your compliance with fundamental labour and human rights standards.

2) Legal & Compliance Risk: Can you confirm that your firm is not involved in any litigation related to human rights violations? Please disclose any other substantial litigation you are involved in.

3) Involvement in Controversial Sectors: Can you confirm that your firm does not engage in the production, sale, or distribution of controversial weapons or the provision of military equipment to military regimes?

The team carefully assessed responses to these inquiries, ensuring that even in these cases where there is no direct credit risk exposure, we maintain a robust process to evaluate counterparties against minimum ESG compliance requirements. This comprehensive approach strengthens our due diligence framework, reinforcing our commitment to responsible and sustainable business practices.

Indirect Investments: Third Party Managers

In addition to our direct investments, we help our clients invest in more than 60 external investment managers and monitor over 120 funds across most major markets, asset classes (public and private), and geographies. We have a flexible approach to account for different strategies, underlying asset classes and geographies without compromising on ESG focus, which we believe drives the best outcomes. We comprehensively assess and integrate sustainability issues at every investment stage when assessing external investment managers.

We recognise there are many valid sustainable and responsible investing approaches, and we do not apply our in-house sustainability framework or stewardship policies to external managers. Instead, we expect external investment managers to:

- Be aware of financially material ESG issues associated with an investment
- Take ESG issues into account where they have the potential to materially affect the financial risk and/or return
- Engage strategically on ESG issues, where possible within the portfolio and externally
- Exercise their voting rights where possible
- Weigh substance over form – we look for the genuine integration of ESG issues
- Provide case studies and practical examples of their approach and performance

Our ESG assessment framework for external investment managers is deliberately detailed and assesses external managers across people and policies, investment integration, stewardship and engagement, and reporting.

We engage with external investment managers across strategy, geography and size and we regularly discuss sustainability topics as part of our ongoing monitoring of external investment managers, including challenging individual stocks and stewardship activity.

As stated above, we ask managers to report on engagement activities. The below two case studies are examples of what we receive from third party managers:

Case study:

Manager Type
Global Credit Manager

Engaged With
Banking Company

Description of Engagement
Reason/Objective of the Engagement:
The focus of this engagement was to understand the climate transition plans of one of the manager's bank holdings in the portfolio. As providers of capital, banks have a major role to play in enabling the transition to a low-carbon future. Also, banks themselves are facing increasing climate-related risks and opportunities through their lending and other financial intermediary business activities. Their engagement objectives focused on the four TCFD recommendations: Governance, Strategy, Risk Management, Targets & Metrics.

What they did:
Directly engaged with the bank to drive change.

These engagements have been both directly from them but also through collaborative engagement groups such as the IIGCC.

Outcomes of the Engagement:
Positively, following these engagements, the bank is phasing out the financing of thermal coal by 2030 in OECD countries and the EU, and by 2040 in the rest of the World.

The bank will also no longer finance new oil and gas field projects, and the bank will rapidly reduce their existing financing to the fossil fuel industry.

Case study:

Manager Type
Global Equity Manager

Engaged With
Multiple FTSE 350 companies

Description of Engagement
Reason/Objective of the Engagement:
The focus of this engagement was to encourage change at an individual issuer level to address system risk (labour rights). The global equity manager conducts modern slavery due diligence on every company prior to investment and continues to monitor them if they enter the portfolio.

What they did:
The global equity manager joined an investor coalition comprising 154 investors with £2 trillion in assets under management – which seeks to target 126 AIM companies and 32 FTSE 350 companies who they believe are not complaint with existing modern slavery legislation to urge them to achieve compliance. The global equity manager acted as a signatory to the letters sent to the FTSE 350 companies.

In March 2024, the global equity manager then joined a collaboration representing a collective AUM of US$ 2.5 trillion focussed on Modern Slavery compliance and regulation. The objectives of the collaborators are to:

- Lobby the Home Office on strengthening section 54 of the 2015 Modern Slavery Act which creates a duty for companies to publish a statement setting out steps taken to ensure modern slavery isn't in their business or supply chains.
- Secure more ambitious minimum reporting requirements.
- Establish a government-run registry of modern slavery statements.

The collaborators are also lobbying for oversight of modern slavery to move from the Home Office to the Department for Business and Trade, since it oversees most corporate reporting requirements.

Outcomes

During 2024 32 FTSE 350 companies have been written to, 28 are now fully compliant, two have committed to make changes and two failed to engage.

Stewardship approach of third-party managers

Our approach to stewardship starts with data. Granular data drives higher quality discussions. Our ESG questionnaire and manager framework is deliberately detailed – we utilise a software platform (Diligence Vault) to automate data collection from managers, increasing efficiency but also enabling more granular capture of portfolio data that can be stored, analysed and utilised for engagement purposes over time. Our manager assessment framework utilises this data to assess managers across four areas: People and policies, ESG integration, stewardship and engagement, and reporting. The assessment is based on detailed, proprietary – asset-specific - rating guidance detailing behaviours we would expect to see of managers at each level. Where possible, we have aligned our framework with key industry initiatives.

Engagement

We are passionate about active engagement with third party managers as we believe this is one of our most powerful forms of influence in the industry.

Our engagement approach consists of three key elements:

1) As referenced earlier we send a letter each year identifying the key issues we want to see progress on. We treat managers as partners, feeding back ESG ratings and using these to set specific, time-based milestones for managers to make progress.

   From there, we are able to engage with managers further to ensure ESG issues remain at the forefront of their investment decision-making. We regularly discuss ESG related topics as part of our ongoing monitoring throughout the year.

2) We identify milestones for all High Focus managers, based on our annual assessment. High Focus Managers are those where ESG factors could materially impact the risk and return profile of the strategy, e.g., active equities and private equity. Managers deploying a High Focus strategy have a greater ability to engage with companies on E, S and G issues. The milestones are key objectives for the manager to focus on improving if they want to see their ESG rating improve. This year, we have supplemented this process with a proprietary AI tool which analyses all manager submissions and documentation (e.g. sustainability policy) and suggests milestones for the manager. The team review these alongside their suggested milestones to ensure all key areas are captures.

3) Every day monitoring forms a key part of our engagement process. When speaking to managers as part of the ongoing monitoring of the position, the team will highlight areas of ESG focus and log this in our database.

Examples:

Case study:
Engaging with an equity manager

What

We engaged with one of our equity managers on two issues:

1) The lack of engagement data regarding thematic engagements; and

2) The lack of breadth in the ESG quantitative metrics that they were providing in their reporting.

Why

On issue (1) we felt the Manager was underutilising their ability to influence companies in reducing systemic risks that arise from climate change.

On issue (2) we wanted to receive greater breadth of ESG metrics as this helps to improve our ability to understand the ESG risks that the portfolio is exposed to and increases the ability to hold portfolio managers' accountable for their progress towards portfolio targets.

How

We discussed these topics in our regular interactions with the Manager.

Outcome

The Manager now has a thematic engagement programme and has provided examples of this in action when completing our latest ESG questionnaire for 2024.

Case study:
Engaging with a private equity manager

What

We recognised that the manager was behind peers on ESG. Our key focus areas were: (i) more granular reporting from the manager; (ii) ESG accountability at the company level; and (iii) TCFD carbon footprint reporting on the portfolio.

Why

Our identified key focus areas would improve ESG risk management and enhance ESG reporting.

How

We voiced our concerns at the Limited Partner Advisory Committee (LPAC). This is a group of select investors tasked with providing oversight and guidance to the Investment Manager.

Outcome
The manager has significantly bulked up their ESG reporting (including signing up to the ESG Data Convergence Project – an industry transparency initiative sponsored by the Boston Consultancy Group), enacted ESG deep dives for every new investment and begun formerly collecting data from portfolio companies.

The manager has also laid out a detailed ESG improvement timeline, which we believe will lead to significant positive progression from the manager in the short to medium term.

Aligning to industry best practice
We believe that a critical part of improving sustainability and stewardship practices requires improved clarity and standardisation (around terminology but also metrics and reporting).

This is why, we have aligned our strategy specific ESG questionnaires – detailed sets of questions we send to all our managers annually – with the UN PRI's reporting framework, the PLSA template and ICSWG resources.

We hope this will encourage managers to align to a single, standardised means of reporting, as well as becoming UN PRI signatories themselves (see case study under Principle 5 where this was achieved).

Investment Consultants Sustainability Working Group (ICSWG): We are an active participant in the ICSWG – a body made up of 19 investment consultant firms to UK asset owners. The group publishes guidance designed to improve the engagement reporting by managers, which we have included in our manager ESG questionnaire:

- The ESG Metrics for Asset Managers[3]
- The ICSWG Engagement Reporting Guide[4]

We have given a more detailed explanation of our manager selection process and integration below under Principles 8 and 9.

Derivative exposure and counterparty engagement
In a number of investment strategies, we make use of derivative instruments. Where these derivatives reference standard market indices, we do not apply our normal framework on a look-through basis to the underlying exposures. Custom derivative baskets will apply our normal sustainability framework. Over-the-counter derivatives are invested via a counterparty, usually an investment bank. To understand a counterparty's ESG risk exposure, we screen counterparties for material ESG issues using our Sustainable Investment Framework. Our Dealer Committee monitors the creditworthiness of counterparties and determines an internal rating. A view on counterparties' ESG risk exposure forms an important part of that decision-making process.

