Article 29
LOI ENERGIE CLIMAT
REPORT 2021

QUAERO CAPITAL

CONTENTS

For any question, please contact info@quaerocapital.com.

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ESG investing strategies aim to consider and in some instances integrate the analysis of environmental, social and governance (ESG) factors into the investment process and portfolio. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors may inhibit the portfolio manager's ability to participate in certain investment opportunities that otherwise would be consistent with its investment objective and other principal investment strategies. The returns on a portfolio consisting primarily of ESG or sustainable investments may be lower or higher than a portfolio where such factors are not considered by the portfolio manager. Because sustainability criteria can exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. Companies may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues; there is also no guarantee that any company will meet expectations in connection with corporate responsibility, sustainability, and/or impact performance.

Information on sustainability-related aspects provided pursuant to Regulation (EU) 2019/2088 is available at https://quaerocapital.com/en/sustainability/responsible-investment/overview , under "SFRD statement".

The Legal documents may be obtained free of charge in English at the registered office of the Fund 15, avenue J.F. Kennedy L-1855 Luxembourg.

INTRODUCTION

Responsible investing continues to attract substantial interest and is now mainstream in many parts of the world, as it currently exceeds 10% of the world's investing assets. The combination of the pandemic and the climate crisis has pushed the green recovery and various government plans have sprouted all over the world, most importantly in the US and in Asia. Yet again, 2021 saw strong demand for ESG funds, but most importantly, the growth was more balanced, and the strongest change came from the US, where the interest is growing more than in any other region around the world. This will continue to challenge asset managers and asset owners to act responsibly.

Paralleling this growth, more regulations and requirements for reporting are being put into place everywhere. In Europe, the development of the Sustainable Finance Disclosure Regulation (SFDR) has been a major milestone. With its introduction, fund promoters have had to position themselves on the ESG scale and as a result are now gradually strengthening their ESG processes and becoming much more transparent about their ESG claims. This new phenomenon has highlighted the need for companies to develop a more standardized framework for reporting on ESG risk. Last year, the IFRS Foundation formally announced the creation of the International Sustainability Standards Board (ISSB) which will sit parallel to the International Accounting Standards Board under the IFRS Foundation. This is the most significant development in ESG reporting for some time and is a major step towards convergence of the currently fragmented reporting landscape. Creating a unique reporting language will considerably help investors make comparisons across companies and industries and increase the needed transparency for investors to sustain their ESG claims in relation to their portfolios. More initiatives are coming. In particular, the SEC is now considering climate disclosure for US companies, and we are expecting much more from other countries. We are indeed in a new era for responsible investing.

At QUAERO CAPITAL, we were prepared for these changes, and we continue to move more products to the more demanding categories within the SFDR framework. We have also adopted a Climate Policy in order to join the New Zero Asset Management Initiative. This new policy will attempt to hold boards accountable for their own climate policies and look to incentivise sustainable performance from management. It will enshrine in our investment process and voting policies the need to have an impact on the management of climate risk on each of our portfolios' holdings. As for the QUAERO CAPITAL ESG framework, we continue to believe that a policy of engagement, dialogue and responsible voting is the best tool to achieve our sustainability goals. While we apply some exclusions, we believe we can have most impact through engaging companies across all sectors rather than investing only in a limited number of target companies and industries.

There are now multiple driving forces creating new opportunities across all industries as sustainability factors influence industry dynamics and growth. As global governments step up to combat climate change, many industries will face structural changes and the winners and losers will be decided by different dynamics than in the past. Beyond climate change, QUAERO CAPITAL sees many other environmental issues that will drive opportunities alongside risks, such as biodiversity loss, resource depletion and air and water pollution.

In application of Article 29 of the French Climate Law, the following report aims at providing a detailed overview of QUAERO CAPITAL's ESG strategy and its implementation.

Jean Keller
QUAERO CAPITAL
Chief Executive Officer

1. ESG GENERAL APPROACH & STRATEGY OF QUAERO CAPITAL

1. QUAERO CAPITAL's commitment to sustainability

Quaero Capital (France) SAS or (the "Firm") is absolutely convinced of the value that ESG analysis brings to its investment decisions as it recognises that sustainability risks exist for every asset group, industry and geography. These risks have become more apparent in recent years, with society and government attention drawn to the unsustainable consumption of natural resources and the impact this will have on future growth and industry.

At the same time, there are multiple driving forces creating new opportunities across all industries as sustainability factors influence industry dynamics and growth. As global governments step up to combat climate change, many industries will face structural changes and the winners and losers will be decided by different dynamics than in the past. Beyond climate change QUAERO CAPITAL sees many other environmental issues that will drive opportunities alongside risks, such as biodiversity loss, resource depletion and air and water pollution.

At group level, QUAERO CAPITAL (including for this purposes Quaero Capital (France) SAS and Quaero Capital SA) is also convinced of its role in encouraging a more sustainable society. Investors and asset managers have the capacity to raise important issues and encourage greater attention from executive management teams on environmental and social issues that are vital for a sustainable future.

While QUAERO CAPITAL evaluates a wide myriad of sustainability risks depending on the asset and the materiality of each risk to that asset, QUAERO CAPITAL also identifies three major topics that are core to our strategic approach at the company level and engagement at the asset level: **climate change mitigation**, **climate transition** and **strong and accountable governance structures**. Our Climate Policy demonstrates our commitment to climate change, with the focus of new strategies on solutions to climate change. Our preference for long-term investment and active management means a priority is consistent placed on strong governance structures.

2. Exclusion Policy[1]

Norms-based exclusions

QUAERO CAPITAL applies a principles-based approach to responsible investment matters, applying certain exclusions to avoid allocating capital to companies that consistently and systematically cross ethical lines. QUAERO CAPITAL takes its fiduciary duty to its investors to maximise returns very seriously, and QUAERO CAPITAL is comfortable that it can continue to do so without investing in these companies. This is not only a question of ethics but also of risk management; these companies carry significant financial risk connected to their business and/or corporate behaviour. QUAERO CAPITAL assesses the behaviour of companies applying the principles of the UN Global Compact. Those companies that are deemed to be in severe and systemic breach of these principles are excluded from QUAERO CAPITAL's investment universe.

Sanctions

QUAERO CAPITAL will not invest in sovereign bonds issued by governments which are subject to broad sanctions and fail to respect human rights.

Controversial weapons

QUAERO CAPITAL considers illegal weapons (i.e., anti-personnel mines, cluster munitions, chemical and biological weapons) and uranium and nuclear weapons (collectively

[1] Scope of this policy –This policy is applied by Quaero Capital SA, Quaero Capital LLP and Quaero Capital (France) SAS (each a "QUAERO CAPITAL Entity" and together, "QUAERO CAPITAL") with respect to listed investments held by a collective investment scheme managed by a QUAERO CAPITAL Entity other than managed accounts or dedicated vehicles not marketed to third parties. See Exclusion Policy.

“Controversial Weapons”) and their potential use as controversial given their indiscriminate effect on human populations. Companies that are involved in the production or development of Controversial Weapons and do not comply with the following treaties are excluded from QUAERO CAPITAL’s universe:

- The Ottowa Treaty, which prohibits the use, stockpiling, production, and transfer of antipersonnel mines
- The Oslo Convention on Cluster Munitions, which prohibits the use, stockpiling, production and transfer of cluster bombs
- The Chemical Weapons Convention, which prohibits the use, stockpiling production and transfer of chemical weapons

Climate-related exclusions

QUAERO CAPITAL excludes investments in:

- Companies that make more than 20% of revenues from coal mining and/or coal thermal power generation
- Electricity production companies with coal-powered plants contributing >20% generation and whose carbon intensity is not in line with the objectives of the Paris Agreement (unless there are credible commitments to reduce emission intensity by 2035)

The exclusion list is aggregated using the Global Coal Exit List from Urgewald and the Transition Pathway Initiative (TPI) Tool.

