Article 29
LOI ENERGIE CLIMAT
REPORT 2023

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 here ESG Documents - QUAERO CAPITAL under "SFDR 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

2023 was a more challenging year for sustainable investment. We saw some global asset managers significantly reduce their stewardship efforts in the face of the growing pressures in the US, with some stepping back from collaborative climate engagements and many supporting far fewer environmental and social proposals at AGMs. Fewer ESG funds were launched than in the previous years, and there has been some sense of ESG fatigue reported by industry players. Some governments and companies are watering down their environmental and social objectives, and rising interest rates created a challenging backdrop for the clean energy industry.

However, at the same time, regulation steams ahead globally on disclosure for environmental and social issues for both asset managers and corporations. Environmental and social regulation targeted at industry also continues apace, such as the EU Regulation on deforestation-free supply chains or the strict emission standards for coal and natural gas plants in the US. Renewable energy capacity added in 2023 grew 50% since 2022, the fastest growth rate in 20 years, resulting in the International Energy Agency (IEA) increasing its forecasts for renewable energy capacity in 2027 by 33%. In this environment we see many asset owners maintain or increase their commitment to sustainable investment.

Meanwhile, outside of markets and government action, climate change impacts were felt more acutely in 2023 than ever before. 2023 was the hottest year on record globally, already 1.4°C warmer than pre-industrial levels relative to the global goal of limiting warming to just 1.5°C as per the Paris Agreement. These rising temperatures brought more extreme weather events; the unpredictable nature of weather as temperatures rise is a risk that some insurance companies are already considering uninsurable.

At QUAERO CAPITAL our commitment to ESG and to climate has not been swayed by these market changes, and our conviction about the importance of contributing to the fight against climate change has not changed. During 2023, we launched a third infrastructure fund with an objective of contributing to the Sustainable Development Goals (SDGs) with a particular focus on climate change and water efficiency. Across our three infrastructure funds, we produced 1.7m MWh of renewable energy, while we work with our other assets to reduce their energy use and switch to renewable energy providers. Across the listed funds we continue to engage with companies, pushing for greater climate-related disclosures and encouraging companies to set Science Based Targets, as part of our commitment to the Net Zero Asset Manager initiative.

We focus ahead on continuously improving our processes while providing sufficient disclosure for asset owners and for regulators. We hope for consistency in how regulators approach the industry, to ensure that asset managers can focus time on ESG analysis and impactful actions. Finally, we will continue to work with our investment companies, not against them, to improve the way they impact society and the environment.

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 – whether this analysis highlights risks or opportunities.

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, as sustainability factors influence industry dynamics and growth, there are multiple driving forces creating new opportunities across all industries.

While 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 aware 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 we evaluate a wide range of sustainability risks depending on the asset and the materiality of each risk to that asset, we specifically identify three topics that are core to our approach. We consider them when we assess the company and when we engage with the company in the context of our active ownership:

- **climate change adaptation and mitigation**,
- **climate transition** and
- **strong and accountable governance structures**.

Our climate policy as well as the recent investment strategies we have launched demonstrate our commitment to climate change. Our preference for long-term investment and active management implies that consistent priority is placed on strong governance structures.

2. Exclusion policy[1]

Norms-based exclusions

QUAERO CAPITAL follows a principles-based approach to responsible investment matters, applying certain exclusions to avoid allocating capital to companies that consistently and systematically cross ethical lines.

While we take our fiduciary duty to investors to maximise returns very seriously, we are confident that we 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 applies the principles of the UN Global Compact to assess the behaviour of companies. Companies that are in severe and systemic breach of these principles are excluded from our investment universe.

Sanctions

[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.

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 “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 Ottawa Treaty (1997), which prohibits the use, stockpiling, production, and transfer of antipersonnel mines
- The Oslo Convention on Cluster Munitions (2008), which prohibits the use, stockpiling, production and transfer of cluster bombs
- The Chemical Weapons Convention (1993), which prohibits the use, stockpiling production and transfer of chemical weapons
- The Biological Weapons Convention (1972), which prohibits the use, stockpiling, production and transfer of biological weapons
- The Treaty of the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States

Climate-related exclusions

QUAERO CAPITAL excludes investments in:

- Companies that make more than 10% of revenues from coal mining and/or coal thermal power generation
- Electricity production companies with coal-powered plants contributing >10% 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.

QUAERO CAPTIAL listed funds that are article 9 under SFRD and/or have the ISR Label exclude unconventional oil & gas. The exclusion policy excludes companies operating upstream in unconventional oil and gas for which either:

- Have a share of unconventional fossil hydrocarbons production >30%
- Have short-term expansion plans in unconventional fossil fuel hydrocarbons > 0%

The exclusion list is aggregated using the Global Oil & Gas Exit List from Urgewald

For funds covered by the policy, these exclusions are applied by the risk team to pre-and post-trade checks. In 2023 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
- Oil and mining 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 gCO2e/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 private equity infrastructure funds at QUAERO CAPITAL. In 2023, 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.

