

cardano

actiam

Progress, Passion and Pride:  
Our 2022 Sustainability Activities



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# Foreword

**It's now beyond doubt that much of today's economic behaviour is putting the planet and society increasingly at risk. We're simply not making the progress needed to meet global sustainable development goals. Carbon dioxide emissions are on the rise and, with inflation levels the highest for a generation, inequality is also getting worse.**

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**In terms of progress towards a more sustainable world, 2022 turned out to be a year of contrasts.**

The good news was that US policymakers passed the inflation reduction act, the single biggest investment in clean energy to date. Financial policymakers took steps to improve company disclosures and address the issue of greenwashing. December's UN Biodiversity Conference (COP 15) agreed to protect 30% of Earth's nature and restore 30% of Earth's degraded land and water, the quality of which has deteriorated.

Less encouraging was the stalemate at the UN Climate Change Conference (UNFCCC COP 27), apart from a breakthrough agreement on a new loss and damage fund. Sustainable investment also faced a challenging year. Russia's invasion of Ukraine drove an increase in near-term fossil fuel use across Europe and the outperformance of fossil fuel companies.

Cardano's own business took several positive steps during 2022. In January, we acquired ACTIAM, a sustainable investor with 30 years' experience in the field. A dedicated team of sustainability professionals brings to the table extensive expertise in planetary boundaries (the environmental limits within which humanity can safely operate) social foundations, environmental, social and governance (ESG) data and research, impact and stewardship.

ACTIAM was also one of the world's first asset managers to incorporate sustainability issues into fund and asset management. Following the merger of the two companies, we have integrated our sustainability policies and professionals across the Cardano group.

This report outlines our sustainability highlights from the past year – our investments, our work with clients, and the themes at the heart of our approach. We hope it demonstrates our progress, our passion and our pride in helping to tackle this most urgent of challenges.

## Authors

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**Dennis van der Putten**  
Co-Head of Sustainability

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**Will Martindale**  
Co-Head of Sustainability

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# 1. A summary of our sustainability policy





# 1. A summary of our sustainability policy

**Cardano's sustainability policy has four key areas: model of influence; planetary boundaries; sustainability targets; and investment and stewardship.**

## 1.1. Model of influence

As investors, we have two simultaneous objectives:

1. Maximising our return for the risk we take, including sustainability-related risks and opportunities
2. Maximising influence and impact, reflecting the real-world sustainability impact of our investments

Institutional investors increasingly share this “double-materiality” view. Many want to incorporate it into their own investment process. Yet it's still far from clear what ‘real-world sustainability impact’ actually means and how it should be measured.

Cardano created its own ‘model of influence’, made up of three key forms of influence, based on how direct the impact is. We encourage investors to try to develop their influence across all three tiers when they're constructing their portfolios.

Our top tier of influence includes: supplying new capital, debt or equity where this has an environmental or social goal, collaborative engagement, co-filing, policy engagement, and enabling impact investments.

## 1.2. Planetary boundaries and social foundations

We also take a rigorous approach to company selection. Our starting point is that sustainable companies and countries should operate within planetary boundaries and respect social foundations.

We assess whether companies or governments are:

- Sustainable
- Transitioning to become sustainable
- Or show no or very limited evidence of transition.

We never invest in companies that fail to comply with international standards, such as the UN Guiding Principles on Business and Human Rights.

## 1.3. Sustainability targets

We also set targets on climate change, water-neutrality (where the water footprint of man-made activities is reduced as far as is practicably possible) deforestation, and circularity (environmental systems that aim to eliminate waste and maximise the re-use of resources).

For example, we commit our portfolios to net zero greenhouse gas emissions by 2050 at the latest, with a reduction of greenhouse gas emissions of 50% by 2030 and 75% by 2040. This target has been approved by the Science Based Target initiative in 2022.

## 1.4. Investment and stewardship

Our stewardship programme is high conviction. We engage closely on environmental, social and governance matters with those companies in which we invest – voting at shareholder AGMs, initiating shareholder resolutions, and including our third-party managers and counterparties.

This is an active conversation where we take every opportunity to discuss sustainability risks and opportunities and explain investors' expectations of the company's behavior as they make the transition to sustainability. As part of that, we set clear targets and milestones to monitor changes as they happen.

## 1.5. Next steps

The Cardano ACTIAM Sustainability Policy is a work in progress – as it should be. We're continuously incorporating new topics, data and insights as they arise to ensure our activities are fully up to speed.

## Author

**Arjan Ruijs**

Senior Responsible Investment Officer



## 2. Sustainable investment





## 2. Sustainable investment

### 2.1. 2022 – a challenging year

2022 was another difficult period for sustainable investment. The outperformance of fossil fuels continued from the previous year, as did the drop in prices for sustainable companies, after stronger performances in 2019 and 2020.