For funds covered by the policy, these exclusions are applied by the risk team to pre-and post-trade checks. In 2021 there were no breaches of the exclusion policy.

Real asset exclusions

QUAERO CAPITAL Private Equity Infrastructure team ensures that the funds they manage do not invest and/or finance:

- coal-fired power stations,
- coal mines intended for thermal use (production of electricity), or
- diversified assets,

unless those investments meet the following criteria:

- for electricity production plants and heating networks: coal represents less than 20% of the total production mix, or the emissions factor of power or heat production is lower than 500 gCO_2e/kWh (the global average of power production emissions factor). This limit can be higher as long as a business plan is agreed to achieve such target within a reasonable timeframe,
- for conglomerates: the turnover of the activity related to coal (extraction, processing, etc.) must be 10% lower than the total turnover of the asset.

These exclusions are applied systematically to all real asset funds at QUAERO CAPITAL. In 2021 there were no breaches of the exclusion policy

ESG exclusions

Certain funds commit to invest in companies with a best-in-class ESG profile. These funds systematically exclude companies with an MSCI rating below a certain level, ensuring that the worst performers on ESG risk management are not included in the fund.

3. ESG Integration into our investment strategy

1. General approach

Across its funds[2], QUAERO CAPITAL integrates ESG analysis in order to identify key sustainability risks and opportunities. ESG analysis contributes to the multi-dimensional perspective we build on each of our investments, ensuring we understand the full risk profile as well as the potential opportunities that major changes in society and the environment will offer.

While Quaero Capital Funds (Lux) – Accessible Clean Energy, our *sustainable* fund as designated in accordance with the SFDR in the EU, pursues greater sustainable objectives such as investing in the best-in-class companies in their industry, all our funds will consider sustainability risks.

For publicly traded assets, our approach is both qualitative and quantitative, using datasets from MSCI when available as well as platforms such as Carbon Disclosure Project (CDP) questionnaire responses and Glass Lewis proxy voting research. For most investments, we then follow a bottom-up analysis, first identifying material risks with the help of Sustainable Accounting Standards Board's (SASB) materiality matrix and then exploring the company strategy and management of those risks. Alongside we consider potential regulatory changes and top-down themes.

Environmental factors considered include both the level of use of finite resources (with KPIs such as energy use, water use, material use etc) or pollutive processes (waste generated, carbon emissions) and the impact of the business on the local environment. Depending on the industry and geography in which the business operates, these factors help us understand the efficiency of the operations in respect of the environment. Not only do we believe it to be strategically risky to depend on consumption of environmental resources, but we expect future regulation to make it more expensive to pollute, and we therefore want to know if a company is behind its peer group in reducing exposure to such costs.

Social factors considered include well-researched factors that are shown to impact long-term company success and valuation. These include employee-related factors such as employment standards, wage inequality, company culture, employee retention and employee investment and training. Customer relationship factors are also included, such as customer satisfaction, customer retention, product recalls, customer mis-selling and data privacy protection. Other societal factors will include tax avoidance which we believe is another example of free-riding, similar to environmental pollution, that ultimately governments will look to reduce, and corruption which poses a serious risk to a corporate reputation as well as societal stability.

Strong governance structures are considered of high importance, especially in investments where we are a minority shareholder. The structure should align the executive with long-term shareholders, incentivising good corporate behavior and investment in long-term growth and opportunities, not focused on short-term financial performance at the expense often of environmental and social considerations. Good governance practice diverges by geography, and we consider country governance codes. While we always seek to have high confidence in the executive team of a company, the board must act in its role of overseeing and correcting the executive when needed. Executive compensation is an important factor for us, this must be aligned with long-term shareholders and reward strong strategic judgement and execution and not short-term financial manipulation.

2. Approach by type of assets

Public equities and fixed income

We face issues of transparency and ESG data quality in certain markets such as China and Eastern Europe and in turn with the validity of external ratings. We also face challenges with ratings in developed markets for smaller companies who may not report as many datapoints as larger firms. This often leads to a low rating based on limited disclosure, not fairly reflecting

[2] All Quaero Capital (France) SAS funds are covered except for ATD Quart Monde.

the reality of the actions of the company. For these markets, we focus on our own ESG analysis and due diligence and avoid a 'ratings-focused' ESG process. For other markets and for larger companies we have more confidence in the quality of external ESG ratings and therefore use these ratings as a dependable ESG screening tool. Nevertheless, we also consider it very important to have our own view in addition to the ratings.

Private equity and real estate

Investment strategies in European infrastructure systematically integrate a review of environmental and social issues in the projects' analysis. These projects thus provide concrete solutions to the various needs encountered: knowledge infrastructure such as optic fiber networks or universities, energy saving, renewable energy production, waste treatment, water purification, reduced travel times, improved transport comfort and safety and/or improved healthcare.

Investment strategies in French real estate follow the evolution of working methods to offer new generation office buildings, but also real estate services whose needs are growing, such as nurseries, post-secondary schools and nursing homes.

The investment time horizon for our investments in real assets is long, and our influence on projects is considerable; we usually take majority ownership positions. As a result, ESG analysis is a key part of our due diligence process, and an assessment of the impact of these assets on key sustainability objectives is important. KPIs are collected on an annual basis for projects, using the Sustainable Development Goal (SDG) framework to identify those that are most material, and objectives are agreed over time to align the projects to more meaningfully contribute towards the achievement of the SDGs.

Climate change mitigation forms a core part of stewardship activities for real assets, both at the project investment stage as it relates to influencing the projects to shift to renewable energy sources and through management of the project post-investment.

Fund of funds

A key part of the fund manager selection process is understanding how sustainability risks are integrated and the philosophy and commitment of the asset manager at organisation and fund level. The questions we ask of every fund enable us to understand how sustainability risks are considered, what level of expertise they have on key sustainability topics and whether there is alignment with the QUAERO CAPITAL philosophy. We expect external fund managers' stewardship policies and activities to align with our own.

4. ESG risk management

The risk team has oversight of the adherence of each fund to its stated ESG objectives or characteristics, enacting pre- and post-trade restrictions. We have not, to date, defined how the ESG strategy performance is affected by ESG factors.

Sustainability risks are considered in an inter-divisional approach by all QUAERO CAPITAL's teams:

- Research work and exchanges with target investments for the integration of sustainability risks. We therefore have a policy to pursue ongoing and active dialogue with the management teams. One of the areas we focus on is encouraging greater transparency from our corporates on their ESG strategies and to increase ESG reporting
- Implementation of efficient and reliable monitoring tools in order to check the ESG profiles of the companies where we invest (see other ESG resources for more information)
- The integration of sustainability risks within the internal control framework (risks identification, procedures and control plan). Consequently, specific controls are conducted to ensure that investments comply with our internal procedures
- The implementation of risk management controls to monitor and address ESG risks

- Constitution of an ESG Committee including senior representation from across the organization in order to monitor the ESG approach of the company (see ESG Committee for more information)

We evaluate physical climate risks on a case-by-case basis, but for the majority of investments we consider these risks minimal.

2. RESOURCES DEDICATED TO ESG AT QUAERO CAPITAL

1. ESG in QUAERO CAPITAL's governance

ESG Strategy at QUAERO CAPITAL is determined at Group Level and is led Quaero Capital SA.

Quaero Capital SA - ESG Committee

The ESG Committee of Quaero Capital SA determines the strategy of the Group in terms of ESG and Climate Risks. These are then approved by the Management Committee of each QUAERO CAPITAL entity.

