



cardano

Sustainable Investment Policy

Appendix D: Voting Policy 2024

March 2024

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Preface

As a sustainable fund and asset manager, we combine a deep understanding of investment and risk fundamentals with a clear vision of environmental, social and governance factors. We incorporate the concepts of planetary boundaries and social foundations into our sustainability policy. We believe:

- The key to successful investing lies in creating long-term value.
- Strong long-term financial performance stems from creating value for all stakeholders, in addition to the providers of capital alone.
- A company that considers the interests of all stakeholders is typically a well-managed one, offering a natural investment proposition for long-term investors.
- Sustainable investment generates positive real-world impact, which benefits the economy, the environment and society as a whole.

A company's stakeholders are made up not only of its investors, but also its employees, customers, suppliers, the community and the environment. Companies earn their license to operate by accommodating the financial and non-financial interests of those stakeholders.

Cardano's sustainable investment policy gives a holistic, forward-thinking view on the role of investors in supporting the transition to a sustainable society. We fully understand that we can harness our influence as an investor to maximise our positive real-world sustainability impact and minimise any negative impact. We consider carefully how the changes necessary relate to the companies in which we invest and we focus, in particular, on behavioural change. We encourage them to consider how they will transition their businesses in a way that ensures long-term success, while also respecting the planet's safe and just operating zone for humanity.

Stewardship is central to Cardano's sustainable investment strategy. We have developed a Model of Influence, which we apply to our investment activities to determine which mechanisms are needed to make a genuine impact. Stewardship activities, such as collaborative engagement and (co)-filing shareholder resolutions, form part of our Tier One group, with a high level of potential impact. Individual engagement and voting at shareholder meetings both sit within Tier Two. When done well, all these activities can make a real difference. By identifying relevant sustainability issues, we try to understand and manage the environmental and social opportunities related to our investments, thereby helping to address the systemic global challenges we all face.

We have created this voting policy to describe how Cardano will vote at shareholder meetings on behalf of its clients, as a way of communicating our sustainability views to investee companies. The policy is based on internationally recognised best practice guidelines for corporate governance and sustainable investment and is shaped by the fundamentals as described in our Sustainable Investment Policy.

Executive summary



As a shareholder, Cardano has the right to vote at Annual General Meetings (AGM) or Extraordinary General Meetings (EGM). We aim to vote at all shareholder meetings of the companies in our clients' portfolios. We have developed these extensive guidelines to inform our voting decisions, taking into account sustainability factors, guidelines for internationally recognised corporate best practice and material themes for investments. We leverage our voting rights as a fundamental stewardship tool to influence corporate behaviour and advocate for responsible business practices, in an approach that aligns with our Sustainable Investment Policy. Because of the large number of shareholder meetings where we have voting rights, we use the support of a service provider to cast the votes, based on our custom policy and guidelines. All voting rights are exercised on behalf of the fund participants.

Voting on Management Proposals

We have adopted the International Corporate Governance Network's (ICGN) Global Stewardship Principles and Global Governance Principles as our overarching guidelines on governance best practice. Internationally recognised in corporate governance circles (see <http://www.icgn.org/policy>), these principles endorse the OECD Principles of Corporate Governance, as well as additional guidance from the ICGN.

We have developed a general voting policy (see section 1) which covers typical shareholder meeting agenda items across the markets. When assessing the governance of individual companies, we will also follow, where appropriate, market-specific best practice defined by national codes and other guidelines. Appendix D1 sets out market-specific guidelines where our approach may diverge from the general voting policy. It covers a total of thirty-eight markets worldwide.

To increase the impact of our active ownership activities, we incorporate these considerations. First, we have more stringent requirements for topics considered to be financially material to a sector. When deciding to support management proposals at general meetings, we apply additional sustainability expectations in relation to: board structure, director skillset, experience and track record, remuneration plans, risk management, corporate restructurings, and management proposals on environmental and social topics such as Say-on-Climate votes. Although we consider the issues that are financially material at the company level, we also consider costs and risks to the environment and society, which as they become systemic, impact our portfolio as whole. The behaviour of companies may increase these systemic risks, impacting the performance of the entire investment portfolio. As such, we use voting to mitigate these risks.

Second, we periodically evaluate how well engaged companies are responding to our engagement efforts and making progress on key issues. We may withhold support for management resolutions when companies are unresponsive or making insufficient progress.

Voting on Shareholder Proposals

Investors can shape the AGMs of companies by filing proposals on issues of concern, or those they expect the company to prioritise. Once submitted, these are presented and voted on by all shareholders via the annual proxy vote. Although resolutions are typically advisory and non-binding, they are a powerful tool to push for progress on environmental or social topics, or changes to board processes. We have developed broad guidelines outlining when we will support shareholder resolutions (see section 2), based on the principles as defined in our Sustainable Investment Policy. This helps minimise the risk of investing in activities considered unethical or which damage the environment or undermine human rights.

The guidelines define how we vote on shareholder proposals for each of the levers of change covered under Cardano's Sustainable Investment Framework. These four environmental and three social levers help us assess how well companies integrate sustainability into their processes and product development. We support shareholder proposals that promote the proper balance of system-wide costs and risks by limiting activities that externalise social and environmental costs, and encourage progress in key areas such as climate, water, human capital and social capital management.

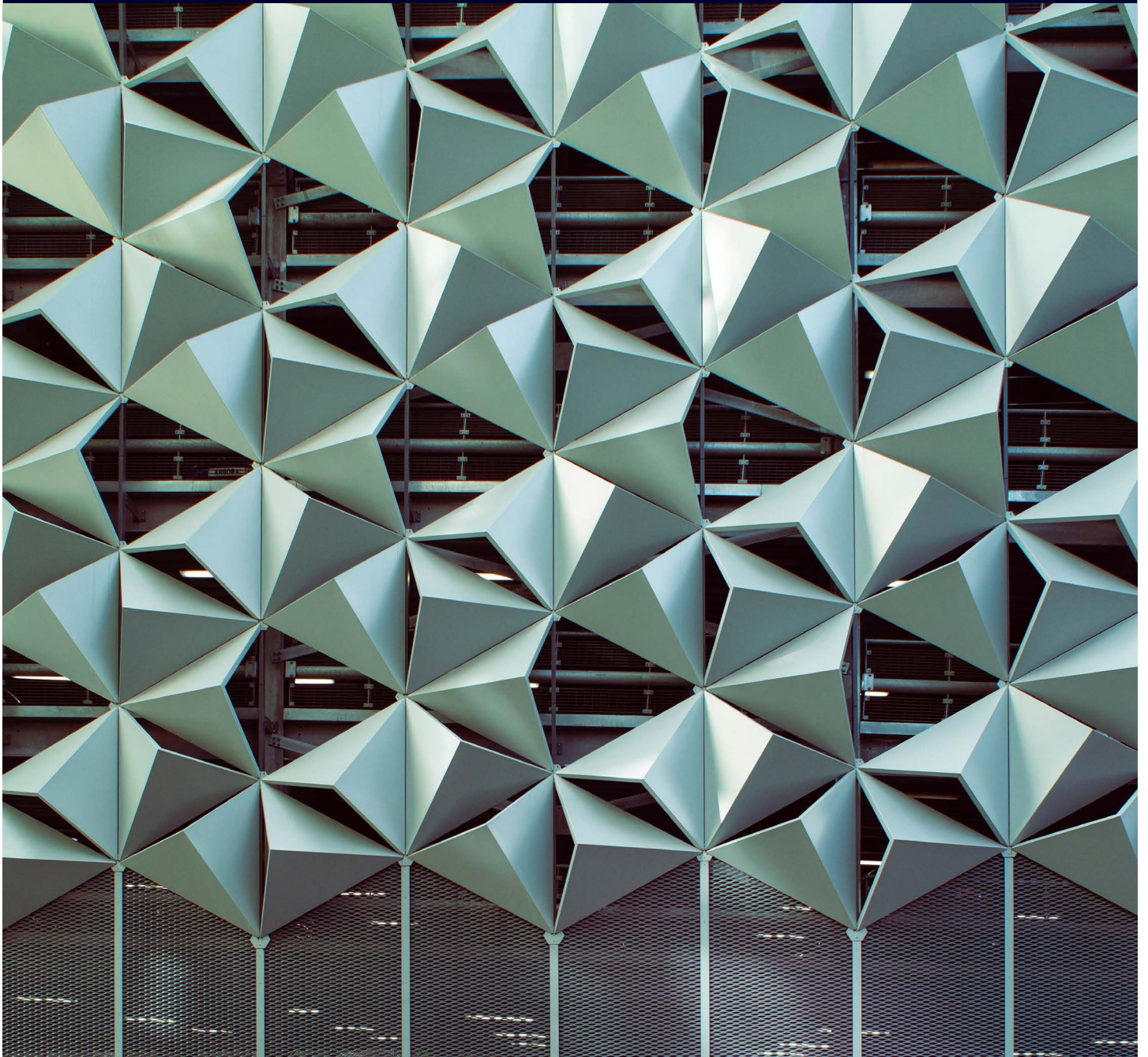
To strengthen our stewardship activities, we may publicly declare support for shareholder proposals for key votes. We may also initiate filing or co-filing a shareholder resolution when an escalation or acceleration of a dialogue is needed.

