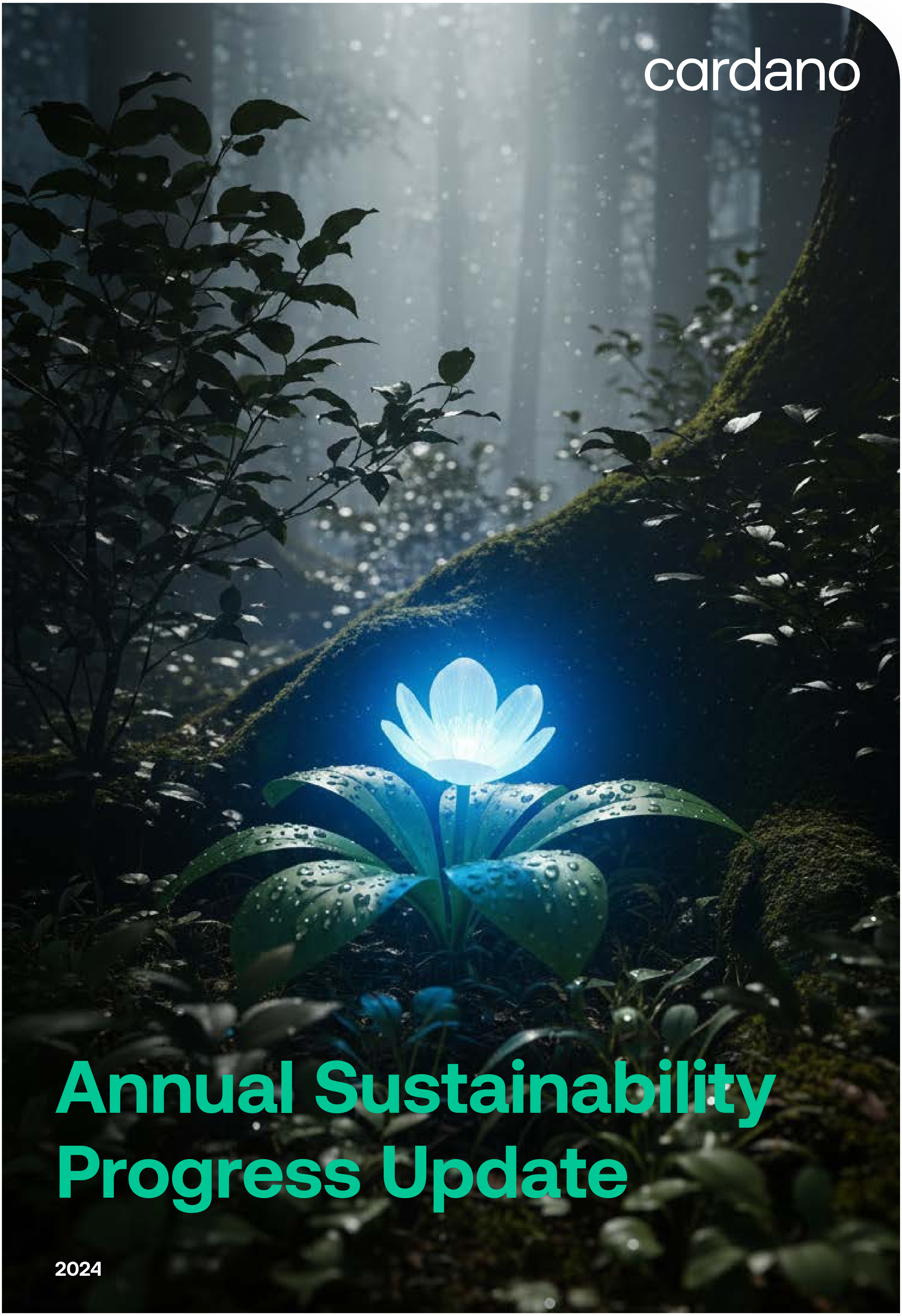

cardano

# Annual Sustainability Progress Update

2024

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# 1. Highlights

# Continuing our commitment to supporting the transition toward a sustainable society

**This Annual Sustainability Progress Update reflects Cardano's ongoing efforts to integrate sustainability into our business throughout 2024. From fiduciary management and investment strategy to stewardship and client advisory, we continue to explore how sustainability considerations can be meaningfully embedded in decision-making.**

We have made progress on several fronts—reducing portfolio emissions, enhancing biodiversity efforts, improving water risk oversight, and expanding our private markets impact strategies. However, we also recognise that progress is uneven, and the path forward is rarely linear.

The broader transitions required across climate, nature, and society are complex, urgent, and deeply interconnected. While data and disclosures are important, we remain focused on driving tangible outcomes. Whether through innovative biodiversity monitoring, engagement on systemic issues such as living wages and deforestation, or supporting clients with evolving regulatory expectations like the Corporate Sustainability Reporting Directive (CSRD), we aim to bridge the gap between ambition and implementation.

Joining Mercer has strengthened our ability to scale solutions and align with a shared purpose: to make sustainability a core part of how capital is allocated and risk is managed. At the same time, we remain grounded in our identity—pragmatic, purpose-driven, and committed to learning and adapting as we go.

Thank you for reading. We hope this report offers a clear view of both the progress made and the challenges ahead.

**Introduction**

**Keith Guthrie**
Head of Sustainability UK

**Highlights:**

- Reduced scope 1 and 2 GHG emissions by 19% for products in scope
- Increased investee companies with SBTi-approved or committed targets to 52% of AUM, as more companies commit to climate change targets
- 76% increase of share of green revenues of investees compared to base year 2019
- 84% of investee companies in high-risk sectors taking water-related risks and impacts seriously by implementing water reduction programs
- Voted at 2604 unique meetings
- Biodiversity stewardship: Engaged 39 companies across agriculture, food, mining and retail to encourage achieving deforestation-free supply chains, reducing hazardous chemical use and stronger nature risk management
- Water stewardship: Engaged 7 high risk sector companies to push for full value chain water risk assessments, measurable targets and transparent reporting on water use
- Climate stewardship: Engaged 35 high emitting companies through collaborative initiatives such as the Chemicals Decarbonisation program to clarify expectations for credible 1.5°C-aligned transition plans. Despite slow global progress making the 1.5°C target increasingly unlikely, we continue to steward companies toward Net Zero by 2050 to minimize temperature overshoot and uphold the Paris Agreement's ambition of well below 2°C with efforts to pursue 1.5°C.