Members of the ESG Committee are:

- Jean Keller – Chief Executive Officer
- Thierry Callault – Head of Business Development
- Francesco Samson – Chief Operating Officer
- Philip Best – Chairman of the Board and Portfolio manager
- Georgina Parker – Head of Sustainability
- Hélène-Sophie Renneboog – Head of Marketing and Communication
- Michael Malquarti – Head of Risk
- Antoine Turrettini – Investment Director, Private Equity Infrastructure
- Mark Ebert – Portfolio Manager

The committee meets quarterly for one hour to review:

- Strategy and objectives related to ESG and responsible investment
- Company engagements during the quarter
- Review ESG policies and implementation
- Internal ESG reporting and monitoring
- Internal initiatives to promote ESG internally and externally
- Review and approve ESG training
- Review and approve Annual Sustainability Report
- Any important issuesESGquestions related to the investment process
- Client requests related to ESG
- Client reporting on ESG aspects

Quaero Capital SA - Management Committee

The Management Committee is responsible for the day-to-day management of the firm. The Head of Sustainability reports every month to the Management Committee of Quaero Capital SA on ESG projects and the ESG profile of every fund. Regulatory watch is performed by the Legal and ESG teams to enable the Management Committee to anticipate ESG challenges and opportunities.

Members of the Management Committee are:

- Sébastien Bourget
- Thierry Callault
- Jean Keller
- Antoine Turrettini
- Yann Benharouch
- Francesco Samson
- Myriam Ly

Sebastien Bourget, Jean Keller and Thierry Callaut are also members of the Management Committee of Quaero Capital (France) SAS and as such can escalate any ESG matters related to the French entity which was discussed at the mother company level which may have an impact on the French entity.

Quaero Capital (France) SAS - President and Management Committee

Quaero Capital (France) SAS is a French simplified joint stock company (*société par actions simplifiée*) and is a wholly owned subsidiary of Quaero Capital SA.

Sebastien Bourget, as president, is responsible for the overall management of the company. However, the decision-making process of Quaero Capital (France) SAS relies on its Management Committee (Codir), a collective body which aims to assist the President with the day-to-day management of the company.

The members of the Management Committee of the Firm are:

- Sébastien Bourget
- Thierry Callault
- Guillaume Launay
- Stéphane de Buhren
- Jean Keller
- Aymeric Plassard (RCCI)

The Management Committee is responsible for the approval and implementation of ESG policies by the Firm.

Quaero Capital (France) SAS - Supervisory Board

In accordance with the articles of association, the Supervisory Board is composed of a maximum of 8 members. The Supervisory Board members are appointed by the ordinary General Meeting of shareholders, which in accordance with the articles of association, sets the duration of their term of office. The Supervisory Board continually monitors the way in which the Firm is managed by the Management Committee, including in particular the Firm's financial and accounting reporting system and its internal control mechanisms applicable to risk, ESG, compliance and internal audit, in accordance with the laws and regulations applicable to the Firm.

Quaero Capital (France) SAS - Risk Committee

The Risk Committee is an independent committee of the Management Committee that has, as its sole and exclusive function, responsibility for the oversight of the risk management policies and practices of the Firm's.

2. Resources dedicated to ESG

A specific ESG team

QUAERO CAPITAL has a dedicated ESG team composed of two employees (one working 100% and the other 80%) and one trainee. 100% of their time is spent on ESG and climate issues.

The ESG team is responsible for the implementation of all policies except for the Voting Policy which is the responsibility of the Legal department. The team has various responsibilities which differ by investment team but include:

- ESG analysis on companies
- Thematic research
- ESG training
- ESG strategy and formulation of policies
- Oversight and administration of proxy votes
- Oversight and support of engagement efforts

- ESG reporting
- Support on the design of fund-level ESG processes
- Updating ESG exclusion policies
- Corporate sustainable responsibility at Quaero Capital (France) SAS
- Ensuring all relevant teams are up to date and aware of changes in the ESG strategy

Georgina Parker joined QUAERO CAPITAL in April 2018 and is Head of Sustainability. Georgina began her career in 2007 as a generalist equity analyst with Bessemer Trust, working first with the UK smid-cap team before joining the global large cap fund as a generalist analyst working in both London and New York. In 2015 she left to take part in the business development of Virgin Pure, a Virgin-backed start-up focused on reducing plastic waste. In 2018 she returned to the investment industry to contribute to the movement towards sustainability, joining the sustainable investment experts at Conser Invest in Geneva. In 2014, Georgina co-founded a network for ambitious career women, called BroadMinded, currently spanning over 1000 women in London. Georgina holds a degree in Economics from the University of Edinburgh and is a CFA charterholder.

Louise Turrettini joined QUAERO CAPITAL in October 2018. She is an ESG analyst. Prior to joining QUAERO CAPITAL she gained experience in NGOs and government fields. She holds a Master degree in International Studies and Diplomacy from the School of Oriental and African Studies (SOAS) in London with a specialization in diplomacy, international security and global energy and Climate Policy. She also has a Bachelor degree in International Relations from the University of Geneva and a Certificate in Advanced Studies in Sustainable Finance from the HEG in Geneva.

A strategy to build ESG expertise

QUAERO CAPITAL also has significant internal expertise on renewable energy infrastructure, through the investment teams of the private equity infrastructure funds, the clean energy public equity fund and the infrastructure public equity fund.

The ESG team works with the investment team of each fund in the ESG integration, raising awareness of sustainability and ESG issues as well as training them on the use of ESG datasets or certifications that they may use such as the MSCI platform or the ISR label. The benefit of being a relatively small organisation is that there is regular in-person interaction between the ESG team and the investment teams. This results in regular informal training and interaction on ESG issues and topics.

The ESG team has spent considerable time with particular funds. In 2021, the ESG team spent about 15 hours with the Quaero Bonds Impact Opportunities investment team and 25 hours with the OPPCI Educatio real estate team, working on ESG integration, impact reporting and consideration of the ISR Label.

The Legal team is also assisting in bringing awareness of ESG matters and ESG regulatory developments related to ESG to the management of QUAERO CAPITAL last year. A training on SFDR was given to the management and partners of the firm.

The ESG team has planned more formal ESG training for the QUAERO CAPITAL Group in 2022 with thematic sessions, for example on the EU Sustainable Finance regulations, the EU Taxonomy, SDGs, evolution of regulations, etc.

The ESG team also ensures that they regularly read new research and commentary in the market, following regulation for both the asset management industry and the industries in which we invest, and learning best-practice from peers in the industry. Louise Turrettini recently started a 8-week course at University of Cambridge on Sustainable Supply Chain Management to build her expertise on this issue applicable to many investments made across the QUAERO CAPITAL funds.

Financial means to support QUAERO CAPITAL's ESG strategy

In total, QUAERO CAPITAL spends almost CHF 122'500 annually on ESG ratings, memberships and consulting input on ESG processes and frameworks, in addition to the total compensation of the two ESG team employees (one working 80%, the other at 100%) and the intern.

Subscriptions include:

- Conser portfolio checks, which provides QUAERO CAPITAL with carbon footprint portfolio data as well as exposure to green sectors and fossil fuels
- MSCI ESG ratings and controversies, which includes carbon intensity metrics as well as multiple other valuable ESG metrics
- Glass Lewis voting research and recommendations, which provide real insight into the relative merits of governance structures

Consultant fees:

- Ethiket, a consultancy firm with expertise in sustainable real estate, which helped us build an ESG approach as well as implement a process for the label ISR
- Kermit, a consultancy firm which helps investors implement responsible strategies for the label ISR for listed funds

Beyond the ESG team, all investment team members engage with ESG issues, as part of their job. This includes the time spent reviewing and analysing ESG research and ratings as part of the investment process, engaging with companies and assets on ESG issues and reviewing proxy voting decisions every year.

The Marketing team spends about 10% of their time on ESG reporting and communications. Risk and Operations spend about 5% of their time on ESG issues. The Legal team spends about 8-10% of their time on ESG matters.