Sustainable companies were hit by rising interest rates, as central banks tried to tackle inflation largely driven by energy prices. Higher discount rates reduced the current valuation of growth-orientated sustainable companies. That was particularly true of those with a long-term growth outlook in line with the UN's 17 Sustainable Development Goals (SDGs).

The Inflation Reduction Act (IRA) in the US led to some increased interest nationally in renewable energy companies. Elsewhere, however, its introduction dialled up competitive pressure and undermined the global performance of renewable energies.

Russia's invasion of Ukraine had a major impact on sustainable investment strategies. Oil and gas prices rose immediately, highlighting how crucial Russia's supply of oil and gas is to Europe. Those price rises led to a significant outperformance of fossil fuel companies. Typically, these tend to be underrepresented in sustainable investment strategies, compared to the broader global market.

2022 was also challenging for public equity and fixed income markets, although private debt markets proved more resilient. Cardano achieved low default rates, thanks to our investment process and careful monitoring of the solvency and liquidity of the microfinance institutions with which we work.

### 2.2. What does 2023 hold in store?

Central banks will take additional steps to tackle inflation. Higher interest rates are likely to slow the growth of the economy, with a knock-on effect on equity markets.

Sustainable growth businesses may be able to weather this slowdown, however, given their focus on structural, long-term growth.

Sustainable investment takes a long-term perspective on both risks and opportunities. High fossil fuel prices created short-term cash flows for fossil fuel companies during 2022. Yet the longer-term economic consequences of the invasion of Ukraine will eventually shift Europe away from fossil fuels. We believe that's likely to boost the demand for renewable energy, even amidst an economic downturn.

The transition to a green economy relies heavily on other commodities such as base metals. Electric vehicles, for example, use far more copper than internal combustion engines, as do generators in wind energy. We are also likely to see a boost in demand for the lithium required for batteries used in both transport and domestic energy storage.

Recycling batteries will meet some of this need, but most of the supply will come from commodity companies – many of which still operate unsustainably. We're committed to actively engaging with them to address human rights concerns and are pleased to be part of (and a lead investor in) the PRI initiative on human rights, ADVANCE.

Elsewhere, the push towards sustainability is intensifying. People are increasingly aware of issues such as biodiversity, deforestation, land and water use, all of which Cardano has long prioritised. On social issues, we are seeing a far more competitive labour market, where the way a company treats its workforce and supply chains matters more than ever before. Access to healthcare and innovation around digital healthcare provision will also provide more investment opportunities.

We expect Impact Investments in emerging markets to continue to grow within portfolios. Private Market Impact investments can often target different and more stable investment opportunities than public markets.

## Authors

**Hilde Veelaert**  
CIO

**Keith Guthrie**  
Deputy CIO



### 3. The vital role of stewardship





### 3. The vital role of stewardship

**Stewardship sits at the heart of our sustainability activities. We use a range of tools, including engagement, voting and co-filing, to bring our investments within the adapting zone of our framework. Our goal is not only to reduce sustainability-related risks in our portfolio but to deliver meaningful results on the ground.**

#### 3.1. Shareholder resolutions filed

Shareholder resolutions are a valuable stewardship tool. Filing occasional resolutions on environmental and social topics to speed up progress is our responsibility as a sustainable asset manager. Along with engagement and the use of voting rights, they help push important issues high up a company's agenda.

Ahead of the 2022 voting season, we filed five resolutions at the Annual General Meetings (AGMs) of:

Theme	Company	Resolution	Outcome
Water	Chipotle Mexican Grill	Conducting a risk assessment of water in the supply chain	Withdrawn following commitments made by Chipotle
Fossil fuel financing	HSBC	Phasing out financing of fossil fuel activities	Withdrawn following commitments made by HSBC
Social Capital – health	Unilever	Setting targets and increasing transparency for the sale of health(ier) products	Withdrawn following commitments made by Unilever
Human Capital – living wage	Sainsbury's	Becoming accredited as a living wage employer	Went to ballot and received 17% support
Waste – plastic use	Amazon	Publishing a report about targets and strategies for reducing plastic packaging	Went to ballot and received 48.9% support

#### 3.2. Sainsbury's: A compelling case study

One prime example of our stewardship activities was the co-filing of a resolution at UK supermarket Sainsbury's. The first living wage-related resolution in the country, it asked the company to become accredited as a Living Wage Employer with the UK Living Wage Foundation. Accredited employers pay their direct employees the real living wages set annually by the Foundation and commit to ensuring that third party contractors receive the same rate.