# Highlights on Nature

## Advancing Environmental Intelligence: From Deforestation-Free Supply Chains to Scalable Biodiversity Tracking

### Satellite-based engagement towards deforestation-free supply chains (continuation of program)

In 2024, the Cardano-led Satellite-based engagement towards deforestation-free supply chains program made additional progress. 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 impacts on climate as a result. We therefore see this engagement initiative as essential to our stewardship program.

The goal of our collaborative initiative is to encourage investee companies to achieve 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. We now have access to an online portal with data updated on an ongoing basis, and 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 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, we 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.

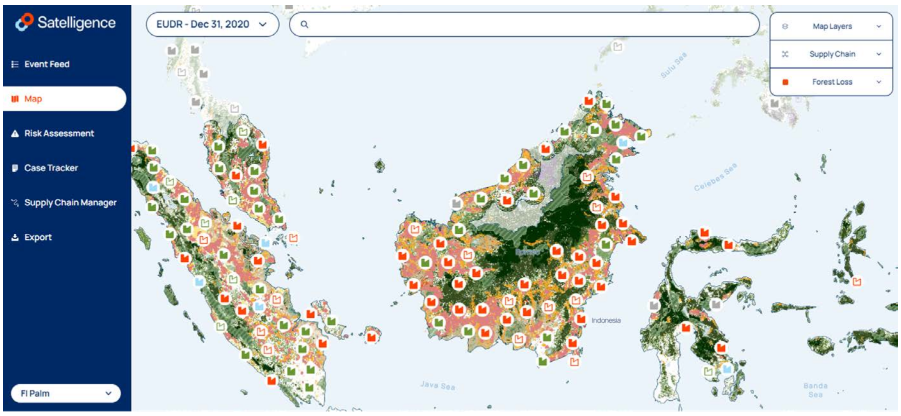
Cardano's responsibility for the program remains as the convener and coordinator. We take the lead in organizing investor group meetings, ensuring investors are progressing with each engagement, providing advice and strategic input, improving information sharing, and bringing in external expert organizations to improve the knowledge of the group. Beyond our program leadership role, we also lead on the engagements for two of the companies in the program. As we continue our 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, 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.

### Eco-acoustic study: Obtaining reliable biodiversity monitoring at scale

Cardano prioritizes the management of systemic risks of its portfolio, and it has become clear that a deeper understanding of diverse issues affecting the portfolio is essential. 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 along with a group of three investor organizations, we started sponsoring eco-acoustics work, led by Green Praxis, a nature-based solutions provider. In December 2024, we received the results of the second Green Praxis ecoacoustics study, following our joint efforts in securing a palm oil producer to participate.

**Image:** Snapshot from the Satelligence platform

Source: Satelligence




**Objective:** 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 improve the method to conduct 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

1. **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 were used alongside high-end equipment, to determine whether they could provide quicker scalability.

2. **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.

3. **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.

## 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. The relatively short period (under 10 years) that the conservation plots were designated 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.

## Our 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.
- 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.

**Image:** Recordings in the field

Source: Green Praxis

# 2. Our ambitions

# Sustainability themes

Through our investment strategies and stewardship activities, we strive to assist portfolio companies in evolving toward sustainable business practices that respect planetary limits and uphold social equity. While we prioritise companies that already exhibit strong sustainability credentials and can act as industry benchmarks, we also seek out those at the early stages of their transformation. When such companies demonstrate a clear dedication and allocate resources toward innovation and sustainable development, we are committed to supporting their journey toward a more sustainable future.

Our transition targets are progressing at varying stages, reflecting the maturity of data and strategy development across different themes. For climate, we have access to robust data, enabling us to actively track progress. For the others, we are focused on collecting and refining data to establish a solid foundation, as well as shaping our strategic approach, laying the groundwork for future meaningful target-setting and monitoring.

**Climate**

Net-zero GHG emissions at the latest by 2050 in line with a 1.5°C trajectory: intermediate targets of a 50% reduction of emissions by 2030 and 75% reduction by 2040, compared to end of 2019 (emissions intensity should decrease by 7% every year).

**Water**

By 2030, we aim that all investee companies in high-risk sectors with the majority of their revenues in water-stressed areas:

- Assess water-related risks and impacts
- Report on water consumption and withdrawal
- Set water-related targets
- Implement plans to achieve these targets

**Biodiversity**

Reverse the trend of biodiversity loss and work towards a biodiversity-positive situation. We aim to halt net deforestation by our investees by 2030.