For example, in one case a counterparty was flagged on an ESG issue and received an amber rating as a result for their ESG score. This was not combined with credit deterioration so did not affect the ultimate credit score from the Dealer Committee, but it could have had other risk factors combined. The issue was ultimately resolved and the counterparty is no longer flagged as amber.

Sustainability Advisory Services
We offer sustainability services that support our clients to achieve their sustainable ambitions in both their investment portfolio and in a direct corporate and trustee context.

Sustainable Investment Services
We advise a number of asset owners (pension funds, insurance companies and banks) on socially responsible investment, supporting them to realise their sustainability ambitions, translating these into policy with concrete and measurable objectives that meet their legal obligations. We support them across a range of sustainable investment activities: sustainable policy development, sustainable investment policy choices, legislation and regulations, reporting, monitoring and other sustainability-related activities. In certain cases, this extends to supporting them on engagements with companies.

Our experienced sustainability team, sustainability data and reporting infrastructure support these clients to better integrate sustainability and stewardship into their policies and mitigate sustainability-related risks and impacts in their investments.

For many clients we are involved in producing their TCFD reports. This includes using climate change scenario analysis to assess the risks and opportunities of a client's investments at the portfolio level. In 2024 we did a substantial update to this process incorporating qualitative scenario analysis which we believe led to substantially more practical outcomes addressing some of the problems widely identified in the industry with traditional quantitative approaches.

Corporate Sustainability Advisory
Our Sustainability Advisory team provides advice and support to trustees, corporate clients and asset owners on the interplay between corporate financial strength, sustainability, and strategic planning. This forms an extension of our ability to steward assets.

3 https://www.icswg-uk.org/_files/ugd/9624a9_12e6622be8e14cbd8f4b12b3b31caf80.pdf
4 https://www.icswg-uk.org/resources

For pension funds a crucial element is their corporate sponsor covenant risk. This includes unique in-depth analysis of the credit and sustainability risks pertaining to a sponsor including the ESG risks they may be exposed to. We have developed in-house propriety models to support its work, including the MACCI model (which we use to provide corporate climate risk analysis) and the EARTH model (to assess broader corporate sustainability risk analysis). This then leads to conversations with the corporate sponsor about these risks and can often result in actions taken by the corporate to improve these risk areas.

In some cases (when not in conflict) we will work directly with corporate clients to consider how to mitigate and adapt to transition risks, and we support them in aligning their entity towards science-based transition plans so they can operate within planetary boundaries and respect social foundations.

All of this has a direct benefit to our broader client portfolios which in many cases these corporates are a part of.

In conclusion and reflection
In conclusion we aim to integrate both ESG assessment and real-world impact throughout our processes and we believe this is key to driving good stewardship outcomes. These processes are always a work in progress, and we will continue to enhance these processes over the next year.

Key areas of further enhancement in 2025 will include:

- Over 2024 we held a series of workshops to develop closer integration between our investment teams and the CSG stewardship team on engagement with issuers. A process for further integration on stewardship activities has been proposed with some initial test cases identified, these will be further developed in 2025.

- Improvements in measurement of some of the key sustainability risks around deforestation and water usage.

Principle 8:

Signatories monitor and hold to account managers and/or service providers.

ESG data

For our direct investments, our primary sustainability data source is MSCI's ESG and Climate metrics, including scenario analysis insights and temperature alignment metrics. We use this data to feed into our model to assess our own investments and those of our managers.

We also use Sustainalytics for engagement support as well as regulatory disclosures linked to SFDR.

To ensure the integrity of the data we use for our own research and assessment processes, we have engaged MSCI on several instances about its data quality, consistency, and meaningfulness. We have provided input for its development of new data and research products.

Below are examples of interactions with our ESG data providers in 2024:

- We regularly ask MSCI to explain changes of individual company scores. On some occasions, our feedback is incorporated into their assessment.
- We participated in an in-person roundtable organised by MSCI on human rights data.
- We participated in Sustainalytics client consultations regarding the development of their thematic engagement programs and provided feedback along the year.
- We had a meeting with a senior Glass Lewis representative and provided feedback on the services we receive from them.

We are seen by the data and research providers that we work with as a front-running investment manager with valuable insights that can help shape their research offerings.

In 2023, we joined an investor initiative where institutional investors work together to advance the corporate human rights data environment. The main objective is to enable investors to better and more systematically incorporate human rights data into their investment and stewardship activities. In 2024, the initiative, led by the Church Commissioners for England, became public. Cardano is an active participant, leading the engagement with one proxy provider and collaborating on two ESG data providers. A call was held with the proxy provider, where we could explain the objectives of the initiative and could ask questions about the provider's approach to human rights and how they integrate into their voting policies. From this call, we could set more precise and clearer objectives for this engagement, which we are continuing in 2025.

Third-Party Manager Engagement Activities

ESG Assessment Framework
All fund managers that we invested in are monitored through our ESG assessment framework, which is for our clients' use and not made publicly available. Part of this framework focuses specifically on managers' stewardship and engagement and assists our investment team and Manager Research Committee (MRC) in ensuring that investments are being managed in accordance with our expectations around ESG.

Timing of when strategies are assessed:

1) Prior to investment: investment proposals for all new investments tabled at the MRC must contain a dedicated section setting out (i) the ESG assessment; and (ii) a summary of the rationale used to get to that assessment. Managers also need to complete our ESG questionnaire prior to investment.

2) Post-Investment: (i) all strategies' ESG assessments are formally reviewed on an annual basis by the relevant coverage team; and (ii) ESG assessments are updated on an ad-hoc basis: coverage teams speak to all invested managers regularly as part of the overall monitoring process - this will include discussing ESG issues. We use MSCI and internal data sources to analyse manager portfolios and support our initial and ongoing assessment of managers. For example, we will regularly challenge managers on stocks that our internal framework classifies as non-adapting. This data provides a challenge for whether managers are implementing their sustainability beliefs.

Each ESG Assessment consists of two parts:

Part 1 | High or Low Focus

- Strategies are designated either (i) High Focus (strategies where ESG factors are deemed to potentially materially impact financial risk return and real-world impact); and (ii) Low Focus (strategies where ESG factors are deemed to have less potential to materially impact financial risk return and real-world impact).
- This is based on an internal methodology in order to seek to ensure consistency of approach.

Part 2 | Overall Assessment (Strong, Good, Standard or Poor)
Strategies are assigned an overall assessment.

- The rating is calculated by aggregating scores from four specifically assessed categories: (i) People and policy; (ii) Process integration; (iii) Monitoring, Stewardship & Engagement; and (iv) Reporting.

- Each category score carries with it certain weightings, to reflect areas we deem to be most appropriate in the assessment of ESG within the strategy.

Data Capture
Information to assist in this assessment process is gathered from managers as follows:

- Annual Questionnaire: a detailed questionnaire is sent to all invested managers annually; the questionnaires are tailored to reflect the differences in our core manager strategies (e.g. equity, fixed income, multi-asset, private equity etc.)
- Quarterly voting information: we ask all High Focus managers to provide details of their voting records on a quarterly basis. This includes details on voting against and for management, as well as asking managers to explain their most significant vote in the reporting period
- Additional information: added information is gathered by the investment team as part of the formal day-to-day investment monitoring is stored in our databases, throughout the year.

Focused Framework
Our framework is designed to focus engagement resources on the exposures where ESG issues have the highest potential impact to our clients' risk-adjusted returns. This focus is achieved through classifying (using Cardano's proprietary methodology) all invested strategies as either:

- High Focus: ESG issues could materially impact the risk and return profile of the strategy, and the strategy may have real-world sustainability impact (e.g. listed or private equities, corporate credit etc.).
- Low Focus: ESG issues are less likely to impact the risk and return profile of a strategy, and the strategy is unlikely to have a substantial real-world influence or impact (e.g. macro-oriented derivative-based strategies, highly diversified trend following strategies).

Regardless of the classification, we expect all managers to integrate ESG issues into their investment decisions, where relevant.

For all managers, but in particular high focus managers, an assessment of their stewardship approach will be an important component of the initial stages of the manager selection process.

Voting
We require external managers to engage on ESG issues that contribute to both company-level and systemic risks that affect the portfolio. As part of this engagement, we expect all our managers to be using their right to vote. We monitor (amongst other things):

- how each manager has voted (to the extent they have voting rights associated with the strategy)
- the voting process: whether voting is carried out directly or through a proxy service provider and, if through a service provider, the level of service in place
- where applicable, details of what the manager deems to be the "most significant" votes cast and their rationale for their inclusion as significant
- the commitments they make to engagement

We engage with all managers to understand their voting activity. Where a manager has abnormal voting patterns or has sub-standard practices, we will engage to understand their rationale, and, if appropriate, we will apply pressure on them to improve their processes and procedures. Should a manager fail to improve sufficiently, this may result in disinvestment. We set out our expectations on sustainability to all our external managers via an annual letter. This year's letter focused focus on future ambitions.

We report to our clients on their fund managers' voting pattern and our engagement with them. We have integrated the Investment Consultant Sustainability Working Group (ICSWG) engagement template into our ESG questionnaire. We do this to encourage good practice manager disclosure on engagement and voting and to ensure disclosure is efficient and effective.