The resolution was co-filed alongside ShareAction and other investors through the ShareAction-led Good Work Coalition, which pushes for better working practices. Its work echoes our own belief that the management of human capital underpins sustainability. Companies with strong labour rights, policies and practices are best placed to attract, motivate and keep the best employees. And it helps create a fairer and more inclusive society, particularly within the current cost of living crisis.

The filing of the resolution accelerated the dialogue with Sainsbury's. The company announced before the AGM that it was increasing its hourly rates for London based employees, with an estimated 19,000 workers receiving a pay rise. This was very welcome news but we and our co-filers kept the resolution on the company's AGM agenda to signal that we still expected it to become Foundation accredited. This would bring long-term guarantee that the real living wage would be paid to all its direct and third party contractors. The resolution gathered 17% shareholder support at the AGM, a satisfactory support for a first resolution on the topic.



This example gave a clear signal to the market that, as an investor, Cardano is serious about companies providing a real living wage to their employees and subcontractors. It demonstrates how a shareholder resolution can escalate an issue, speed-up the dialogue and deliver concrete solutions and real world impact.

### 3.3. Bio-acoustics pilot programme: putting technology to the test

Achieving sustainable supply chains is a key part of the sustainability jigsaw. Cardano is working, together with other investors, on an innovative project to assess progress in this area. We're sponsoring French company Green PRAXIS to pilot a biodiversity measurement study, with the help of an investee palm oil producer which owns plantations in Indonesia.

Green PRAXIS uses bioacoustics to analyse the quality of an ecosystem. The measurements help determine whether reforested or existing forests also have a high biodiversity conservation value. The technology is not new, but is increasingly being used in conservation and to track certain animal species. In this particular study, bioacoustics are measuring biodiversity levels within multiple palm oil production sites in Indonesia. Initial recordings using the technology took place in autumn 2022 and analysis of results will be available in the coming months.

If palm oil producers operate more sustainably, they can increase their long-term yields, preserve more forested areas, help preserve biodiversity – and, crucially, reforest deforested areas. This study should show how far biodiversity depends on the type of land use and, specifically, the potential positive biodiversity impacts of nature conservation in palm oil plantations.



## Authors

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### Greta Fearman

Senior Responsible Investment Officer

### Marie Payne

Responsible Investment Officer

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## 4. Sustainability and Liability Driven Investments





## 4. Sustainability and Liability Driven Investments

**Liability Driven Investment (LDI) portfolios, with large government bond holdings and derivatives exposures, are not typically somewhere where deep environmental impact can be achieved. Yet their sheer size makes them an crucial pillar of sustainable investment.**

Throughout 2022, we continued to develop our thinking on sustainable bonds, ESG-ratings of issuers and on derivative counterparties. We remain vigilant against greenwashing, and continued to engage with issuers on their sustainable bond frameworks. In 2022, we incorporated ESG-factors into our assessment of counterparties.

In Q1, 2022, there was approximately EUR 50 billion in new issuance of green, social and sustainable bonds. This continued into the second quarter and, by the end of the third quarter, the investable ESG universe for Cardano's LDI clients increased from approximately EUR 450 billion to EUR 600 billion.

### New arrivals

Almost all of this increase is down to new issuance of bonds by supranational institutions, local authorities and agencies (SSAs). However, Germany, the Netherlands, Belgium and France also issued new green bonds or reopened existing ones. 2022 also saw the arrival of Austria's first green government bond and France's launch of the world's first green Inflation-linked government bond.

The yield differential between green and neutral bonds, the 'greenium', fell sharply last year. While the greenium for a German government bond with an 8-year maturity was still 6 basis points at the start of 2022, this difference had narrowed to less than 2 basis points by the end of the November.

It was a similar story in bonds with a 30-year maturity, where the greenium fell from 4 to 3 basis points to close to zero. This could be explained by the flight-to-liquidity effect.

The invasion of Ukraine led many investors to flee to short-term and the most liquid bonds. This created, for example, more interest in the 8-year neutral bond than the green variant. The outstanding amount of the neutral variant is EUR 32 billion, compared to 'only' EUR 8 billion of the green variant, making the former the more liquid option. This may also be down to the ongoing increase in green bond issuances. With more supply and without the same level of extra demand, the greenium can only move in one direction.

With the renewed focus on LDI following the Gilt Yield Crisis in late 2022, Cardano remains committed to ensure sustainability is an important pillar in any reinvigorated LDI-strategy.

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**"The yield differential between green and neutral bonds, the 'greenium', fell sharply last year."**

### Author

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**Rik Klerkx**  
CIO

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## 5. Sustainability Advisory





## 5. Sustainability Advisory

Our sustainability team provides a wide-range of services - from helping clients set policies and strategy through to deep-dive financial analysis of corporates' sustainability exposure.

