

## SECTION 172 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, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

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, the Directors believe they have complied with the requirements of Section 172 of the Companies Act 2006.

### Long term decision making

The Company's governance structures are designed to enable the Directors to exercise comprehensive oversight over the entire business, including monitoring the Company's financial position, business, employee issues and contribution to the Company's mission. The Operational Management Team ('OMT') provides day-to-day operational decision making to ensure that our business is running smoothly and efficiently.

### Business relationships and standards of business conduct

#### *Supplier and service provider relationships*

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

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.

#### *Client relationships*

Clients seek asset growth, respectable returns on investments and reassurance that their payment liabilities on pension schemes are comfortably covered. As sustainability becomes increasingly critical in investments, clients want to be sure their portfolios and activities address climate risk and regulatory requirements.

Our experienced multidisciplinary teams pool skills and experience, using long-term thinking and cutting-edge technology to assess risk; support pension schemes with journey planning; 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. The Company integrates ESG issues and real-world sustainability impact in every aspect of its investment strategies. a clear view of client objectives.

#### *Employee relationships*

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 the community and has an active Corporate Social Responsibility programme. We have invested in initiatives designed to encourage personal development, including the Board mentoring scheme for senior women leaders, while there are mentoring programmes across the Company. 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 disabled, 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.

#### *Senior Managers and Certification Regime*

The UK Senior Managers and Certification Regime ('SMCR') became effective on and applied to the Company from 9 December 2019. The SMCR's overarching aim is to raise the standards of conduct for everyone who works in financial services and make senior people in firms more responsible and accountable for their conduct, actions

and competence. As required, a Director was designated to hold the 'Prescribed Responsibilities' of ensuring the Company's compliance with SMCR. After careful consideration, the Directors approved and adopted their Statement of Responsibility designating a single Director responsible for each function within the Company.

In ensuring ongoing compliance with SMCR, the Directors have participated in extensive training and have endeavoured to ensure substantive compliance in a manner that contributes to the governance goals intended by the UK Financial Conduct Authority to enhance the behaviour of market participants in a way that benefits the UK community and customers.

## **Community and environment**

### *Environmental, social and governance*

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.

As well as integrating ESG issues and real-world sustainability impact into our investment strategies, our premises have robust recycling policies, and we always assess sustainable suppliers. We are a founder 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 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, and will offer our expertise and experience where it is appropriate to do so.

We have continued to work with the Pensions Policy Institute (PPI) and have built on our ground-breaking work on the gender pensions gap and the Underpensioned Index. Our second annual survey of diversity, equality and inclusion in the pension trustee community, launched in partnership with mallowstreet, continues to drive support and engagement across the industry, including the regulator. Full Environmental, Social and Governance and carbon reporting disclosures for the Company are included in the consolidated financial statements of Cardano Holding Limited, the Company's parent undertaking.

### *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 Defined Contribution ('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 and 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 by 2030 and water neutrality by 2030.

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.

Having now fully integrated Cardano Asset Management (formerly ACTIAM) into the Cardano Group, we are well positioned to be the expert partner on sustainability for our institutional investors and corporate clients.

### *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.

#### *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 ground-breaking 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 logistics and transport activities. 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 varying ways in which targets, metrics and performance can be presented to give 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.

#### *Working effectively with clients*

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 solutions-driven approach to help them to better understand what impact they can have, and how this relates to their particular scheme.

We have drawn on the 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.

**Interests of Members**

In approving the Company's annual financial statements, the Directors carefully review the financial statements and duly consider a number of factors, including (but not limited to) any recommendations or observations from the Company's finance team and/or the Company's auditors. To the extent that any operational or control recommendations are raised to the Directors, they are duly considered and discussed with the Company's finance team and a course of action agreed, thereby facilitating a long-term approach by ensuring future good practice and having regard for the interests of the Company's sole shareholder in respect of the Company's financial efficacy.