**Circular economy**[1]

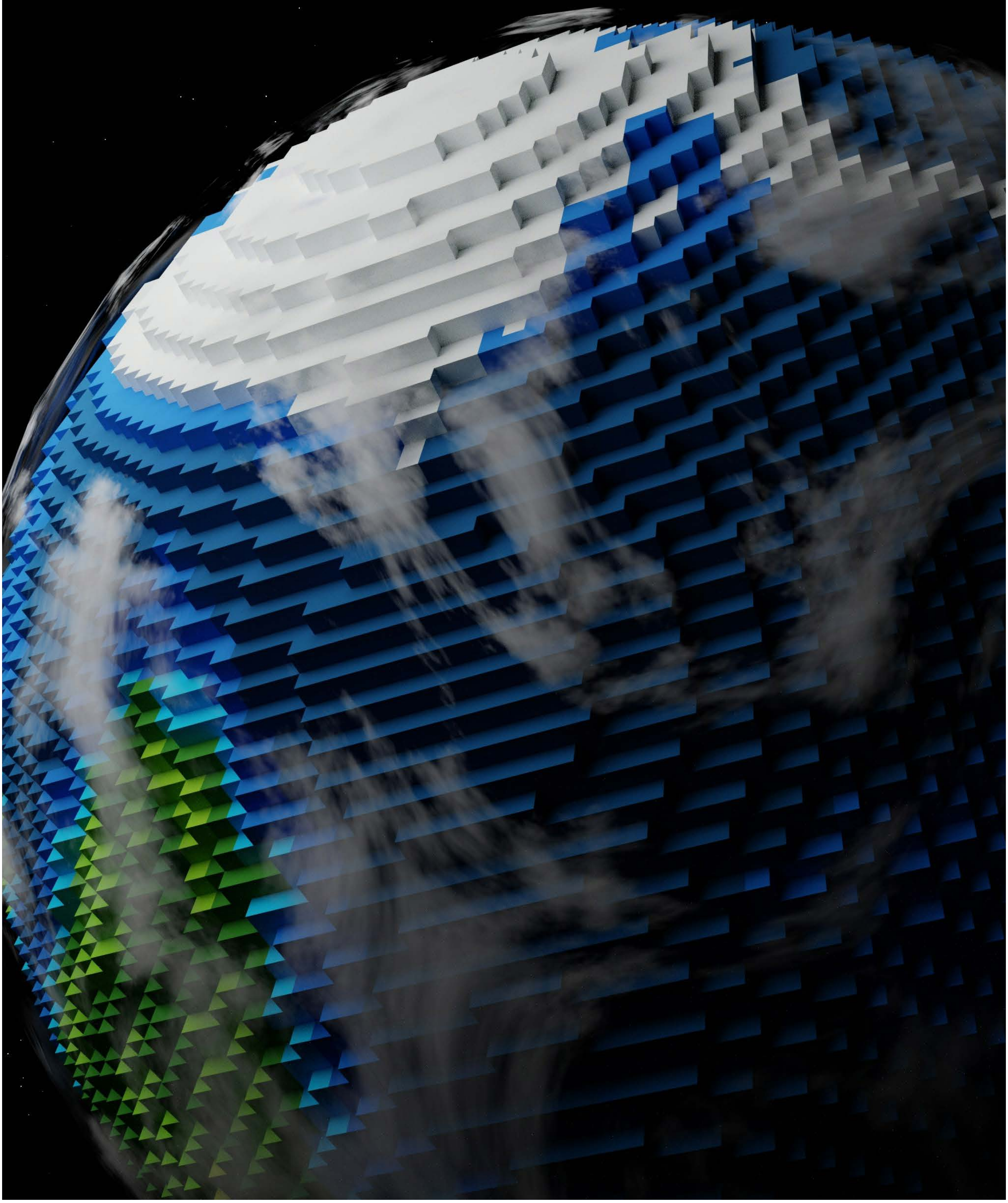
Move towards a circular economy by 2050

Where reliable data is available, we assess whether our funds are progressing along the expected trajectory toward their long-term sustainability goals. In cases where data is limited or unavailable, we evaluate the actions of underlying companies to determine their commitment to the transition. This includes reviewing whether they have established relevant policies, set measurable targets, conducted risk assessments, initiated improvement programs, or made strategic investments. These insights inform our view on whether our funds remain aligned with the intended transition pathway or whether adjustments to our due diligence and stewardship approach are necessary.

[1] As many businesses face risks that are not yet fully measurable, we aim to develop more practical and data-informed goals in the near future.

# 3. Progress

## Climate, Water and Biodiversity



# Climate

## Progress in 2024

Cardano's Climate Strategy reflects our broader ambition to drive real-world impact through sustainable investing. By combining stewardship and ESG integration, we aim to contribute meaningfully to the global effort to limit warming and build a resilient, low-carbon economy.

Stewardship is central to this approach. Through engagement and proxy voting, we encourage investee companies and institutions to set science-based climate targets and implement time-bound decarbonisation strategies. Our efforts focus on the most emissions-intensive sectors, where we actively monitor progress and advocate for alignment with the Paris Climate Agreement. We participate in several collaborative investor initiatives, including the Dutch Climate Coalition, Climate Action 100+, and ShareAction's Chemical Decarbonisation Investor Coalition, amplifying our influence and supporting systemic change. Where companies fail to demonstrate credible transition plans, we may hold boards accountable by voting against relevant director appointments.

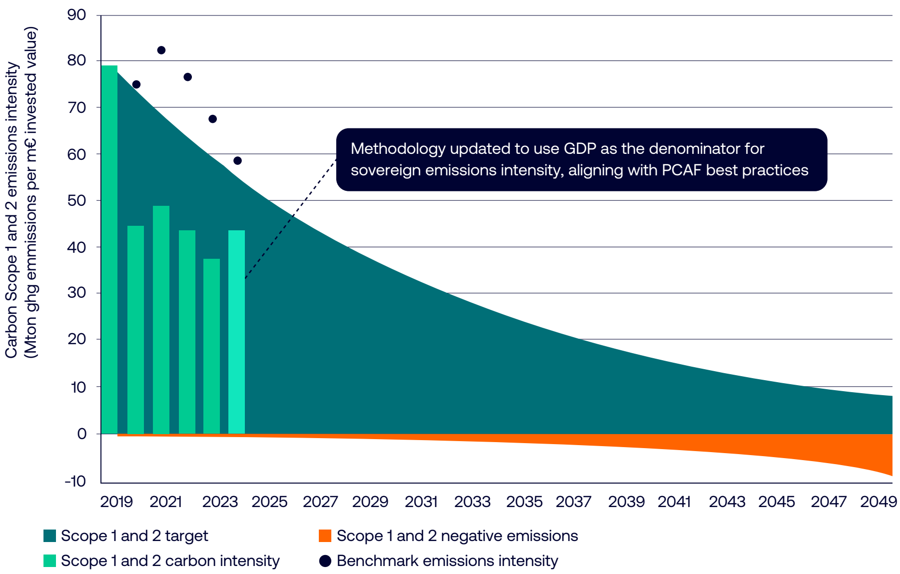
Alongside stewardship, we actively seek investment opportunities that contribute to climate mitigation. Within our active funds, we prioritise companies and institutions developing technologies or products that reduce, avoid, or capture greenhouse gas emissions—ranging from low-carbon energy solutions to nature-based approaches. To assess the climate impact of our investments, we monitor the green-to-brown revenue ratio and track alignment with the EU Taxonomy, ensuring our capital supports the transition to a sustainable economy.