Quality of dialogue
We believe impactful engagement and effective stewardship flows from high quality dialogue with the managers we use for our clients. We aim to achieve this through:

- Education: Our approach as sustainable investors is to prefer engagement (working with our managers to improve standards) over automatic exclusion. We actively work with our managers to educate them on what ESG integration and real-world sustainability impact means to us and our clients, as well as the expectations we have of them. We do this through day-to-day monitoring and discussions with managers which have included bespoke education and know-how sharing sessions around ESG factors.
- Granular Measurement:
  - Each year we gather detailed information on invested funds' practices and approach to ESG through a strategy specific ESG questionnaire. We

have aligned our questions with the PRI reporting and assessment framework as well as incorporated industry recognised stewardship reporting, such as those outlined by the ICSWG.

- Through a detailed review of this information, combined with information gathered throughout the year, each fund is assigned an ESG assessment across policies, integration, engagement and reporting:
  - Policy – does the manager have a sustainable investment (or equivalent) policy in place, what's included in the policy and how is it implemented.
  - Integration – does the manager integrate ESG issues in investment decisions, are ESG issues integrated throughout the investment life cycle, and is the manager prepared to exit an investment if the asset does not meet ESG-related expectations.
  - Stewardship and engagement – does the manager engage the investee companies on ESG issues, is the manager a signatory to a stewardship code (or equivalent), and how has the manager voted on ESG issues?
  - Reporting – does the manager report on ESG issues, does the manager report on climate-related metrics, such as greenhouse gas emissions, and does the manager disclose (or intend to disclose) against the Taskforce on Climate-Related Financial Disclosures ('TCFD') recommendations?
- The granular nature of this ESG assessment process allows us to track managers' practices and processes around engagement through time; enabling us to:
  - focus and set specific goals for managers around ESG factors; and
  - track a manager's progress against those goals.
- We seek to quantify our engagement impact by registering the changes that managers have or are about to make to their policies or practices, as a result of our education and engagement efforts.

Consistent Communication
A critical part of effective engagement is making clear our expectations around ESG factors and real-world sustainability impact. We provide this through:

- Regular, active dialogue on relevant issues through the day-to-day monitoring that members of the Manager Research Team carry out.
- An annual communication to all invested managers, setting out our beliefs and expectations around ESG factors and real-world sustainability impact.
- We provide each manager with detailed information on how our assessment process works, as well as how they were assessed. This transparency is a critical and powerful tool for bringing about change.
- We use communication to engage with managers, by articulating clear milestones for specific ESG initiatives to be in place and corresponding implications. We recognise that structural change is a process.

While we prefer to work with managers to bring about change, we are prepared to sell or advise our clients to sell, where a manager has consistently not delivered on ESG-based milestones.

Engagement
We communicate areas where we want to see improvement on as we engage with the manager. We set clear milestones that are then monitored for improvement. In 2024, we set milestones for all Recommended Managers, which totalled 84 funds. Progress against these milestones were monitored by the Manager Research Team over 2024.

Reflection
We reflect on the process so that lessons are learned to improve future engagement activity.

1) For our direct investments, we work closely with our providers, regularly volunteering to provide feedback and challenging them when data issues are identified. This can lead for example to data errors being corrected by our data providers or to new themes or companies being engaged on by our engagement service provider, widening the scope of our engagement activities. In 2024, we participated in several consultations held by our engagement provider, where we gave feedback on the future of their programs and how they can be further developed to increase effectiveness.

Additionally, we have held multiple internal sessions to improve collaboration between the stewardship and investment teams to understand each other's processes better and find alignment. As an example, we defined a process for the Credit team's engagements that will be done in collaboration with our research and stewardship teams.

2) For our indirect investments via third party managers, we seek to update our process each year. In 2025, we will be working on the integration with Mercer and aligning our approaches.

Improvements

- Our ESG assessment process utilises milestones. These are Manager Research Team (MRT)-identified areas of improvement for the Manager, where we intend to focus our engagement efforts to induce improvement. In 2023, Milestones were only set for recommended High Focus Funds (those where the manager invests directly in single name equities or bonds or other asset classes, for the long-term, allowing them to exert a higher degree of engagement or influence on ESG matters). In 2024, we expanded this to all Funds that are recommended for investment by our clients. This was approximately a 30% increase in Milestone setting and increased the number of engagements to around 84 funds. Additionally, the Manager Research team has undertaken targeted engagements with Managers on key topics where the team believe they can instigate positive change. In 2024, the team conducted 17 targeted engagements, of which 10 had positive outcomes and 7 remain in progress. Topic areas included improved ESG reporting for clients, requesting Managers to consider ESG-related KPIs for executive staff remuneration and implementing minimum ESG standards into their investment process.

- We have introduced technology into our ESG process to make engagements with Managers more streamlined and data collection more efficient. This has been done in several ways:

  - The integration of Diligence Vault, which is utilised for questionnaires, voting templates and ad-hoc ESG related queries with Managers.

  - The use of systems such as MSCI which highlights Managers who are investing in at-risk ESG investments. By getting this portfolio-level granularity, it will allow us to be more targeted in our engagements with Managers, providing better challenge to their investment decisions from an ESG standpoint.

  - We have used artificial intelligence techniques to challenge our ESG assessments on individual managers. This has helped drive more consistency across assessments, as well as suggest areas where managers can improve based on our asset class specific guidance.

  - We have also made improvements to our internal ESG dashboard, which shows how Managers are progressing over time. This will act as another key data point that will aide future discussions/ engagements with Managers.

- Lastly, in our annual ESG letter to Managers we highlighted key themes (Climate Crisis, Environmental Impacts and Human Rights) that are of high importance to our clients. We also explained our views on stewardship best practice, as well topic areas for Managers to focus on to meet our clients' stewardship objectives.

Principle 9:

Signatories engage with issuers to maintain or enhance the value of assets.

We undertake stewardship across our investment activities, engaging with many of the companies we own (both through bonds and equities), in our equity investments voting at shareholder AGMs, and engaging our third-party managers, counterparties, regulators and policymakers. We do so as we believe it helps protect the long-term value of assets.

Engagement for our direct investments

Under Principles 1 and 2, we detailed our approach to stewardship and engagement. We described in detail why and how we approach stewardship to maintain or enhance the value of assets The below summarises our approach, focusing on our engagement activities. Our stewardship approach, as outlined in Principle 2, prioritizes engagements based on nine key themes that align with planetary boundaries and social foundations: Climate, Biodiversity, Water, Materials, Basic Needs Provision, Fairer Society, and Governance. These themes guide our efforts to encourage companies to address the associated risks, recognizing their systemic impact not only on individual businesses but also on the broader portfolio. By focusing on the most relevant themes for each company, we aim to enhance long-term portfolio resilience.

Our stewardship activities are rooted in the conviction that engagement and voting are powerful tools to drive companies toward embracing and acting on the sustainability transitions currently underway. We undertake engagement to:

- Manage systemic risk: under Principle 4, we gave examples of how and why we do this.
- Maintain investments while pushing for improvements: we believe in using engagement to encourage investee companies to transition their business models to be financially resilient and successful in the long-term.
- Contribute to positive real world sustainability outcomes.
- Improve long-term risk adjusted return by using engagements to reduce sustainability risks.

Our starting point for prioritising engagements is the application of our sustainable investment framework. We focus our engagement efforts on entities that are actively managing their transition pathways and have the capacity to contribute positively to a sustainable future. We align our engagement priorities with the Environmental and Social targets we have set, related to the transitions, as described in our Sustainable Investment Policy. Although many are managing their transition pathways, the companies that are considered as ‘Adapting’ still have significant improvements to make to their business models to decrease their negative impacts and increase positive impacts. We prioritise engagements with these companies because based on our assessments they demonstrate a willingness and capacity to continue transitioning. When deciding to play a lead role in an engagement either within a collaboration or individually, we consider several factors, including: the company’s performance and progress on the relevant and related topics, whether it is already engaged via other initiatives and to what extent, and the size of the company.

To conduct our engagements, we have adopted the below principles:

- **Collaboration** – engagement is more efficient and impactful when investors collaborate. This is true from the perspective of investors (who can join forces and reach out to more companies) as well as for investee companies (who will field fewer, but higher conviction, engagements from their investors).
- **Quality over quantity** – we are interested in meaningful engagements, seeking tangible results with strong reporting.
- **Long-term** – we encourage long-term relationships with entities. Successful stewardship can take many months, and sometimes years.
- **Real-world impact on systemic issues** – we are interested in engagement on topics that contribute to positive real-world impacts and address systemic issues.
- **Innovation** – we encourage innovation for example, our satellite-based engagement towards zero deforestation.
- **Integrated** – stewardship contributes to investment decisions, potentially contributing to changes in capital allocation.
- **Goal-oriented** – recognising that each entity operates within a specific context facing different challenges, we tailor our goals and approach for each engagement dialogue. During an engagement process, we set clear objectives and milestones to monitor progress. If progress is not meaningful, we will consider escalation, including voting against Board members or changing capital allocation.
- **Transparency** – some engagements will be unsuccessful. We report on our efforts (both positive and negative) throughout the process.