The funds *Quaero Bonds Impact Opportunities* and *Quaero Capital Funds (Lux) – Bond Investment Opportunity* both have an additional exclusion list that applies to companies in the following sectors: casinos and gaming, cruises, alcoholic beverages, tobacco, cannabis, integrated oil, exploration and production, intermediate sector - oil and gas, refining and marketing, drilling and drilling assistance, oil services and equipment, extraction of minerals and precious stones. It also excludes companies that are located in authoritarian regimes because of ESG risks. The fund managers do not believe that companies in these countries can meet sufficient ESG standards. We have chosen to use The Economist Democracy Index to determine these exclusions, excluding all countries identified as 'authoritarian'. The index is updated annually following the publication of each update report. Non-cooperative jurisdictions at risk of money laundering, terrorist financing and tax evasion are also excluded.

3. ESG Integration into our investment strategy

1. General approach

For 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, pursue 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 is strategically risky to depend on consumption of environmental resources, but we expect

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

future regulation to make polluting more expensive. One of the elements we want to assess is how much a company reduces exposure to such risks compared to its peer group.

Social factors considered include well-researched factors that have proven 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 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 behaviour 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 asset type

Public equities and fixed income

We face issues of transparency and ESG data quality in certain markets such as China and Eastern Europe, where reliability of external ratings might be questioned. In developed markets, we may also face challenges with ratings for smaller companies, that might not report as many datapoints as larger firms. Fewer datapoints and limited disclosure often lead to a lower rating, which might not fairly reflect the reality of the company. When we consider that we cannot rely on external ratings (emerging markets and small companies), we focus on our own ESG analysis and due diligence and avoid a ‘ratings-focused’ ESG process. For developed markets and larger companies, we have more confidence in the quality of external ESG ratings and therefore use them as a dependable ESG screening tool. Nevertheless, we also consider very important to have our own view in addition to external ratings.

Private equity and real estate

Investment strategies in European infrastructure systematically integrate a review of environmental and social issues in the projects’ analysis. The infrastructure projects we consider provide concrete solutions to various societal needs: knowledge infrastructure such as optic fibre 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. Our real estate strategy adopts a "Best-in-Progress" approach. We focus on improving the ESG performance of our properties rather than acquiring properties that are already performing well. We enhance the value of our properties by taking actions to improve their ESG performance. This involves levers relating to the use, maintenance and operation of the assets. The actions are undertaken in close collaboration with tenants and technical staff.

The investment time horizon for our 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. Using the Sustainable Development Goal (SDG) framework, we identify the KPIs that are most material and we collected them on an annual basis. Objectives are agreed over time, so that we ensure the projects 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

When we select third party funds, a key part of the fund manager selection process is to understand:

- How sustainability risks are integrated in the management of the third-party fund by the asset manager
- The philosophy and commitment of the asset manager at corporate and fund level

The annual questionnaire we send out to each of our providers enables us to understand how sustainability risks are considered, what level of expertise each asset manager/investment team has on key sustainability topics and whether there is alignment with the QUAERO CAPITAL philosophy. We expect third party asset managers' stewardship policies and activities to align with our own.

4. ESG risk management

The risk team has oversight on 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 have a policy (the engagement policy) to pursue ongoing and active dialogue with the management teams. One of the areas we focus on: encouraging the companies we invest in to be more transparent on their ESG strategies and to increase ESG reporting/disclosure
- Implementation of efficient and reliable monitoring tools in order to check the ESG profiles of the companies we invest in (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 encourage companies to reduce ESG and climate risks when we engage with them

We evaluate physical climate risks on a case-by-case basis, but for the majority of our current investments we consider these risks to be low.

2. RESOURCES DEDICATED TO ESG AT QUAERO CAPITAL

1. ESG in QUAERO CAPITAL's governance

ESG Strategy at QUAERO CAPITAL is defined at Group level and is led by Quaero Capital SA.

Quaero Capital SA – ESG Committee

As the company evolves and the variety of funds and asset classes increases, it is important that we develop our approach to ESG investing in a consistent and coordinated manner. To drive this process, we have appointed an ESG committee with senior representatives from across the organization.

The ESG committee has oversight and responsibility for the development and integration of the sustainability policies through both the company's investments and its own corporate behaviour.

The ESG committee of Quaero Capital SA defines the strategy of the company in terms of ESG and climate risks. The proposed strategy is then approved by the Management Committee of each QUAERO CAPITAL entity.

The composition of the ESG committee is available on our website. As at the date of this document, its members are:

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
- ESG policies and their implementation
- Internal ESG reporting and monitoring
- Internal initiatives to promote ESG internally and externally
- Proposed ESG training for approbation
- Draft version of the Annual Sustainability Report prior to approval
- Any important ESG issues/questions related to the investment process
- Client requests related to ESG
- Client reporting on ESG aspects

The proposed strategy is then approved by the Management Committee of each QUAERO CAPITAL entity, including Quaero Capital (France) SAS.

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
- Deborah Gewinner

Sebastien Bourget, Jean Keller, Guillaume Launay and Thierry Callault are also members of the Management Committee of Quaero Capital (France) SAS and, as such, can share 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.

As president, Sebastien Bourget 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
- Simon Marquaire

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 four employees. The composition of the team is available on our website.

The ESG team has various responsibilities at corporate/entity level. In particular, 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 ESG team also brings support to the various investment teams. This support may differ according to investment strategies. More generally, the team oversees:

- ESG strategy and formulation of policies
- Updating ESG exclusion policies
- Oversight and administration of proxy votes
- Oversight and support of engagement efforts
- Corporate sustainable responsibility at Quaero Capital (France) SAS
- Ensuring all relevant teams are up to date and aware of changes in the ESG strategy
- ESG training
- ESG analysis of target companies
- Thematic research
- Support on the design of fund-level ESG processes
- ESG reporting

The team is led by Georgina Parker

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 small&mid-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.

