

A scenic landscape photograph of a mountain lake. In the foreground, a wooden dock extends into the water, with several small wooden rowing boats tied to it. The water is calm and reflects the surrounding mountains and sky. The mountains are rugged and rocky, with some snow patches. The sky is a mix of blue and white, with wispy clouds. The overall mood is serene and natural.

cardano

# Sustainable Investment Policy

## Appendix C: Cardano Stewardship Policy

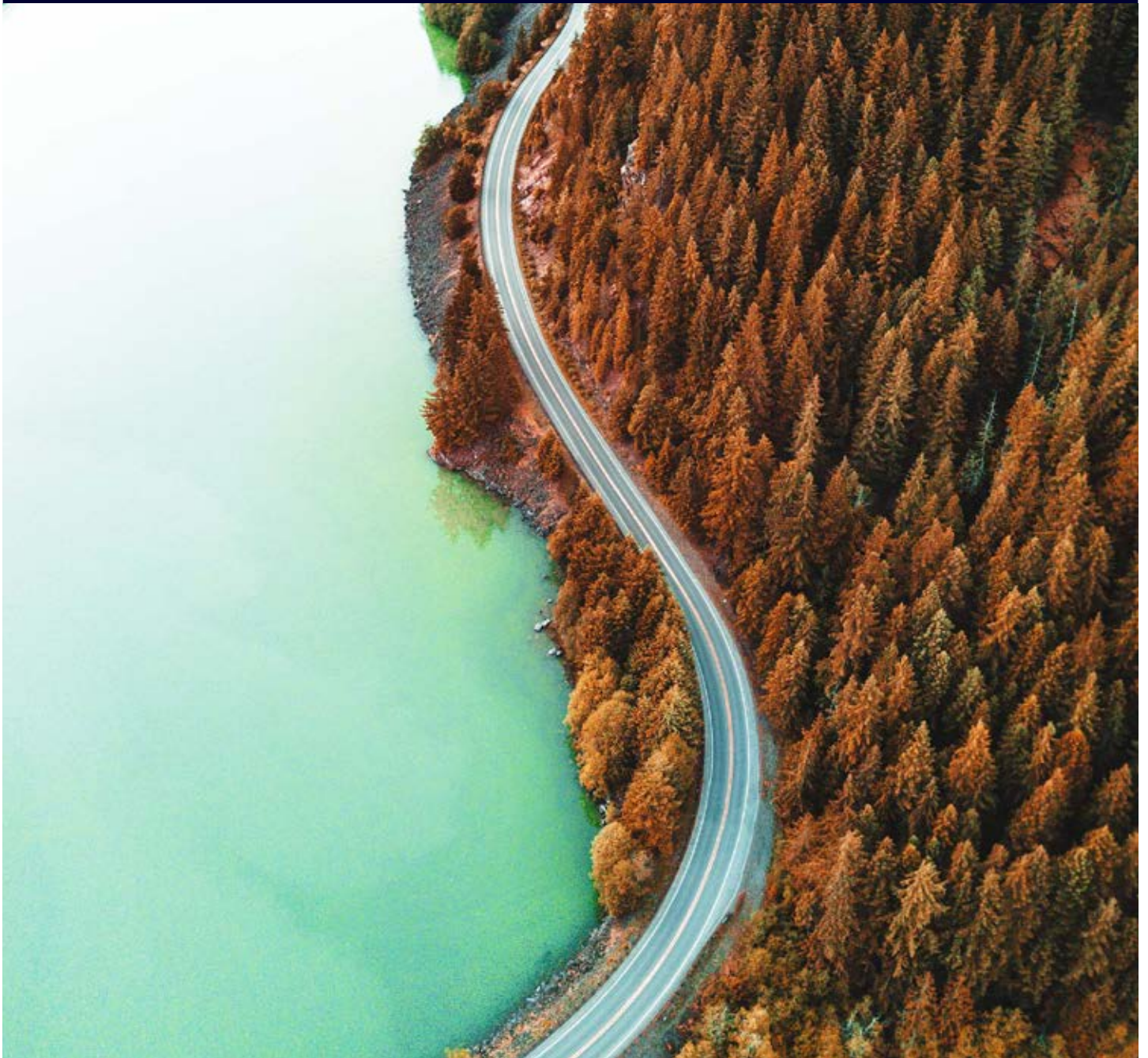
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# Contents

<b>1. Introduction</b>	<b>3</b>
<b>2. Stewardship Strategies and Practices</b>	<b>5</b>
<b>3. Who do we engage?</b>	<b>7</b>
<b>4. What do we engage on?</b>	<b>9</b>
<b>5. How do we engage?</b>	<b>11</b>
<b>6. How do we participate in policy discussions?</b>	<b>13</b>
<b>7. How do we use voting and shareholder resolutions as stewardship tools?</b>	<b>15</b>
<b>8. How do we combine tools to be more effective?</b>	<b>17</b>
<b>9. How do we monitor and track engagement progress?</b>	<b>19</b>
<b>10. Third-Party Manager Engagement Activities</b>	<b>21</b>
<b>11. Conflicts of Interest</b>	<b>24</b>

1.