It also includes:

- Setting sustainable policies
- Defining sustainable strategies
- Screening portfolios
- Dynamic reporting (i.e. dashboarding)
- Regulatory understanding
- Stewardship
- Deep-dive assessment of corporate sustainability exposure

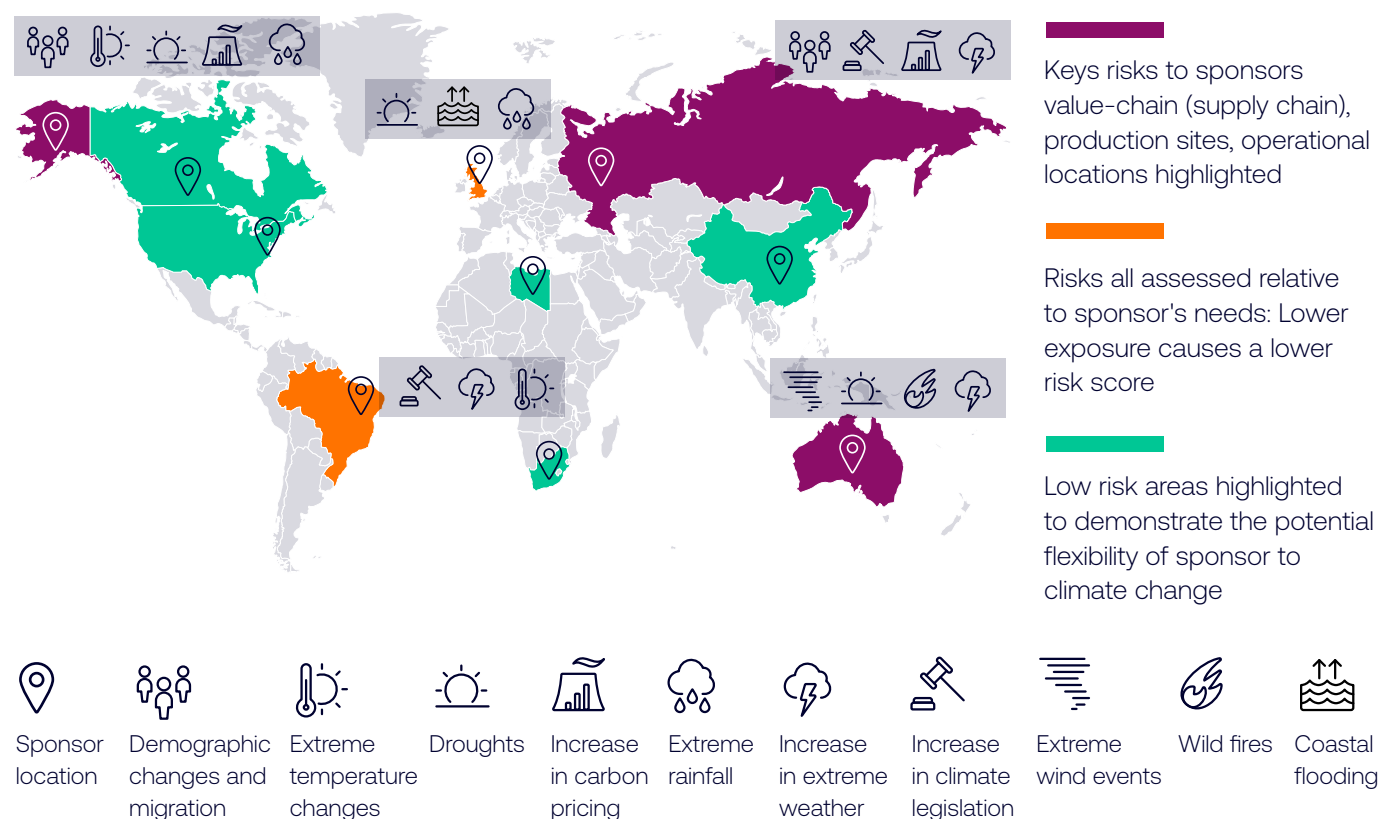
Our multi-disciplinary team, based in the Netherlands and the UK, has developed several unique, award-winning tools and methodologies to support clients.

### ESG Dashboard: Assisting clients with their investment decisions

The ESG dashboard is a reporting tool helping clients to understand the sustainability exposure of their investments and how they reflect the policies and strategies we've helped them develop.

### MACCI model: Analysis of corporate risk exposure

This tool provides UK pension schemes and corporate clients with a highly detailed picture of the climate risks that could impact their business.