An organisation that enhances ESG awareness and knowledge

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. A 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 exchanges on ESG issues and topics.

The ESG team spent considerable time with specific funds in 2023. More specifically, they spent about 15 hours with the Quaero BIO team and 25 hours with the real estate team, working on ESG integration and impact reporting. Regular time is invested with the Accessible Clean Energy team, working on estimating green revenues for investments and assessing sustainable investments.

The legal team also assisted in bringing awareness of ESG matters and ESG regulatory developments to the management of QUAERO CAPITAL last year.

The ESG team also commits to keeping themselves up to date by

- regularly reading new research and market commentaries,
- following evolution of the regulation for both the asset management industry and the various industries in which we invest, and
- learning best practice from peers in the industry.

Financial means to support QUAERO CAPITAL's ESG strategy

In 2023, QUAERO CAPITAL spent nearly CHF 200'000 on ESG ratings, memberships, ESG audits and consulting fees (to improve ESG processes and frameworks), in addition to the total compensation of the employees in the ESG team.

Subscriptions include:

- 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
- Carbone4 a climate and biodiversity expert which provides data set which help us measure the impact of the portfolios
- Conser portfolio checks, which provides QUAERO CAPITAL with carbon footprint portfolio data as well as exposure to green sectors and fossil fuels

Consultant fees:

- Sirsa, a consultant with experience in sustainable strategies in infrastructure investments, which helped us develop our impact investing approach for the launch of a third infrastructure fund
- SBRE a consultancy firm with expertise in sustainable real estate, which continues to support the real estate strategies in benchmarking and advice

ESG, a commitment throughout QUAERO CAPITAL

Beyond the ESG team, all investment team members have integrated ESG issues into their daily activities. In the various steps of the investment process, this includes reviewing and analysing ESG research and ratings. As part of our active ownership philosophy, this means engaging with companies 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 teams 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 system 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 those risks be financial or non-financial (compliance risks, sustainability risks, etc), and avoids conflicts of interest. The remuneration policy is aligned 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:

1. Guarantee alignment of remuneration with effective risk management

Our remuneration policy aims at aligning remuneration with effective risk management while encouraging employees to promote lasting success and stability of the Group. A Remuneration Committee meets at least once a year to rule on the various subjects related to remuneration. The key executives of the Company as well as the Compliance Officer attend this committee.

2. 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.

4. A responsible company

We recognise that we can deliver value for our investors thanks to the dedication of our teams. It is therefore 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 employees and job applicants, regardless of (amongst others) their gender, religion, race, nationality, age or sexual orientation.

In 2019, two years before it became law in Switzerland, we implemented in our Swiss offices a paternity leave policy, offering a 2-week paternity leave during the year following the birth of a child.

In 2020, just before the pandemic, we introduced a flexible working policy in Switzerland where employees can work from home one day per week.

In France

As part of the provisions incorporated by the RIXAIN law into article L-533-22-2-4 of the French Monetary and Financial Code, Quaero Capital (France) SAS wishes to work towards reducing the gender gap in the teams, bodies and managers responsible for making investment decisions, while taking into account:

- The current composition of the teams concerned and the low turnover within them
- The constraints linked to the size of the company and the investment management teams
- The possible absence of new positions in these teams
- The possible under-representation of one gender in the applications received when recruiting to these teams

3. QUAERO CAPITAL'S ENGAGEMENT STRATEGY

1. Stewardship

QUAERO CAPITAL is committed to a sustainable form of capitalism.

- Where companies are run for the long-term and not for short-term profit maximization
- Where stakeholders are considered alongside shareholders
- 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

We consider that such companies are likely to have better management of such risks, which should lead to better long-term financial performance.

As an asset manager, QUAERO CAPITAL has a responsibility to act as a good steward of capital on behalf of its clients through active stewardship, including direct engagement on these issues with company management teams.

We welcome opportunities to collaborate with other shareholders and are an important partner to the CDP disclosure campaign, often taking a leading investor role to engage with companies to disclose greater detail of their climate strategies.

QUAERO CAPITAL 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.

We actively seek other organisations we can work with and encourage organisations to expand collaboration opportunities for smaller asset managers.

QUAERO CAPITAL has defined two policies to guide its team performing stewardship: the engagement policy and the voting policy. The QUAERO CAPITAL engagement policy[3] applies to 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. See the *Quaero Capital Funds (Lux) - Argonaut Engagement Report* for more details (ESG Documents – QUAERO CAPITAL).

For **private equity** and **real estate** funds, investments are predominantly majority owned, which provides 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. These are outlined in fund specific documentation that is available upon request.

2. Voting policy[4]

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 it is part 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.

[3] Scope of this policy – all equity funds except for ATD Quart Monde and *Quaero Capital Funds (Lux) – World Opportunities*. 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*

[4] Scope of this policy – all equity funds except for ATD Quart Monde and *Quaero Capital Funds (Lux) – World Opportunities*. 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) – Bond Investment Opportunity, Quaero Capital Funds (Lux) – Yield Opportunities* and *Quaero Bonds Impact Opportunities*. See voting policy.

In 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.

The information we receive includes:

- A comparison with country and industry peers
- In-depth analysis of the balance of skills of a corporate board
- Evaluation of compensation plans

Voting decisions are made by PMs, with advice from the ESG team. Proxy voting is completed through an online platform by the ESG team in compliance with instructions from the PM(s) of each fund.