# Introduction



**At Cardano, we understand that the complex environmental and social challenges facing the world today present not only risks but also opportunities for investors. Our stewardship approach, which is integral to our investment strategy, reflects this understanding. We use stewardship activities across all our investments, influencing and collaborating with companies to guide them along sustainable transition pathways. We believe that companies adept at navigating these transitions will emerge more resilient and more valuable in the long term. Our stewardship is characterized by collaboration, meaningful and long-term engagements, a focus on real-world sustainability impacts, encouragement of innovation, and an integrated, goal-oriented, and transparent approach.**

Cardano stands at the forefront of sustainable investment and advisory services. Our Sustainable Investment Policy defines how we as an investor can help guide the transition towards a sustainable society. In the policy we explain how the entities in which we invest will both impact the success of the transition and be impacted by it. We outline how we will contribute and the targets we have set for our directly managed strategies including those for Climate Change, Biodiversity Loss, Sustainable water use, Materials use and waste, Fairer society, Basic needs provision and Social license to operate.

Our stewardship approach is an integral part of the overarching policy and is embedded in our processes, from direct equity investments to our interactions with third-party managers and counterparties. We emphasize the importance of not just owning companies but engaging with them, voting at Annual General Meetings (AGMs), and setting clear objectives aligned with our targets. Our approach considers the unique challenges and contexts of each company we engage with. This nuanced approach extends to our investment strategies, integrating stewardship into our broader investment decision-making processes.

“

**Our Sustainable Investment Policy defines how we as an investor can help guide the transition towards a sustainable society.**

2.

## Stewardship Strategies and Practices



**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 as described in our Sustainable Investment Policy, ensuring that our investments support entities 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 is not just about dialogue but about setting clear objectives, monitoring progress, and, if necessary, taking decisive actions...**

Our stewardship approach is grounded in the following principles for effective stewardship:

- **Collaboration** – engagement is more efficient and impactful when managers collaborate, not just for the investors, but for the companies too (who will field fewer, but higher conviction, engagements from their investors); we collaborate with other investors and market organisations that drive sustainable investment practices.
- **Quality over quantity** – we are interested in meaningful engagements, seeking tangible results with strong reporting.
- **Long-term** – we encourage long-term relationships with companies. Successful stewardship can take many months, maybe even years.
- **Real world impact** – we are interested in engagement on topics that contribute to positive real-world sustainability impact and address systemic issues (such as, reduction in absolute carbon emissions).
- **Innovation** – we encourage innovation, for example, our satellite-based engagement towards zero-deforestation.
- **Integrated** – stewardship contributes to investment decisions.
- **Goal-oriented** – we set objectives and work towards those; if progress is not meaningful, we will consider escalation including voting against board members or changes in capital allocation.
- **Transparency** – some engagements, perhaps even many, will be unsuccessful.

In the sections below, we explain how these principles are put into practice.

3.

## Who do we engage?



**We use our engagement activities to encourage companies to respond to ongoing sustainability transitions. This involves in-depth dialogue focused on how companies can reduce sustainability-related risks or negative impacts, but also on how they can seize opportunities brought about by the transition or enhance positive contributions towards a sustainable society. Our engagements are tailored to each company’s unique context, with an emphasis on engaging within collaborative groups and undertaking long-term dialogues that foster real-world impact and systemic change.**

Our investment decisions are linked to a company’s adaptive capacity as defined in our Sustainable Investment Framework. We invest in companies classified as ‘Adapting’, ‘Sustainable’, and ‘Positive Impact’. Consistent with our principles, we do not invest in companies that are classified as ‘Harmful’ (involvement in activities such as tobacco production, gambling, or controversial weapons production among others), or breaching International Standards’. Nor do we invest in companies that are classified as ‘Non-Adapting’ or ‘At-Risk’ according to our framework. This approach stems from our belief that these entities, due to their inability or unwillingness to adapt, pose unacceptable levels of both financial risks and negative real-world impacts.