Our engagement activities are conducted at the issuer level. The asset class and regional spread of our engagements is as follows:

- Asset class: Our engagement dialogues held with the issuers cover both equities and corporate bond holdings, to improve long-term portfolio value.
- Geography: Our dialogues tend to be concentrated on companies headquartered in Europe and in North America, where investor engagement is a more established practice. However, we actively review our engagement strategy to expand our reach into other regions where we hold investments.
- Expanding regional scope: Recognizing the importance of broadening our stewardship efforts, we have taken steps to increase our engagements in other regions:
  - As part of the Platform for Living Wage Financials, we lead the dialogue with a Japanese headquartered company.
  - In 2024, we expanded our engagement efforts to India, leading and participating in two engagements:
    - One materials sector company where we co-lead the engagement as part of Nature Action 100,
    - A pesticides producer, where we collaborate on the engagement and actively participated in the company's 2024 AGM process, submitting a question about its biodiversity goals.

We expect all companies to work towards achieving the same sustainability goals that are relevant to their business strategies (including net zero, net zero deforestation, and strong human rights due diligence, among others). However, we acknowledge that companies in emerging markets may be at an earlier stage of their sustainability journeys and have thus far less dedicated resources. This means that our engagement efforts here focus on more foundational practices, such as creating policies, creating internal structures, and developing board and management level oversight of sustainability issues.

We publish an overview of our engagement activities here and detail our reporting approach under Principle 6. Below, we present case studies that illustrate how we conduct engagements and set objectives. These objectives are designed to drive improvements that will mitigate systemic risks such as global inequality (aligned with our Fairer Society theme) and climate change. Addressing these systemic risks is integral to safeguarding the long-term value of our assets as outlined in our stewardship approach described in Principle 1.

Our objectives are established at a high level within each engagement initiative. We seek objective alignment with our broader stewardship priorities. We refine these objectives on a case-by-case basis, tailoring them to the specific context of each company dialogue to maximize relevance and impact.

Case study:
Engaging garment and footwear companies on the topic of living wage

Introduction
Cardano is part of the Platform for Living Wage Financials (PLWF), a group of financial institutions engaging companies to address the non-payment of living wages and incomes in their global supply chains

Why
The theme of poverty and living wage is a key one for Cardano's active ownership activities. Cardano recognizes the importance of companies enabling the provision of a living wage in the whole value chain, especially in sectors where the production of goods is located in countries where legal minimum wages are either inexistent or too low to cover the most basic needs. The topic of living wage represents material risks for companies. By enabling the payment of a living wage in their supply chain, companies can mitigate the associated legal and reputational risks, as well as build more resilient supply chains. It also helps address long term system risks associated with increased inequalities, which affect productivity, social stability, and overall economic resilience.

Objectives
Companies engaged by the PLWF are assessed on a yearly basis, using a public methodology based on the UN Guiding Principles on Business and Human Rights. Engagement calls are held to encourage progress on the different pillars of the assessment.

2024 Engagement Activity
The PLWF Garment and footwear working group assessed 33 companies in 2024 and engagement calls were held with most of these. Cardano led the assessment and engagement on 2 of the companies covered: a Japanese apparel company and a Canadian apparel company.

2024 Outcomes
- The overall findings for the garment working group of the platform can be seen in the annual report available here.

- Despite a tightening of the methodology for the 2024 assessment cycle, the Japanese company kept its score from 2023 and the Canadian company increased its score by 3 points.
- The Japanese apparel company is now providing more details on its work with multi-stakeholder initiatives and unions and how these are having an impact on wages for workers.
- Year on year the Canadian apparel company is showing progress. A couple of years ago, it setup a multi-disciplinary committee to oversee their progress on living wages. They are now working on a living wage roadmap and other updates to their living wage approach, including revisiting their definition of a living wage to incorporate more details.

Case study:
Engaging the banking sector on its climate transition

Introduction
Cardano participates in the chemical sector decarbonisation program coordinated by ShareAction, engaging the European companies in the sector to implement a 1.5C aligned climate transition plan with short-, medium- and long-term goals.

Why
The chemical sector is responsible for about 6% of the global greenhouse gas emissions[5]. The sector therefore plays a critical role in enabling the low-carbon transition. Cardano holds a number of chemicals companies in its equity and bond portfolios.

Objectives
The main objectives for this engagement are 1) Set out and disclose a plan over the short, medium and long term, with intermediate targets, to: a) phase in electrified chemical production processes, with the aim of transitioning to 100 percent electrified processes by 2050; and b) increase energy consumption from renewable energy sources, with the aim of transitioning to 100 per cent renewable energy by 2050. 2) Set and disclose plan to phase in non-petrochemical feedstocks that are emissions-neutral over their entire lifecycle, with the aim of transitioning to 100 per cent emissions-neutral feedstocks by 2050 3) Set scope 3 targets that are aligned with 1.5C with low/no overshoot pathways covering all relevant upstream and downstream emissions. 4) Explicitly commit to align capital expenditure plans with the objective of limiting global warming to 1.5C without overshoot; and disclose future capital spending on new and existing assets broken down by the type of asset, and by plant/facility, across all geographies.

Engagement Activity
A summary of our recent activity is described below and outlines the dialogues and other tools we use to encourage progress on our objectives:

- Company 1 is one of the world's largest nitrogen fertilizer producers. It has demonstrated limited progress on key objectives, particularly in setting a Scope 3 emissions target. Following the filing of a shareholder resolution earlier this year, the investor coalition sent letters to the CEO requesting a meeting. During the CEO-level meeting, the coalition discussed the three core asks and emphasized their expectations for progress.
- Company 2 is one of the world's largest chemical producers. It has made notable progress on our three key objectives and offered our group a meeting with the company's new CEO. Discussions centred on the company's CSRD-aligned transition plan, specifically strategies for transitioning its asset base over the next decade and moving away from fossil fuel feedstocks.
- Company 3: Similar topics were raised with the company, one of the largest industrial gases providers globally. The company has made minimal progress on key objectives. The discussions mirrored those with Company 1, focusing on the company's lagging efforts in aligning with our expectations.

Outcomes
- All three companies cited their transition will be slower because of lagging enabling policies and concerns about losing competitive advantages in the global market.
- To address these concerns, our group addressed the companies' lobbying strategies during the dialogues. Companies were encouraged to adopt greater transparency in their lobbying activities and to actively advocate for ambitious climate policies.
- Cardano believes the companies can do more to transition but also recognises the need for a supportive policy environment. In collaboration with ShareAction, we therefore submitted a response to the EU Delegated Act on Low Carbon Hydrogen consultation, advocating for prioritizing renewable hydrogen over low-carbon -such as carbon capture- alternatives. Follow up letters were sent to the companies, and our engagements will continue in 2025.

5 Hannah Ritchie (2020) - "Sector by sector: where do global greenhouse gas emissions come from?" Published online at OurWorldinData.org. Retrieved from: 'https://ourworldindata.org/ghg-emissions-by-sector' [Online Resource]

Reflection
As the above examples show, we engage across a large set of themes and use different tools to achieve results, including filing shareholder resolutions, using our votes for communicate certain views, sending letters to the board, or making public statements. We recognise that progress can sometimes be slow with engagement dialogues, since the developments we are encouraging are often large-scale in nature and require investments throughout the entire value chain. We therefore consider how using collaborative action and the use of different tools at the appropriate moments can help to accelerate progress.

One area we have discussed is the variation in our ability to engage across geographies. For example, we find our ability to engage with Chinese companies quite limited. We are exploring how we can be more effective in these engagements in part by reaching out to other peer investors in the region to assess where their approaches have been successful.

Engagement with third-party investment managers

Where we invest indirectly, engagement with underlying issuers is undertaken by the fund managers that we select for our clients. We have described in detail how those activities are conducted as well as examples in Principle 7 and 8.

Below is a case study on how we encouraged an equity manager to be active in collaborative engagements:

Case study:
Engaging with a global equity manager

What
We have been encouraging one of our equity managers to lead and be involved in collaborative engagements.

Why
Whilst the Manager regularly engages with company management of their underlying holdings, we noticed that they were less focussed on collaborative engagements. We wanted to engage with them on this issue because we recognise that collaborative engagements can have important impacts on addressing systemic risk, and that it would be helpful for other investors to benefit from their expertise and research.

How
We brought this to their attention in our regular interactions with the Manager and have done so over multi-year time periods.

Outcome
This year, for the first time the Manager has undertaken and led a collaborative engagement. Providing a detail summary by way of case-study. In addition, this year, we are also pleased to see they have gone further and joined a collaboration focussed on Modern Slavery. This is one of our focus areas with external managers, which we communicated to them as part of our annual ESG engagement letter we send to managers.

Reflection
We reflect on the process to take away lessons which can be used to improve future engagement activity. As described under Principle 4, we are looking at how we apply our principle “Quality Over Quantity” when it comes to our direct engagements with issuers. While we have been active in numerous engagements, we aim to deepen our impact by prioritizing quality over quantity. This involves selecting engagements that have the potential to create substantial change and allocating appropriate resources to manage these engagements more intensively.

Principle 10:

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaboration

We strongly believe in collaboration. Collaboration is efficient and effective. It allows us to benefit from external expertise, and we actively contribute our knowledge and experience where appropriate to do so.

We see collaboration as part of the way we can contribute to achieving a more sustainable financial system. By coalescing around common themes and methodologies, we send clear messages to the companies we own – and to regulators. Collaboration is a powerful tool that allows for a faster, smoother transition.