## Authors

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6. Supporting biodiversity

7. Helping to conserve  
water resources





## 6. Supporting biodiversity

**2022 delivered ambitious environmental commitments from governments and companies keen to strengthen their sustainability efforts by tackling threats to biodiversity. According to the World Wildlife Fund (WWF), “Biodiversity is all the different kinds of life you’ll find in one area—the variety of animals, plants, fungi, and even microorganisms like bacteria that make up our natural world.”**

It provides all the elements we need to survive, including food, potable water, medicine, and shelter. Yet it is a fragile system under threat, in need of urgent protection from man-made activities, such as deforestation, urbanisation and pollution from chemicals and plastics.

At Cardano, we are committed to playing our part in redirecting investments away from activities that destroy biodiversity towards those which allow nature to bounce back. Integrating biodiversity-related risks and opportunities within our investment decision-making process is central to our evolving Sustainability Policy.

For example, we recently partnered with Satelligence, a nature-tech company which uses satellite images to track deforestation incidents caused by companies and their supply chains. This data helps us in our conversations with companies and work towards the UN’s goal of zero deforestation by 2030.

And as mentioned earlier on [page 10](#) of this report, we are also helping to support a pioneering pilot project on biodiversity in Indonesia, in tandem with French technology company Green PRAXIS.

As part of the Finance for Biodiversity Pledge, we will also be publishing our own Biodiversity Strategy in 2023.

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**"Data helps us in our conversations with companies and work towards the UN's goal of zero deforestation by 2030."**

## 7. Helping to conserve water resources

**The availability and quality of the world’s freshwater resources are under threat. Much of that danger comes from industrial usage, through manufacturing activities or the transportation of products.**

Conservation Gateway claims that nearly two-thirds of water consumption goes into corporate supply chains. In other words, into the processes that underpin the food we eat, the clothes we wear, and the minerals used in our cars, computers and phones.

Cardano has set a target for our investment portfolios to be ‘water neutral’ by 2030. That means either:

- a company extracting less water from water scarce regions than nature is able to replenish.
- or polluting no more than is acceptable for human health and environmental ecosystems.

Water pollution remains hard to measure, however. Some data providers publish information on wastewater discharge, yet that discharge doesn’t necessarily contain polluting substances. Likewise, the levels of pollution can also depend on where the substance is discharged and how soluble it is.

Over the past year, we’ve worked on an assessment of chemical substances harmful to society and the environment. The final list contains 19 pollutants, which we are now including in our investment engagement activities. Nitrate and phosphate are amongst the high priority chemicals, as well as PFOS and PFOA.

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**"Two-thirds of water consumption goes into corporate supply chains."**

### Authors

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#### Martino Rapella

Junior Responsible Investment Officer

#### Nadja Franssen

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## 8. Supporting trustee clients in the UK





## 8. Supporting trustee clients in the UK

**Sustainability is a fast-moving issue for many clients in the UK. Even the terminology itself is fluid, with terms such as responsible, sustainable and ESG now used interchangeably.**

### Guiding trustees

Our trustee clients were under pressure in 2022 to get their house in order. That meant upskilling where necessary, holding their advisors to account, and staying up-to-speed on a wide range of topics. That included everything from the climate crisis, to biodiversity and nature, and social issues such as gender inequality, living wages and human rights.

Add in the regulatory push and society's changing attitudes, and it was no surprise how far sustainability had moved up trustee's agendas last year.

A minimum requirement was to understand their obligation in terms of regulation, governance and disclosure – under TCFD (Task Force on Climate-related Financial Disclosures) – as well as how best to tackle the climate crisis.

Cardano focused our efforts on making sure clients understood their TCFD requirements ahead of the introduction of reporting in 2023. We held a series of bespoke training sessions and provided reading recommendations to supplement any regulatory guidance. At our suggestion, for example, many clients read and enjoyed Bill Gates' How to avoid a climate disaster.

Getting to grips with sustainability and climate risks calls for open discussion and debate. Our most successful training sessions drilled down into the core beliefs of the trustees and pension scheme members about risk, reward, and real-world sustainability impact. Many trustees also told us how valuable they found our "big picture" sustainability days based on topics relevant to them.

### From theory to practice

As sustainability continues to grow more complex, we also helped our trustee clients to delegate sustainability-related decision-making to investment committees or trustee working groups. These groups then make recommendations to trustee boards for approval.

During 2022, we saw these sub-groups dedicating more time to grasping the issues at stake. That included debate around which metrics to disclose as part of TCFD reporting, or how investment managers can work sustainability into their investment processes. We also saw the publication of TCFD reports by schemes required to disclose for the first time in 2022. Their enthusiasm for year-on-year improvements was very encouraging.

### Ready for next steps

Sustainability was also a priority in journey planning and assessing covenant. We worked with a number of trustees to assess the ESG risks and opportunities of their sponsor, as part of the journey planning process and for disclosing data/risks as part of TCFD.

