

Sustainability



Sustainability, and in particular the need to transition to a sustainable society, informs all our thinking and activities at Cardano – in investment management, advisory and DC. While the short-term performance of ESG factors in sustainable funds may vary, the long-term direction of travel signals greater investment is needed in tackling environmental challenges like the climate crisis, biodiversity loss and social foundations like the provision of basic needs.

Our view is that multiple transitions are needed to get to a sustainable society. While that presents unprecedented global challenges, it also creates opportunities for those ready and able to embrace them. During 2023 we were able to significantly progress our commitments through growing the allocation to sustainable investment strategies in many of our clients' portfolios, which include commitments not only around the climate crisis (targeting Net Zero by 2050 and a 50% reduction by 2030 from 2019 baseline) but also commitments to net zero deforestation and water neutrality by 2030.

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Sustainability transition is here to stay, so it makes clear sense to structure our portfolios to benefit from this transition. We remain committed to embedding sustainability in our strategic priorities; not only is it the right thing to do for our business, our clients and society as a whole, but it also points the way towards a more prosperous and equitable society. In the long-term we believe that these systemic issues will be as important for future financial performance of the market as a whole as they are for individual businesses within the market, hence financial and real-world objectives are mutually re-enforcing.

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Meeting the regulatory challenge

The continuing impact of sustainable finance regulation has been felt across the industry, and at Cardano we remain fully engaged with implementing new rules and guidelines, as well as helping clients to understand the challenges and opportunities that regulatory reforms present.

We have seen both the European Commission and, increasingly, the Financial Conduct Authority in the UK take a more proactive approach to governance in this area. The demands of Taskforce on Climate-related Financial Disclosure (TCFD), Sustainable Finance Disclosure Regulation (SFDR) and the UK Sustainability Disclosure Requirements (SDR) cannot be underestimated. These will inevitably serve as catalysts for our clients to engage more in the ESG agenda in future.

Rather than see this evolution as a burden, we have embraced the changes, which we view as the emergence of new opportunities in an evolving investment landscape.

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An enhanced capability

We are investing in our sustainability capabilities, not only in terms of resources to deploy, but also to increase and improve the efficiency of how we work. In practice, that means continuing our high levels of investment in infrastructure in order to manage our clients' expectations, and also to be able to accommodate bespoke requests from clients for their own KPIs to be reported on.

Delivering those value-added services relies heavily on acquiring, processing and extracting insight from data. Building on last year's technology investments, we are now in the process of becoming an entirely data-led organisation. While that delivers obvious benefits across the business, it also underpins our groundbreaking work in the sustainability area.

Last year saw the launch of our new bio-acoustic data analysis tool, which helps us examine the levels of biodiversity in a given area. Following on from our innovative work with satellite data analysis, by using acoustic measurement to understand and measure the difference between areas we can more accurately analyse the levels of deforestation – and their effects – as well as understanding the impact of reforested land compared to pristine.

In addition, by using geospatial data we can now gather information on global asset and supply chain locations. By doing so, we are able to map out risk exposures and vulnerabilities. The technology has allowed us to drill into a whole map of risks that exist in a portfolio in a more substantial way, and that sets us on course to better understand the risk picture in the round.

Zero tolerance of greenwashing

The sustainability agenda remains a relatively young aspect of the long-term savings industry; as such, there are different ways in which objectives, metrics and performance can be presented, creating a distorted picture. At Cardano we take this seriously and recognise our responsibility to deliver accurate information and transparency across all our activities. We also recognise that transitioning to a low-carbon and more sustainable future is a difficult journey that will require sometimes difficult trade-offs to be made. We believe our sustainable investing framework delivers a transparent approach in describing how investments are either failing or at risk of failing to adapt, successfully adapting or indeed already sustainable and making a positive contribution to the multiple transitions.

Building our fiduciary impact offering

Last year we saw significant work with a number of clients to develop a fiduciary impact offering. This was especially popular with pension fund clients in the Netherlands who are eager to grow the proportion of their investments that have a positive impact in the real world without sacrificing financial returns. Working with them in a number of innovative ways, including workshops, we have developed a fiduciary impact proposition to help them to better understand what impact they can have, and how this relates to their particular scheme.

We have drawn on expertise from across the Group to collaborate on delivering this, with the work led by our client-facing team who specialise in working with trustees. Our manager research team has an exceptional track record in both private equity manager selection and private debt and real estate; our ability to marry that with the capabilities of the private impact debt team in the Netherlands gives us a powerful capability to assess impact and select impact strategies.

Enhancing biodiversity

Biodiversity loss is a systemic issue, with direct and indirect effects across the entirety of the economic and financial systems. Investors are highly exposed to systemic risks such as biodiversity loss, and universal owners and long-term investors have a limited ability to diversify their portfolios away from the impacts of such issues. During the year, we signed up to a Principles for Responsible Investment (PRI) initiative called Spring which is focused on deforestation, particularly in South America. In doing so, we were better able to identify the companies with most influence over policymakers in the region. Spring aims to develop a new collaborative stewardship initiative on nature, and we will participate with a group of investors who will use their voice and influence to drive positive outcomes for nature.