In 2024, we participated in a number of industry initiatives. We have listed these under Principle 4. Relating to collaborative engagements, the below are relevant for this Principle. These are initiatives where we play a collaborative or leading role:

Planetary Boundary	Initiative	Sector/Topic
Climate	Dutch Climate Coalition	Oil & Gas, Chemicals: Climate transition
	Sustainalytics Net Zero program	Metals, Utilities, Airlines, Oil & Gas: Climate transition
	IIGCC Net Zero Engagement Initiative (NZEI)	Utilities: Climate transition
	ShareAction: Chemicals decarbonisation program	Chemicals: Climate transition
	ShareAction: EU banking program	Banks: Climate transition
	Climate Action 100+	Agriculture: Net Zero and climate transition
	FAIRR Protein Diversification	Food & agriculture supply chain: Climate transition strategies
Biodiversity	Satellite-based deforestation program (Cardano-led)	Consumer Goods: Deforestation in the supply chain
	PRI Spring	Agriculture, Mining: Lobbying related to public policy to prevent deforestation and biodiversity loss
	Nature Action 100	Specialty Chemicals: Biodiversity
	Sustainalytics Biodiversity & Natural Capital program	Banks: Biodiversity oversight and transition
	Share Action Pesticides initiative	Chemicals: Pesticide production and biodiversity loss
	FAIRR Waste & Pollution	Packaged Foods & Meats: Biodiversity risks from waste
Water	Valuing Water Finance Initiative	Restaurants: Water scarcity and water quality
Materials Use	Nature action 100	Specialty Chemicals: Biodiversity
	Investor Initiative on Hazardous Chemicals (IIHC)	Chemicals: Phase-out of hazardous chemicals
	Plastic Solutions Investor Alliance (PSIA	Consumer Goods: Plastic reduction
	VBDO plastics initiative	Consumer Goods: Plastic reduction

Social Foundations	Initiative	Sector/Topic
Basic Needs	ShareAction Healthy Markets	Food & Beverage: Transition to healthy offerings
	HEAL - Dutch investor coalition	Restaurants & Catering: Transition to healthy offerings
	Access to Nutrition Initiative	Food production, retail, distribution: Access to affordable healthy nutrition
Fairer Society	Platform for Living Wage Financials	Garment & footwear: Living wage in the supply chain
	ShareAction Good Work coalition	Retail: Labour rights, Living Wage
	Interfaith Center on Corporate Responsibility	Online Retail: Workers rights, freedom of association, living wage
Governance	PRI Advance (Human Rights)	Utilities: Human Rights and application of the UNGPs
	Heartland Initiative (Conflict Affected and High-Risk Areas)	Technology: Human Rights in conflict areas
	Collective Impact Coalition for Ethical AI (World Benchmarking Alliance)	Technology: Ethical AI development
	Big Tech and Human Rights (led by the Swedish Council of Ethics)	Technology companies: human rights
	Sustainalytics UNGC Watchlist Engagement program	UN Global Compact violations

The below case studies provide examples of how we use collaborative engagement to influence issuers and achieve engagement objectives:

Case study:
Chemical sector decarbonisation initiative

In 2024, Cardano continued to participate in a collaborative engagement initiative to decarbonise the chemical sector. This sector is responsible for about six percent of total global greenhouse gas emissions. Decarbonising the sector can therefore significantly contribute to achieving Net Zero by 2050.

The ShareAction coordinated engagement initiative encourages chemical companies to establish a credible decarbonisation plan aligned with 1.5°C. Key objectives include fully electrifying the chemical production process, switching to renewables as an energy source by 2050 and replacing petrochemical feedstocks with emission-neutral feedstock by 2050.

In 2024:
We actively participated in engagement dialogues with six chemical companies and followed up in writing. For all dialogues we also held preparatory meetings with the investor group and ShareAction.

- With three of the companies where dialogues were held, the main topics addressed were replacing fossil-based raw materials with fossil-free alternatives and setting more ambitious renewable targets.

- Together with three other investors and ShareAction, we filed a shareholder resolution at one company, requesting it to establish a comprehensive scope 3 emissions target. We also engaged with the Norwegian government regarding this company's scope 3 emissions, given the large stake held by the government in this company.

- The coalition held separate dialogues with CEO and/or senior management of three of the companies to discuss investor expectations, particularly concerning scope 3 emissions. With one of the companies, the dialogue focused on their CSRD transition plan, which is set to be published next year.

Most engagements have been constructive thus far and show that many companies are on the right track in developing detailed and credible transition plans. Some companies have shown little progress. For these engagements we used escalation tools such as filing a shareholder resolution, engaging the government and requesting a dialogue with the companies' senior management or CEO.

The dialogues have been efficient, effective and high quality due to the successful collaboration between ShareAction and the investor group. For each dialogue, ShareAction provided in-depth background research and coordinated the meetings. Cardano and other investors reviewed the research, and asked questions encouraging the companies to implement the group's key asks. The engagement group continues this successful collaboration in 2025. The focus of the engagement initiative will shift towards the largest emitters and the companies lagging in their climate ambitions to achieve further progress.

Case study:
Tech and human rights

At the beginning of 2023, Cardano joined a new collaboration to engage big companies in the tech sector on human rights. With around 26 participants and led by the Swedish Council on Ethics, its aim is to see technology companies better mitigate, manage and report on the human rights impacts of their platforms and business models. Given the size of the companies in the sector, acting collectively is even more important.

We see the goal of this initiative as essential in a sustainable society where social foundations are protected. There are many human rights risks linked to technology companies' business models, such as risks linked to collection of data and privacy, freedom of expression, development of AI solutions or the societal impacts of social media platforms and their role in content moderation. This represents the following risks for our portfolio:

- Legal risks, such as those linked to the application of GDPR or the upcoming EU AI act, including fines.
- Reputational risks, such as the Facebook-Cambridge Analytica scandal
- Systemic risks, such as those linked to the societal impacts of hate speech and polarisation of society for example

Cardano has had an active role in this initiative since its inception in 2023 and continued being active in 2024 by co-leading the engagements with two of the companies in scope. The progress of the engagements is being tracked using a KPI framework based on the UNGPs (United Nations Guiding Principles on Business and Human Rights) Protect, Respect and Remedy Framework and the Ranking Digital Rights scorecards, both highly recognised standards.

After a slow start in 2023 with both companies being unresponsive to the request to engage, we persisted and finally managed to set an engagement call with each company. Both calls were useful to reiterate the goals of the engagement, gain further insights on how each company addresses human rights and set next steps for the engagement. The engagements will continue in 2025, and the expectation has been set with each company that Cardano would like further engagement.

Policy Engagement

This year, we have endorsed and responded to several public policy consultations in the UK, EU and US, covering a range of sustainability topics including social risks and opportunities, climate change and deforestation-triggered biodiversity loss.

We see policy engagement as a natural extension of our sustainability commitments and an important complement to our engagement activities with companies. We recognise the need to improve the sustainability of the market as-a-whole and that there are clear benefits to us and our clients through well-designed and implemented sustainable investment policy reform.

In general, we welcome the direction of policy makers on sustainability topics. Highlights include:

Submission	About	Explanation
EU Delegated Act on Low Carbon Hydrogen	The EU Delegated Act on Low Carbon Hydrogen clarifies how low-carbon hydrogen can meet its greenhouse gas (GHG) emissions threshold. The act also addresses how to account for indirect emissions and hydrogen leakage.	We provided input on the EU Delegated Act on Low-Carbon Hydrogen, which sets out criteria for how low-carbon hydrogen can meet greenhouse gas (GHG) emissions thresholds. Our response addressed key aspects, including the methodology for accounting for indirect emissions and hydrogen leakage, ensuring that the regulatory framework supports credible emissions reductions while promoting transparency and accountability in hydrogen production. The response was important in providing a view from investors to balance the heavy lobbying from energy, utilities and infrastructure companies who pushed to weaken the definition of low-carbon hydrogen.
EU Deforestation Regulation	The EU Deforestation Regulation (EUDR) is a law that requires companies placing key commodities (such as soy, beef, palm oil, wood, cocoa, coffee, and rubber) on the EU market to prove that their supply chains are deforestation- and conversion-free. It aims to reduce the EU's contribution to global deforestation and biodiversity loss by enforcing strict due diligence requirements, ensuring products are sourced legally and sustainably.	In November 2024, we endorsed a letter directed to the Member States of the European Union, and Members of the European Commission, opposing the delay and dilution of the EU Deforestation Regulation (EUDR). Deforestation poses material financial and systemic risks that threaten the long-term value of our portfolios. The EUDR represents a critical regulatory step in mitigating systemic biodiversity loss and climate change by ensuring that supply chains become free from deforestation-linked products. Delaying and weakening the regulation undermines global efforts to protect forests. This letter was aligned with the discussions we have with companies via our collaborative engagement program using Satelligence data, as described earlier in Principle 4.
Business Statement supporting the CSDDD	The statement, coordinated by the Business & Human Rights Resource Centre (BHRRC) was to show support of the Corporate Sustainability Due Diligence Directive (CSDDD) and call on European decision makers to do so as well.	As the European Parliament was casting its final vote on the CSDDD in April 2024, the statement was sent to MEPs asking for them to support the CSDDD. The CSDDD transposes into law some of the due diligence elements of the UNGPs, which would help level the playing field when it comes to human rights and environmental due diligence practices and disclosures.