In the case of the latter, we look at:

- Whether the resolution reflects our investment principles and approach to the material levers of change;
- Whether we have previously engaged with the company or supported a similar resolution;
- How responsive the company has been to engagement efforts and whether the progress on addressing the issue has fallen short;
- If we expect that filing a resolution will encourage prioritisation of the topic.

1.

General proxy voting



Cardano’s voting policy covers the typical proposals that appear on shareholder meeting agendas across the markets in which our clients invest.

These proposals are:

- General Proxy Voting Issues
- Annual reporting and income allocation proposals
- Corporate boards
- Remuneration of directors and managers
- Audit and audit-related proposals
- Capital-related proposals
- Climate transition plans

Our general and market-specific voting policies reflect Cardano’s position on proxy voting issues. All our voting rights are exercised for the benefit of our fund participants or clients. That said, as a sustainable asset manager, Cardano aims to consider all proposals put to vote on a case-by-case basis, assessing each individual situation. Cardano may therefore sometimes cast votes in a way that differs from the written policy to reflect:

- Specific company characteristics and circumstances;
- Year to year progress on the related issue;
- The rationale provided by the board;
- Shareholders’ long-term interests.

We expect all companies in which we invest to communicate their goals, challenges, achievements and failures to shareholders and other stakeholders in a transparent way. That means regular, comprehensive disclosure on their business activities and practices. Cardano may vote against any resolution where insufficient disclosure, explanation or justification has been provided.

To increase the impact of our stewardship activities, we link voting decisions to our engagement activities. We have mapped each sector to the levers of change relevant for each, as shown below. We focus our engagements efforts on the sectors relevant for each lever and also align our votes in this way. We will use voting as an escalation tool for failing engagement efforts, especially when the company is in a sector where the lever is relevant. For example, we may vote against a board member re-election for a fast-food company in the Consumer Staples sector, if it is mismanaging the risk of water and land use. Further detail about how we combine stewardship tools can be found in our [Stewardship Policy](#).

Sectors	Levers of change						
	Fossil Fuel use	Water use	Land use	Materials & Waste Man.	Human Capital Man.	Social Capital Man.	Organisational Behaviour & Integrity
Communication services	—	—	—	—	●	●	●
Consumer discretionary	●	●	●	●	●	●	●
Consumer staples	●	●	●	●	●	●	●
Energy	●	●	●	●	●	●	●
Financials	●	—	—	—	●	●	●
Health Care	●	—	—	●	●	●	●
Industrials	●	●	●	●	●	●	●
Information technology	●	●	—	●	●	●	●
Materials	●	●	●	●	●	●	●
Real estate	●	●	—	—	—	●	●
Utilities	●	●	●	●	●	●	●

- = Material for most entities in the sector
- = Less likely to be material for the entities in the sector

Note that materiality is not necessarily the same for each of the sub-sectors within a certain sector.

1.1. General proxy voting issues

Election of directors

The board should be balanced, with a mix of executive and non-executive directors. Diversity in skills, experience, gender, ethnicity and backgrounds is encouraged to enhance decision-making and governance. Cardano follows local best practice to determine the appropriate composition of the board in terms of independence and diversity. We expect board members to possess an understanding of sustainability issues relevant to their businesses and to demonstrate a commitment to integrating these considerations into their oversight responsibilities. It is essential that they are equipped with the knowledge and skills necessary to navigate the complexities of sustainability challenges, ensuring their decisions align with the broader goal of creating sustainable, long-term business value.

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We expect board members to possess an understanding of sustainability issues...

Cardano will also vote against the re-election of directors when there is no board member of sub-committee overseeing the company's implementation of a policy on relevant social, environmental, and ethical matters. It also could be due to a lack of expertise on relevant topics, where the level of board oversight falls short, or where we identify a failure to manage long-term investment value.

Remuneration of executive directors/management board members

When evaluating executive remuneration proposals, Cardano will consider transparency, alignment with company performance, and fairness. Cardano will also look at whether there is a link between executive remuneration and the achievement of relevant long-term sustainable goals.

For example, we will vote against the remuneration plans of energy companies which fail to integrate Paris Climate Agreement-aligned goals.

Equity-based remuneration plans

Sometimes a company may be exposed to material risks related to its social, environmental and ethical impacts, and yet this is not explicitly considered when assessing executive performance pay. In such cases, Cardano would consider voting against the remuneration report and/

or a proposed executive incentive scheme. This does not, however, apply to schemes in which both executive management and ordinary employees may participate.

Cardano will not support an equity-based scheme proposed by an engagement- or key sector company if there is clear evidence it is not in the interest of other stakeholders. We will also assess the relevance of the sustainability metrics built into the executive management plans and whether they are sufficiently challenging, given the company's level of exposure and environmental and social impact.

Board committees

Cardano will also consider, when necessary, voting against the reappointment of members of the board's ESG committee or an equivalent body (in particular, the chairman). That would happen, for example, if the company is exposed to material risks in relation to its ethical, environmental and social impacts and fails to report on the management of these risks through its internal control framework, or to obtain external assurance of its reporting on these risks.

Anti-takeover provisions

Anti-takeover mechanisms should be put periodically to shareholders for reapproval. In each case, Cardano will further assess the pros and cons of the board's proposal for the company's stakeholders, such as employees. It will also assess the potential consequences of the success or failure of any takeover bid in the light of Cardano's principles.

Mergers/acquisitions and asset sales, corporate reorganisation/restructuring, reincorporation and expansion of business activities

Cardano will weigh up the consequences of any such proposal in the light of Cardano's Investment Principles, as well as the pros and cons of the proposed transaction for the company's stakeholders.

Climate transition plans

In cases where companies provide shareholders with a 'Say on Climate' vote, we will assess whether the climate transition plan sets out ambitious, Paris-aligned climate targets. This includes targets for quantitative interim emissions reduction, covering relevant Scope 1, 2 and 3 emissions, whether the company explains how assets, operations, and business strategy reflect these targets, and whether the company incorporates governance considerations into its climate transition plan.

We may also withhold support for proposals where Scope 3 emissions account for a large portion of the company's total greenhouse gas emissions and yet no targets have been set to reduce them. The same applies where the company fails to set out a credible decarbonisation strategy in line with achieving net zero emissions by 2050.

1.2. Annual reporting and income allocation proposals

Approval of the annual report and accounts

Cardano will vote in favour of resolutions to approve the annual report and accounts unless:

- There are concerns about the reliability of accounts;
- The documents (or their draft versions) are not disclosed in time for review prior to the voting deadline;
- There are substantial reporting and/or disclosure issues;
- The company is unresponsive to shareholders' requests for information that is typically publicly disclosed;
- The auditor has issued a qualified opinion.

Auditors' report

Cardano will vote in favour of the resolution to approve the auditors' report unless:

- There are concerns about the reliability of accounts and/or audit procedures;
- There are concerns about the integrity of the auditors;
- The document or its draft version is not disclosed in time for review prior to the voting deadline.

Dividend/income allocation proposals

Cardano will vote in favour of dividend/income allocation proposals unless the pay-out is considered to be excessive, given the company's financial position, or the company has a track record of not returning an appropriate percentage of its earnings to shareholders.

We will not support resolutions removing the requirement for shareholders to approve the allocation of dividends and profits.