Our stewardship efforts are thus focused 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 further in the Sustainable Investment Policy. 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 the adapting companies because based on our assessments they demonstrate a willingness and capacity to transition. We see a large potential for achieving sustainability improvement with these companies and we most likely will achieve concrete outcomes by focusing here. We also engage with entities classified as ‘Sustainable’ and ‘Positive Impact’ to encourage a deliberate focus on real-world impact objectives through their supply chains, operations, products and services, and being transparent about how they achieve this.

When deciding to play a lead role in an engagement either within a collaboration or individually, we consider a number of factors, including: the company’s performance and progress on the relevant and related topics (beyond the ‘Adapting’, or ‘Sustainable’ classification), whether it is already engaged via other initiatives and to what extent, and the size of the company. We look at the size and market cap of a company as a means of determining how engageable it may be. While this is not the only factor, we put our efforts where we most likely can have meaningful dialogue and use our influence.

**“**  
**Consistent with our principles, we do not invest in companies that are classified as ‘Harmful’.**





4.

What do  
we engage on?









We prioritise our engagements with entities on the topics given in figure 1. 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 targets, as well as the specific actions we will pursue to make progress on these targets. 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. The topics which we focus on in our engagements are listed below.

Figure 1: Main engagement topics

**Environmental**

**Social**

 <b>Climate</b>	 <b>Biodiversity</b>	 <b>Water</b>	 <b>Materials</b>	 <b>Basic Needs Provision</b>	 <b>Fairer Society</b>	 <b>Governance</b>
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

5.

## How do we engage?



**Our principles for effective stewardship lay out how we approach engagement, and we note here that it is more effective when done collaboratively. As such, we work together with other investors and organisations with topical expertise that drive improved stewardship and sustainable investment practices.**

We develop our own engagement programs and invite other organisations to participate, or we join external collaborations as either a lead investor or participating investor. As the lead investor, we play a central and proactive role in driving the engagement efforts with a target company including:

- Formulating the engagement strategy
- Identifying the company’s current policies, programs and processes related to the engagement topic
- Serving as the contact point and liaison between the investor group and the company, organising meetings, facilitating discussions and ensuring alignment on messaging and objectives
- Developing the roadmap for the engagement process
- Information sharing and dissemination of relevant information and insights gained

- Decision-making about the direction of the engagement, and evaluating success
- Reporting and transparency

We play an active role in shaping the engagement programs we participate in by supporting the development of the program methodology, providing feedback on the sector and company focus, and devising the objectives.

**“  
We work together with other investors and organisations with topical expertise that drive improved stewardship and sustainable investment practices.**



6.

## How do we participate in policy discussions?



By participating in policy development, we can help shape a regulatory environment to align with our investment principles and values. We believe policy engagement is an important lever that can influence advancements related to environmental transitions, social equity, and effective corporate governance. The aim is to create an investment landscape that awards long-term value creation. As such, policy participation is a natural extension of our corporate engagement approach. We recognise the need to improve the sustainability of the market as a whole, and to tackle sustainability risks at the market level. Effective regulation would mean that all companies within a sector would need to adhere to set standards and be incentivised to develop sustainable business models and create solutions for social and environmental challenges. Engagement in policy discussions also increases our knowledge about the broader context in which our investees operate, bringing credibility to our corporate engagements. We contribute our expertise and experience by responding to relevant consultations on sustainable investment primarily in the UK, Netherlands and Europe, but in some cases in other jurisdictions as well.

We also use our knowledge and influence to advance the integration of sustainability and transition into financial decision making. We participate in working groups, contribute our expertise where appropriate, and listen to and learn from others across our business. Our sustainability expertise is widely embedded across our investment and advisory teams. We are members of and contribute to a range of sustainable investment organisations, which include:

- Finance for Biodiversity Pledge
- ICMA – International Capital Market Association
- ICSWG – Investment Consultants Sustainability Working Group
- IIGCC – The Institutional Investors Group on Climate Change
- Investor Alliance for Human Rights
- NZAMI – Net Zero Asset Managers Initiative
- NZICI – Net Zero Investment Consultants Initiative
- PBAF – Partnership for Biodiversity Accounting Financials
- PCAF – Partnership for Carbon Accounting Financials
- PLWF – Platform for Living Wage Financials
- PRI – UN Principles for Responsible Investment