Guided by Cardano's Sustainable Investment Policy, we exclude high-carbon activities such as thermal coal, coal-fired power generation, and unconventional fossil fuel exploration, including shale oil and gas. Beyond these exclusions, we assess companies' exposure to transition risks and their capacity to manage them effectively. Where this capacity is lacking and progress is insufficient, we exclude such entities from our investment universe.

Together, these actions form a coherent strategy aimed at accelerating the transition to a net-zero economy while managing risk and delivering long-term value for our clients and society.

Across Cardano's funds, Scope 1 and 2 emissions fell across the board, despite the visual increase in the chart below. The observed rise in emissions is a result of a shift in the sovereign methodology used to calculate carbon intensity—from a debt-based model to one based on GDP to align with Partnership for Carbon Accounting Financials (PCAF) recommendations. Had this updated approach been applied in its entirety in 2023, the emissions would have been 54 metric tons of GHG per million euros invested, rather than the 38 metric tons depicted in the chart. Thus, despite the visual increase, carbon intensity has actually declined when assessed using a consistent methodology.

**Scope 1 and 2 carbon intensity for Cardano-managed funds**



## Climate, Water and Biodiversity

- For Scope 1 and 2 emissions, Cardano's funds emitted 26% less greenhouse gases per unit invested compared to their benchmarks.
- The decrease was led by Cardano SDG Aligned Equity Global, Zwitserleven Index Aandelenfonds Pacific and the Zwitserleven Duurzaam Wereld Aandelenfonds. The Cardano Green, Social & Sustainable Euro Credit, as well as the aforementioned Cardano SDG Aligned Equity Global continued to not only decrease in emissions, but also contributed to the least amount of emissions.
- Scope 3 emissions also declined in 2024, maintaining a trend of being approximately one-third lower than benchmark levels.
- Overall greenhouse gas emissions continued to decrease, although due to a change in methodology, the 2024 figures were calculated using recalibrated 2023 baseline values.

| | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Change in scope 1 and 2 carbon emission intensity**[2] | 9% | -10% | -14% | -14%[3] |
| **Difference in scope 1 and 2 carbon emission intensity compared to the benchmark** | -41% | -43% | -44% | -26% |
| **Change in scope 3 carbon emission intensity** | -12% | 9% | 23% | -24% |
| **Difference in scope 3 carbon emission intensity compared to the benchmark** | -30% | -38% | -36% | -30% |
| **Change in Greenhouse gas emissions (ton co2e)** | n.a. | -21% | 22% | -15%[4] |

Note: Emissions data follow the PCAF framework for carbon accounting

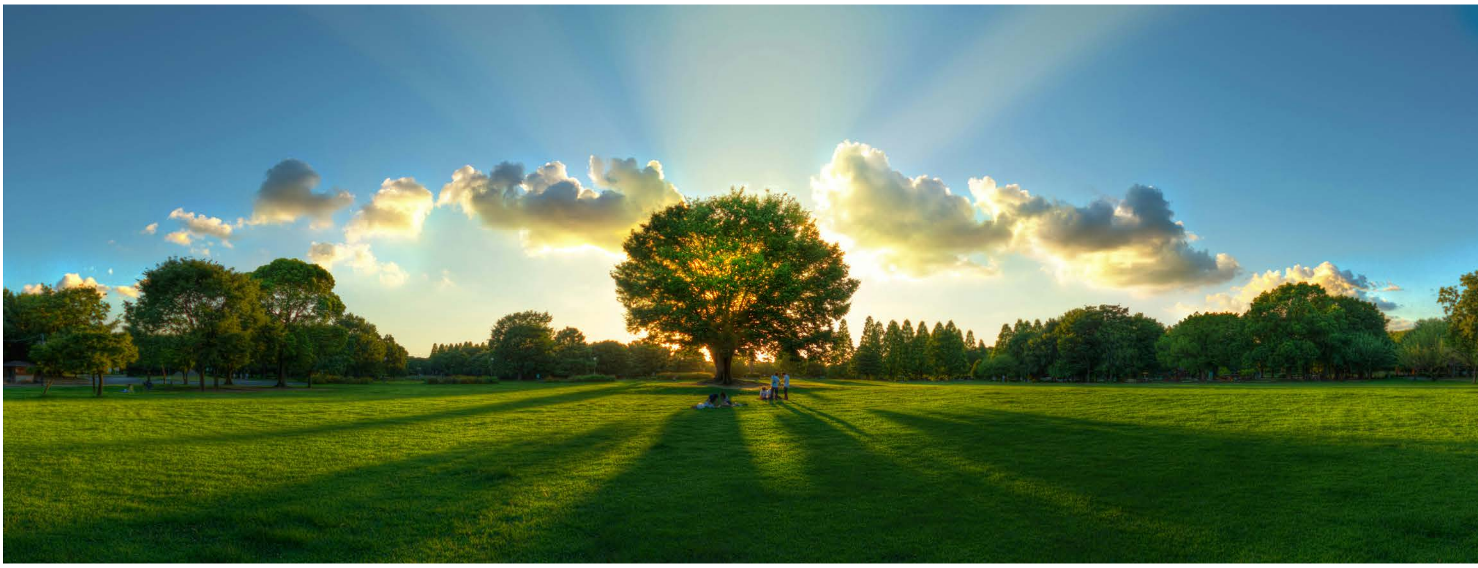
In addition to monitoring the emissions trajectory, we assess Cardano-managed funds to evaluate how well our investee companies are progressing toward their decarbonisation targets. Our engagement and screening efforts are concentrated on the ten most emission-intensive sectors, with construction materials identified as the highest-emitting. We also track the green-to-brown revenue ratio, which compares revenues from environmentally sustainable activities—such as renewable energy—to those from high-carbon activities like oil and thermal coal.