Scrip (stock) dividend

Cardano will vote for scrip (stock) dividend proposals, except where such proposals do not provide a cash option.

1.3. Corporate Boards

Board structure

Cardano will evaluate all proposals to amend the existing board structure on a case-by-case basis. We will take into consideration local market regulations and best practice, overall corporate governance of the company and the rationale provided for the proposals.

We will vote against proposals to amend the existing board structure if the proposed changes are not in the interest of all of the company's stakeholders.

Board size

Cardano will normally support directors' proposals with respect to the size of the board, provided the board is judged to be effective. A board of between 5 and 15 members is generally considered appropriate, depending on the company's specific circumstances.

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Cardano support a strong representation of independent directors on the board.

Board balance

Cardano support a strong representation of independent directors on the board. We will take into consideration market norms and best practice guidance when assessing the balance of independence on the board.

Board diversity

Cardano believes that the composition of the board should be determined by the non-executive directors. It should reflect the skills and expertise needed to support management in fulfilling the strategy of the board.

Board members should be selected from the widest possible talent pool, to ensure sustainable long-term performance and quality leadership. To achieve greater diversity, a range of personal and professional factors should be taken into account. That includes geographic location, nationality, gender, age, ethnicity, corporate background and areas of expertise. Board members must be primarily selected based on merit and the ways in which they can strengthen the board.

Cardano will closely monitor companies' efforts to diversify their boards of directors and comply with relevant new regulations. In markets without such regulation, we will consider voting against newly-nominated directors or members of the nomination committee at companies not showing reasonable progress towards board diversity. Equally, in such cases, Cardano will consider supporting shareholder resolutions requesting greater diversity or nominating directors whose presence on the board would deliver that.

Board leadership

Cardano will vote against any proposal to combine the positions of the chairman and CEO, unless time-limited and in the best interests of shareholders and other stakeholders. We will normally vote in favour of proposals to separate these two positions.

We will not support the election or re-election of a non-independent chairman, unless the company has explained the rationale behind this leadership structure and keeps it under review.

We will normally vote against the former CEO being appointed chairman of the company - or a former management board member being appointed to the supervisory board - without an appropriate cooling-off period.

We will vote in favour of the appointment of a lead independent director.

Election of directors

We will normally support individuals nominated by the management and/or shareholders unless:

- No biographical information is provided to give an informed voting decision;
- The director is unqualified to serve on the board or has acted in a manner that compromises his/her ability to represent the interests of shareholders;
- The director lacks relevant sustainability expertise, in cases where the board's sustainability profile is also weak.
- The director has demonstrated poor attendance at board and board committee meetings (less than 75 percent of meetings) without clearly disclosed and acceptable reasons;
- The nominee is not considered to be independent, alongside the absence of a strong independent element on the board;
- There is clear evidence of abuses against the interests of minority shareholders and other stakeholders of the company;
- The board has repeatedly been unwilling to implement good governance standards.

We may also withhold support if the director serves on more than four public company boards, due to concerns about the number of outside mandates and the possibility that he/she may lack sufficient time to devote to the

company's affairs. Likewise, if a director is a CEO at another public company and he/she serves on more than three public company boards in total, Cardano may vote against this candidate at the companies at which he/she is not the CEO. We will decide on a case-by-case basis, assessing the available talent pool in individual markets, the nature of the roles/appointments, the overall level of board independence and any explanation provided by the company.

Cardano will also, in certain cases, consider voting against the re-election of members of the governance and nomination committee and/or the chairman of a Key Sector company. That could be when there is no board committee with a remit to oversee the company's implementation of the board's policy on relevant social, environmental and ethical matters, or where there is weakness in board oversight.

We will assess the composition of the main board committees and their compliance with market best practice when voting on proposals of directors' election.

We will support proposals to vote on directors' elections on an individual basis.

Employee representatives

Cardano will normally vote in favour of appointing employee and/or labour representatives to the board.

Boards' responsibility regarding climate change

In line with Cardano's climate change ambitions, we may hold boards accountable if their companies fail to demonstrate they are implementing transition strategies in line with the goals of the Paris Agreement.

For high-emitting companies or companies in material sectors, Cardano will consider voting against relevant directors (relevant committee members and/or the chairman of the board) if the company lacks a comprehensive, credible plan to manage its transition. This includes companies that demonstrate poor board oversight with, for example, no clear greenhouse gases reduction targets or the lack of a specialised sub-committee. The assessment will follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Cyber Risk Oversight

Cybersecurity represents a material risk to all companies, given the associated reputational, financial and operational risks. Cardano therefore expects companies to assess and mitigate their cybersecurity risks and for the board to have oversight of these matters. When a company has suffered a security breach with material impacts, Cardano will consider voting against relevant directors should the board oversight, response or disclosure relating to the incident is considered insufficient.

Cumulative voting

When a cumulative voting system is used for the election of directors, Cardano will support candidates whose appointment is in the best interests of shareholders and other stakeholders. Where the balance of independence, or the representation on the board of minority shareholders and other stakeholders, is unsatisfactory, we will vote to support improvements in these areas.

Directors' independence

When assessing directors' independence, Cardano will take into consideration market-specific criteria and international best practice recommendations.

Age limit/term limit

Cardano will vote against any mandatory limits on the age of directors. We will normally support proposals to limit the number of terms directors are allowed to serve on the board.

Indemnification of directors and officers

Cardano will vote on all proposals to indemnify the company's directors and officers on a case-by-case basis, taking into account the scope and terms of the indemnification of directors and officers sought by the company.

Liability insurance for directors and officers

Cardano will normally support proposals to provide liability insurance to directors and officers, unless it is not in the best interests of shareholders and other stakeholders.

Discharge of board and management

Cardano will vote in favour of proposals to discharge the board and management of liabilities, except when:

- The performance of the board in the year for which the discharge is sought is considered inadequate;
- There are concerns about the reliability of the accounts and auditor's report;
- There are substantial issues with reporting and/or disclosure;
- The company is unresponsive to shareholders' requests for information usually disclosed publicly;
- Material legal proceedings were launched against the company or the directors in the year for which the discharge is sought;
- We are aware of well-founded allegations of violations of our principles to which the board has not responded adequately.

Cardano will support proposals to vote on directors' discharge on an individual basis.

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Cardano will consider voting against relevant directors if the company lacks a comprehensive, credible plan to manage its transition.

1.4. Remuneration of directors and managers

Advisory/binding resolutions on remuneration committee reports.

Cardano will vote in favour of introducing advisory shareholder votes on the remuneration arrangements of directors and managers.

Remuneration of non-executive directors/supervisory board members

Cardano will normally support:

- Proposals to award cash fees to non-executive directors/supervisory board members, unless the amounts are considered unjustified;
- Remuneration arrangements that allow for a part of non-executive directors' fees to be paid in company shares (non-performance related), provided that directors are required to retain these shares until the end of their tenure;
- Proposals to increase the maximum aggregate level of fees the company can pay its non-executive directors unless considered to be excessive or unjustified.

We will normally vote against the non-executive director/supervisory board member remuneration policy where:

- The policy allows for performance-related incentives;
- The policy allows for the payment of retirement benefits to non-executive directors, other than statutory superannuation contributions (where applicable);
- Pay is excessive compared with the company's peers;
- The company provides insufficient transparency about the arrangements for directors' pay.

In general, Cardano will not support non-executive directors' participation in incentive plans designed for executives.

Remuneration of executive directors/management board members

Cardano will normally support:

- The implementation of national governments' recommendations on the maximum pay levels for executive directors/management board members, if considered reasonable;
- Remuneration structures for senior management that match the drivers of value-creation over time-scales appropriate for a company's business;
- Remuneration proposals that explicitly take into consideration stakeholder value, such as employee safety and satisfaction, as well as shareholder value;
- Proposals to abolish 'guaranteed bonuses';
- Proposals to defer part of the annual bonus payment (typically over three to five years) and to adopt "clawback" policies allowing a company to reclaim compensation awarded based on earnings subsequently found to be erroneous, fraudulent or manipulated;
- The introduction of individual award limits for incentive plans.