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. Therefore, in 2022, **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.

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 compensation 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 2023

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.

Funds	Total votes	% of votes made	% against or abstain	Reason for vote against
Quaero Capital Funds (Lux) – Accessible Clean Energy	632	100%	10%	1 - (22) Compensations. 2 - (19) Board Related. 3 - (11) Capital Management.

Table 1: Proxy voting by fund during 2023
Source: Glass Lewis, January 2024

The votes against management were for proposals that fall short of best practice. Many of these relate to governance, including excessive or poorly structured remuneration proposals. There were social votes, such as against a board director nomination due to insufficient diversity on the board. And finally, environmentally motivated votes such as when the company offers insufficient climate related disclosures or failure to adopt a science-based GHG Emission reduction target

We have also voted against proposals for the authority to repurchase and reissue shares that could be used as an anti-takeover strategy

For details on voting for all QUAERO CAPITAL funds, please see our website.

3. Engagement policy

1. General approach

Public equity funds[5]

For companies where QUAERO CAPITAL has significant influence, such as when ownership amounts to more than 1% of the company, or when a good relationship has been built with company management, the ESG team 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.

Opportunities to collaborate with other shareholders are welcomed. QUAERO CAPITAL is an important partner to the CDP disclosure campaign, often taking leading investor role to engage with companies to disclosure greater detail of their climate strategies, and more recently has started engaging with many companies across the portfolios encouraging them to set Science Based Targets as part of our commitment to the Net Zero Asset Manager initiative. QUAERO CAPITAL is also a signatory to the IIGCC and co-sign their engagement letters to governments and companies on climate change issues.

QUAERO CAPITAL actively seeks other organisations to work with and encourage organisations to expand collaboration opportunities to investors in smaller cap and niche

[5] Scope of this policy – applies to all listed except *Quaero Capital Funds (Lux) – World Opportunities*. 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) – Bond Investment Opportunity, Quaero Capital Funds (Lux) – Yield Opportunities* and *Quaero Bonds Impact Opportunities*. See engagement policy.

markets which individually make up a large proportion of economies and are a focus for many of our investment strategies.

Engagement consists of

1. Discussions with companies held in the portfolio to better understand sustainability 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, the European Infrastructure Funds are committed to promote sustainable governance, efficient asset management, and a scrupulous approach to risk analysis and management. In this context, the 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.

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 2023

For the fifth consecutive year, in 2023, we engaged into a cross-fund engagement effort and joined the CDP disclosure campaign, an annual collaborative campaign aimed at companies we invest in to encourage greater transparency of climate risk and strategy.

While the *Quaero Capital Funds (Lux) – Accessible Clean Energy* fund invests in companies that already contribute significantly to climate change mitigation, for some companies we see their climate-related disclosure falls short of best practice. There are very few of such companies in the Accessible Clean Energy fund, but nevertheless the fund was part of the annual CDP (carbon disclosure project) disclosure campaign and requested disclosure from two companies to the CDP questionnaire.

Once companies are providing climate disclosure, we take the next step of engaging with them to set Science Based Targets, as once companies are effectively measuring their footprint we need to see emissions reduced to support a 1.5 degree scenario. During the year we engaged with 13 companies. Three companies responded with insights into their future plans, with intention to set net zero targets in the future. We will continue to engage with all companies on this issue.

Alongside climate disclosure, we also engage companies on disclosure of water and forestry use. Indeed, while we invest in companies focused on the energy transition, we also want them to operate with high environmental and social standards. This includes consideration of their impact on land, water and biodiversity.

We engaged less on these issues this year due to the types of investment in the portfolio, engaging only one company on Forests and none in the water theme.

Private equity and real estate

Private equity infrastructure – as we are usually the majority owner of the asset, we engage with the managers of every asset on a regular basis.

While preparing for the launch of QEIF III in 2023 and the increase of regulation requirements, we decided to update our ESG annual reporting grid to collect more extended and precise information regarding our investments. In order to carry out the most comprehensive assessment, we introduced this new grid to the project managers and discussed with them how to collect data and in particular on their carbon footprint.

Overall, we managed to engage with 100% of the assets of our three funds, either with the project managers (89% of QEIF, 66% of QEIF II and 100% QEIF III) or the person from the investment team in charge of the projects. The discussions were very constructive. Most of the project managers are aware of the importance of transparency and data quality and are working to reduce their footprint by increasing their renewable energy sources and improving their transparency on data collection. For example, part of scope 3 CO_2 emissions was calculated for the first time for our two hospitals *Tajo* and *Brescia*, our water assets *Aqlara* and *Socamex,* our data centres at *Baltic Rezo*, and our optic fibre projects at *Rezo Participations*. A thorough assessment of their employees' commuting and business travel have been conducted asking employees to respond to specific questionnaires.