3. Integrating ESG into remuneration

The remuneration system put in place is in line with the strategic objectives of QUAERO CAPITAL and consists of:

- A balance between fixed remuneration and variable remuneration
- Performance measurement

The Firm's goal is to define a motivating compensation for the company's employees that is in line with European and national rules. It also aims at promoting a sound and effective risk management that does not encourage excessive risk-taking, may they be financial or non-financial (compliance risks, sustainability risks, etc), and avoids conflicts of interest. The Remuneration Policy is in agreement with the group's strategy, objectives, values and long-term interests, such as sustainable growth prospects, and complies with the principles governing the protection of clients and investors when providing services.

The main objectives of the Firm's Remuneration Policy are the following:

Guarantee alignment of remuneration with effective risk management

Our Remuneration Policy aims at aligning remuneration with effective risk management while encouraging the concerned employees to promote the lasting success and stability of the group.

A Remuneration Committee meets at least once a year to rule on the various subjects relating to remuneration. The principal executives of the Company as well as the Compliance Officer attend this committee.

Guarantee the correct application of the remuneration rules

The policy defines the rules of fixed and variable remuneration, drawing inspiration from the principles contained in the UCITS Directive, the AIFM Directive and the Disclosure Regulation. The setting of the variable part of the remuneration considers the assessment of individual performance, the general economic situation of the management company and the results of the Group. The assessment of individual performance is based on quantitative and qualitative criteria.

Finally, the provision of carried interest for the Firm's employees, by allowing them to invest alongside fund investors, ensures an optimal alignment of interests between investors, employees, and the community, and promotes a sound and effective risk management system.

4. A responsible company

We recognise that we can deliver positive value for our investors thanks to the dedication of our team, and therefore it is our responsibility as an employer to create a positive and supportive environment for our staff in which they can thrive. The diversity of our workforce is very important at QUAERO CAPITAL, and our continued success is influenced by the wide variety of experiences and capabilities our staff bring to our business.

We work to ensure that QUAERO CAPITAL provides equal opportunities to all our employees and job applicants regardless of (amongst others) their gender, religion, race, nationality, age or sexual orientation.

- In 2019, we implemented a paternity leave policy offering 2 weeks of paternity leave to our employees in the year following the birth of the child, two years before this became law in Switzerland
- In 2020, we put in place a flexible working policy in Switzerland where employees can work from home one day per week

3. QUAERO CAPITAL'S ENGAGEMENT STRATEGY

Stewardship

QUAERO CAPITAL is committed to a more sustainable form of capitalism, one where companies are run for the long-term and not for short-term profit maximization, one where stakeholders are considered alongside shareholders, and one where boards are strong and empowered structures in organisations to ensure executive teams are both enabled and sufficiently overseen for the benefit of all stakeholders and ultimately society.

Companies make an essential contribution to society, providing jobs for employees, products for customers, financial returns to investors and taxes for governments to spend on social services and goods. There is however risk for this contribution to fall short of its potential, often due to a weak governance structure or poor management of environmental, social and governance (ESG) risks. QUAERO CAPITAL views these criteria as important and believes better management of such risks leads to better long-term financial performance.

As an asset manager, QUAERO CAPITAL has a responsibility to act as good stewards of capital on behalf of its clients through active stewardship, including direct engagement on these issues with company management teams. QUAERO CAPITAL welcomes opportunities to collaborate with other shareholders and is an important partner to the CDP disclosure campaign, often taking a leading investor role to engage with companies to disclosure greater detail of their climate strategies. Quaero Capital SA is also a signatory to the Institutional Investor Group against Climate Change (IIGCC) and co-signs their engagement letters to governments and companies on climate change issues. The Group actively seeks other organisations it can work with and encourage organisations to expand collaboration opportunities for smaller asset managers.

We apply stewardship to all our **UCITS funds**.

In particular, the **small cap strategies** at Quaero Capital SA are able to exert significant influence on companies they invest in due to the relatively large positions held and over long periods of time. Engagement is a particular focus for these funds, with a particular focus on climate-related disclosure.

For **private equity** and **real estate** funds, investments are predominantly majority owned, which leave significant influence on how the asset is managed. Influencing directly how these assets are managed is a key element of the strategies for our private equity and real estate strategies.

2. Voting Policy[3]

General approach

QUAERO CAPITAL views proxy voting as an integral part of its investment management responsibilities. Exercising all voting rights when possible is an important element of our approach as responsible investors and of our fiduciary duty. We consider quality corporate governance as a driver of sustainable performance for investors and stakeholders alike, and we believe active stock ownership through voting is a vital part of a quality and well-functioning governance structure.

In late 2019, we invested in our voting process, enrolling Glass Lewis not to make our voting decisions for us, but to assist us with research which adds a great amount of value to our internal voting process. This information includes a comparison with country and industry peers, in depth analysis of the balance of skills of a corporate board, and evaluation of compensation plans. Voting decisions are made by fund managers, with advice from the ESG team. Proxy voting is completed through an online platform by the ESG team in compliance with instructions from the portfolio manager(s) of each fund.

[3] Scope of this policy – all equity funds except for ATD Quart Monde. See Voting Policy.

The ESG team is responsible for ensuring that QUAERO CAPITAL's voting guidelines are kept up to date and integrate sustainable aspects.

Key principles of the Voting Policy

1. Financial statements & audit approval – QUAERO CAPITAL will approve accounts so long as there is no reason to question their reliability. QUAERO CAPITAL will vote to approve auditors when we regard them as independent.
2. Board of directors – QUAERO CAPITAL supports resolutions that promote the effectiveness of boards in acting in the best interest of shareholders. This includes consideration of independence, experience, diversity and aligned interests.
3. Executive compensation – QUAERO CAPITAL supports compensations packages that ensure alignment of interest between the executives and shareholders. Performance incentives should be long-term in nature and should include equity allocation. Compensation packages considered excessive will not be supported.
4. Share issuance – QUAERO CAPITAL will vote according to the interest of current shareholders and will look to avoid risk of dilution of shares. There may be instances where share issuance is beneficial, when used for employee incentives for example. QUAERO CAPITAL will review each situation on a case-by-case basis.
5. Mergers & acquisitions – QUAERO CAPITAL will review each situation on a case-by-case basis, considering strategic, financial and governance risks and benefits associated with the transaction.
6. Environmental and social issues – where it aligns with the best interests of shareholders, QUAERO CAPITAL will vote to encourage companies to increase transparency regarding their environmental and social policies and impacts, as well as hold companies accountable for a lack of progress on climate risk governance.

Implementation in 2021

QUAERO CAPITAL considers the voting process essential to responsible investment, as it plays a key role in the development and direction of companies and influences important corporate governance structures. During 2021, we implemented a Voting Policy with our provider of proxy voting research and recommendations designed to identify companies with insufficient climate strategy, risk management and/or disclosure and recommend voting action to encourage an improvement. A priority for our stewardship activities is climate risk and encouraging companies to ensure they are suitably focused on the issues and opportunities connected to mitigating and adapting to climate change.

Funds	Total votes	% of votes made	% against or abstain	Reason for vote against
QCF (Lux) - Accessible Clean Energy*	507	96.6%	3.9%	1. (10) Board Related, 2. (6) Compensation, 3. (2) Capital Management

Table 1: Proxy voting by fund during 2021

* The missed votes were due to the timing of an investment which missed the deadline for the submission of votes ahead of the AGM

In 2021, we did not submit any resolutions at General Meetings, but the funds within Quaero Capital (France) SAS supported 2 ESG-related shareholder resolutions. One of these was related to the social issue of human capital management and the other was related to a governance issue.

For details on voting for all QUAERO CAPITAL funds, please see our Annual Sustainability Report.

2. Engagement Policy

1. General approach

Public equity funds[5]

For companies where QUAERO CAPITAL has significant influence, such as when ownership amounts to move than 1% of the company or when a good relationship has been built with company management, the ESG will identify areas for engagement either as a result of internal ESG analysis or due to a controversial event or report that should be addressed. These areas are prioritised depending on the level of materiality to the future of the company and the severity of the controversy.