[2] Allocated Actual Carbon Scope 1 and 2 Per m€ Invested Value
[3] Based on re-calculated 2023 value to allow for a comparable change
[4] Based on re-calculated 2023 value to allow for a comparable change

## Climate, Water and Biodiversity

- In 2024, the average Scope 1 and 2 emission intensity of investees in key sectors declined slightly, from 85 to 80 metric tons of $CO_2e$ per €1 million invested.
- Construction materials continued to see a notable drop from 970 to 671 Mt $CO_2e$, driven by company-level emission reductions.
- The green-to-brown ratio increased to 3.0 in 2024 (2023: 2.4).
- Green revenues rose to 8% (2023: 7%), along with a 76% increase of share of green revenues of investees compared to based 2019 figures.
- High-impact sector exposure declined to 55% (2023: 61%). Progress on carbon targets is being achieved through emission reductions and capital reallocation.
- Sustainable bond investments steadily increased, accounting for 34% of total credit holdings in 2024, up from 32% in 2023.
- Climate-focused bonds also saw a slight increase to 25% (2023: 23%).
- The share of investees with SBTi-approved or committed targets grew from 45% to 52% in 2024.

| | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Average scope 1 and 2 emission intensity priority sectors[5]** | 111 | 93 | 85 | 80 |
| **Average scope 1 and 2 emission intensity non-priority sectors** | 13 | 14 | 12 | 9 |
| **Green-to-brown ratio** | 2.2 | 2.6 | 2.4 | 3.0 |
| **Green-to-brown ratio compared to benchmark** | 2.1 | 2.7 | 2.0 | 1.7 |
| **Share of green revenues of investees** | 6.4% | 6.5% | 7.0% | 7.9% |
| **Increase of share of green revenues of investees compared to 2019** | 43% | 46% | 56% | 76% |
| **Exposure to high-impact sectors compared to benchmark** | n.a. | 96% | 94% | 90% |
| **Share of green, social, sustainable and sustainability-linked bonds in credit funds[6]** | 21% | 28% | 32% | 34% |
| **Share of climate focused bonds in credit funds** | 14% | 20% | 23% | 25% |
| **Share of funds with SBTI approved or committed targets** | | 42% | 45% | 52% |
| **Number of companies in funds with SBTI approved or committed targets** | | 28% | 34% | 43% |



[5] As per the priority sectors defined in the Cardano Climate Strategy
[6] Based on Cardano Sustainable Bond Assessment Methodology

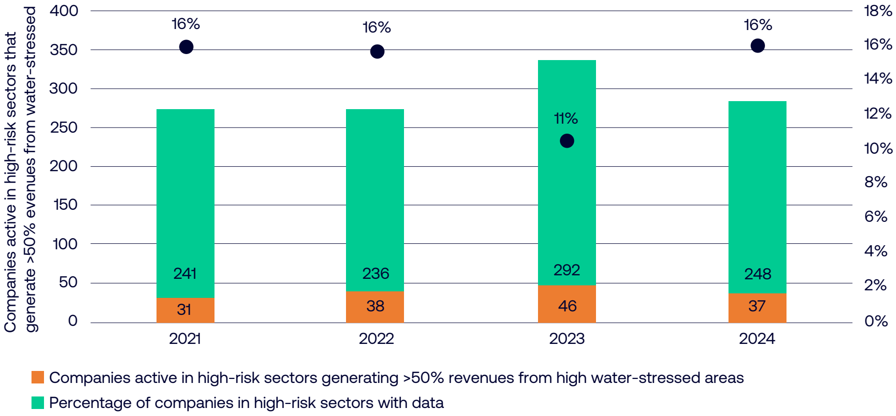
# Water

## Progress in 2024

We are in the process of integrating an appropriate water neutrality indicator[7] and a roadmap to guide our long-term goals. In the interim, we are monitoring water usage across our investment funds using the most relevant data available from companies. While awareness of water-related risks is growing, comprehensive data is only just becoming available for select companies and often requires additional analysis to be meaningful.

- The number of companies operating in high-risk sectors and deriving the majority of their revenues from water-stressed regions has declined, primarily due to a reduction in those generating income from moderately water-stressed areas.
- While data availability has improved, coverage remains limited, particularly in regions facing the highest water risks.

**Companies in water stressed areas**




Due to limited availability of granular water stress data, we monitor indicators that reflect how investee companies are integrating water-related considerations into their decision-making. By 2030, we aim that all investee companies in high-risk sectors with the majority of their revenues in water-stressed areas consider the following four areas[8]:

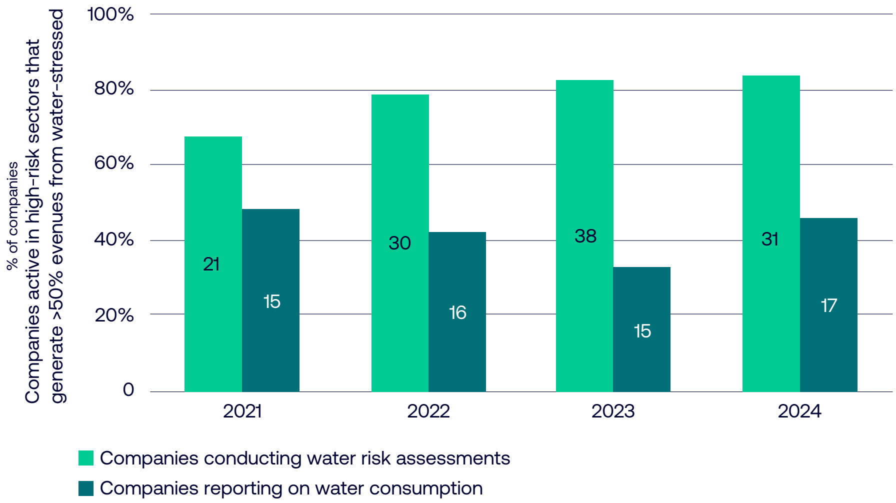
1. Assess their water-related risks and impacts
2. Report on their water consumption and withdrawal
3. Set water-related targets
4. Implement plans to achieve these targets.