Specific initiatives are being undertaken at different assets. As a few examples:

- The water management company *Socamex* has an objective to minimize the quantity of electricity consumed and, in 2023, 89% of its energy consumed was from renewable sources versus 63% in 2022. It also had its sustainability report assessed and certified by a third-party
- *Infracorp in Rezo Participation* plans to green its equipment fleet by purchasing electric, hybrid or gas-powered vehicles. In 2023, this represented 6% of the fleet (up from 3% in 2022)
- For *Baltic Rezo* assets, two data centres are now running with 100% energy coming from renewable sources and the third one with 72% aiming to be 100%
- *Hospital Tajo* continues to work on reducing its carbon footprint, with initiatives to increase recycling and improve the building's energy efficiency. The efforts made are not clearly seen in the data due to a new calculation methodology from the Spanish Ministry of Ecology
- Our renewable assets in France – the wind farms, hydro and solar projects – all maintain strong relationships with communities, authorities and environmental experts; thousands of euros were spent on tree planting

Real estate – in 2023, 49% of our buildings are monitored for energy consumption, a decrease since 2022 due to investment in new assets and divestment from a building renovated to the high BREEAM standard. In anticipation of the application of the French law 'decret tertiaire' and applying our own objective of good energy management in our buildings, we decided to use the services of the company iQspot, which continuously collects and aggregates the data emitted by sensors installed on the meters (water, gas, electricity, heating/cooling networks etc.). This helps us to plan construction and renovation works to save energy and control the environmnetal impact of the buildings.

4. FOCUS ON CLIMATE CHANGE

1. General approach and objectives

In 2021, we implemented our 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. 2023 achievements

Our actions related to the implementation of the Climate Strategy in 2023 were:

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

During 2023, we launched a new private equity infrastructure fund focused on investing in key sustainable infrastructure assets such as wind, solar and hydro power as well as other key infrastructure assets such as water efficiency.

We produced 1,755 GWh of green energy from wind, solar and hydro sources during 2023. In addition, we work with all our assets to encourage energy efficiency measures and the adoption of clean energy sources.

2. Perform climate-related exclusions

We raised the threshold on our climate exclusion list, now excluding companies that make 10% or more of their revenues from coal mining or coal thermal power generation. We continue to make exception for companies that have made significant commitments to reduce their emissions in the future, to be in line with the Paris Agreement, as these companies play a key role in the transition.

We implemented a new exclusion for listed funds that are article 9 under SFDR and/or have the ISR Label, to exclude unconventional oil & gas. The new exclusion policy excludes companies operating upstream in unconventional oil and gas for which either:

- Have a share of unconventional fossil hydrocarbons production >30%
- Have short-term expansion plans in unconventional fossil fuel hydrocarbons > 0%

3. Integrate climate risks in ESG analysis and investment processes

Depending on the strategies, we apply different approaches in respect of climate risk.

Quaero Capital Funds (Lux) – Infrastructure Securities, Quaero Capital Funds (Lux) – Bond Investment Opportunity 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.

100% of ***Quaero Capital Funds (Lux) – Accessible Clean Energy*** holdings have a clear vision and a 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 50% of the fund is invested in companies with >50% revenue contributing meaningfully to climate change mitigation and adaptation. The implied temperature alignment score for the portfolio, according to Carbone4, is 1.5°C compared to the MSCI at 3.6°C.

For *Quaero Capital Funds (Lux) – Accessible Clean Energy*, 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, we consider

- Either the ESG ratings from MSCI, which integrates climate change as one of ten core themes for the rating, or
- Internal ESG ratings and analysis, which consider
  - The physical and transitional risks to the company
  - The impact the company has on the transition
  - The opportunities in the transition to net zero

For the majority of assets included in our **private equity infrastructure funds**, we monitor carbon intensity and are 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 **real estate fund 2** (which focuses on education real estate) seeks to achieve the following milestones by end of 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.

Our **real estate fund 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.

The ”décret tertaire” requires owners and tenants of tertiary sector buildings with a total floor area of 1’000 m² or more to meet targets for reducing energy consumption by at least 40% by 2030, 50% by 2040 and 60% by 2050. It is the French version of the national and European targets for reducing energy consumption and CO2 emissions in the commercial property sector.

In 2023, we reported energy consumption on the OPERAT platform for all the property assets in the Fund's portfolios.

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

As part of the **Net Zero Asset Manager initiative**, we set targets using the Science-Based Targets initiative (SBTi) approach, setting targets for the proportion of our investments that have set their own approved Science-Based Targets (SBTs). We chose this methodology as it focuses the energy of the portfolio managers and the 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 2023, we set an interim target for at least 45% of our assets under management to be managed in line with the attainment of net zero emissions by 2050 or sooner, with a target of 70% of investments setting their own Science-Based Targets by 2030.

We have seen significant progression in the number of companies that have set Science-Based Targets since last year which keeps us on track for original target. However, since we set our targets, we have seen some changes in our asset mix which we need to reflect in our targets.

We therefore update our interim target for at least 40% of our assets under management to be managed in line with the attainment of net zero emissions by 2050 or sooner (reduced from previous 45%), with a target of 70% of investments setting their own Science-Based Targets by 2030.

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

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 the ESG performance of our assets with previous years results, identify areas for improvement, and define 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, in 2023, we engaged with over 60 companies through the annual CDP disclosure campaign, requesting that companies disclose more information regarding their climate strategies and progression, using the CDP questionnaire.

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

We report the carbon intensity of Article 8 and 9 portfolios in the monthly factsheet and report the carbon intensity of all QUAERO CAPITAL managed funds relative to their benchmarks in our Annual Sustainability Report .

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 minimize 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 the fund.

To quantify the impacts the fund's investments have on climate change mitigation, we use a variety of approaches, as no individual sustainability indicator provides the full picture. We have worked with Carbone4, a climate and biodiversity expert, to help us measure the impact of the portfolio, incorporating different elements.