Engagements are initiated by the portfolio manager(s) directly with the company management team and are usually followed by a meeting between the portfolio manager(s), the company management team and, at times, the ESG team. The ESG team may seek to include outside input from organisations that focus on the specific area and industry, to include expert opinions on the topic. Objectives are formed during the engagement and monitored by the ESG team. The engagement topics tend to be strategic and disclosure-related rather than KPI targets.

Engagement consists of

1. Discussions with companies held in the portfolio to better understand ESG risks and opportunities
2. Encouragement of companies to provide more data and better transparency on ESG-related policies
3. Encouragement of companies to better communicate and pursue corrective measures following controversies
4. Holding companies to account for their prior commitments related to ESG issues

Private equity and real estate

The private equity infrastructure funds adhere to the concept of Positive Impact Finance defined by UNEP Finance Initiative in 2017: it is about making investments that contribute to one of the three pillars of sustainable development (economic, environmental and social), while ensuring that the negative impacts linked to funded activities are properly identified and managed.

Thus, in terms of investments, Quaero European Infrastructure Funds arecommitted to promote a sustainable governance, efficient asset management, and a scrupulous approach to risk analysis and management. In this context, Quaero European Infrastructure funds act as an active shareholder, whether they have a majority or minority ownership. They engage the management of each asset when possible to improve certain environmental or social impacts.

[5] Scope of this policy – applies to all listed except Quaero Capital Funds (Lux) – World Opportunities, Quaero Capital Funds (Lux) International Equities, Quaero Capital Funds (Lux) – Global Balanced and Quaero Capital Funds (Lux) – Global Conservative. It does not apply either to the fixed income strategies run in the following funds: Quaero Capital Funds (Lux) – Global Convertible Bonds, Quaero Capital Funds (Lux) – Yield Opportunities and Quaero Bond Impact Opportunities. Engagement Policy.

For real estate assets, as we are convinced that we cannot act alone and that our responsibility as a landlord implies a mobilisation of the entire value chain, we have deployed an Engagement Policy with our key stakeholders.

We have environmental annexes to each new contract, which commits to the establishment of a Green Committee that meets every year. Through these Green Committees, we engage with the building tenants, property managers and we raise awareness on ESG topics, such as encouraging efficient use of energy, water and recycling and providing them a best practice guide.

We have also set ourselves the objective of drawing up a "Charte de chantier vert" for all buildings under construction to ensure that companies and their subcontractors involved in construction or renovation operations commit to a procedure for reducing site nuisances. The aim of the charter is to meet the requirements of sustainable development in the building industry and to reduce as much as possible the impact of the work on the workers, the neighbourhood and the environment. In the event of failure to comply with the provisions of this charter, the company concerned may be held liable and penalties will be applied.

2. Implementation in 2021

A cross-fund engagement effort in 2021, for the third year in a row, was the CDP disclosure campaign, an annual collaborative campaign aimed at companies we invest in to encourage greater transparency of climate risk and strategy .

During 2021, Quaero Capital Funds (Lux) - Accessible Clean Energy engaged on 11 issues, 4 of which were successful, leading to disclosure to the CDP. We consider this to be a good result and recognise that often engagement is a multi-year effort as, for companies, it usually requires significant internal action before

- the right structure, governance and strategy are in place, and
- a complete set of data is available to reply coherently to the questionnaire.

Reviewing all our engagements on climate since 2019 across QUAERO CAPITAL – as we only started engaging on water and forest last year –, we can see that out of the 50 companies that we have requested to disclose to CDP, 24 have responded. This represents a success rate of 48% (over the 3-year period).

According to CDP, in the first year of disclosure only 38% of companies have an emissions reduction target. By the third year of disclosure, that figure can reach 69%.

The process of disclosing to CDP should result in targets to reduce and manage climate risk and footprint, ultimately in line with the objective of the Paris Agreement. We expanded this effort to more equity funds managed by the Group, engaging with 47 companies globally in 2021 across 8 of our funds. We also expanded our engagement efforts with CDP to include disclosure requests for their questionnaires on water and forestry issues for the companies with significant exposure in these areas.

Our next step to engagement will be to request that companies set Science-Based Targets (SBT). This will be part of our commitment to the Net Zero Asset Manager initiative we recently joined in 2022.

Finally, regular meetings and engagements with management teams are important across our funds and represent a key component of the investment teams' due diligence. We intend to be more systematic and intentional about raising ESG issues in our company meetings in the future.

Private equity and real estate

For private equity infrastructure, we engage with the managers of every asset regularly, as we are usually the majority owner of the asset.

Examples of our engagements in 2021 include:

- incentivising the manager of an asset to improve energy efficiency to reduce carbon intensity, and to implement a code of conduct
- engaging the managers of an asset to commit to 100% renewable energy

For real estate, in 2021, many of our properties have only just been acquired and therefore construction or renovation have not yet taken place. Our two first Green Committee meetings took place in 2021. Moreover, we integrated environmental annexes for all new contracts signed this year and we signed a “Charte de Chantier vert” with a construction company for one of the school facility renovation projects.

4. FOCUS ON CLIMATE CHANGE

1. General approach and objectives

In 2021, we implemented a QUAERO CAPITAL Climate Policy. This was developed as QUAERO CAPITAL recognises the Paris Agreement ambition to keep global temperatures to well below 2 degrees above pre-industrial levels, and the future ambition to limit warming to 1.5 degrees, as fundamentally important for society as well as our own investments.

The six principal elements of QUAERO CAPITAL's Climate strategy are:

1. Develop and launch financial products which invest in companies that are part of the solution to climate change
2. Perform climate-related exclusions
3. Integrate climate risks in ESG analysis and investment processes
4. Engage with companies we invest in to address climate risk and report to TCFD recommendations
5. Report on each portfolio's environmental footprint and impact for selected strategies
6. Commit to a zero-carbon operating footprint from 2021

QUAERO CAPITAL has signed the statement of support for the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). As such, we make annual disclosures in line with the recommendation in our Annual Sustainability Report, outlining our strategy and our targets.

2. 2021 achievements

Our actions related to the implementation of the Climate Strategy in 2021 were:

1. Develop and launch financial products which invest in companies that are part of the solution to climate change

We launched a new real estate product which has a particular focus on maximising energy efficiency of buildings through renovation and close management of energy use. Real estate is a very important sector for energy efficiency; renovation with increase insulation will be a significant contributor, and the fund has the aim to reduce energy use to below industry averages.

In 2021, our private equity infrastructure funds contributed to produce 692 GWh of green energy from wind and hydro sources. We also encouraged improving energy efficiency and the commitment to clean energy sources across other assets, for example with a data centre project which switched to 100% green energy sources to power its operations.

2. Perform climate-related exclusions

The exclusion list has expanded in line with the Global Coal Exit List from Urgewald with the support of the Transition Pathway Initiative (TPI) tool. We do not currently intend to extend this Exclusion Policy.

3. Integrate climate risks in ESG analysis and investment processes

We apply different approaches in respect of climate risk for different strategies.

Quaero Capital Funds (Lux) – Infrastructure Securities and **Quaero Bonds Impact Opportunities** commit to maintaining a weighted average carbon intensity below their universe. This is calculated for Scope 1 and 2 emissions, using MSCI data.

Quaero Capital Funds (Lux) – Accessible Clean Energy has 100% of its holdings which have a clear vision and strategy in line with a zero-carbon future. In addition, we monitor the level of impact the investment companies can have, with a commitment that 67% of the fund being invested in companies with >50% revenue contributing meaningfully to climate change mitigation and adaptation. Weighted average carbon intensity is monitored on a monthly basis for Scope 1 and 2 emissions, and potential avoided emissions (PAE) is calculated annually to demonstrate the impact of the companies invested in.