Cardano will normally vote against:

- The remuneration policy and/or incentive plans if material changes have been made without shareholder approval;
- Executive remuneration arrangements where pay levels are considered unjustified compared to the market norms, the company's peers and its financial position;
- Remuneration proposals for executive directors where the link between performance and reward does not justify potential pay-outs under incentive plans, or where performance conditions may encourage excessive risk taking;
- Remuneration arrangements of an engagement or Key Sector company with no obvious link between executive remuneration and the achievement of relevant social, environmental and ethical targets;
- Remuneration structures that allow for the use of derivatives or other instruments to hedge director or executive share ownership or unvested equity-linked remuneration;

- Any material payments viewed as being ex-gratia unless they are fully explained, justified and subject to shareholder approval prior to payment;
- A remuneration policy which allows for any element of executive remuneration, other than base salary, to be pensionable;
- A company's remuneration policy or report if the performance period for long-term incentives is less than three years;
- A company's remuneration policy, report or arrangements if it lowers performance targets without any justification;
- The approval of the remuneration policy or report where a company has provided insufficient disclosure on its remuneration policies and practices. Cardano expects transparency around performance metrics used to calculate the variable remuneration.
- The approval of the remuneration policy or report if there was low shareholder support at the previous remuneration related proposal and the board did not adequately respond

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We are not generally supportive of awards granted outside the company's usual incentive plans.

Cardano does not support transaction bonuses that reward directors and other executives for effecting transactions, irrespective of their future financial consequences.

We are not generally supportive of awards granted outside the company's usual incentive plans. When evaluating one-off awards, Cardano will vote on a case-by-case basis, taking into account their size, the rationale behind them, whether performance conditions are in place, and the nature and stringency of any performance conditions.

We may consider voting against a company's remuneration policy or arrangements if there is no clawback provision and the company has recently been involved in a major ESG controversy and/or accounting issue.

Cardano supports the introduction of relative performance metrics (comparing the company's performance to a relevant peer group or index) in incentive plans. However, we believe that awards should not vest below median performance. We take this into account when evaluating whether performance conditions are sufficiently challenging.

We will consider a company's internal pay equity when evaluating the appropriateness of a company's remuneration policy or arrangements. We will consider both the CEO's level of remuneration compared to other executives and the company's general workforce where disclosed, focusing on the way the CEO to general workforce ratio is calculated.

We take into account a company's pay compared to peers when evaluating the appropriateness of its remuneration policy or arrangements. We will consider the CEO's level of remuneration compared to peers based on sector, market capitalization, and revenue. Cardano will also consider whether pay increases to senior executives is inconsistent with announcements relative to the pay of the general workforce.

Equity-based remuneration plans

Cardano will normally support:

- The use of social, environmental and ethical key performance indicators in the incentive plans for executive management.
- Equity-based all-employee savings plans, within acceptable dilution limits.

Cardano will not normally support:

- Any equity-based scheme for senior management which does not explicitly link the company's performance and the reward available; Cardano expects transparent and challenging performance criteria over a period of at least three years.
- Equity-based remuneration plans that may result in substantial dilution of existing shareholders. Cardano will vote against incentive plans allowing executive share options to be offered at a discount.
- Where an engagement or Key Sector company is exposed to material risks related to its social, environmental and ethical impacts, but such metrics are not taken explicitly into consideration in assessing executive performance pay, Cardano will consider voting against the remuneration report and/or a proposed incentive scheme. For example, we expect

large emitting companies to meaningfully link executive incentive arrangements to Paris Climate Agreement-aligned goals. This does not apply to schemes in which both executive management and ordinary employees may participate.

We do not consider re-pricing, surrender and re-grant of awards, 'underwater' share options or re-testing of performance on either a one-off or a rolling basis to be appropriate.

Termination provisions and severance packages

Cardano will not support remuneration policies that allow for excessive severance packages, where outgoing executives may be rewarded for failure.

We will support proposals to subject executive director and senior management severance packages to a shareholder vote.

Remuneration Committee

Cardano will consider voting against the reappointment of members of the remuneration committee or an equivalent body of the board (in particular the committee chairman) in cases where:

- We have serious concerns about the remuneration arrangements for directors and senior management;
- The committee has failed to respond to concerns expressed by shareholders and/or other stakeholders regarding the existing/proposed remuneration arrangements.

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Cardano supports the introduction of relative performance metrics in incentive plans.

1.5. Audit and audit-related issues

Appointment of external auditors and auditors' remuneration

Cardano will vote in favour of proposals to appoint or reappoint external auditors/ fix auditors' remuneration unless:

- There are concerns about the reliability of accounts or audit procedures;
- There is evidence that the auditors' failed to identify and address issues leading to a significant financial restatement;
- The length of tenure of the auditors raises concern over their independence;
- The fees paid to the auditor for the provision of the audit and non-audit services during the year under review have not been disclosed in the annual report and financial statements;
- The amount of non-audit fees paid to and/or the nature of non-audit services provided by the auditors raise concerns regarding their independence;
- There are other concerns about the independence of the external auditors or the integrity of the audit.

Auditor indemnification

Cardano will vote against proposals to indemnify external auditors or limit their financial liability.

Appointment of internal auditors

Cardano will vote in favour of proposals to appoint or reappoint internal auditors unless:

- There are concerns about the reliability of the internal audit report or the procedures used;
- There are concerns about the integrity of the internal audit;
- There is evidence that the internal auditors failed to identify and address issues that could result in financial and/or reputational damage to the company.

Audit Committee

Cardano will consider voting against the reappointment of members of the Audit Committee or an equivalent body of the board (in particular the Chairman), if it fails to ensure the quality of the audit as well as their impartiality and independence.

1.6. Capital-related proposals

Capital issuance requests

Cardano will vote in favour of routine capital issuance requests, with pre-emptive rights up to a maximum of a third of the issued share capital, provided this authority is renewed annually.

We will vote in favour of routine capital issuance requests without pre-emptive rights up to a maximum of 10% of the issued share capital, provided this authority is renewed annually.

We will decide on any share issuance proposals other than specified above on a case-by-case basis. That will take into consideration market norms (see market-specific policies) and company circumstances.

Private placement

Cardano will vote in favour of private placement proposals, if shares are to be issued as part of a routine non pre-emptive share issuance proposal (see the guideline above), unless the discount to the share price offered is considered excessive (10% or more).

We will consider all other private placements on a case-by-case basis.

Increase in authorised share capital

Cardano will vote in favour of proposals to increase authorised share capital, if this is required to enable the company to use routine share issuance authorities that Cardano supports.

We will vote on any proposal to increase authorised share capital, other than specified above, on a case-by-case basis.

Reduction of capital

Cardano will normally vote in favour of proposals to reduce capital for routine accounting purposes, unless the terms are unfavourable to shareholders. We will consider all other proposals to reduce share capital on a case-by-case basis.

Share repurchase programmes and re-issuance of shares repurchased

Cardano will vote in favour of routine authorities to enable the management to repurchase shares up to 10% of the issued share capital, where the maximum price paid per share does not exceed 110% of the market price, unless there is clear evidence of past abuse of such authority. The 10% limit includes re-purchases made in the open market and selective buybacks (see below).

We will vote on all other proposals to repurchase shares on a case-by-case basis.

We will vote in favour of the authority to re-issue any repurchased shares as a part of routine share issuance authorities, with or without pre-emptive rights. Again, we will consider all other proposals on a case-by-case basis.

Debt/preferred stock issuance

Cardano will vote on debt issuance proposals on a case-by-case basis. That will take into consideration the stated rationale for the issuance, the company's governance profile and its history regarding the use of debt, the company's current financial situation and the normal debt level of the market and industry. For convertible debt/preferred stock, we will also take into account the voting powers (if any) attached to such shares/convertible stock and how these might affect the interests of shareholders.

Capitalisation of reserves for bonus issues/increase in par value

Cardano will vote in favour of proposals to capitalise reserves for bonus issues or to increase par value of the company's shares, unless not seen to be in the interests of shareholders.

1.7. Audit and audit-related issues

Anti-takeover provisions

Cardano will vote against all anti-takeover mechanisms unless:

- They are structured to give shareholders the ultimate decision on any proposal or offer; or
- Shareholder approval is sought for a one-off measure of a limited duration concerning a specific hostile takeover bid. In this case, Cardano's vote will be based on our analysis of the overall benefits of the board's proposal, given the specific company circumstances.

In the case of an engagement or Key Sector company, Cardano will further assess the benefits and drawbacks of the board's proposal for the company's stakeholders (for example, employees), and the possible consequences of the success or failure of any such bid in the light of Cardano's principles.