Principle 11:

Signatories, where necessary, escalate stewardship activities to influence issuers.

Escalations for our direct investments

We see the use of different tools as the best way to achieve our goals. Setbacks are inevitable when engaging with companies. By having a clear escalation strategy, we can address these situations and try and move forward even when conversations stall.

In our Stewardship Policy, we describe the multiple tools that we leverage and how we use them in combination with each other to maximise our effectiveness.

In our view, effective stewardship is done by using this broad range of tools shown below.

The order of our application may vary, depending on the specific circumstances of each case. For example, engagement might precede a voting decision to allow for constructive discussions, or co-filing may follow unfruitful engagement attempts to escalate the dialogue or urgency. We consider the interconnectedness of these tools, recognising that their collective impact can lead to advances in companies' progress on making their business models more sustainable. We evaluate how companies respond to our engagement efforts and how they progress on the related topics.

If a company consistently fails to address concerns despite our (and other investors) efforts, our assessment of the company, including the classification of it according to our framework, may change. As shown in the image in the next section, this may result in a change in capital allocation (exclusion from our funds). We continue to seek innovative ways to enhance our stewardship impact. This includes novel approaches like satellite-based monitoring for zero-deforestation initiatives, demonstrating our commitment to using advanced tools and technologies to support our stewardship objectives.

Shareholder resolutions filed and key vote examples in 2024

The below examples represent escalations across all our funds. Voting and filing shareholder resolutions are applied across all geographies and equity assets where we have voting rights. Although we expect companies to work towards achieving the same goals – for example, decarbonising value chains, preventing deforestation, protecting worker's rights and health, and implementing robust governance, we understand that companies in emerging markets may often not be as far along their transition pathways. There may be differences in sustainability maturity, regulatory environment, and resource allocation, which we need to consider.

Large US Tech company

Meeting
AGM 2024

Topic
Fairer Society - Human Capital Management

Escalation
Co-filing shareholder resolution and votes against relevant board members

Fairer Society is one of the seven main topics as noted under Principle 2, that we prioritise our engagements with entities on. Part of this topic relates to labour and union rights, employee health & safety and labour practices, impacting on educational opportunities and on income and gender inequality.

Cardano has been following the practices at the company as it is involved in several human capital related controversies relating to health and safety issues at its warehouses as well as interference with worker's rights to freedom of association and collective bargaining. There have been numerous allegations from employees in several countries of poor working conditions and inadequate safety measures. There are reports of unfair dismissals, use of captive audience meetings to deter employees from unionising, and according to public disclosure Amazon has spent USD 4.3 million in anti-union consultants. Our assessment of the company and the controversies is based on data from two data providers as well as other sources such as NGO reports, worker's voices, reports and decisions from the US National Labor Relations Board and court decisions (for example dismissing challenges from the company).

Cardano has been engaging the company on the topic and escalated its views in 2022 as well as 2023, given the ongoing controversies, and to encourage a more structural response by the company. We described in our previous submission, the co-filing of a shareholder resolution as well as a vote against specific board members. In March 2023, we had an in-person meeting with the ESG team of the company and we could raise some of our concerns relating to human capital management. Unfortunately, we do not see the company improving on the topic so we decide to escalate in 2024 again., Alongside SHARE, the Shareholder Association for Research and Education, and a growing number of investors, we co-filed a shareholder resolution for the second year in a row, asking for the company to commission an independent report to assess how the company's practices fit with its commitments to protect Freedom of Association and collective bargaining as guaranteed by the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights. We also escalated by voting against the re-election of the 3 members of the Nomination and Corporate Governance Committee for lack of board oversight and responsiveness on human capital management matters. We wrote to the company to let them know of our voting intentions.

Outcome of the votes
The shareholder resolution did not pass but received 31.6% overall shareholder support. The directors were re-elected with support rates ranging from 89-96%.

We believe the company should improve its practices relating to human capital management and this will continue to be a topic of engagement between Cardano and the company.

US Consumer Services, Restaurants company

Meeting
AGM 2024

Topic
Biodiversity / Deforestation / Sustainable supply chains

Escalation
Vote against members of the Nominating and Governance Committee

The company, one of the largest restaurants companies, owns a set of widely known brands, present in multiple markets globally. Quick service restaurants face several environmental supply chain issues that are crucial to their operations and long-term sustainability. These include climate change, water use, biodiversity and broader nature-related impacts.

On the topic of biodiversity, deforestation triggered by the expansion of agricultural land, particularly for cattle grazing and soy production (used for animal feed), leads to deforestation. Intensive farming practices lead to biodiversity loss which impacts ingredient availability and cost of product sourcing. Biodiversity is essential for the resilience of food production systems and for maintaining stable supply chains, such as those of the company.
The company has a significant opportunity to improve its performance across biodiversity management. Based on external benchmark findings, the company's own reporting, and our engagement conversations with the company in the past, we have learned that it should invest more into improving the traceability of its commodity supply chains. Given the company's size and scale, it plays a key role in the food industry and can exercise significant leverage over its suppliers. However, it does not have a time-bound commitment to achieve a deforestation free / conversion free supply chain across all geographies and it has not committed to developing TNFD reporting. It mainly uses third-party certifications to ensure that deforestation is not occurring in its supply chains, which is not best practice. Through our Satellite-based engagement towards zero deforestation we are encountering many companies to use more proactive monitoring systems to detect deforestation incidents to inform robust supplier engagements. Following a meeting with the company they were reluctant to meet again and to respond to follow-up questions in writing. Given the reasons noted, we have decided to vote against the re-election of the members of the Nominating & Governance Committee as this committee oversees the Planet pillar of the company's sustainability strategy.

Outcome of the votes
The directors were re-elected with support rates ranging from 95-99%.

Norwegian Oil & Gas Producer

Meeting
AGM 2024

Topic
Climate

Escalation
Support of shareholder proposal and against management proposed resolutions

Cardano invests in only select companies in the Oil & Gas sector which are taking significant steps to transition. We use stewardship activities to encourage accelerated progress. The company is one of the few oil majors that we hold in our portfolio since it has published a detailed energy transition strategy and was one of the first oil companies with significant investments in renewables. It has set scope 1, 2 and 3 intensity emissions reduction targets for the short, medium and long-term. Despite these ambitions, the strategy is still falling short of a 1.5°C pathway. The International Energy Agency (IEA) concludes that a decline in oil production should start immediately and estimates that around 30% of the world energy supply should come from renewables by 2030 to reach the 1.5C goal. This contrasts with the company's revised plan to keep oil and gas production now stable until 2035 and its renewable energy ambitions. Accela research finds that only 5.3% of the company's energy mix will be low carbon in 2030[6]. Also, in the company's own disclosures, its carbon emissions decline much more slowly than the IEA Net Zero scenario in all years before 2050.

As such, we have been leading an engagement with the company pressing it to adopt a Paris-aligned strategy. We expect it to set an absolute scope 3 reduction target, increase its ambitions on renewable energy production and disclose an improved energy transition plan, including concrete actions and capex alignment to achieve its reduction targets. Although the dialogues have been open and constructive, we are not seeing substantial progress on our objectives. The company's ongoing oil exploration and production without a clear phase-out plan, presents a risk to us as a medium- to long-term investor and challenges our collective goal of real economy decarbonisation.

We escalated our views using our votes at the company's AGM. In the absence of board member re-elections and a management proposed 'Say on Climate' we voted against the most relevant alternative, the approval of accounts and reports and allocation of profits and dividends. We also supported a shareholder proposal requesting the company to update its strategy and capital expenditure plan in line with the Paris agreement goals. Our aim is to motivate the company to embrace a trajectory and strategy that aligns with a sustainable energy future and long-term business resilience.

Outcome of the votes

The shareholder resolution did not pass as it received 6.5% overall shareholder support. The management resolution we voted against was passed with 99.4% shareholder support.

Escalations for our indirect investments

As stated in Principle 7, we recognise there are many valid sustainable and responsible investing approaches, and we do not apply our in-house sustainability framework or stewardship policies to external managers. Instead, we expect external investment managers to:

- Be aware of financially material ESG issues associated with an investment
- Take ESG issues into account where they have the potential to materially affect the financial risk and/or return
- Engage strategically on ESG issues, where possible within the portfolio and externally
- Exercise their voting rights where possible
- Weigh substance over form – we look for the genuine integration of ESG issues
- Provide case studies and practical examples of their approach and performance

Our ESG assessment framework for external investment managers is deliberately detailed and assesses external managers across people and policies, investment integration, stewardship and engagement, and reporting.

Having assessed the manager's approach to stewardship in the initial selection process and as part of the ongoing monitoring process we will then monitor their approach to escalation. We will usually let each manager decide how best to steward investee companies in line with their investment strategy, stewardship policy, nature of any issue, upcoming opportunities to escalate and their sustainable investment policies.

We will encourage active engagement and escalation by managers directly with investee companies but will not ordinarily intervene on a decision by a manager or to the extent to which they will make their concerns about a company public.

Our stewardship discussions with managers focus on the size of underlying holdings, the manager's conviction in a company, opportunities to exercise stewardship and specific opportunities to challenge companies, including on ESG issues. We expect managers to be open about their stewardship activity and inform us about issues with particular holdings.