A commitment to social equity

A commitment to working towards a fairer society has been fundamental to everything we do throughout the life of the Cardano Group. From driving internal initiatives in the way we are run, to working with companies to better serve their communities and stakeholders, that remains a core tenet of our mission. To that end, this year we have continued our engagement with corporates on their Living Wage performance, which remains an important issue to trustees and other stakeholders. As a result of our and others' work in these engagement efforts, Sainsbury's now pay all their employees a Living Wage.

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Equality, diversity and inclusion



2023 was a year when our commitment to build an inclusive, supportive and dynamic workplace for our employees gathered pace, as the new Cardano Group took shape. We undertook a broad employee engagement effort to help us refresh our Cardano values.

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Broader engagement

The current working world can be a stressful place: post-Covid, new working patterns are still taking shape and the political, social and environmental climate can combine to put pressure on our people across the Group.

To address that, we have broadened out our popular employee resource groups. These now run across the business and have become integral to our efforts to improve employee wellbeing, engagement and representation. On the back of consultation with these groups, we have extended and deepened our work around employee wellbeing, introducing a number of new policies to support employees.

These include a new nursery policy for working parents in the UK, created after consultation with our diversity groups. This, along with wider paternity benefits, fits well into our new flexible benefits policy that focuses on improving our support for working parents.

Building the future workforce

Naturally, we have to consider building the workforce of the future, so late in 2023 we formally launched our first graduate programme. We welcomed the first six participants, who have already proved their worth, and

we hope they will be the first of many to benefit from a more structured two-year programme of talent identification and development. Crucially, the intake was 67% female.

We also appointed a new head of learning and development, and that fed into the creation of a new Manager Toolkit to help us prioritise and streamline our training and development programmes.

That future workforce will draw strength from its diversity. To reflect that, we have invested in a new diversity data collection campaign so that we can measure these metrics in the future. As for today, our partnership with the 10,000 Black Interns programme continued through 2023, with four interns inducted into the scheme over the summer and one permanent employee joining us as a result.

Having become a founding member in 2022 of 10,000 Able Interns – a programme that finds placements at companies for interns with disabilities – in 2023 we welcomed our second participant under that scheme.

Outlook for 2024

The newly unified Cardano Group is well positioned to create a supportive, diverse and effective workforce. To that end, we will continue to invest in our employees and draw strength from their efforts across all our business units. We are committed to creating the kind of workplace that attracts the best in the industry and encourages them to stay and grow with us.

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Key stakeholders



Clients

Their priorities

Clients seek asset growth, respectable returns on investments and reassurance that their payment liabilities on pension schemes are comfortably covered.

Clients want independent and thoughtful advice around covenant risk, journey planning, endgame solutions and regulatory issues including climate reporting requirements.

As sustainability becomes increasingly critical in investments, clients want to be sure their portfolios and activities address climate risk and regulatory requirements.

How we respond

Our experienced multidisciplinary teams pool skills and experience, using long-term thinking and cutting-edge technology to assess risk; support pension schemes with strategic agnostic advice on journey planning including endgame solutions; sponsor covenant advice; deploy LDI strategies to protect balance sheets; create economically balanced portfolios that return safer outcomes; and regularly outperform clients' targets on asset growth and closing funding gaps.

Cardano integrates ESG issues and real-world sustainability impact in every aspect of its investment strategies. We have invested in bespoke ESG derivative products and continue to take an active approach to stewardship, publishing a 10-point plan for Effective Stewardship in December 2023.

We support clients to ensure they comply with their country's climate-related financial disclosure obligations – the Task Force on Climate-related Financial Disclosure (TCFD) regulations in the UK and the EU's Sustainable Finance Disclosure Regulation (SFDR) in the Netherlands.

Employees

Their priorities

Our employees expect to access opportunities for professional development to reach their potential. To do that they need a safe, secure working environment where they feel they are supported and valued.

They also expect that the business plays a positive role in society and has an active Corporate Social Responsibility programme.

How we respond

We have invested in initiatives designed to encourage personal development, including the Board mentoring scheme for senior women leaders, and there are mentoring programmes across the Group.

All employees have access to online training programmes and are sponsored to take business-relevant qualifications, where applicable. Our employee resource groups have extended in 2023 to cover race and cultural diversity, disability, LGBTQ+ and gender-inclusion networks and these are now embedded across the business. We are also reaching out into our communities to broaden the net of our recruitment.

We are committed to providing equal employment opportunities and preventing discrimination, and give fair consideration to all employment applications. If employees become less able to work, we continue to employ them wherever possible, with retraining if necessary.

We gather and respond to colleague feedback through employee forums and regular employee surveys. Business wide meetings are held regularly across the Group to ensure employees are aware of financial and economic factors affecting performance.

Shareholders

Their priorities

Our shareholders are committed to maintaining and growing the Cardano brand as a trusted solutions provider in the long-term savings market. They require the Board to maintain sound corporate governance and stewardship of the business, managing risk and driving returns.