[7] This process includes revising the previously disclosed water footprint data with a more relevant and accurate indicator, thus it is not included for this annual update
[8] The number of companies operating within high-risk sectors or situated in water-stressed regions is subject to change over time. Accordingly, the corresponding targets are also adjusted to reflect these evolving conditions.

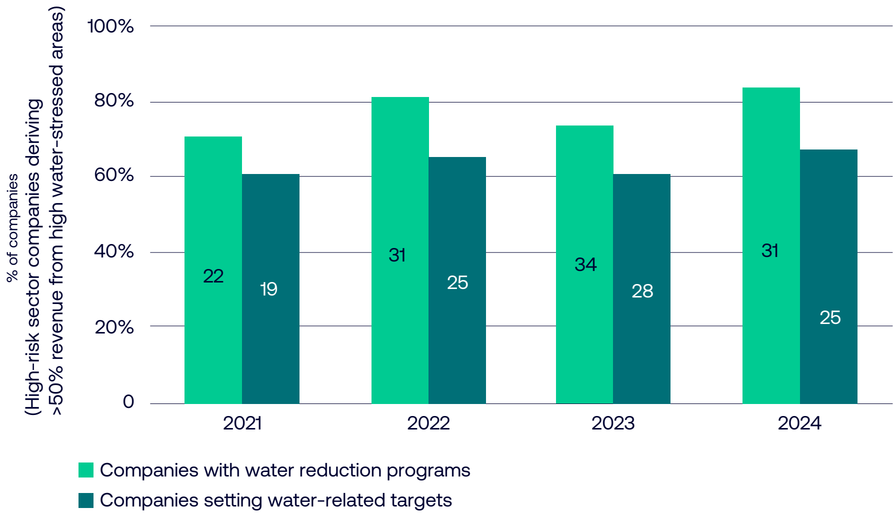
## Climate, Water and Biodiversity

- The proportion of companies in high-risk sectors, with the majority of their revenues derived from water-stressed regions and conducting water risk assessments, remained stable at ~84%, despite a reduction in the absolute number of such companies from 38 to 31.
- The percentage of companies disclosing water consumption rose from 33% in 2023 to 46% in 2024, although this remains slightly below the 2021 baseline of 48%.
- In 2024, 84% of high-risk companies had implemented programs aimed at mitigating water-related risks or impacts, up from 74% in 2023.
- Currently, 68% of high-risk companies have established water-related targets. The effectiveness of these initiatives would be enhanced if more companies also reported on water usage and aligned their targets with measurable outcomes.

### Companies conducting water risk assessments versus those reporting on water




### Companies with water reduction programs versus water-related targets



# Biodiversity

## Progress in 2024

Our biodiversity strategy[9] presents our ambition to reverse the trend of biodiversity loss and work towards a biodiversity positive scenario.

In the current climate, several companies are stepping back from sustainability commitments, particularly in biodiversity and climate action, citing economic pressures and policy uncertainty. At the same time, regulatory and disclosure requirements are tightening, with frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Kunming-Montreal Global Biodiversity Framework setting clear expectations. The latter, ratified in 2022, sets out an ambitious agenda to "halt and reverse biodiversity loss by 2030" requiring measurable action from both public and private sectors. This is particularly relevant given that over 50% of global GDP is moderately or highly dependent on nature[10], underscoring the systemic economic risk of biodiversity decline.

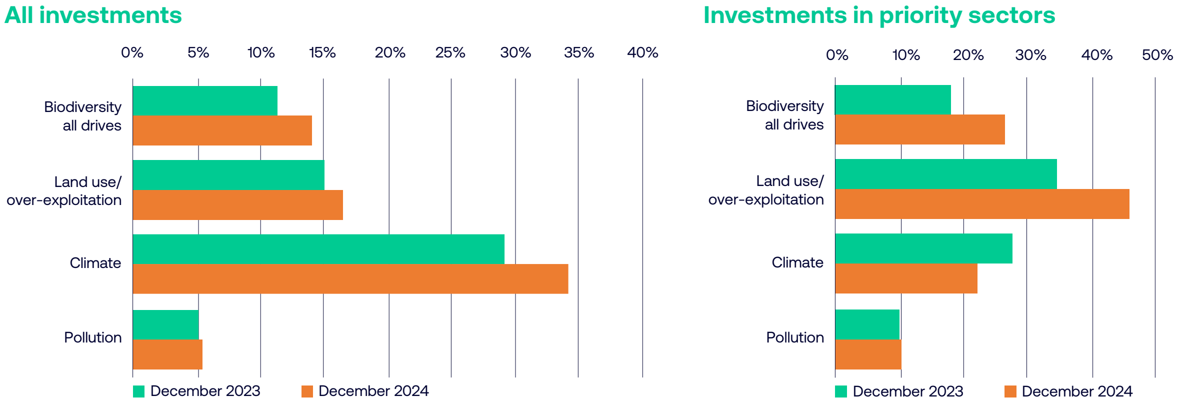
For financial institutions, biodiversity loss is not only an environmental concern but a material financial risk. Biodiversity and climate change are deeply interconnected; ecosystems act as natural carbon sinks, while climate impacts accelerate species extinction and ecosystem degradation. The primary drivers of biodiversity loss—land-use change, pollution, overexploitation, climate change, and invasive species—can translate into credit, market, and reputational risks for portfolios. Tipping points, such as the collapse of coral reefs or rainforest ecosystems, could trigger abrupt economic shocks, particularly for sectors like agriculture, forestry, and infrastructure. The main sectors in our investment funds with the highest impacts on biodiversity loss are:

- Food & staples retailing
- Food & beverages
- Oil, gas & consumable fuels
- Utilities
- Chemicals.