6 Accela Research, 'Oil and Gas Marjos' 2024 AGMs, The Low-carbon Investment Gap', April 2024, p.13

Where necessary, we are willing to open discussions about potentially redeeming assets from a manager in order to force them to engage with us and in active stewardship of a particular company. We expect to see managers engaging with companies to escalate concerns (where relevant), and also proactively looking for opportunities to consult with other shareholders to establish the strength of concern.

As explained in our response to Principle 7, our preference is to engage (and change behaviour) rather than divest. That said, in the same manner that some investments are judged to be too risky irrespective of returns, some investments will be judged to have too negative a real-world impact, in particular, with regard to systemic issues, such as climate change or respect for human rights.

Case studies on how we engage with managers are given earlier in this report. Please refer to these under Principles 2, 5 and 7.

Principle 12:

Signatories actively exercise their rights and responsibilities.

Exercise of voting rights for our direct investments

We see the exercise of voting rights as essential to our stewardship activities. We vote at shareholder meetings to communicate our sustainability views to companies. We have a standalone voting policy (available on our Sustainability Policies webpage) which provides clear guidelines on how we use our voting rights that are connected to our holdings and clients' capital. It details how we will vote to promote better oversight of sustainability issues. The views in our policy are based on international best practice guidelines for sustainability and corporate governance and they are also shaped by our sustainability framework and how we want to communicate our views and expectations to investees. If needed, we initiate or support shareholder resolutions on actions necessary for a company's transition.

Our default is to vote at all shareholder meetings. We vote 70% of available shares if blocking applies and we strive to have Power of Attorney (PoAs) in place in the jurisdiction where it is required, unless the number of positions we hold in that market is too low compared to the effort and cost of voting.

Cardano voting policy

Overview of the policy

Our voting policy was created over 20 years ago and has evolved over time as corporate governance rules and market requirements have evolved. It is currently split into two documents, both publicly available on our Sustainability Policies webpage. The main policy document describes the overarching principles of how Cardano votes at shareholder meetings. The second document lists the market requirements that are applied when voting on specific types of resolutions at the local level.

All our voting rights are exercised for the benefit of our fund participants or clients.

We have adopted the International Corporate Governance Network's (ICGN) Global Stewardship Principles and Global Governance Principles as our overarching guidelines on governance best practice. Where possible, we also link our sustainable investment framework into the voting policy. We encourage reading our full voting policy but in summary, we apply the below principles:

- Elections of directors: The board should be balanced, with a mix of executive and non-executive directors. Diversity in skills, experience, gender, ethnicity, and backgrounds is encouraged to enhance decision-making and governance.
- Remuneration of directors: remuneration structures should be transparent, appropriate and be linked to meaningful and rigorous incentives. Material ESG factors should be explicitly taken into consideration into these structures.
- Audit-related resolutions: the auditor, accounts and audit procedures should be reliable, and the amount of non-audit fees paid should not raise concerns.
- Capital-related resolutions are analysed with a long-term value creation and responsible stewardship lens.
- Cardano votes on a case-by-case basis on third-party transactions assessing the company's governance, the risk involved, any benefit to the company and the transaction's size and significance.
- Shareholder proposals: Using insights from our Sustainable Investment Policy, we favour shareholder proposals that encourage companies to effectively manage their social and environmental impacts and risks that will have a positive impact on social, environmental, and ethical performance. Cardano will normally vote in favour of shareholder proposals aimed at improving the company's governance and encouraging it to implement policies and measures that align with Cardano's principles. We will vote against shareholder proposals that are anticipated to lead to the opposite.

Annual update of the policy

The annual update to this policy is critical in ensuring our votes are cast in a way that encourages an ambitious pace of progress on sustainability topics by our investees. We described under Principle 2 the governance applied when updating our voting policy and under Principle 5 the main updates we applied in 2024. We refer you back to these principles for the details of our annual policy update process and what were the main changes applied in 2024.

Annual vote audit

As described under Principle 5 and 6, we have an annual process to audit our proxy voting provider. This process is part of our key controls on voting, which are assessed by our external auditor (as part of our ISAE 3402 report). As part of this control, we control the good application of our custom policy by the voting provider as well as the good execution of votes.

Disclosure of our votes to the market, investee companies and clients

Disclosure of our votes is an important part of exercising our rights and voting history is available on our vote disclosure website. Our voting records can be found at this weblink. This is updated regularly (meetings appear from the day after the meeting day as a rolling basis), and includes historical data and a vote rationale is available for most votes against management. We continue to use the tool in 2024 and encourage clients to visit the website to access voting records.

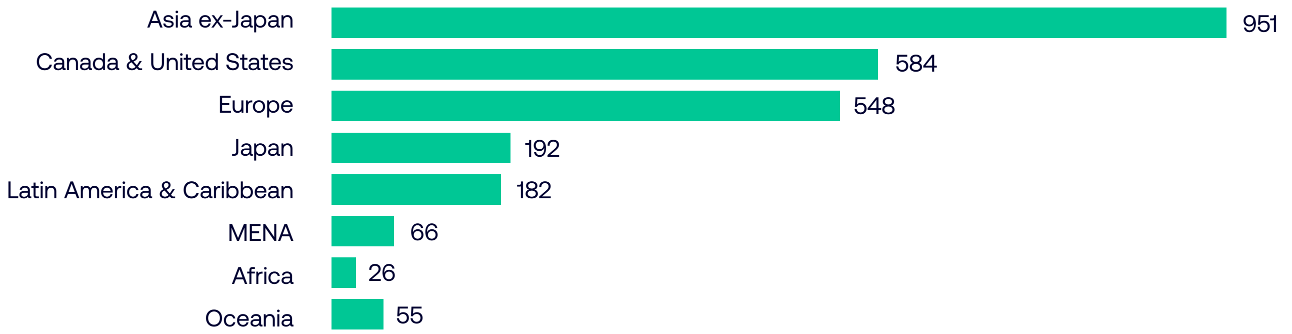
We also use the below tools to disclose our votes to the market

- Pre-meeting vote disclosure: we use the PRI platform to pre-disclose some key votes on shareholder resolutions in advance of the meeting.
- We include bi-annual voting case studies to our clients in our Q1 and Q3 quarterly reports. In 2024, we updated our reporting on voting statistics which are now in a standalone document, sent to clients and published on our website alongside our Q1 and Q3 reports. Since 2024, these reports are available both in Dutch and in English.
- Communicating with companies: on a few key votes, we send a letter ahead of the meeting to the company explaining our vote decision. In 2024, we did this for example ahead of the Amazon Annual General Meeting. This case study is detailed under Principle 11 describing our use of escalation.

Voting statistics

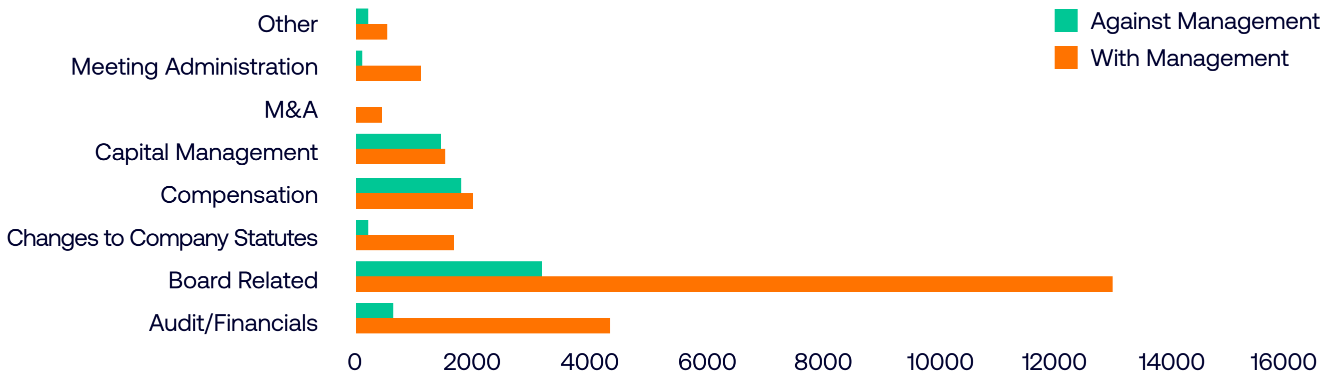
In 2024 we voted at 2,604 unique meetings. The below regions were represented:

Voted meetings per region

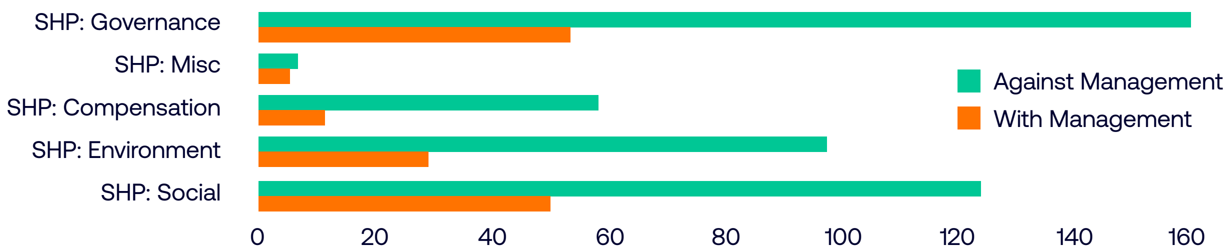


We voted against 22% of management resolutions and supported 65% of shareholder resolutions in the below categories:

Management votes per category of resolution



Sharholder votes per category of resolution SHP = Shareholder Proposals



Voting case studies:
As per our reporting cycle for voting, we have separated our voting case studies in H1 and H2 2024.