Mandatory takeover bid waiver

Cardano will typically vote against mandatory takeover bid waiver proposals, unless the waiver is sought together with a share repurchase and we have written assurance from the company and the conflicted shareholder that the latter will not increase their holding above either 30% or the existing level of shareholding, if it is higher than 30% of the issued share capital. We will also consider the history of the relationship between the shareholder and the company and past treatment of minority shareholders.

Differential voting power

Cardano will vote against all proposals seeking to introduce/retain differential voting powers of common shares or to issue shares with unequal voting rights.

We will vote in favour of proposals to eliminate differential voting powers of common shares.

Voting rights restrictions

Cardano will vote against any proposals to restrict shareholders' voting rights and will support proposals that eliminate or alleviate existing restrictions on voting rights.

Mergers/acquisitions, asset sales, corporate reorganisation/restructuring, reincorporation and expansion of business activities

Cardano's vote on such proposals will be based on our analysis of the overall benefits of the proposed transactions, in terms of the company's performance, governance and long-term shareholder value.

In the case of engagement and Key Sector companies, we will assess the potential consequences against Cardano's Fundamental Investment Principles and the pros and cons of the proposed transaction for the company's stakeholders.

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We encourage boards to clearly disclose the process for reviewing and monitoring related-party transactions.

Related-party transactions

Cardano will vote on such proposals on a case-by-case basis, assessing the company's governance, the risk involved, any benefit to the company and the transaction's size and significance. We will also consider whether the transaction was or is conducted at arm's length and at fair value.

We will not support significant related-party transactions unless we receive assurance from the independent directors that they are in the company's best interests with fair terms. We will vote against any significant related-party transaction if conflicted directors/shareholders are allowed to participate in the vote.

We encourage boards to clearly disclose the process for reviewing and monitoring related-party transactions.

Amend memorandum/articles of association

Cardano will normally support amendments to bring the company's articles of association in line with the norms and regulations of the market.

We will vote against any amendments that will violate Cardano's Fundamental Investment Principles, undermine the company's governance or impair the rights of shareholders and/or other stakeholders (e.g. employees) of the company. We will consider all other proposals on a case-by-case basis.

Change name of corporation

Cardano will normally vote in favour of such proposals.

Change of company's fiscal term

Cardano will vote in favour of such proposals, unless the aim is to withhold information or voting power from shareholders - for example, by postponing the annual shareholder meeting.

Change of disclosure threshold of stock ownership

Cardano will vote in favour of proposals:

- to disclose the ownership level below statutory requirements (where the law permits);
- to raise the ownership disclosure threshold to the minimum statutory level, where the company is legally required to do so. We will vote against, where the company is not legally required to do so.

Adjourn meeting to solicit additional votes

Cardano will support such routine proposals when the adjournment is needed to achieve the necessary quorum to properly conduct the shareholder meeting.

Simple majority voting

Cardano will generally vote for a simple majority voting requirement and against a supermajority voting requirement. The exception would be situations where a supermajority voting requirement may help protect the interests of minority shareholders – for example, when the company has a substantial or dominant shareholder.

Political & charitable donations

Cardano will normally vote against:

- any proposal to make donations to political parties;
- charitable donations, unless in some markets, such as China, they serve a social purpose.
- We will consider all other types of political expenditure on a case-by-case basis.

Bundled proposals

Cardano may vote against resolutions that contain bundled provisions not clearly interrelated, or where some of the proposed measures are not in the interests of shareholders and/or other stakeholders.

Where the election of more than one director is proposed as a single voting item, we will vote on a case-by-case basis. We will vote against, if insufficient information is disclosed.

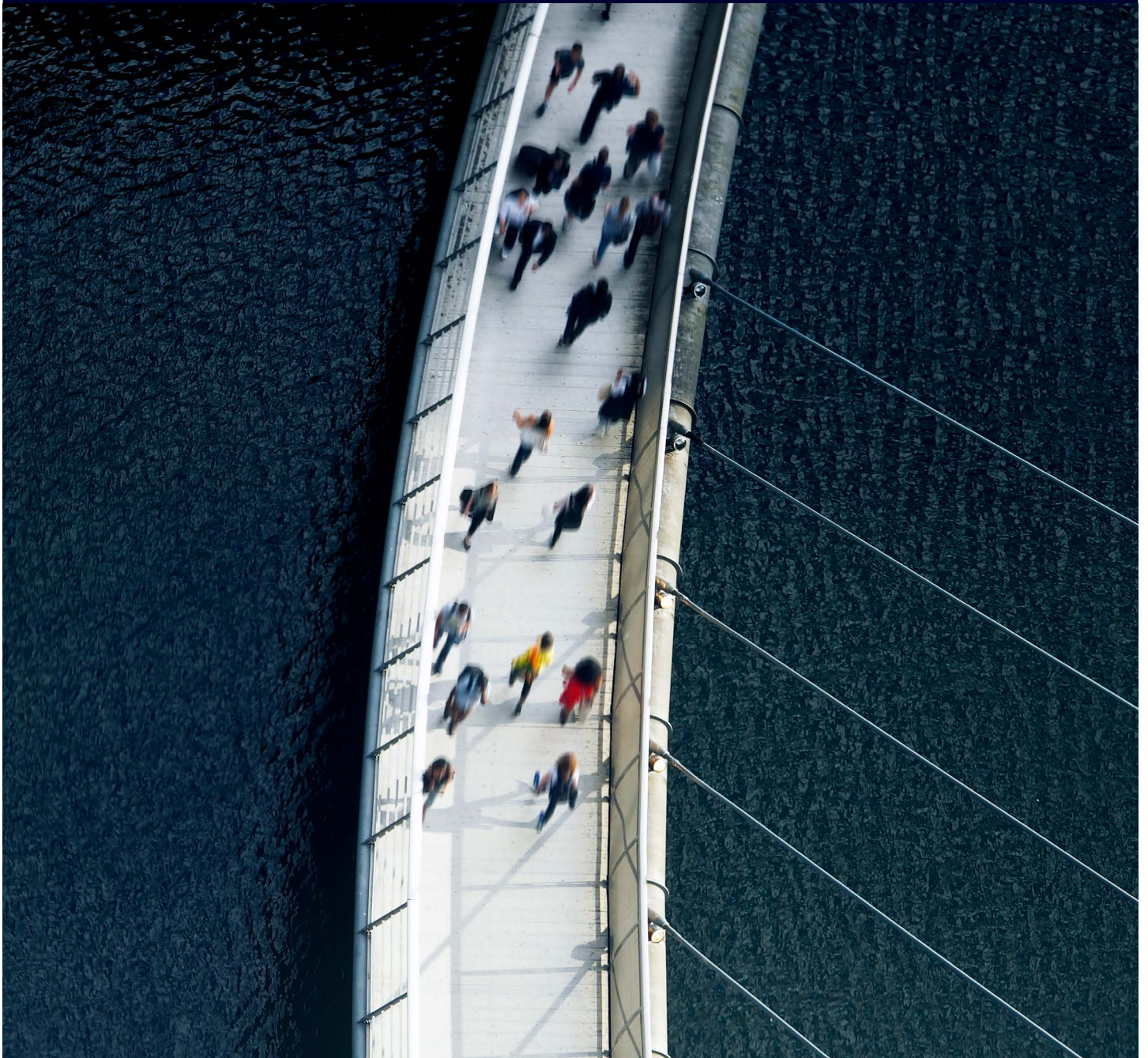
Any other items

Cardano will vote against resolutions seeking approval of "any other business" for which information has not been disclosed.

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We will vote against any amendments that will violate Cardano's Fundamental Investment Principles,...

2.

Shareholder proposals



We support the valuable contribution shareholders make to general meeting agendas by filing proposals. Using insights from our Sustainable Investment Policy, we favour shareholder proposals that encourage companies to effectively manage their social and environmental impacts and risks and that will have a positive impact on social, environmental, and ethical performance. Cardano will normally vote in favour of shareholder proposals aimed at improving the company’s governance and encouraging it to implement policies and measures that align with Cardano’s principles. We will vote against shareholder proposals that are anticipated to lead to the opposite.