There's likely to be further regulation in this area in 2023 – requiring trustees to be even more knowledgeable about sustainability. That's particularly true of biodiversity and social issues, with the Taskforce for Nature-related Financial Disclosures (TNFD, an evolution of TCFD) set to publish its draft disclosure framework this year.

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**"It was no surprise how far sustainability had moved up trustee's agendas last year."**

### Authors

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**Helen Prior**  
Client Director

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**Tom Binks**  
Client Manager



## 9. Liability buy-in transactions in the UK





## 9. Liability buy-in transactions in the UK

**Growing numbers of pension schemes are moving towards risk transfer for some or all of their liabilities.**

But how best to ensure that assets transferred to an insurance counterparty will be used in a way that meets trustee approval? Will exclusion policies and the assessment of sustainable investments stay the same? Will the insurer live up to the trustee's expectations on stewardship, social issues and governance standards, internally and across their investments?



### Case study

To take just one example, a client we have long supported with covenant advice, was looking to carry out a material buy-in of liabilities with a regulated insurer in the UK. Sustainability is a key factor in the client's investment and operational approach, so they were keen to ensure that the chosen insurer would meet those standards.

We suggested a multi-phased approach, from initial market scoping to final review and selection, so that the client was able to select the ideal partner for the transaction. Using our long-standing relationships with UK bulk-annuity insurers, we met key management personnel, such as responsible investment teams and chief investment officers, across the range of possible insurers. We wanted to hear first-hand about their policies, investment philosophy, engagement and governance. We then drew up an assessment of the insurers' capabilities and approaches and compared these to each other, and against the client and the client's employer covenant.

Our client was able to see clearly which of the shortlisted insurers best matched their own approach, and a 'preferred partner' was selected. We then continued to talk to the insurer to understand how they planned to approach sustainability in future. That included establishing whether 'green buy-ins' and partnerships on sustainability issues might be possible down the road. On the back of these discussions, the client was happy to work with the preferred insurer.

This kind of rigorous selection process is set to become the norm. We're seeing a demand in all buy-in transactions for trustees to understand the sustainability implications of their choice of insurance counterparty. It's now a routine part of our work supporting risk transfers and will help advance sustainability across the market.

### Author

**Michael Bushnell**

Managing Director, Cardano Advisory



## 10. Advisory services in the Netherlands





## 10. Advisory services in the Netherlands

### **We support pension funds, insurers and investors across a wide range of sustainability activities.**

2022 saw a strong rise in demand from financial institutions such as insurers, endowments and pension funds.

Our services include:

- Support in maintaining and developing the sustainable investment policy
- Carrying out portfolio screening, monitoring progress, and helping with the implementation of the sustainability policy
- Implementation of 'active ownership' policy (engagements)
- Creating an ESG dashboard, customer-specific reporting and providing data for reporting purposes

### **Putting a Dutch Insurer on the podium**

Dutch insurance firm VGZ entered an ESG partnership with Cardano in 2021, in which we work closely on developing and implementing the company's socially responsible investment (SRI) policy.

This policy consists of:

- Active stewardship, including voting and engagement
- Excluding companies which do not meet sustainability standards
- ESG integration
- Impact investing

We supported VGZ in a number of different ways.

We monitor market developments and any changes in sustainability legislation and regulations. We carry out engagement with companies to ensure they match the standards set by VGZ's SRI policy. And we provide an online ESG dashboard for detailed monitoring of VGZ's investment portfolio and portfolio screening.

VGZ is committed to the transition to a sustainable society with its investments. It is determined to generate as much positive – and as little negative – impact as possible. And it works to avoid sustainability risks that could negatively affect the value of investments and to achieve a return in line with the market in order to keep healthcare affordable and accessible.

The company's efforts have paid off. During 2022, VGZ climbed to second place in The Fair Insurance Guide, which compares the investment policies of the largest insurance groups in the Netherlands. Thanks to major improvements in its SRI policy, VGZ scored 72 points higher in 2022 than in 2020.