In the first half of 2024, board related resolutions garnered the highest number of votes, including the majority of votes cast against management. This trend is attributed to various concerns, including independence concerns, board members holding multiple external board positions, lack of attendance at board meetings without sufficient justification and companies where the auditor has given a qualified opinion. Some of these are highlighted below:

- Lack of independence was one of the primary reasons the funds voted against directors (844 for the period). Independence concerns can arise at various levels: across the entire board (lack of a market specific percentage of independence), specifically involving the chairman, or at the committee level, for example where the nominee is not independent and sits in the audit, compensation and/or nomination committee and these are not majority independent. These votes were cast across 32 markets, in all regions, including China, Thailand, the USA, Canada, Japan, Poland, Norway, France or the United Kingdom.

- Following the Cardano policy, a vote against members of the nominating committee was cast in cases where the company has insufficient oversight of ESG issues. This was the case at 39 companies, including Korean company Hyundai Glovis Co Ltd (no voting results found at the time of this report), US companies Keysight Technologies (board members were reelected with 79%-90% shareholder support), West Pharmaceutical Services (board members were reelected with 84%-95% shareholder support), CBRE Group (board members were reelected with 83%-96% shareholder support), French company Sartorius Stedim Biotech (board members were reelected with 93%-98% shareholder support), and Dutch company Koninklijke Philips N.V. (board members were reelected with 87%-92% shareholder support).

- Voting against board members as an escalation: the Cardano voting policy closely links voting decisions to engagement progress. Where a company is lagging peers and not responding in a satisfactory way to engagement efforts, a vote against can be cast as an escalation. In the first part of the year, this was done at several meetings, including:

    - At an American headquartered restaurant company, a vote against the re-election of the members of the Nominating & Governance Committee was cast as they oversee the Planet pillar of the company's sustainability strategy. The decision was made because of the environmental supply chain challenges the company faces, related to climate change, water use, and biodiversity. These environmental supply chain issues are crucial to their operations and long-term sustainability and the company lags peers in terms of their practices on the topic and have been reluctant to meet again and respond to our concerns. The directors were re-elected with support rates ranging from 95-99%.

    - An American headquartered global retailer held in our portfolio faces similar material risks linked to deforestation and biodiversity loss in their supply chain and the company has not sufficiently addressed these supply chain risks. Indeed, our analysis shows the company lacks robust programs and transparent reporting mechanisms to track and mitigate deforestation impacts and it has been slow to adopt comprehensive strategies that ensure sustainable sourcing of high-risk commodities. Unfortunately, our engagement efforts with the company on this issue have not yielded adequate results as our repeated attempts to discuss and encourage the implementation of stronger deforestation policies have been met with limited transparency. Cardano therefore voted against the re-election of the members of the Nominating and Corporate Governance Committee. The directors were re-elected with support rates ranging from 91-97%.

    - At an American multinational technology company, we voted against the members of the nominating and corporate governance committee, which has oversight of environmental and social issues. Cardano has been engaging with the company for several years on concerns relating to their practices on freedom of association with controversies relating to unfair dismissals, use of captive audience meetings to deter employees from unionising, and the use of anti-union consultants. These concerns represent legal, financial and reputational risks to the company. Despite several investor letters to the board, co-filing of a shareholder resolution on the topic, we are not getting a satisfactory response from the company. They have improved in the past couple of years on disclosure relating to human rights policies, but the continued controversies remain a concern, and we have asked the company to commission an independent report looking at their practices in relation to their commitments in their human rights policies. The directors were re-elected with support rates ranging from 89-96%.

Shareholder proposals continue to be a valuable tool to express our views on a company's ESG practices and highlighting the areas we believe require more attention. During the first half of the year, we supported 70% of shareholder resolutions. The resolutions we do not support are typically because of the quality of the proponent and the wording of the resolution (including anti-ESG resolutions), or if the resolution is overly prescriptive and the company is already addressing the concerns raised by the resolution.

Shareholder resolutions cover a wide range of themes and include for example racial equity audits, proposals relating to setting targets in line with the Paris agreement, request for additional reporting relating to human rights, resolutions relating to lobbying and political donations, health and animal welfare.

One worth highlighting is the shareholder proposal at a Switzerland based food manufacturer. A group of shareholders, coordinated by ShareAction (a responsible investment NGO) filed a resolution challenging the company to improve its impact on people's health. The resolution urged the company to set a target for increasing sales from healthier products due to concerns about regulatory, reputational, and legal risks associated with an over-reliance on less healthy foods. The resolution was introduced after the coalition's attempts to engage the company on the topic of health brought disappointing results. Cardano is part of the coalition and supported the shareholder resolution by voting in favour and pre-disclosing the vote decision on the PRI resolution database. The resolution gathered 11% of shareholder support. Although the percentage is disappointing, it brought this important topic to the attention of shareholders and the public.

In the second half of the year, shareholder voting activity naturally transitions from the intense proxy season of the first half to a steadier pace. Compared to the 1979 meetings voted between January and June 2024, Cardano voted at 626 unique meetings between July and December 2024. The main markets where votes were cast this period were China, India, the USA, Australia and the United Kingdom. Across all funds, votes were cast on 4892 proposals. 20% of management proposed resolutions were opposed and 92% of shareholder resolutions were supported.

Focus on the Australian proxy season

The Australian proxy season typically occurs during the months of October and November, aligning with the country's corporate reporting calendar. During this period, most Australian publicly listed companies hold their annual general meetings (AGMs). This year, and for the fourth year in a row, the number of shareholder resolutions put to the vote declined. This is mainly due to the stringent regulatory requirements to file such resolutions, the difficulty in passing constitutional amendments which would allow advisory resolutions, as well as the shift towards mandatory climate disclosures by the government, which lessens the need for climate related shareholder resolutions. During this Australian proxy season, Cardano voted at 14 shareholder resolutions covering governance topic (electing external nominees to the board, changing articles of association) as well as environmental concerns (impact of farmed seafood on the environment, further disclosures relating to climate transition plans).

Climate related shareholder resolutions appeared on the ballot at three Australian banks: bank 1, bank 2 and bank 3. Cardano supported the one at bank 1 because the bank's disclosures on client transition plan expectations remain insufficient and lag behind those of peers. Cardano did not support the resolution at the other two banks, considering that the companies are on track regarding their net zero commitments and have addressed the proponent's specific requests in their response statement and existing disclosure. The outcomes of the votes at these banks were respectively: 28% support (Bank 1), 19% support (Bank 2) and 37% support (Bank 3).

Focus on a US Tech company and Human Rights

One of the US tech giants held its annual general meeting in the second part of the year. It faced six shareholder resolutions, four of which were supported by Cardano (the quality of the proponent was the reason not to support the other two). Three out of the four supported shareholder resolutions were on the topic of human rights risks, specifically those linked to developing military weapons, AI misinformation and disinformation, and cloud datacentres in countries with significant human rights concerns. This shows the importance of managing human rights risks for tech companies and the increased scrutiny from investors on the topic. The support for these resolutions is in line with Cardano's efforts in engaging tech giants on the topic of human rights via the Big Tech and Human Rights coalition, led by the Swedish Council of Ethics. The aim of the coalition is to encourage the tech giants, including the company mentioned here to integrate human rights in their culture and business model, mitigate harm to vulnerable groups and children and remedy in cases of adverse human rights outcomes. Those resolutions gathered the following support of shareholders: 15% (risks of weapons development), 32% (high risk countries) and 19% (AI misinformation).

Outcomes of the votes:
Although we do not track the outcomes of all resolutions we vote on, we follow key votes, especially at meetings linked to our engagements. In 2024 we increased the number of times we mention vote results in our case studies, as can be seen in the above paragraph.

Third party manager voting
Principle 9 describes our full engagement with external fund managers. Regarding voting:

We require the external managers to engage on ESG issues and about real-world sustainability impact on our clients' behalf. As part of this engagement, we expect all our managers to be using their right to vote. We monitor (amongst other things):

- how each manager has voted (to the extent they have voting rights associated with the strategy)
- the voting process: whether voting is carried our directly or through a proxy service provider and, if through a service provider, the level of service in place.
- where applicable, details of what the manager deems to be the "most significant" votes cast and their rationale for their inclusion as significant
- the commitments they make to engagement

We engage with all managers to understand and challenge their voting activity. Where a manager has abnormal voting patterns or has sub-standard practices, we will engage to understand their rationale, and, if appropriate, we will apply pressure on them to improve their processes and procedures. Should a manager fail to improve sufficiently, this may result in disinvestment. We set out our expectations on sustainability to all our external managers via an annual letter.

We report to our clients on their fund managers' voting pattern and our engagement with them. We have integrated the Investment Consultant Sustainability Working Group (ICSWG) engagement template into our ESG questionnaire. We do this to encourage good-practice manager disclosure on engagement and voting and to ensure disclosure is efficient and effective.

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