For the remaining public equity funds at QUAERO CAPITAL, either ESG ratings from MSCI are considered which integrate climate change as one of ten core themes for the rating, or internal ESG ratings and analysis are relied upon which consider the physical and transitional risks to the company, the impact the company has on the transition as well as the opportunities in the transition to net zero.

Private equity infrastructure funds monitor carbon intensity for the majority of assets and is currently reviewing methodologies to ensure that all assets report carbon emissions in the future. The funds also report the amount of renewable energy produced, a key metric to demonstrate the impact of the fund on the progression towards a 2-degree scenario.

The investment team considers actively ways to reduce the carbon intensity of assets. As an example of the action we take, a data-centre asset in the portfolio shifted to 100% renewable energy during 2022.

The **real estate fund OPPCI Educatio** seeks to achieve the following milestones by 2024:

1. Reduce the environmental and carbon footprint of buildings by controlling their energy consumption. By covering 100% of the assets via a system that monitors energy consumption and with a trajectory for reducing consumption in anticipation of the Eco-Energie Tertiaire law.

2. Monitor and improve the quality of air and water in order to guarantee better comfort for the occupants. By deploying a measurement plan, at least every two years, of the sanitary quality of water and indoor air for 100% of the asset.

3. Train and engage the fund's key stakeholders in environmental, social and governance issues. 100% of our tenants will be trained and made aware of these issues every year as well as our property managers and service providers.

The **real estate fund Quaero Foncière 1** promotes energy-saving work and controls the environmental impact of its assets under management. It aims at improving energy performance by anticipating regulatory changes. It also anticipates and integrates the consequences of climate change in the construction and renovation of buildings with, for example, high level certifications promoting the highest sustainable and environmental performance of buildings and energy efficiency and eco materials.

4. Engage with investee companies to address climate risk and report to TCFD recommendations

As part of the **Net Zero Asset Manager initiative**, we will set targets using the Science-Based Targets initiative (SBTi) approach, setting targets for the proportion of our investments that have set their own approved SBTs. We chose this methodology as it focuses the energy of the investment and ESG teams on engaging with companies to integrate climate risk fully into their business models, and in doing so setting themselves greenhouse gas (GHG) emission reduction targets that are in line with the best climate science. SBTs are reviewed and approved by the initiative, ensuring that the targets are sufficient to meet a 1.5-degree scenario.

In 2022, we will set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner. This will be a target for the proportion of investments that have set their own SBTs. The initial target will be for 2030 and will reflect a fair share of the 50% global reduction in CO2 identified as a requirement in the IPCC special report on global warming of 1.5 degrees.

We will continue to focus engagement on climate-related disclosures through the CDP disclosure campaign, and as a result of these commitments we will put in a place a second engagement step specifically requesting companies to set their own SBTs.

These targets will be reviewed on an annual basis. The ESG team will monitor the proportion of each fund with SBTs every 6 months and report to the Management Committee. We will also report publicly our progress towards our targets.

We already monitor the carbon intensity of the public funds relative to their relevant universes. This is shared internally with fund managers and the Management Committee monthly, and annually to clients in our Annual Sustainability Report. We report this datapoint for each investment in each portfolio to the relevant fund manager, so it can better inform them of the impact each of their investments is having and prioritise their engagement efforts.

For the real estate investments, we have developed our own ESG grid with the help of a consultant. This grid is based on indicators such as carbon footprint, water consumption, biodiversity, accessibility to public transports, disability access, etc. from the best international benchmarks, including the Observatoire de l'Immobilier Durable (OID), SDGs, PRIs and Global ESG Benchmark for Real Assets (GRESB). With the help of this ESG grid we can compare our ESG performance of assets with previous years results and identify areas for improvement and appropriate action plans. Our grid allows us to obtain a consolidated view of the ESG and climate performance of the asset.

For public equity investments, we engaged with 47 companies through the annual CDP disclosure campaign, requesting that companies disclose more information through the CDP questionnaire regarding their climate strategies and progression. In addition, we have moved ahead with a stronger position on our proxy voting which will ensure we hold more companies to account for their climate strategies and disclosures and encourage greater commitment to future GHG emission reductions.

5. Report on each portfolio's environmental footprint and impact for selected strategies

QUAERO CAPITAL measures the carbon intensity of each of its funds invested in listed equities and fixed income, comparing the fund weighted average carbon intensity (tco2/USDm sales) of each of the fund relative to a relevant benchmark.

This is the second year that we have reported the carbon intensity of each portfolio in our Annual Sustainability Report and compared it to the carbon intensity of its benchmark or a similar ETF.

The Scope 1 & 2 carbon intensity of the **Quaero Capital Funds (Lux) – Accessible Clean Energy** portfolio does not sufficiently reflect the impact of the companies that we invest in on climate change mitigation and adaptation. While all businesses need to minimise their operational carbon footprint, these figures fail to demonstrate the extent to which these companies contribute to mitigating climate change. Consequently, we report the % of revenue that we identify as 'green activities' for this fund.

In addition, we think it is important to try and frame the level of impact the products and services of the companies in which we invest are having on climate change mitigation and adaptation. We therefore have calculated internally an estimated potential avoided emissions (PAE) figure for the portfolio, based on figures reported by companies themselves. We have checked whether these figures have been verified by a 3rd party or audited, and where they have not, we have sense-checked the figures against similar companies in the portfolio. For those without calculations, we have found alternative sources, including ISS Climate. For those without calculations and for which we have not found alternative sources, we have assumed a PAE of zero. The methodology is not perfect, but we believe it is a useful exercise to demonstrate the enormous impact these companies are having on climate change mitigation.

PAE calculations estimate the lifetime emissions avoided due to products and/or services sold during the reporting year. Importantly these are based on a variety of assumptions of behaviours now and into the future.

The result, using data for 28 out of 45 positions in the portfolio, is a **PAE of 670.7m tonnes of CO2 vs. Scope 1 & 2 emissions of 153.4m tonnes** calculated for 42 out of the 45 positions. It is important to remember that this PAE figure is a broad estimate, but it is reasonable to conclude that the impact of products sold during the year will reduce CO2 emissions by multiple times the operational emissions during the same year.

For our **real estate investments**, the current level of CO2 emissions is 16.9 kg CO2 equivalent emissions per m2 vs. the average national emissions for office buildings of 16 kg per m2 in France. This level is higher than the national average due to new assets with poor energy efficiency and insulation, elements we plan to change with renovation works.

For our **private equity infrastructure assets**, we measured reported Scope 1 & 2 carbon emissions for many of our assets in 2021, however accurate carbon footprint measurement has been a challenge for some of our projects for various reasons; for many we have considered the estimation processes available to be too inaccurate to be worthwhile. We are working on improving this process and reporting the emissions for all assets. We estimated a carbon footprint of 267,165 t Co2eq, representing 35% of the portfolio.

6. Commit to a zero-carbon operating footprint from 2021

We measured our carbon footprint in line with GHG protocol for 2021 by collecting data from our staff on their annual travel, their commute to work and the energy use of our offices. Our intention is to take steps to reduce our emissions as much as possible. We will compensate for the emissions we cannot avoid by using carbon offsets linked to projects that are additive, meaningful and permanent.