**"It works to avoid sustainability risks that could negatively affect the value of investments and to achieve a return in line with the market."**

## **Author**

### **Marion Groothuis**

Sustainability and Corporate Strategy

### **Ruud Hadders**

Sustainability and Corporate Strategy



# 11. Impact investing: Improving access to financial products in India





## 11. Impact investing: Improving access to financial products in India

**The goal of our Financial Inclusion Fund (AFIF) is to achieve a genuine impact on the ground. The Fund invests in financial institutions that offer financial products and services to micro-, small- and medium-sized enterprises (MSMEs) in emerging and developing markets. Since its launch in 2007, AFIF's investments have reached 3.1+ million MSMEs and low-income households.**

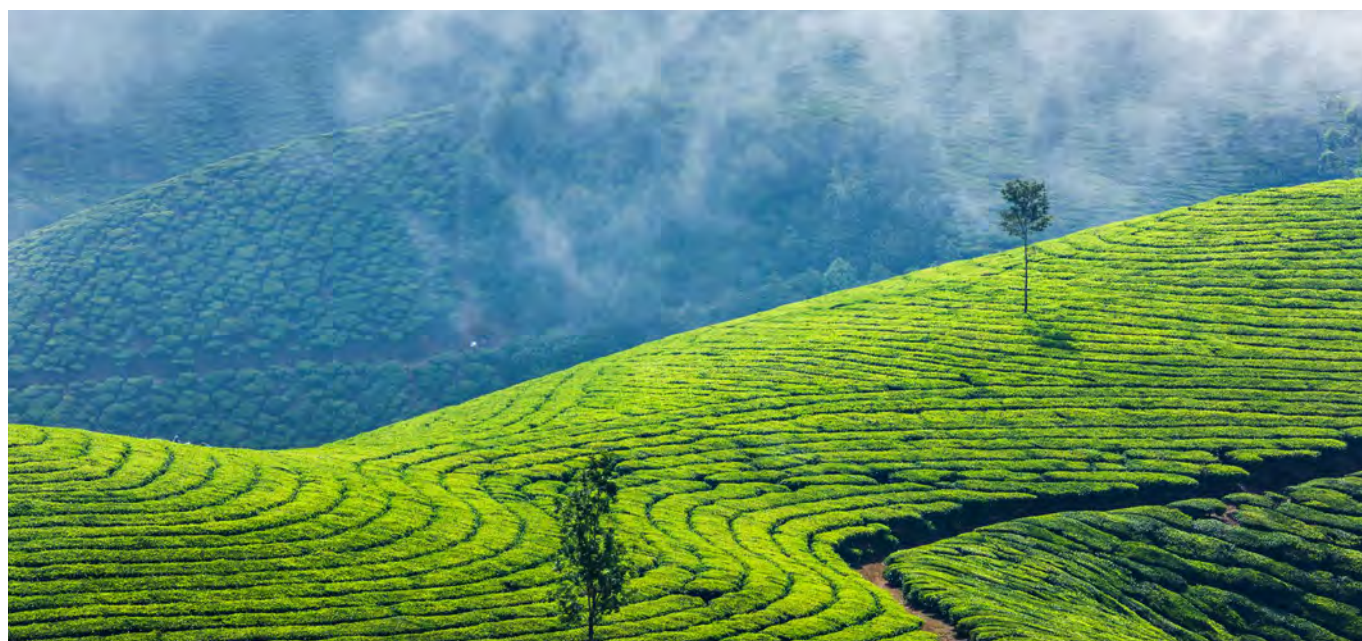
Some 10% of the Fund is invested in India-based financial institutions. The World Bank classifies India as a 'lower-middle' income country, where a large percentage of the population lives in poverty. Gaining access to financial products helps low-income households and micro-entrepreneurs to develop businesses activities and increase their household income – and then invest in health and education.

AFIF has over 200,000 borrowers, all of whom are women, mostly living in rural communities in regions largely unserved by any form of banking facilities. Women are more often excluded from access to financial products and services. Making sure that capital is available to them increases their agency – boosting their ability to secure work and take control over their own time, lives and bodies.

In September 2022, a team from Cardano visited India to see AFIF's work first-hand. Together with our partner, Developing World Markets, we met the institution's founder, who described his determination to reach the country's more remote rural areas where financial services are barely available. We also visited some borrowers (women loan groups) in small hamlets in the Udaipur province to hear about their experiences. It was clear that the financial institutions protect and guide their customers, who often, for example, have no formal education. We met some micro-entrepreneurs, who told us about the milk they sell from the cows and goats they bought with their micro-loan, and a young woman who plans to expand her mini-shop into a jewellery store.

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**"AFIF's investments have reached 3.1 million micro-, small- and medium-sized enterprises and low-income households."**



### Author

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#### Sytske Groenewald

Senior Sustainability & Impact Analyst

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## 12. Private Portfolios with Purpose





## 12. Private Portfolios with Purpose

**The investments we make - or advise our clients to make – really matter. They not only help provide financial stability to thousands of pensioners across the UK and Europe. They also impact the world they and their families live in, today and in the future.**

That's why we intensified our focus in 2022 on bringing more purpose to our clients' private portfolios. We worked closely, for example, with leading social impact investor Big Society Capital to direct up to £195 million of new investment into real estate fund strategies to address the UK's current housing crisis.