Since consistent and comparable data on biodiversity impacts remains limited, we perform a forward-looking monitoring to anticipate potential risks and opportunities by assessing how well investees set targets, formulate strategies, comply with certification schemes and make the necessary investments to reduce their pressure on each of the drivers of biodiversity loss or positively contribute to it.

A comparison of the scores from December 2023 and December 2024 shows an overall improvement in management scores, both across all investments and within priority sectors. The only exception was the climate management score for companies in priority sectors, where the share of companies with strong climate management practices declined. This was primarily driven by increased investments in companies where carbon is not considered a key issue in their ESG assessment, as they have no direct negative impact on climate, their adverse effects relate mainly to land use or pollution. Consequently, their climate management practices were not factored into the assessment. While a few companies did show weaker management scores compared to the previous year—due to expired SBTi commitments or limited progress in reducing carbon emissions—their weight within priority sector investments remained marginal.

**Share of investments with sufficient biodiversity-related management (defined in our Biodiversity Strategy) considering all investments or only investments in priority sectors**




To advance our biodiversity ambitions, we are focused on improving the quality of data available to assess both the impacts that investees have on the drivers of biodiversity loss and the measures they take to mitigate them. One example is our partnership with Satelligence, which enables us to track deforestation events in the supply chains of companies with significant exposure through palm oil sourcing (see the Stewardship: Biodiversity section for more details). This data strengthens our due diligence processes and enhances the effectiveness of our engagements.

[9] https://www.cardano.co.uk/wp-content/uploads/sites/3/2023/12/Cardano-Biodiversity-Strategy.pdf.
[10] World Economic Forum (2020). https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf

# Stewardship efforts towards sustainability targets

**Expert**

**Greta Fearman**
Head of Stewardship

This past year has brought growing challenges to stewardship and how we use it as a tool to progress on sustainability goals. Although some positive momentum continues, asset managers like Cardano are navigating contrasting policy developments that impact the way shareholder rights are used. Scrutiny on stewardship practices has increased, which the Cardano Stewardship Team experiences in our day-to-day.

In the US, which influences global stewardship, we continue to see political and regulatory volatility. A few examples of developments impacting stewardship activities:

- **Regulatory:** The US Securities and Exchange Commission (SEC) issued updated guidance making it easier for companies to exclude shareholder proposals and harder for shareholders to get these resolutions on to ballots. The guidance also sets stricter requirements for Schedule 13 D/G filings, meaning that investors holding more than a 5% stake may face additional disclosure obligations if they want to engage with companies on sustainability topics.
- **Legal:** In a high-profile case, ExxonMobil filed a lawsuit in early 2024 against two shareholders over a climate-related proposal on Scope 3 emissions. Although the lawsuit was ultimately withdrawn, it set a precedent that has created hesitancy among investors considering filing their own resolutions.
- **Regional contrasts:** Europe and the UK provide a more supportive regulatory landscape for stewardship. The UK Stewardship Code, the EU's Sustainable Finance Disclosure Regulation (SFDR) and Corporate Sustainability Reporting Directive (CSRD) provide clearer mandates and expectations for stewardship activities.


The developments impact how Cardano and other investors may exercise shareholder rights, but also the broader atmosphere. We hear from companies that they are reassessing the nature and depth of dialogues they are willing to have with investors.

Despite these challenges, we remain firmly committed to active stewardship. We continue to encourage in-depth discussions, and be clear about our expectations and find common ground with companies, acknowledging the challenges they face in managing diverse stakeholders. In line with our approach, we applied our voting guidelines throughout 2024, casting votes at 2604 shareholder meetings to communicate our views to companies.

We will evaluate the effectiveness of the stewardship tools we use to manage portfolio level risks. Our goal is to provide an approach that aligns with our asset owner client goals and that remains an essential pillar of the strategy to create long-term value.

# Stewardship: Climate

In 2024, we strengthened our focus on achieving real-world decarbonisation through stewardship and engaged over 35 companies across multiple high-emitting sectors. We held dialogues with companies about setting science-based targets, developing credible transition plans, and aligning capital allocation with a 1.5°C pathway.

### Our involvement in climate-related engagement initiatives

| Initiative | Sector/Topic | Number of companies engaged |
|---|---|---|
| Dutch Climate Coalition | Oil & Gas, Chemicals, I: Climate transition | 5 |
| Sustainalytics Net Zero program | Metals, Utilities, Airlines, Oil & Gas: Climate transition | 10 |
| IIGCC Net Zero Engagement Initiative (NZEI) | Utilities: Climate transition | 2 |
| ShareAction: Chemicals Decarbonisation program | Chemicals: Climate transition | 11 |
| ShareAction: EU banking program | Banks: Climate transition | 4 |
| Climate Action 100+ | Agriculture: Net Zero and climate transition | 1 |
| FAIRR Protein Diversification | Food & agriculture supply chain: Climate transition strategies | 2 |

### Highlights of progress - Corporate engagement

**Chemicals Sector Decarbonisation**

In 2024, Cardano continued participation in an engagement initiative to decarbonise the chemical sector, which is responsible for about six percent of global greenhouse gas emissions. The initiative encourages chemical companies to establish credible decarbonisation plans aligned with 1.5°C. 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.

We actively participated in dialogues and filed a shareholder resolution at the Norwegian company Yara, requesting the company to set a comprehensive scope 3 emissions target. We also engaged with the Norwegian government regarding Yara's scope 3 emissions. We participated in a dialogue with Yara's CEO and the senior management of Air Liquide to discuss investor expectations, particularly on scope 3 emissions. We also held a dialogue with the new BASF CEO proactively offered by the company. The dialogue focused on the CSRD transition plan, which is set to be published next year.