Quaero Capital Funds (Lux) – Accessible Clean Energy is aligned with a 1.5-degree scenario. We know the enormous impact our companies are having on decarbonisation and the efforts they are making to decarbonise, so while not surprised we are pleased to see this assessment; few funds achieve this alignment. For an important reference, the MSCI World temperature trajectory is 3.6°C - using the same rigorous methodology.

The temperature alignment score from Carbone4 is based on both:

- a quantitative assessment of the carbon emission intensity and the progress on carbon emission reduction, and
- a forward-looking qualitative assessment of the company's strategy, capex and R&D plans, emission reduction targets and climate governance.

We value the fact that this assessment has a forward-looking element rather than basing the temperature alignment on a single datapoint already in the past.

Quaero Capital Funds (Lux) – Accessible Clean Energy	MSCI World Benchmark
1.5°C	3.6°C

Note: all data on this page are as of 31.12.2023

Quaero Capital Funds (Lux) - Accessible Clean Energy focuses on companies that have a significant impact on the pace of decarbonisation.

This impact is well demonstrated through the **potential avoided emissions (PAE)** indicator. While companies can and should work to reduce their own operational carbon emissions, their greater impact will be through the products and services they sell. These will result in emission reductions for customers for many years to come.

Avoided emissions are the measured difference between the company's emissions and a reference situation – either a scenario (e.g., IEA's 2DS scenario) or a reference product mix (such as electric vehicles compared to combustion vehicles). The estimates consider the value chain and all elements of the product life cycle, and each economic sector has its own set of scenarios and indicators for comparison. Due to the complexity of estimating potential avoided emissions for some companies, only c70% of the portfolio has an estimation from Carbone4.

For the c69% of companies covered,
their 2023 business will result in
136 million tonnes of CO_2e avoided.

Note: all data as of 31.12.2023

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.

	2019	2020	2021	2022	2023
Carbon footprint in tCO2e	109.0	34.5	36.8	68.6	70.5
% change YoY		*-68%*	*+7%*	+86%	+3%

Table 2: QUAERO CAPITAL carbon footprint since 2019
Source: QUAERO CAPITAL, January 2024

The significant reduction in emissions in 2020 and 2021 were due to travel restrictions during the COVID-19 pandemic. Our business activity significantly increased in 2023, yet we limited emission growth to only 3%.

There are a few elements to highlight:

- **We continue to make better choices in terms of commuting**, keeping a lower carbon footprint for the km travelled than in previous years. Our commutes resulted in 18.38 tonnes of CO2, a 15% decrease from 2022. Almost 19% of employees now cycle to work.
- **Business travel significantly increased in 2023**, as expected following the lifting of all travel restrictions internationally. Km travelled doubled, and this resulted in carbon emissions of 50.35 tonnes of CO2 from business travel in 2023. While more flights have been taken vs. 2022, the proportion of travel done by plane remains significantly lower than pre-COVID; plane travel in 2019 accounted for 80% of distance travelled vs. 47% in 2022. We know that where possible we are increasingly choosing to take the train vs. plane; for example, over 72% of trips between Paris and Geneva are now made by train.
- Our **renewable energy contracts** across offices have ensured the footprint from our energy consumption in offices remains very low at just 1.74 tons.

We monitor the progress of carbon offset projects from previous years and have been pleased to receive updates on the projects we contributed to – such as the Bois de l'Etang in Rougeaux. Over 1000 trees, both Poplar Divas and Poplar Tucanos, were planted in the spring of 2021 across an area of over 53,000 m2, and the transformation of this previously abandoned land. The before and after photos demonstrate the significant work and change enacted on land previous ignored. We look forward to seeing the new forest expand.


Before and after photos of the Bois de l'Etang in Rougeaux, France
Source: STOCK Co2

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 18 companies based on their impact on biodiversity. This list includes companies that are destroying tropical rainforest, companies mismanaging mines, companies responsible for major oil spills, 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 resources 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. These have been very effective at protecting local wildlife.

Finally, we also offer residents local to our wind assets the planting of hedges or fruit trees and offer apiaries for the communities in the parks. Hedges and hedgerows provide refuge for many species of fauna and flora and also serve as ecological corridors. They are planted along paths or between plots.

The micro-hydro power plants in France are equipped with 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.

For our portfolio of six photovoltaics projects in the northern France, environmental studies were conducted during the pre-construction phase and confirmed the limited negative impact of the solar plants on the environment during the operational phase. Compensatory measures have been adopted to ensure the ecological continuity of the sites, particularly for birdlife. These measures include maintaining ecological corridors along the edges of the sites and near forests, and preserving dead wood on certain sites, as this provides a favourable habitat for certain insects. At the end of the operating period, all the sites will be dismantled and returned to their original state. At the very least, the various materials will be recycled in accordance with the regulations in force on the day of dismantling.

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 with well recognised NGOs in the region.

For our highway construction project in France, important measures to protect biodiversity have been taken. Thanks to a complete fauna/flora study carried out between 2019 and 2020, the motorway's route has been optimised to avoid the areas of major ecological concern. The project includes 155 structures favourable to small fauna and 24 structures for large fauna which will ensure ecological continuity and preserve biodiversity. Similarly, numerous hydraulic structures will help to avoid aggravating flooding in the event of flooding, or even to improve the existing situation in certain sectors. The project took reduction and compensatory measures through the reconstitution of biodiversity reservoirs that contribute to the natural storage of carbon. Finally, the project will reconstitute more than 40ha of rehabilitated wetlands on former quarry land, creating compensatory afforestation and dense planting in landscaping, ponds, and wildlife corridors to favour the habitats of protected species.