The last few years have been significantly affected by the COVID-19 pandemic, so the volatility in our emissions can be explained by long periods of home-working and reduced business travel during both 2020 and 2021. However, we do see an impact from certain efforts we have made to reduce our carbon emissions, limiting 2021 carbon footprint growth to just 7% vs. 2020 despite longer periods of more normal activity. There are a few elements to highlight:

- The most significant reduction from 2019 to 2020 and 2021 has been the drop in business travel. This is certainly affected by the pandemic, with km travelled down 75% in 2020 from 2019. This is, however, also due to different choices made about whether travel is necessary, and whether a train is a feasible and much lower carbon option. In particular, travel between Paris and Geneva is now largely done by train rather than plane. In 2021, we travelled 17% more km than in 2020, but our carbon footprint from this travel was just 1.4% higher. We hope to see these actions continue to help reduce our footprint, although acknowledge that as the pandemic subsides, more travel may be required as a part of our business
- Our renewable energy contracts across offices have ensured the footprint from our energy consumption in offices remains very low at just 1.9 tonnes
- Fewer of our employees drove to work in 2021 than during 2019, and more of those that do drive, do so in electric or hybrid vehicles than previously. This has reduced the

emissions from driving during commutes by 75% and reduced our Scope 3 emissions by 14 tonnes of CO2

- We have improved our calculations, still following the GHG protocol but updating the carbon intensity load of certain activities for 2019 as well as for the newly calculated years. This update was due to the reflection that the carbon intensity used in the calculation was significantly higher than the real carbon intensity in some the markets that we operate, principally France and Switzerland. We had chosen from a limited list of either US, UK and Other, and the UK option we selected was almost twice the reported carbon intensity in both these markets. As an example, we now calculate the carbon intensity for Eurotunnel travel by employees as reported by the Eurotunnel directly, and this is less than half the assumed carbon intensity of train travel in the UK. This has reduced our estimated carbon footprint for 2019 is now 21 tonnes lower than previous estimated

At QUAERO CAPITAL, we hold ourselves accountable for making every effort to ensure that our business positively impacts society, while simultaneously achieving our business objectives.

In order to continue reducing our environmental impact, we follow numerous actions:

- **Eliminate our use of unnecessary single-use plastics**. In most of our offices, we no longer offer staff and client drinking water in plastic bottles. We instead provide each employee with a glass bottle that they can refill as often as they like at filtered water sources in our offices. We estimate that by eliminating single-use water bottles, we have reduced our global output by about 500 plastic bottles a week
- **Promote recycling**. In most of our offices we ask our staff to recycle all material possible across our offices, including (but not limited to) paper, plastics, aluminium, glass, and ink cartridges.
- **Use renewable energy.** Our Geneva headquarters runs on 100% renewable energy, and we are looking to implement the same in our other offices and we plan to do the same for our office in London by 2021.
- **Limit business travel.** We actively encourage our employees to participate in video conferences as an alternative to business travel wherever possible.
- **Reduce our carbon footprint.** Since 2020, we undertake for our Group staff an extensive process of mapping our principal carbon emissions in line with the GHG protocol. This includes Scope 2 emissions (electricity used in offices) and Scope 3 emissions (business travel and employee commutes). Our priority is to reduce our footprint through minimising business travel emission where possible, encouraging employees to commute by public transport and bicycle and maximising energy efficiency in office buildings. Alongside these efforts, we commit to offset remaining carbon emissions through carbon offset projects. We believe this is a valuable and meaningful tool only if it is with fully audited and verified programs to ensure the projects are additive, meaningful, and permanent.

5. FOCUS ON BIODIVERSITY

The Convention on Biological Diversity adopted in 1992 at the United Nations was developed to protect the intrinsic value of biological diversity and the ecological, genetic, social, economic, scientific, education, cultural, recreational and aesthetic values of biological diversity and its components. It reflected an acceptance that biological diversity is being significantly reduced by certain human activities and that it is vital to prevent the causes of significant reduction or loss of biological diversity at source.

1. General approach

We see climate change mitigation and biodiversity protection as aligned environmental objectives. Companies that contribute to climate change mitigation should be helping to protect biodiversity.

For our public equities and fixed income funds, we apply an Exclusion Policy which excludes companies in severe and systemic breach of UN Global Compact principles, one of which is the environment. We refer to exclusions by the Norwegian State Pension Fund, and their ethics committee, to compile this list. Currently we exclude 9 companies based on their impact on biodiversity. This list includes companies that are destroying tropical rainforest, companies mismanaging mines, companies constructing in areas of important biodiversity and companies selling threatened species.

We monitor both MSCI ESG ratings and controversy data. MSCI ESG ratings incorporate the impact a company has on biodiversity including the impact on rare species and species diversity, over-exploitation and depletion of natural resource and land contamination. Our internal analysis considers these factors alongside. MSCI Controversies measure a company's alleged involvement in adverse impact activities as reported by the media, NGOs and other stakeholders. One of the factors considered is biodiversity and land use.

For our investments in private equity infrastructure, biodiversity is of high importance in both the due diligence phase and the management period of the asset. Many of our investments are greenfield projects, which require in-depth studies on the impact of the nature on the biodiversity of the area. During management of assets this is also particularly important. Especially so for the wind turbines, where prevention of birds and bats colliding with the turbines is of high importance.

For our investments in real estate, biodiversity is high on the agenda in regulation for both new construction and building renovation, so it is carefully considered. Biodiversity is an element of the ESG grid used to evaluate each asset, it includes a rating on whether an ecological study has been performed, whether habitats have been protected, and whether action has been taken to preserve of both flora and fauna.

2. Contribution to the reduction of key pressures and impacts on biodiversity

Private equity infrastructure

In 2021, after having witnessed several bird and bat fatalities and being aware of the importance of protecting biodiversity around our projects, we decided to use the services of specialized companies developing, installing and operating artificial intelligence-based wildlife detection systems, Biodiv-Wind SAS, for wind farms.

Since 2015, Biodiv-Wind SAS has equipped nearly 250 wind turbines in western Europe, including France, Germany, Spain, Austria, Belgium and carried out wildlife studies in several other countries (Finland, Iceland etc). The system detects moving targets around wind turbines and sends a signal to automatically stop the turbines in case of potential collision.

So far, the installation of this solution has proven to be beneficial, and we have therefore planned to install the system on other wind farms in 2022, where the monitoring of bird activity has detected potential threats toward bird life.

In addition, the micro-hydro power plants in France are equipped with the required installations that allow fish migration up and down the river. We also pay yearly contributions to local water associations that contribute to the financing of projects that improve the ecological continuity of the surrounding rivers.

Moreover, for some construction sites of our power generation asset in Mayotte, we have signed agreements confirming that we would help the reforestation of specific indigenous species of trees as well as various compensatory measures contributing to the maintenance of the ecosystem. We also conducted thorough impact studies by well recognised NGO in the region.

For real estate assets, the strict regulation applied in France, where we currently invest requires that the impact of the building and any renovation on biodiversity be carefully managed and minimised We work hard to ensure that we always at minimum meet those already high regulatory standards. For an asset under construction in 2021, we have installed solar panels on the roof which are used to collect water during rainy days. We have also installed large green spaces including ponds to support local wildlife and insects.

For our public equities and fixed income funds, it is still challenging to effectively monitor the impact each company has on biodiversity. The data reported is inconsistent, unaudited and often missing entirely. We do, however, monitor controversies as they become public, and avoid those that are having a significantly negative impact on biodiversity and the environment in general.

3. Challenges regarding biodiversity-related measure

We do not currently identify any biodiversity footprint indicator that is sufficiently thorough in its measurement and widely available across multiple assets to be helpful. We have seen crude measures such as exposure to palm oil used in the industry, but we do not believe this is helpful. Palm oil has many important uses and is higher yielding than alternatives. The fact that it requires less land (for the same production) implies that its impact on biodiversity is lower than the next best option. Clearly, deforestation for the plantation of palm is unacceptable and has a significantly negative impact on biodiversity (and climate change), but sustainable palm oil is an important commodity.

Biodiversity ratings and metrics from rating agencies have limited coverage of companies and therefore are only of limited use.

As a member of France Invest, we are monitoring their work on Biodiversity.

Objective

QUAERO CAPITAL is not in a position at this stage to provide a quantitative biodiversity target but has begun an internal reflection on this subject. A progress report of this reflection will be communicated next year.