All shareholder proposals will be analysed on a case-by-case basis, taking into consideration:

- The reasonableness of the demand;
- The proponent’s credentials;
- The company’s responsiveness to the resolution topic;
- The anticipated costs and benefits to the company, shareholders and our portfolio as a whole.

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Cardano has developed its own guidance regarding ESG issues, based on our Sustainable Investment Framework.

Shareholder proposals on a general meeting agenda can relate to environmental, social or governance (ESG) issues. Cardano has developed its own guidance regarding ESG issues, based on our Sustainable Investment Framework. These underpin our investments and are intended to minimise any risk of being involved in unacceptable activities.








ESG issues covered by our principles are:

Non-compliant with international standards	Harmful
<ul style="list-style-type: none"> ● Compliance with basic human rights ● Compliance with basic labour rights ● No involvement in controversial weapons or provision of military equipment to military regimes ● Compliance with international sanctions ● No systematic involvement in fraud, corruption and tax evasion ● No systematic involvement in severe environmental damage ● Clear phase-out plans for thermal coal activities 	<ul style="list-style-type: none"> ● No involvement in the sale of civilian firearms or production of conventional weapons ● No significant involvement in products or businesses doing harm to physical or mental health, such as tobacco, gambling and adult entertainment ● No involvement in activities with significant risk of harmful impacts to animal welfare

In line with these principles and our commitment to sustainability, Cardano supports the UN Sustainable Development Goals (SDGs). We also signed the Paris Pledge for Action, supporting its ambition to limit global temperature rise to less than 2 degrees Celsius is met or exceeded.

This position underpins our special guidelines on shareholder proposals related to companies’ ability to contribute to the transition to a sustainable society. These demonstrate our desire to promote best practice in these areas - and the growth in activism in the wider investment community.

Sustainable material ESG issues covered are:

Levers of change		
	Fossil fuel use	Management of fossil fuels use impacts among other things climate change, biodiversity loss, accessibility to basic services (energy availability) and a fairer society (human health).
	Water use	Management of freshwater use and discharge impacts among other things water scarcity and water quality, availability of basic services (drinking water and food) and a fairer society (health).
	Land and ocean use	Land conversion, land and ocean use overexploitation, and natural resource management especially for agricultural and soft commodity purposes, impacts climate change, biodiversity loss, and water scarcity but also availability of basic services (food) and a fairer society (treatment of local communities and unequal access to land).
	Materials use and waste management	Management of scarce natural resources, chemical substances and hazardous waste and plastics potentially contributes to climate change, water pollution and a fairer society (human health).
	Human capital management	Activities related to labour and union rights, employee health & safety and labour practices, impact accessibility and availability of basic needs and a fairer society.
	Social capital management	Actions to maintain the license to operate on which businesses and sovereigns depend, impact accessibility and availability of basic needs and a fairer society, e.g. through impacts on human rights, community relations, social equity and access to health care and finance.
	Organisational behaviour and integrity	Actions to create an ethical business environment, impact good governance and a fairer society. For companies this refers to their own business model, but also to how they treat companies and other stakeholders up- and downstream in their value chain.

Cardano’s voting behaviour regarding shareholder proposals is set out below. We offer concrete examples of how the Sustainable Investment Framework can translate into voting behaviour. Given the diversity and topicality of shareholder proposals, this list cannot be exhaustive.

2.1. Shareholder proposals and our principles

2.1.1. Compliance with basic human rights

The UN Guiding Principles on Business and Human Rights, endorsed unanimously by the UN Human Rights Council in June 2011, underline the corporate responsibility to respect human rights. Also affirmed in Principles 1 and 2 of the UN Global Compact, this requires companies to avoid causing or contributing to adverse human rights impacts. They should also prevent, mitigate or remedy such impacts directly linked to their operations, products or services.

This responsibility refers, as a minimum, to the core internationally recognised human rights, contained in the International Bill of Rights. Depending on the circumstances, companies may need to consider additional universal

human rights standards, for instance relating to the protection of specific groups, such as indigenous peoples, women, persons with disabilities and migrant workers and their families.

Cardano supports this and considers violations of these international mechanisms to be a betrayal of our principles.

We therefore tend to vote for shareholder proposals that:

- Call for adopting, implementing and reporting on compliance with standards formulated in at the Universal Declaration of Human Rights, the UN Global Compact, the IFC guidelines, the OECD Guidelines, the Equator Principles, the Voluntary Guidelines on the Responsible Governance of Tenure, the Voluntary Principles on Security and Human Rights, the Indigenous and Tribal Peoples Convention and the Declaration on the Rights of Indigenous Peoples;
- Request the implementation of human rights standards and workplace codes of conduct;
- Request that companies appoint a human rights/labour rights expert to the board of directors;

- Seek publication of a “Code of Conduct” for the company’s domestic and foreign suppliers and licensees, requiring that they satisfy all applicable standards and laws protecting employees’ wages, benefits, working conditions, freedom of association and other rights;
- Call for principles or codes of conduct relating to investment in countries with patterns of human rights abuses;
- Ask companies to report on the impact of pandemics, such as HIV/AIDS, malaria and tuberculosis, on their business strategies;
- Seek up-to-date disclosure of applicable risk assessment(s) and risk management procedures when operating in fragile states;
- Request the implementation of policies regarding the sourcing of materials and minerals from conflict zones;
- Request the review and amendment, if necessary, of the company’s code of conduct and statements of ethical criteria for military contract bids, awards and execution;
- Request reporting on foreign military sales or offset agreements.

2.1.2. Compliance with basic labour rights

Basic labour rights include the effective abolition of child labour and elimination of all forms of forced labour, as well as freedom of association, effective recognition of the right to collective bargaining and elimination of all forms of discrimination in respect to employment. Cardano is guided by international norms and we consider violations by entities or their key suppliers of the following international conventions to be in violation of our principles: ILO conventions 29, 87, 98, 100, 105, 111, 138, 155 and 182; the Convention on the Rights of the Child; the Slavery Convention; and Principles 3 to 6 of the UN Global Compact. This principle also addresses the right to just and favourable conditions of work as defined in Article 23 of the Universal Declaration on Human Rights and Article 7 of the International Covenant on Economic, Social and Cultural Rights.

Specifically, this means that we tend to support shareholder proposals that:

- Call for adopting, implementing and reporting on compliance with standards formulated in the Universal Declaration of Human Rights, the UN Global Compact, the IFC guidelines, the OECD Guidelines, the Equator

Principles and the fundamental principles and rights at work from the International Labour Organisation (i.e. ILO Conventions No. 182 and 138 on child labour, ILO Conventions No. 29 and No. 105 on forced labour, ILO Convention No. 87 and 98 on freedom of association and the right to collective bargaining, ILO Convention 155 on occupational safety and health, and ILO Convention No. 100 and 111 on the elimination of discrimination in respect of employment and occupation);

- Call for adopting labour standards for the company, as well as its foreign and domestic suppliers, to ensure that it does not do business with foreign suppliers that manufacture products for sale using forced labour and/or child labour, or that fail to comply with applicable national and international laws protecting employees’ wages and working conditions;
- Request that companies adopt the living wage as a minimum for all employees and/or promote the same approach by their suppliers; and
- Request that companies report on their policies and goals to reduce the gender pay gap, unless the company’s existing reporting adequately demonstrates the absence of such a gap.

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Cardano does not invest in companies directly involved in the production, development, sale or distribution of controversial weapons...

2.1.3. Involvement in controversial weapons, no production and sale of civilian firearms and no provision of military equipment to military regimes

Cardano does not invest in companies directly involved in the production, development, sale or distribution of

controversial weapons and/or components or services essential or specially designed for the production of such weapons. We consider weapons controversial if they are forbidden under international law and banned by international conventions or treaties, or if they violate fundamental humanitarian principles. These include the principles of proportionality, which requires the prevention of unnecessary suffering, and distinction, which requires that military and civilian targets are distinguished.

This approach covers companies holding a stake (and/or voting powers) of 10% or more in a company involved in controversial weapons.

Cardano also excludes investments in entities involved in controversial arms trade. That means not only the trade in controversial weapons, but also the trade of conventional weapons, including the provision of related services, with countries and non-state actors against which arms embargoes are imposed by the Security Council of the United Nations or the Council of the European Union.