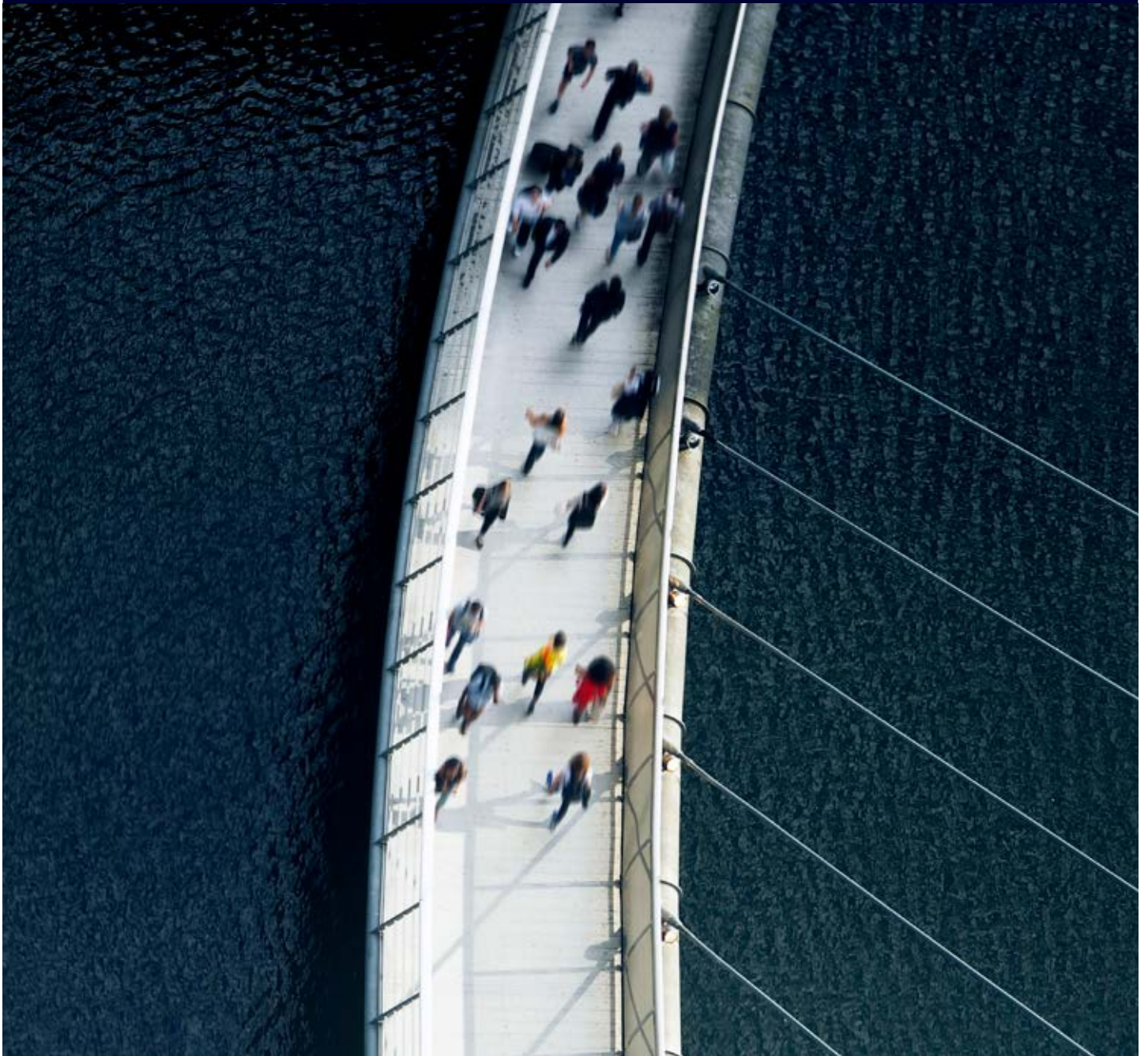
We review our membership of sustainability organisations at least every year, and consider how and where we can best contribute, and whether we should consider additional organisations as our sustainable investment activities evolve.