They expect a return on their investment and continued growth through delivery of our strategic objectives, and a commitment to long-term sustainability. Transparency and effective communication are fundamental in upholding shareholder values.

How we respond

We believe that robust governance practices are essential for ensuring transparency, accountability, and the protection of shareholder interests. Through diligent stewardship, we oversee the responsible allocation of resources and manage risks effectively in all our operations. This commitment to strong corporate governance and stewardship safeguards our reputation and fosters trust among our stakeholders.

We rely on the support and engagement of our shareholders to deliver our strategic objectives. We have offered the benefits of share ownership to employees, which has resulted in a further alignment of interests.

Our commitment to long-term value creation is evident through our sustainable business practices, which focus on minimising environmental impact and promoting social responsibility. We prioritise reinvestment in our business infrastructure to support innovation and growth, which, in turn, enhances shareholder value over time. Moreover, our

dividend policy is designed to provide stable returns to shareholders, including employee owners, while balancing the need for reinvestment and financial strength.

We seek to understand shareholder needs and sentiment through ongoing engagement, enabling us to inform investors of key strategic developments and ongoing performance.

Governments and Regulators

Their priorities

Creating legislation for pension and financial services regulation and reform, ensuring that policies address regulatory objectives and environmental and sustainability targets. Enforcing regulations, ensuring pension schemes and investment companies comply with governance, prudential, conduct and environmental standards.

How we respond

Cardano has created and maintained close working relationships with government departments, policymakers and regulators in the UK and the Netherlands. We actively engage with policymakers to improve, through policy reform, the functioning of the financial system, retirement outcomes and sustainability. This is done either directly or through participation in working groups.

In particular, we respond to consultations relevant to the investment and pensions sectors in the UK, the Netherlands and Europe, and will offer our expertise and experience where it is appropriate to do so. In 2023, for example, Cardano was involved in a number of public policy consultations in the UK and Europe. These included responses to the Transition Plan Taskforce Disclosure (TPTD) and the FCA's Sustainability Disclosure Requirements (SDR) and investment labels.

In the Netherlands, we actively engaged with the ongoing pensions reform act that came to fruition in 2023. In the UK, NOW: Pensions continued to work on the issue of improving pensions savings and was involved in efforts to expand the scope of auto-enrolment to 18-year-olds.

Communities and Society

Their priorities

Communities have concerns about the environment and climate change, and want where they live and work to be pollution-free.

Young people are increasingly demanding equal access to opportunities in education and work, as well as personal development and social mobility.

How we respond

As well as integrating ESG issues and real-world sustainability impact into our investment strategies,

our premises have robust recycling policies, and we assess sustainable suppliers. We offset our carbon emissions and, having become a net-zero company in 2021, we have extended our work across the Group in 2023.

We sponsor Entrepreneurs in Action's Classroom to Boardroom programme and our participation in the 10,000 Black Interns programme continues to offer black students internships to help launch their investment-management career. We are also a founding member of 10,000 Able Interns, which connects young disabled talent with paid internships, training and development.

We have set targets to increase the representation of female and BAME colleagues, and in 2023 we welcomed the first intake into our new graduate recruitment scheme designed to further diversify our intake.

We continue to support the IMC Weekend School Foundation, which offers enriching education to children in the Netherlands.

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We have continued to work with the Pensions Policy Institute (PPI) in the UK and have built on our ground-breaking work on the gender pensions gap and the Underpensioned Index. Our second annual survey of equality, diversity and inclusion in the pension trustee community, launched in partnership with mallowstreet, continues to drive support and engagement across the industry, including the regulator.

Suppliers and Service Providers

Their priorities

Our suppliers and service providers expect high standards of business conduct, including fair contract and payment terms.

How we respond

We engage proactively with our external suppliers and service providers through regular communication and collaboration, to foster a mutually beneficial relationship. We ensure that contract arrangements are documented and agreed in advance of delivery, with full transparency. We then adhere to contractual agreements accordingly.

We recognise the critical role that our suppliers and service providers play in our operations, and we are committed to nurturing strong, strategic partnerships.

Long term decision making

The Group's governance structures are designed to enable the Directors to exercise comprehensive oversight over the entire business, including monitoring the Group's financial position, business, employee issues and contribution to the Group's mission. The Management Board supports operational decision making to ensure that the business is running smoothly and efficiently.

Section 172(1) Statement

Section 172(1) of the Companies Act 2006 requires Directors to act in the way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, and in doing so have regard, among other matters, to:

Information	Location within Annual Report
● the likely consequences of any decisions in the long term	p. 23
● the interests of the Company's employees	p. 22
● the need to foster the Company's business relationships with suppliers, customers and others	p. 22-23
● the impact of the Company's operations on the community and the environment	p. 17-18
● the desirability of the Company maintaining a reputation for high standards of business conduct	p. 22
● the need to act fairly between members of the Company	p. 22-23

By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the Board aims to make sure that its approach to decision-making and consideration of stakeholder interests is consistent.

Based on the information provided in this report as referenced above, the Directors believe they have complied with the requirements of Section 172(1) of the Companies Act 2006.