6. QUAERO CAPITAL'S ESG COMMITMENTS & ACCOUNTABILITY

1. ESG commitments

Collective initiatives

QUAERO CAPITAL adheres to:

- The UN Principles for Responsible Investment (PRI) since 2015
- The Carbon Disclosure Project (CDP) since 2019
- The Institutional Investor Group against Climate Change (IIGCC) since 2018
- Task Force for Climate-related Financial Disclosures (TCFD): we have publicly pledged our support to the aims of the TCFD since 2020
- Finance for Tomorrow since 2022
- Sustainable Finance Geneva since 2019
- Swiss Sustainable Finance since 2019
- France Invest since 2016

We joined the CDP and IIGCC in recognition of the growing threat of climate change and the need for the investment community to act to finance the solutions. It is also in our capacity to engage with companies and steer them to respond more meaningfully to the issue of climate change, and we work with CDP and the IIGCC to engage with companies on these issues.

We have recently signed the Net Zero Asset Manager Initiative and will shortly be setting targets for our investments to be in line with the Paris Agreement by 2050. Our intention is to increase our engagement efforts with companies in which we invest to encourage them to set SBTs themselves.

Certifications

Two QUAERO CAPITAL funds have been certified with the ISR Label – OPPCI Educatio and Quaero Capital (Lux) - Infrastructure Securities. Obtaining the ISR label is the result of an in-depth audit of each stage of the fund's investment process, ensuring the robustness of the stock selection methods and the adherence to demanding ESG standards. This implies that within the investment universe, 20% of companies in the funds' universes are excluded from allocation decisions due to poor performance on ESG criteria. In addition to these initial criteria, the fund looks at the climate risk reduction policies of the companies under consideration.

2. Accountability & transparency

All policy documents related to our UCITS, Quaero Capital Funds (Lux), are available on our website and ensure they are available to all clients and prospects. In addition, ESG policies for each individual fund are stated in regulatory documentation including the prospectus, KIIDs (Key Investor Information Document).

In addition to the Annual Sustainability Report, we publish annual reports including:

- Private equity impact reports
- Real estate impact reports
- Article 9 fund impact reports

Please contact us to receive a copy of the above reports.

The monthly factsheets of Article 8 and 9 funds integrate ESG data including MSCI ESG fund ratings, MSCI fund ratings for E,S and G separately, the distribution of ESG scores within the fund, the weighted average carbon intensity as well as the ratings for the top five holdings.

We also report KPIs that are most relevant to the strategy for certain funds:

- Quaero Capital Funds (Lux) – Accessible Clean Energy reports % green revenue
- Quaero Capital Funds (Lux) – Infrastructure Securities reports board independence percentage (with a commitment to maintain a better score than the universe), female director percentage and UN Global Compact signatory percentage.

We publish regular newsletters and articles on ESG topics, covering both themes relevant for sustainable investments and strategies of our products.

APPRENDIX – CROSS REFERENCING TABLE WITH ARTICLE 29 OF THE FRENCH ENERGY-CLIMATE LAW

Required information under decree N°. 2021-663 of May 27, 2021.		**Related section**
General approach of the entity	Presentation of the entity's general approach to taking ESG criteria into account, particularly in its investment policy and strategy	ESG general approach & strategy of QUAERO CAPITAL – page 6
	Content, frequency and means used by the entity to inform members, contributors, on the criteria related to ESG objectives considered in the investment policy and strategy	QUAERO CAPITAL's ESG commitments & accountability – page 28
	List of financial products mentioned under Article 8 and Article 9 of Regulation (EU) 2019/2088	Annex I - Classification of funds according to SFDR – page 30
	The entity's adherence to a charter, a code, an initiative or obtaining a label on the consideration of ESG criteria, as well as a summary description of these	QUAERO CAPITAL's ESG commitments & accountability – page 6
Internal means to contribute to the transition	Description of the financial, human, and technical resources dedicated to taking ESG criteria into account in the investment strategy in relation to the total assets managed or held by the entity	Resources dedicated to ESG – page 12
	Actions taken to strengthen the entity's internal capacities	Resources dedicated to ESG at QUAERO CAPITAL – page 13
ESG governance within the financial entity	Knowledge, skills, and experience of governance bodies	ESG in QUAERO CAPITAL's governance – page 11
	Inclusion in remuneration Policy of information on how this policy is tailored to incorporate sustainability risks	Integrating ESG into remuneration – page 14
	Integration of ESG criteria in the internal rules of the entity's board of directors or supervisory board	ESG in QUAERO CAPITAL's governance – page 11
Engagement strategy with issuers or managers	Scope of companies concerned by the engagement strategy	QUAERO CAPITAL'S Engagement Policy - page 16
	Presentation of the Voting Policy	Voting Policy – page 16
	Assessment of the engagement strategy implemented, which may include the proportion of companies with which the entity has initiated a dialogue, the themes covered, and the actions taken to follow up this strategy	Engagement Policy – page 18
	Report on the Voting Policy, on the tabling and voting of resolutions on ESG issues at general meetings	Voting Policy – page 16
	Investment strategy decisions, including sectoral disengagement	Engagement Policy – page 18
Sustainable investments and investment in fossils	Share of AuM related to sustainable activities.	NA
	Share of exposure to undertakings active in the fossil fuel sector	NA

Strategy for alignment with the Paris Agreement	Quantitative target by 2030, reviewed every five years until 2050	Focus on Climate Change - General approach and objectives – page 21 Commit to a zero-carbon operating footprint from 2021 – page 24
	Where the entity uses an internal methodology, elements on it to assess the alignment of the investment strategy with the Paris Agreement	Report on each portfolio's environmental footprint and impact for selected strategies – page 23 Commit to a zero-carbon operating footprint from 2021 – page 24
	Quantification of results using at least one indicator	Report on each portfolio's environmental footprint and impact for selected strategies – page 23
	Role and use of evaluation in investment strategy	Report on each portfolio's environmental footprint and impact for selected strategies – page 23
	Changes in investment strategy related to the Paris Agreement alignment strategy	2021 achievements – page 21 Engage with investee companies to address climate risk and report to TCFD recommendations – page 22
	Possible follow-up actions on results and changes	2021 achievements – page 21 Engage with investee companies to address climate risk and report to TCFD recommendations – page 22
	The frequency of the evaluation, the projected update dates and the relevant development factors selected	General approach and objectives – page 6 Report on each portfolio's environmental footprint and impact for selected strategies – page 23 Commit to a zero-carbon operating footprint from 2021 – page 24
Biodiversity alignment strategy	A measure of compliance with the objectives of the Convention on Biological Diversity adopted on June 5, 1992	NA
	An analysis of the contribution to the reduction of the main pressures and impacts on biodiversity	Contribution to the reduction of key pressures and impacts on biodiversity – page 26
	Mention of support for a biodiversity footprint indicator	Challenges regarding biodiversity-related measure – page 27
Integration of ESG risks in risk management	Processes for identifying, assessing, prioritizing, and managing risks related to the consideration of ESG criteria, and the way risks are integrated into the entity's conventional risk management framework	Focus on Biodiversity – page 26 Focus on Climate Change – page 21 ESG Integration into our investment strategy – page 8 ESG risk management – page 9
Measures for improvement	If the entity does not disclose some of the required information, it shall, where appropriate, disclose a continuous improvement plan	NA

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Quaero Capital (France) SAS est une société de gestion d'actifs autorisée par l'Autorité des Marchés Financiers (www.amf-france.org) sous le numéro GP-14000016 au 17 juin 2014. Il s'agit d'une société par actions au capital de EUR 250'000, ayant son siège social au 4-8, rue Daru, F-75008 Paris, France. Elle est inscrite au registre du commerce de Paris sous le numéro 802 673 491.

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Quaero Capital LLP is registered in England as a limited liability partnership (No. OC314014).
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Quaero Capital LLP is authorised and regulated by the FCA

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