### 12.1. Investing with impact at scale

Delivering solutions to some of the world's most pressing challenges not only makes sense for our society and environment. It also presents a highly appealing financial investment opportunity. Historically, much of the market tended to believe that this form of investing meant accepting higher risk or lower return in exchange for the impact outcomes. That's no longer the case.

Today, the market is not just about philanthropic investing strategies but increasingly about institutional, scaled strategies that invest to generate positive, measurable social and environmental impact alongside a financial return. Strategies where, at worst, the impact comes with a neutral effect upon risk-return and, at best, where it's a critical factor in generating attractive risk-return.

### 12.2. Why Private Markets?

If the goal is to drive positive change, then the private market governance model is particularly compelling for two key reasons – governance and time. The governance model typical in private investments gives an investor far more influence, control and ability to fully engage with enterprises than for a shareholder of a publicly traded businesses. The longer time-horizons often involved also provide the critical stakeholder the alignment and time needed to achieve impact at scale.

### 12.3. The case for Social Housing

We have increasingly directed investment clients towards social and affordable housing over the past year – a sector where investment can improve lives as well as attractive investment characteristics. The supply demand imbalance makes for a powerful impact and investment case. Investors benefit from expected long dates returns between 5–7% (on an annual basis net of fees).

### 12.4. Big Society Capital Partnership

Early in 2022, we joined forces with Big Society Capital, the UK's leading social impact investor. We're now working together to direct up to £195 million of new investment toward real estate fund strategies to tackle the UK housing crisis.

Working as a partners has allowed us to pool our knowledge, drawing on each other's experience in both institutional management and product selection. We also share a deep understanding of the intricacies of social impact operating models, allowing us to access high quality managers within the UK.

Likewise, working in tandem has boosted the project's catalytic capital. We expect our combined investments and those of our clients to directly lead to more sustainable and affordable homes being built in the UK. We have made our shared expertise available to the broader market, by providing direct feedback to the managers, hosting webinars and promoting the space to the investing community. In the process, we have helped over 20 managers to develop more scaled institutional strategies which we hope will encourage other institutional investors to support this space.

The social impact sector in the UK is estimated to be worth c. £79 billion, with investments in social housing funds rising 10-fold in five years. With the social housing sector already valued at £3 billion and expected to more than double by 2025, we see this as increasingly interesting space for clients.

## Author

**Geordie Cox**

Manager Research



## 13. Cardano's own sustainability activities





## 13. Cardano's own sustainability activities

### 13.1. Our carbon emissions

**We're committed to reducing our emissions wherever possible.**

We do this by:

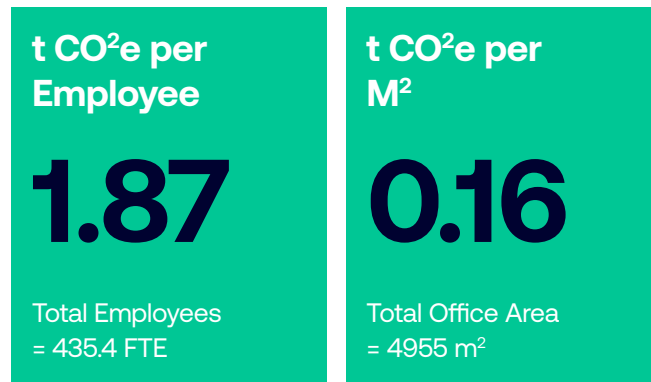
- Managing business travel, avoiding it when we can and – where travel is necessary – taking the train wherever feasible
- Promoting environmentally-friendly ways of working, including working from home
- Choosing greener infrastructure, office space and equipment
- Selecting sustainable suppliers
- Reducing our waste and improving our recycling processes
- Purchasing CO2 compensation schemes

In the renovation of our Rotterdam office in the Netherlands, for example, we re-used existing furniture as much as possible. Where extra items were needed, we bought them second-hand or refurbished. We also re-used TV screens, monitors and other hardware as much as possible, with any spare equipment donated elsewhere. We also opted for recycled fabrics, wherever new materials were needed.

#### Our company emissions

In 2021 we emitted 815,60 t CO<sub>2</sub>e combined over our three locations.

#### Unit carbon emissions



We off-set these emissions (+ 10% in addition) with three different projects:

- [Kasigau - Kenya \(35%\)](#)
- [TIST Kenya \(15%\)](#)
- [Cookstove - Kenya \(50%\)](#)

### 13.2. Joining in the conversation

We have also gained insights on sustainability from a range of external speakers. That includes the PRI's stewardship team, the Inevitable Policy Response programme, the Transition Plan Taskforce, and the UK FRC. We have also held a number of internal workshops on diversity, equity and inclusion.

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Sustainability and Corporate Strategy



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