**“**  
**We believe policy engagement is an important lever that can influence advancements related to environmental transitions, social equity, and effective corporate governance.**



**7.**

# How do we use voting and shareholder resolutions as stewardship tools?

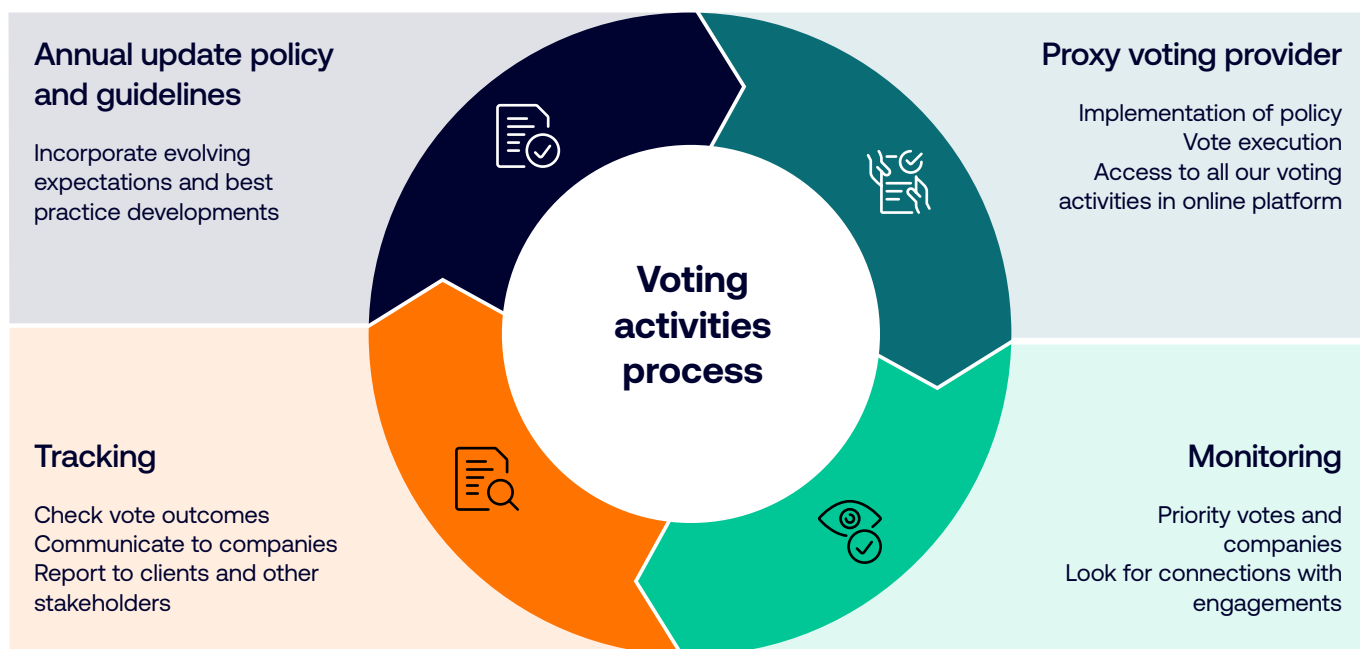


**Our voting activities are a critical component of our stewardship strategy. We aim to vote at all shareholder meetings of the companies where we have voting rights. Accordingly, our Voting Policy provides detailed guidelines on how we will vote at shareholder meetings to promote better oversight of sustainability issues, better management of risks and encourage taking advantage of opportunities. The policy is based on internationally recognized best practice for corporate governance and incorporates our sustainability beliefs. Through voting, we communicate our expectations and encourage companies to make progress on their sustainability journey. Votes are cast to support actions that align with transitions and to hold boards accountable for their roles in this process.**

We aim to link engagement and voting activities together with investment decisions. Our observations made during engagements often inform our voting activities, as well as decisions about exclusions and inclusions. This comprehensive approach ensures that our stewardship activities are not isolated but are integrally linked to our overall investment decisions.

We have the support of an external proxy voting provider to implement the Cardano voting policy and to cast our votes entirely according to our guidelines. We have access to all vote decisions well in advance of each shareholder meeting, giving us the opportunity to review and adjust as needed. The process surrounding our voting activities is shown in figure 2.

Figure 2: Voting activities process



In select cases, we initiate shareholder resolutions to help accelerate dialogues with investee companies. We consider the (co-)filing (filing in collaboration with other investors) of resolutions to be one of the most effective forms of influence that allow us to use our formal rights as owners to escalate important issues. We will consider the following factors when deciding to (co-)file a resolution:

- Whether the resolution is in line with the Cardano Sustainability Framework and one of the environmental or social transitions identified

- Whether progress on the resolution topic will help us achieve one or more of our targets
- How responsive the company has been to investor engagement efforts or in addressing the relevant topic
- Whether progress on the topic will reduce the sustainability-related risks the company faces or encourage them to take advantage of opportunities



**8.**

**How do we combine tools to be more effective?**



As described, we leverage the multiple tools available to us and use them in combination with each other to maximise our effectiveness. Different tools can influence companies and other entities in various ways:

- **Voting and shareholder resolutions:** These may have a direct impact on corporate decisions, disclosure or policies
- **Engagement:** while also impacting the above, this can help build long-term relationships and influence strategy development.
- **Policy participation:** Using this tool can create a more favourable regulatory landscape which ultimately creates and supports the market conditions for our engagement efforts to be beneficial
- **Combination:** The tools we use can complement each other. Engagement with management can be more effective when backed by a pending shareholder resolution, or after one is filed and voted and receives a significant positive outcome. Votes against management may also be used as an escalation, helping to accelerate the dialogues

- **Transparency:** We often inform companies of when we have used a vote to escalate a certain topic, which helps explain our views, our voting rationale and can also re-open a dialogue.

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, recognizing 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.

Figure 3: Tools to make stewardship effective



9.

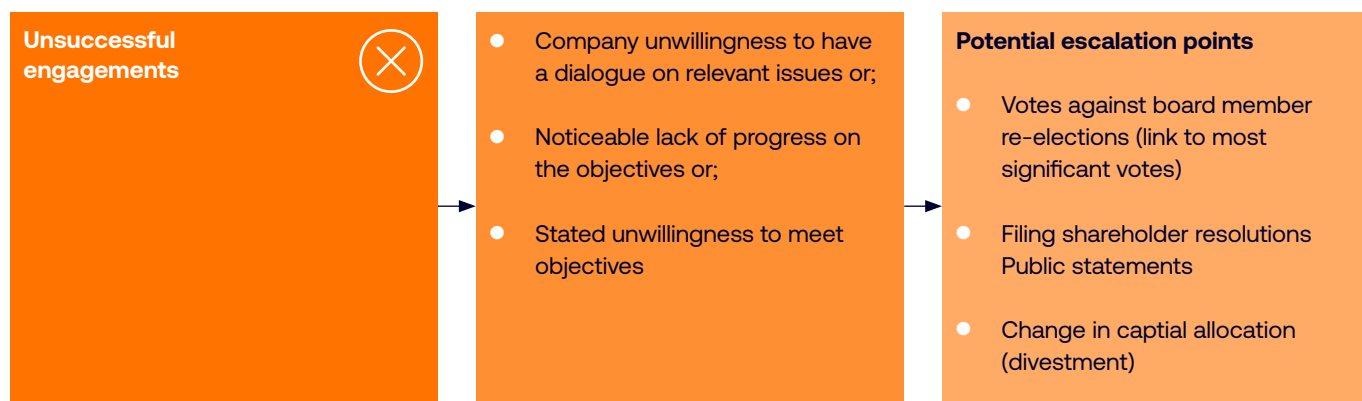
## How do we monitor and track engagement progress?



**Cardano understands that stewardship is a lengthy ongoing process, and not every activity will lead to outcomes in the short term. We have developed a system for monitoring the status of each of the individual engagements, through milestones and objectives**

Objectives are set at the outset and can be refined throughout the engagement trajectory. They define the goals of the engagement. For example, asking a company to set and disclose scope 3 emissions reduction targets. We use milestones to track the progress of the engagement as shown below.

**Figure 4: Monitoring of engagement progress.**



**10.**

# Third-Party Manager Engagement Activities



**In this section, we set out the steps we take to engage our external managers on ESG and sustainability topics.**

**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.

**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 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 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.

**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 ICSWG
- Through a detailed review of this information, combined with information gathered throughout the year, each fund is assigned an ESG rating 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 rating 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. (For detail on our ESG rating process, please see our published Sustainable Investment Policy)
- We seek to quantify our engagement impact by registering the changes that managers have / 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
  - Every year we provide each manager with detailed information on how our rating process works, as well as how they were rated. 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
- For managers with low ratings, we communicate what aspects we want to see improvement on as we engage with the manager

### Reflection

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

11.

# Conflicts of Interest





### Conflicts of Interest

All appropriate steps are taken to identify and manage conflicts of interest that arise at Cardano, including through engagement activity. This ensures the fair treatment of clients and reduces the risk of legal liability, regulatory censure or damage to Cardano's commercial interests and reputation. The Conflicts of Interest Policy identifies actual and potential conflicts arising within Cardano and procedures for managing those conflicts. Everyone at Cardano (including contractors and any other person directly or indirectly linked to us by control) involved in the provision of investment services to Cardano's clients must adhere to the Conflicts of Interest Policy. A summary of the Conflicts of Interest Policy is available on.

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