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, we will install solar panels on the roof and a rainwater recovery tank to supply the sanitary facilities, saving almost 588,000 litres of water a year. We have also installed large green spaces including ponds to support local wildlife and insects.

For our public equities and fixed income funds, through principal adverse impact (PAI) data monitoring with MSCI, we are able to monitor certain KPIs for our portfolios. The KPIs we monitor are:

- the share of investment in companies with sites/ operations located in or near biodiversity sensitive areas
- the share of investments in companies whose operation affect threatened species
- the share of investments without a biodiversity protection policy covering operational sites to a protected area or an area of high biodiversity

As of 31.12.2023, our portfolios did not have any companies located in biodiversity sensitive areas according to MSCI.

Certain portfolios were invested in issuers with operations that affect IUCN Red List species and/or national conservation list species. The exposure ranged between 0% to 11%. The maximum exposure at portfolio level at 31.12.2023 was 12%. Between 0% and 13% of our investments were exposed to issues that operate near protected areas without a biodiversity protection policy.

It is still challenging to effectively monitor the impact each company has on biodiversity. The data reported may be 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

For investments in **real assets**, we take into account the impact on biodiversity of each asset considerably. During the due diligence phase, we assess the level of potential impact the asset may have on local biodiversity, and the level of risk in the area. If we consider the risk manageable, we will take every step to moderate the negative impact during the investment phase.

For our **real estate investments**, the team assesses the impact on biodiversity as required by regulation and ensures that the project creates green spaces and protects local wildlife. The regulation in France already sets a high standard for protection of biodiversity.

In **listed assets**, we continue to assess the indicators available in the market and as of yet do not consider them sufficiently informative and valuable on top of our own due diligence. The coverage is also limited which prevents widespread comparisons. As active asset managers, we research each investment, incorporating such issues as whether the industry is nature intensive and how the business is managed.

Within the MSCI ESG framework, biodiversity risk is assessed and therefore incorporated for many of our strategies. We review sell-side research on the topic and will continue to assess data providers as they improve their offering on the issue.

Objective

QUAERO CAPITAL is not in a position at this stage to provide a quantitative biodiversity target.

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
- L'Institut de la Finance Durable previously Finance for Tomorrow since 2022
- The Net Zero Asset Manager initiative 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 signed the Net Zero Asset Manager Initiative in 2022 and we have set our first target 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

Three QUAERO CAPITAL funds have been certified with the ISR Label: our *real estate fund dedicated to Education*, *Quaero Capital Funds (Lux) – Infrastructure Securities* and *Quaero Capital Funds (Lux) – Bond Investment Opportunity*.

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 are excluded from allocation decisions due to poor performance on ESG criteria. In addition to these initial criteria, the fund commits to maintaining a portfolio with a stronger profile on certain sustainability indicators as well as proactively engaging with companies on the associated issues.

2. Accountability & transparency

The ESG team provides a report on the ESG quality of every article 8 and 9 funds every month using the MSCI ratings platform. This is shared with the investment team as well as the marketing team to distribute to clients on monthly factsheets. This includes a portfolio ESG score relative to the universe, certain KIPS, as well as a breakdown of the ESG scores of each individual holding.

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). Regulatory documents are also available on the website.

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

- Private equity impact report

- Real estate impact reports
- Article 9 fund impact report
- Small cap engagement report

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
- *Quaero Capital Funds (Lux) – Bond Investment Opportunity* reports the CEO pay ratio, female director percentage and UN Global Compact signatory percentage (with a commitment to maintain a better score than the universe)

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

7. SUSTAINABLE INVESTMENTS AND INVESTMENTS IN FOSSIL FUELS

Sustainable investments and fossil fuels investment

Sustainable investments

The internal methodology to evaluate sustainable investments differs between real assets and liquid assets and is outlined in detail in the QUAERO CAPITAL's ESG Handbook.

For the Investment Manager's internal methodology to evaluate sustainable investments in liquid assets, the company must meaningfully contribute to an environmental and/or social objective analysed using both a quantitative metric for 'green revenue' as well as an in-depth qualitative assessment of the potential for meaningful contribution to the objective(s). For the Do No Significant Harm (DNSH) and good governance assessment we exclude:

- Companies with more than 10% revenue from coal except for those with transition commitments that reach 2 degrees by 2035 according to TPI (Transition Pathway Initiative), and in absence of TPI according to own analysis
- Companies operating upstream in unconventional oil and gas for which either:
    - Have a share of unconventional fossil hydrocarbons production >30%
    - Have short-term expansion plans in unconventional fossil fuel hydrocarbons >0%
- Companies in severe and systemic breach of UN Global Compact principles
- Companies with over 5% revenue from tobacco, either as a producer or distributor
- Companies involved in controversial weapons
- Companies with a high controversy level according to third party providers
- Companies with an MSCI ESG rating lower than BB, or when not available an internal ESG rating of 'very poor'

Fossil fuels investments

Regarding the exposure to companies active in the fossil fuel sector, QUAERO CAPITAL has a strict exclusion rule, which excludes companies with over 10% revenue from coal mining, coal thermal power generation.