Cardano will tend to vote for shareholder proposals that request:

- Transparency on weapons production, application of weapons produced and client base;
- A statement renouncing future landmine, ABC (atomic, biological and chemical) weapons and cluster munitions production, as necessary under relevant international regulation, treaties or conventions;
- A report on involvement, policies and procedures related to depleted uranium (DU) and nuclear weapons;
- Adoption of the European Code of Conduct on Arms Exports and/or of the Arms Trade Treaty;
- Banning arms supplies which enable the destabilising accumulation of arms and fuel international aggression, internal oppression and violations of international humanitarian law; and
- Corporate compliance with national arms export regulations and international or regional arms embargoes.

2.1.4. Corruption, no systematic involvement in fraud, corruption and tax evasion

Forms of corruption include bribery, extortion, fraud, collusion, money laundering, embezzlement, illegal political contributions, nepotism and certain facilitation payments.

Cardano considers involvement in corruption, as defined by the following resources, to be in violation of our principles: UN Convention Against Corruption, 2003; OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997; and OECD Guidelines for Multinational Enterprises; Principle 10 of the UN Global Compact.

Cardano will tend to vote for shareholder proposals that:

- Request the adoption and implementation of policies, measures and monitoring on bribery and corruption;
- Request transparency on the nature, purpose and scope of business operations that could be affected by social and/or political disruption;
- Seek disclosure of mining or other resource extraction contracts (that is, tax and other agreements) with governments;
- Seek current disclosure of applicable risk assessment(s) and risk management procedures when operating in fragile states;
- Request active policies regarding the sourcing of materials and minerals from conflict zones;
- Request disclosure on clients' application of the company's products (especially in relation to weapon production);
- Request the development of supplier policies that explicitly include transparency, to prevent non-transparent procurement practices contributing to high levels of corruption;
- Ask pharmaceutical companies to report on the implementation of ethical guidelines for clinical trials in developing countries.

2.1.5. No significant involvement in products or businesses doing harm to human (mental) health or animal welfare

Cardano considers involvement in the following activities to be in violation of our principles:

- Withholding, falsifying or twisting information of essential importance to consumers, business relations, shareholders, employees, or other stakeholders;
- Product safety or quality lapses that threaten human or environmental health.

Specifically, this means that Cardano tends to vote for shareholder proposals that:

- Seek reporting on company efforts to promote a fair service, such as fair lending policies, and reduce the likelihood of product abuses;
- Seek reporting on company efforts to improve product safety;
- Seek greater disclosure of criteria for operations closures.
- Cardano tends to vote for shareholder proposals that:
- Request the adoption of an animal welfare policy, including in the supply chain;
- Request the adoption of a 3R-strategy (replace, reduce, refine) for animal testing or call for a ban on the use of animal testing;
- Request no further use of fur and exotic leather;
- Otherwise promote the welfare, health and comfort of animals.

2.1.6. No systematic involvement in severe environmental damage

Cardano avoids investments in activities that cause serious environmental damage through pollution, biodiversity loss or the depletion of natural resources. We follow guidance from international environmental norms and best practices, and from environmental laws and regulations, when deciding whether a company violates our principles. That includes the Rio Declaration, the Earth Charter, Principle 7 of the UN Global Compact, the IFC Performance Standards on Social & Environmental Responsibility and the Paris Climate Agreement under the UNFCCC, 2015.

We have developed specific best practice guidelines for companies in each of the natural resources sectors, to determine when they risk violating our principles. We are prohibited from investing in companies involved in particularly harmful activities including mountaintop removal mining, riverine tailings disposal, illegal logging and extraction activities in protected areas. These areas include those covered by the International Union for the Conservation of Nature (IUCN) Protected Areas Categories I through IV, the 1972 UNESCO World Heritage Convention, and the 1971 Ramsar Convention on Wetlands.

Cardano tends to vote for shareholder proposals that:

- Seek disclosure or improved disclosure of the company's environmental practices, Environmental Impact Assessments (EIA) and/or environmental risks and liabilities;
- Refer to the implementation of the precautionary principle (Principle 15, Rio Declaration) with regard to environmental, health and safety aspects of products and production processes;
- Request an environmental expert to be appointed to the board of directors, or to introduce board level environmental expertise and accountability in an effective manner, and/or that board members maintain this expertise through continuous education and training;
- Request that the company takes responsibility for handling hazardous substances and waste in line with relevant regulation (Stockholm convention, Rotterdam convention, Basel convention) in its own operations and supply chain;
- Request that companies reduce and report on the direct and indirect emissions of harmful or polluting substances (including but not limited to atmospheric aerosol loading, such as particulate matter, nitrogen oxides (NOx) and sulphur oxides (SOx)). Companies should also report on their risks in terms of these emissions.

2.2. Shareholder proposals and our levers of change

2.2.1. Fossil fuel use

Cardano tends to vote for shareholder proposals that:

- Request transparency on the company's positions on public policy relating to climate change;
- Report on the risks and opportunities related to climate change, including physical risks, policy risks, supply chain risks, legal risks and market risks such as technology shifts;
- Request reporting on the risks and management of carbon or methane emissions and/or the adoption of targets to reduce methane emissions;
- Request quantitative and/or qualitative reporting on environmental and social impacts of shale energy operations;

- Request quantitative and/or qualitative reporting on the environmental and social impacts of other operations exposed to significant climate change risk;
- Request that the board or a member of the board is responsible for climate change management policies;
- Request the integration of climate change risks within the company's strategy, including transition risks and physical risks;
- Request the adoption and implementation of policies regarding the prevention of climate change. This may include (absolute or relative) science-based or other goals to reduce direct and indirect greenhouse gas emissions, obtaining energy from renewable sources, adopting measurable energy use reduction targets and energy efficient practices, in line with the ambitions set out in the 2015 Paris Agreement;
- Request increased investment in low-carbon solutions, renewable energy sources and renewable energy product development;
- Request reporting on the company's activities regarding the technological development of low-emission and renewable energy, including R&D;
- Request the adoption of policies and targets related to the energy efficiency of production processes and the energy efficiency of products;
- Request reporting on the company's energy management policies, practices and metrics in line with the GRI;
- Request reporting on the consistency of company capital expenditure strategies with policymakers' goals to limit climate change, including analysis of risks and opportunities associated with high-cost low-demand scenarios;
- Request that companies integrate a robust carbon price into their capital expenditure approval process;
- Request increasing climate-friendly investments or dividends, rather than using capital on high-cost, high-carbon fossil fuel projects with a high risk of stranding;
- Request the adoption of climate change criteria in procurement policies;
- Oppose public corporate lobbying that aims to prevent legislation addressing climate change, deforestation or renewable energy or request transparency on such lobbying;

- Request the adoption of policies to phase out thermal coal, or request a feasibility report on how to move forward;
- Request that financial institutions report on GHG emissions and climate change risk linked to financed activities, including exposure to fossil fuel activities;
- Request that financial institutions publish policies and plans to gradually stop providing financial services to companies in the energy sector, and to gas and electric utilities not aligned with the goals of the Paris climate agreement.
- Request that financial institutions take action to limit fossil fuel underwriting and investment;
- Request reporting on the company's plans for climate change adaptation;
- Call for companies to follow the recommendations of the Task Force on Climate-Related Disclosures (TCFD).

2.2.2. Water use

Cardano tends to vote for shareholder proposals that:

- Seek reporting on the assessment of water risk linked to the company's operations and/or its supply chain, as well as plans to mitigate such risk;
- Request that companies reduce ground and surface water extraction;
- Request that companies adopt and/or report on policies for water use that incorporate social and environmental factors;
- Request that companies adopt and/or report on policies and procedures for assessing and managing the social and environmental impact of their operations in areas of water scarcity;
- Request the adoption and implementation of a policy designed to reduce risks of water contamination at company facilities and those of its contractors and suppliers;
- Request companies respond to the CDP Water Disclosure Questionnaire;
- Request reporting on the disposal of unused or unexpired medicines or on a company's take back policy on unused or unexpired medicines;

- Request reporting on the results of company policies and practices to minimise potential adverse environmental impacts from hydraulic fracturing operations, including the impact on water resources; and
- Request that companies respect the human right to water.