Most engagements were constructive and demonstrated progress in developing credible transition plans. Some companies have shown less progress. For these engagements we used escalation tools such as filing a shareholder resolution, engaging the relevant government body and requesting a dialogue with senior management. In 2025, the group's focus will shift towards the largest emitters and companies lagging in their climate ambitions.

### Examples of progress – Policy engagement

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. The below is an example of policy-related work on climate.

| 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 addresses the methodology for accounting for indirect emissions and hydrogen leakage, ensuring that the framework supports credible emissions reductions while promoting transparency and accountability in hydrogen production.<br><br>The response was important in providing an investor view to balance the lobbying from energy, utilities and infrastructure companies who pushed to weaken the definition of low-carbon hydrogen. |

# Stewardship: Water

Water-related stewardship activities continued to be a main focus of our strategy in 2024. We view water scarcity and quality issues as systemic risks that are linked with climate and biodiversity. In 2024, we engaged 7 companies from multiple sectors with significant water dependencies in their value chains. Our dialogues focused on the implementation of full value chain water risk assessments in the Food & Beverage sector.
Aligned with our 2030 water ambition, our dialogues focused on encouraging companies in high-risk sectors to:

- Assess water-related risks and impacts
- Report transparently on these assessments in addition to water consumption and withdrawals not just in companies' own operations but throughout the value chain
- Set measurable water-related targets
- Implement concrete plans to achieve these targets

### Our involvement in water-related engagement initiatives

| Initiative | Sector/Topic | Number of companies engaged |
|---|---|---|
| Valuing Water Finance Initiative | Food & Beverage, Restaurants: Water scarcity | 5 |
| Sustainalytics Material Risk Engagement | Utilities, Food & Beverage: Water risks | 2 |

### Examples of progress – Corporate engagement

Progress in 2024 included:

- Companies continuing to implement the results of their supply chain water risk assessments
- Prioritisation of addressing risks in high water-stress regions
- Enhancing transparency on the material dependency on water to their continued operations

Beyond company engagements, we supported policy frameworks and collective investor initiatives, such as the Valuing Water Finance Initiative (VWFI) where we continued our active participation in the initiative's Task Force.

The latest VWFI Benchmark shows that while 75% of assessed companies have set time-bound water use targets, only 42% have contextual or risk-differentiated targets focused on high-risk watersheds. Only 6% have set contextual water quality targets, and only 7% report on the impacts of water withdrawals, showing the significant gaps that remain[11].

Our voting policy reinforced these goals; we supported related shareholder proposals and opposed management proposals at AGMs where companies lacked sufficient oversight of water-related risks or failed to demonstrate progress toward water targets.

Looking ahead, we will continue to push for science-based water targets and stronger implementation plans, with a particular focus on companies operating in water-scarce regions.

[11] VWFI Benchmark Key Findings, 2023

# Stewardship: Biodiversity

Biodiversity loss remains one of the most pressing systemic risks for investors, affecting ecosystem services and long-term economic and portfolio resilience. In 2024, we continued to strengthen our approach to biodiversity stewardship, both deepening and expanding our engagements with companies.

During the year, we engaged 39 companies from relevant sectors including agriculture, food & beverage, mining and retailing. Our focus was on encouraging further progress towards deforestation and conversion free supply chains, improving traceability and transparency in supply chains, reducing hazardous chemical and plastic use, and setting science-based targets aligned with the Kunming-Montreal Global Biodiversity Framework.

### Our involvement in climate-related engagement initiatives

| Initiative | Sector/Topic | Number of companies engaged |
|---|---|---|
| Cardano-led Satellite-based deforestation program | Consumer Goods: Deforestation in the supply chain | 10 |
| FAIRR Waste & Pollution | Packaged Foods and Meats: Biodiversity risks from waste | 4 |
| Investor Initiative on Hazardous Chemicals (IIHC) | Chemicals: Phase-out of hazardous chemicals | 3 |
| Nature Action 100 | Specialty Chemicals: Biodiversity | 2 |
| Plastic Solution Investor Alliance (PSIA) | Consumer Goods: Plastic reduction | 2 |
| PRI Spring | Agriculture, Mining: Deforestation, biodiversity and corporate lobbying of public policy | 2 |
| ShareAction Pesticides Initiative | Chemicals: Pesticide production and biodiversity loss | 2 |
| Sustainalytics Biodiversity & Natural Capital Program | Banks and Retailing: Biodiversity oversight and transition | 11 |
| VBDO plastics initiative | Consumer goods: plastic reduction | 3 |

**5%** The percentage of companies that have assessed the impact of their operations on nature

**<1%** The percentage of companies that know how much their operations depend on nature

Source: World Benchmarking Alliance, Nature Benchmark, 2024

**Highlights of Progress – Corporate engagement and Proxy Voting**
We actively led and participated in collaborative investor initiatives. We continued our role in the Advisory Committee of the PRI Spring initiative which focuses on public policy related to deforestation and biodiversity, integrating the importance of system-level change.

Alongside our work on the individual drivers of biodiversity loss, such as deforestation, pollution, and waste, we encouraged companies to conduct comprehensive nature-related risk assessments. As shown in the image below, companies still have much work ahead in understanding their impacts and dependencies on nature. By asking them to evaluate and disclose these, we encourage the necessary understanding of how to address the drivers of biodiversity loss effectively. This foundational step supports stronger, more credible action plans and enables companies to move toward nature-positive outcomes.

With the application of our annually updated voting policy, we supported shareholder proposals calling for stronger biodiversity protection measures and deforestation-free supply chains. Our votes against management were aligned with our view that biodiversity considerations are critical for long-term value creation and systemic risk mitigation.

**Cardano NL**
Weena 690
21st floor
3012 CN
Rotterdam
The Netherlands

T: +31 10 206 1300
E: info@cardano.com
W: cardano.com

cardano

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