QUAERO CAPTIAL's listed funds that are article 9 under SFRD and/or have the ISR Label exclude unconventional oil & gas. The exclusion policy excludes companies operating upstream in unconventional oil and gas for which either:

- Have a share of unconventional fossil hydrocarbons production >30%
- Have short-term expansion plans in unconventional fossil fuel hydrocarbons > 0%

APPENDIX - CLASSIFICATION OF FUNDS MANAGED BY QUAERO CAPITAL (FRANCE) SAS AS OF 31.12.2023

Funds	SFDR classification	Sustainable investments[6]	Taxonomy aligned – climate objectives [7][8]	Fossil fuel exposure[9]
ATD Quart Monde[10]	Article 6	0%	N/A	N/A
Aviva Alpha Taux	Article 6	0%	0%	N/A
Real Estate I	Closed fund when the regulation came into force but reports as article 8	0%	0%	0%
Real Estate II (Education)	Article 8	0%	0%	0%
European Infrastructure Fund (unlisted)	Closed fund when the regulation came into force but reports as article 8	11.6%	11.6%	0%
European Infrastructure Fund II (unlisted)	Closed fund when the regulation came into force but reports as article 8	59%	59%	4.7%
European Infrastructure Fund III (unlisted)	Article 9	95%	89%	0%
Quaero Capital Funds (Lux) – Bond Investment Opportunity	Article 8	6%	3%	7.6% (fund coverage 90%)
Quaero Bonds Impact Opportunities	Article 8	4%	4%	4.2% (fund coverage 88%)
Quaero Capital Funds (Lux) – Accessible Clean Energy	Article 9	99%[11]	20%	11.4% (fund coverage 99%)

[6] See our definition of sustainable investments on page 31
[7] Source: MSCI for listed funds and internal data for European Infrastructure funds (unlisted)
[8] We do not currently estimate the taxonomy alignment for the remaining 4 non-climate related objectives due to a lack of data. We expect European companies to start reporting alignment next year and will report the fund alignments accordingly.
[9] Source: MSCI for listed funds and internal data for European Infrastructure funds (unlisted)
[10] Platform fund
[11] The percentage represents the amount invested excluding cash

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

Required information under decree N°. 2021-663		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	1. ESG general approach & strategy of QUAERO CAPITAL p.7-9
	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	6. QUAERO CAPITAL's ESG commitments & accountability p.29-30
	List of financial products mentioned under Article 8 and Article 9 of Regulation (EU) 2019/2088	7.Sustainable investments and investments in fossil fuels, table 3 p.31-32
	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	6. QUAERO CAPITAL's ESG commitments & accountability p.29
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	2. Resources dedicated to ESG at QUAERO CAPITAL p.12-13
	Actions taken to strengthen the entity's internal capacities	2. Resources dedicated to ESG at QUAERO CAPITAL p.12-13
ESG governance within the financial entity	Knowledge, skills, and experience of governance bodies	2. Resources dedicated to ESG at QUAERO CAPITAL p.10-11
	Inclusion in remuneration policy of information on how this policy is tailored to incorporate sustainability risks	2. Resources dedicated to ESG at QUAERO CAPITAL p.13-14
	Integration of ESG criteria in the internal rules of the entity's board of directors or supervisory board	2. Resources dedicated to ESG at QUAERO CAPITAL 1. ESG in QUAERO CAPITAL's governance p.10-11
Engagement strategy with issuers or managers	Scope of companies concerned by the engagement strategy	3. QUAERO CAPITAL'S engagement strategy p.15
	Presentation of the voting policy	3. QUAERO CAPITAL'S engagement strategy. p.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	3. QUAERO CAPITAL'S engagement strategy. 3. Engagement policy p.17-18
	Report on the voting policy, on the tabling and voting of resolutions on ESG issues at general meetings	3. QUAERO CAPITAL'S engagement strategy. 2. Voting policy p.16-17
	Investment strategy decisions, including sectoral disengagement	3. QUAERO CAPITAL'S engagement strategy. 3. Engagement policy p.17-20
Sustainable investments and investment in fossils	Share of AuM related to sustainable activities	7.Sustainable investments and investments in fossil fuels, p. 32
	Share of exposure to undertakings active in the fossil fuel sector	7.Sustainable investments and investments in fossil fuels, p. 32

Strategy for alignment with the Paris Agreement	Quantitative target by 2030, reviewed every five years until 2050	4. Focus on climate change p.21-25
	Where the entity uses an internal methodology, elements on it to assess the alignment of the investment strategy with the Paris Agreement	4. Focus on climate change – p. 24
	Quantification of results using at least one indicator	4. Focus on climate change – p. 24
	Role and use of evaluation in investment strategy	4. Focus on climate change – p. 24
	Changes in investment strategy related to the Paris Agreement alignment strategy	4. Focus on climate change – p21-23
	Possible follow-up actions on results and changes	4. Focus on climate change - 2. 2022 achievements – p. 7-9
	The frequency of the evaluation, the projected update dates and the relevant development factors selected	1. ESG general approach & strategy of QUAERO CAPITAL p.6-10 4. Focus on climate change – p. 23
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 – p.26-27
	Mention of support for a biodiversity footprint indicator	Challenges regarding biodiversity-related measure – p27-28
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 – p. 26 Focus on Climate Change – p. 21 ESG Integration into our investment strategy – p.7-8 ESG risk management – p. 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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