2.2.3. Land use

Cardano tends to vote for shareholder proposals that:

- Ask companies to adopt policies banning mining, drilling and/or logging activities in UN World Heritage Sites, IUCN protected areas, wetland areas covered by the Ramsar Convention, other environmentally sensitive areas and nationally protected areas;
- Request that oil, gas and mining companies stop operating in locations where the environmental consequences of an accident for the environment are unmanageable;
- Request that oil, gas and mining companies put in place effective crisis contingency plans;
- Ask companies producing or processing soft commodities to report on their assessment of the impact (either direct or via their supply chain) on deforestation and associated human rights and biodiversity issues - and their risk mitigation plans;
- Request that companies promote commodity-specific certification (i.e. FSC, RSPO, RTRS, MSC, Five Freedoms of Animals) in its own operations and/or its supply chain;
- Seek to promote the transition towards different sources of protein;
- Request the phasing-out of non-essential antibiotic use from the supply chain;
- Call for companies to adopt, implement and report on compliance with standards formulated in the Voluntary Guidelines on the Responsible Governance of Tenure, the Voluntary Principles on Security and Human Rights, the Indigenous and Tribal Peoples Convention and the Declaration on the Rights of Indigenous Peoples;
- Request that companies report on or adopt social considerations in their policies for land procurement and align these with the principle of Free Prior and Informed Consent;

- Request that companies adopt a policy of respecting the rights of local and indigenous communities in matters affecting their environment and avoiding the destruction of their natural resources;
- Request that companies and their suppliers report on displacement, resettlement and compensation policies for local communities affected by their operations;
- Request reporting on the environmental impacts of the company's activities in relation to local communities.
- Request the adoption of policies to phase out or ban oil or gas exploration and production in the Arctic, shale gas and/or oil, and oil sands - or to request a feasibility report on such steps.

2.2.4. Chemicals and waste management

Cardano tends to vote for shareholder proposals that:

- Request that companies formulate, disclose and demonstrate performance in implementing chemical safety, environmental management and waste management-related programmes, certification schemes, policies, protocols and standards, for all stages of the life cycle of chemical substances;
- Ask companies to comply with all relevant international agreements. That includes the Stockholm Convention on the production and the use of hazardous or toxic substances (POPs), the Montreal Protocol on the production and the use of hazardous or toxic substances that deplete the ozone layer, the Rotterdam Convention on trade in chemicals and chemical waste, and the Basel Convention on trade in chemicals and chemical waste; the European REACH Directive and the US Toxic Chemicals Act of 2011 on the use of chemicals suspected to be harmful to the environment and to health;
- Call for companies to adopt business models based on circular economy principles, including packaging and waste minimisation, recovery, recycling, re-use and redesign of products and processes;
- Encourage companies to employ the best available technologies (BAT) or process improvements, in line with the precautionary principle, to reduce the emission of toxic substances to soil, water, and air - or to improve the management of plastics and electronic waste;
- Request companies to report on their R&D activities in clean technologies and green chemistry.

2.2.5. Organisational behaviour & integrity

Cardano tends to vote for shareholder proposals that:

- Request reporting on tax payments in all countries where companies are active;
- Request a tax transparency report;
- Call for companies to adopt a business ethics policy. That includes policies on fraud, money laundering, misleading claims or insider trading, oversight, whistle blower protection, independent monitoring of ethics policies, and employee training;
- Ask companies to report on compliance with the Wolfsberg Principles for anti-money laundering (AML), know your customer (KYC) and counter terrorist financing (CTF) policies;
- Request companies to report on any controversies on anti-competitive practices, price fixing, cartel agreements or collusion, or association with corrupt practises (based on Transparency International and World Bank data);
- Call companies to follow the Principles for Responsible Supply Chain Management as formulated by the Pharmaceutical Supply Chain Initiative (PSCI).
- Request more disclosure on lobbying activities, policies, or procedures, including direct, indirect, and grassroots lobbying.
- Request more disclosure on political contributions and trade association expenditure, policies and activities.
- Request regular reporting on how political spending and lobbying aligns with companies' public statements and values.

2.2.6. Human capital management

Cardano tends to vote for shareholder proposals that:

- Call for companies to disclose their remuneration policies and provision of benefits, access to collective bargaining and associations, employee engagement programmes, employee training and development programmes and restructuring policies;
- Request the disclosure of labour-related controversies – such as any reductions in benefits, mistreatment of employees, controversies over wages and hours or wrongful termination;

- Request the disclosure of health and safety (H&S) policies and targets;
- Request that companies report on any H&S controversies, such as workplace accidents in direct operations;
- Request that companies report on any union controversies, such as anti-union activities, strikes, lock-outs and breaches of union contracts, and discrimination and workforce diversity controversies. That might include, for example, discrimination based on gender, race or ethnicity, gender pay differences, or cases of verbal, physical or sexual harassment.
- Request that companies disclose their supplier code of conduct requirements and relevant training provided, as well as supplier compliance audits and actions for non-compliance of suppliers with a code of conduct;
- Call on companies to report any supply chain labour standards controversies, such as supply chain issues related to overtime, inadequate pay, union and discrimination on gender, race or ethnicity.

2.2.7. Social capital management

Cardano tends to vote for shareholder proposals that:

- Request the disclosure of policies and procedures related to internationally accepted quality control, product testing, mitigation control, and product and process certification (such as the latest ISO certification guidelines);
- Request transparency on incidents, quality performance, recalls and warnings, and codes of conduct on product safety and quality;
- Request the disclosure of policies restricting the collection and use of sensitive personal data;
- Request the disclosure of data protection and privacy policies and systems, including evidence of employee training, use of widely recognised certificates or standards, technologies used, and allocation of responsibilities;
- Request that companies report on the number of privacy and data security incidents or breaches;
- Request the adoption of policies and targets to cover groups which are underserved, such as children, women, the elderly, low-income people, those living in remote areas and SMEs;

- Call on companies to disclose controversies related to restricted access to basic services, providing services that are unaffordable to underserved groups or minorities, or to discrimination when providing access;
- Request that pharmaceutical companies disclose their performance on the Access to Medicine index;
- Call on companies to disclose their activities related to the access and affordability of basic services among underserved groups, and their investment in ways of advancing this;
- Request that companies disclose their policies, certifications and standards that address concerns about the sourcing and procurement of controversial raw materials. That includes issues related to conflict minerals, ethical business conduct, gender equality, civil liberties and freedom of speech, respecting indigenous peoples and land rights;
- Request that companies disclose their code of conduct addressing forced labour, child labour, hours, minimum wage, anti-discrimination, use of security forces, and health and safety issues related to the sourcing and procurement of controversial raw materials;
- Request that companies disclose the number of controversies concerning human and labour rights violations related to material sourcing.

2.3. Supporting and filing shareholder proposals

To increase the impact of our active ownership activities, Cardano will either publicly declare support for shareholder proposals or add our name as a co-filer. When co-filing, we take the following into account:

- Whether the resolution is in line with Cardano's investment principles and view on material drivers;
- Whether Cardano has previously engaged with the company or supported a similar resolution;
- Whether the company has been unresponsive to investor engagement efforts or made insufficient progress in addressing the issue.

Cardano will also consider filing our own shareholder resolutions when a company has been unresponsive to our engagement efforts or made insufficient progress on an issue raised. More information about Cardano's engagement activities, as well as our overall responsible investment approach is given in our Sustainable Investment Policy and our Stewardship Policy.

2.4. Stock-lending and Share-blocking policies

2.4.1. Stock-lending

Stock-lending involves the transfer of title from the lender to the borrower. In the eventuality that Cardano would exercise stock-lending, it would do it as a responsible share owner. This implies putting in place a recall procedure for the purpose of exercising voting rights on its loaned shares.

2.4.2. Share blocking

Share-blocking is a system in which shares must be kept in a blocked security deposit, with trading prohibited during a certain period prior to and until the end of the shareholders' meeting. It is currently a requirement in several markets in which Cardano invests on behalf of our clients.

In some markets, company-specific articles of association or custodial requirements may mean that share blocking is still necessary, even if not a legal requirement at market-level.

Cardano will generally block a percentage of its clients' holdings (normally 75%) in such companies, so that it can participate in the meeting, while reducing the risk of being unable to trade at the sensitive time around the company's general meeting. However, if voting does somehow conflict with trading, the custodian will de-block shares to be able to trade - with trading prioritised over voting.

Cardano will instruct our custodian to ensure that shares are not blocked at the sub-custodian level, where there is no share-blocking requirement in the company's articles or at a market-level.

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