



2022 ANNUAL SUSTAINABILITY REPORT

QUAEROCAPITAL

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A reflection on sustainable investments in 2022

2022 was a year of continued progression for sustainable investment. As the industry grows, it is also gradually maturing. More serious regulation almost everywhere and more open investigations of greenwashing by the media and by investors are contributing to making sustainable investing not only mainstream, but also essential for the asset management industry. Important questions are being asked about what ESG investing really means, and how to identify, define and measure impact and the regulators have been clarifying a swath of issues in order to help the industry adapt to the new environment. This rigour is essential for the future of sustainable investment, and we welcome all efforts to increase transparency and to answer clients' legitimate interrogation about the management of their savings.

In Europe we have seen the impact that the Ukrainian war has had in accelerating efforts to decarbonise, which has served as another reminder of what is possible when there is sufficient collaboration and urgency. Our research shows that companies are planning to shift energy sources and invest in energy efficiency. Many projects have been brought forward and expanded since the start of the year. This bodes well for the transformation of our economy into a carbon-neutral production.

In the US, the Inflation Reduction Act (IRA) has created the greatest regulatory support ever for decarbonisation and its effects are already massive for clean energy production. We anticipate that North America will become a powerhouse for the energy transition. However, we are also seeing sustainable investment caught in the crossfires of an increasingly politically polarized country. It is a real disappointment, for example, to see companies stepping back from their net zero commitments due to regulatory and litigation risks and growing political pressure.

We are committed to working with the companies and assets that we invest in to align themselves with a 1.5-degree scenario. In 2022 we signed the Net Zero Asset Manager initiative as part of that commitment to decarbonisation. This is a strategic priority for us, and we continue to develop strategies and assets that invest in renewable energy and the net zero transition. This also translates into tangible efforts across all asset classes: from our close oversight of and commitment to energy efficiency in real estate assets, our significant investments in renewable energy through our private equity infrastructure funds, to engagement efforts with small cap companies on carbon emission reduction targets. This report intends to give an overview of all our efforts across our firm and we hope it will give its readers valuable information about our progress.



Jean Keller
QUAERO CAPITAL
Chief Executive Officer

1. THE EVOLUTION OF SUSTAINABLE INVESTMENT AT QUAERO CAPITAL

Our ESG progress in 2022

2022 has been a year of regulation, with the second stage of the Sustainable Financial Disclosure Regulation (SFDR) bringing in significant complexities and reporting requirements for asset managers. At QUAERO CAPITAL we are very supportive of regulation; we believe the industry needed a framework under which to disclose the realities of their ESG strategies and philosophies. This regulation has been particularly challenging to navigate due to clarifications and evolutions which have been complex to monitor and implement. We hope that 2023 will provide a more stable regulatory environment under which we can focus again on effective ESG risk management, ESG analysis and driving impact.

Impact is a priority for us; we want our policies and our strategies to ultimately have a positive impact on sustainability. We see the opportunity for impact as considerable in our real asset strategies, both through the selection of highly impactful assets through our infrastructure private equity funds, as well as through the effective management of assets to reduce environmental footprints and implement positive social policies across our infrastructure and real estate assets. We also increasingly emphasise the importance of engagement across our funds, especially those investing in small cap companies where we have more influence. We focus in particular on climate impact in these engagements.

Climate is a strategic priority for QUAERO CAPITAL, and this is an ever more pressing issue. Extreme weather seen globally heightens awareness of investors, corporates and regulators alike, and we must play our role in accelerating efforts to decarbonise. We aim to offer full transparency of the impacts of the companies in our portfolios, including indicators such as carbon emissions in our reporting and measuring our own carbon footprint alongside. In 2022 we signed the Net Zero Emissions initiative and will be shortly committing to near term targets for our investments. Our focus will be on engaging companies to set Science-Based Targets. We think this is more important than restricting the emissions of our portfolios.

We have become more proactive in our **voting** activity, following the commitment of our climate policy and ensuring our votes are used more actively when companies are failing to sufficiently disclose or manage their climate risk and impact. We are also communicating our votes to companies ahead of the AGM when we are significant investors, and looking to improve the understanding of the governance frameworks that are guiding our voting decisions.

The quantity of reporting of extra-financial data and activity has increased significantly in recent years, adding complexity to the responsibilities of the ESG team. We are always willing to provide transparency and look forward to seeing how this extra information will be used by asset owners in their selection and monitoring processes.

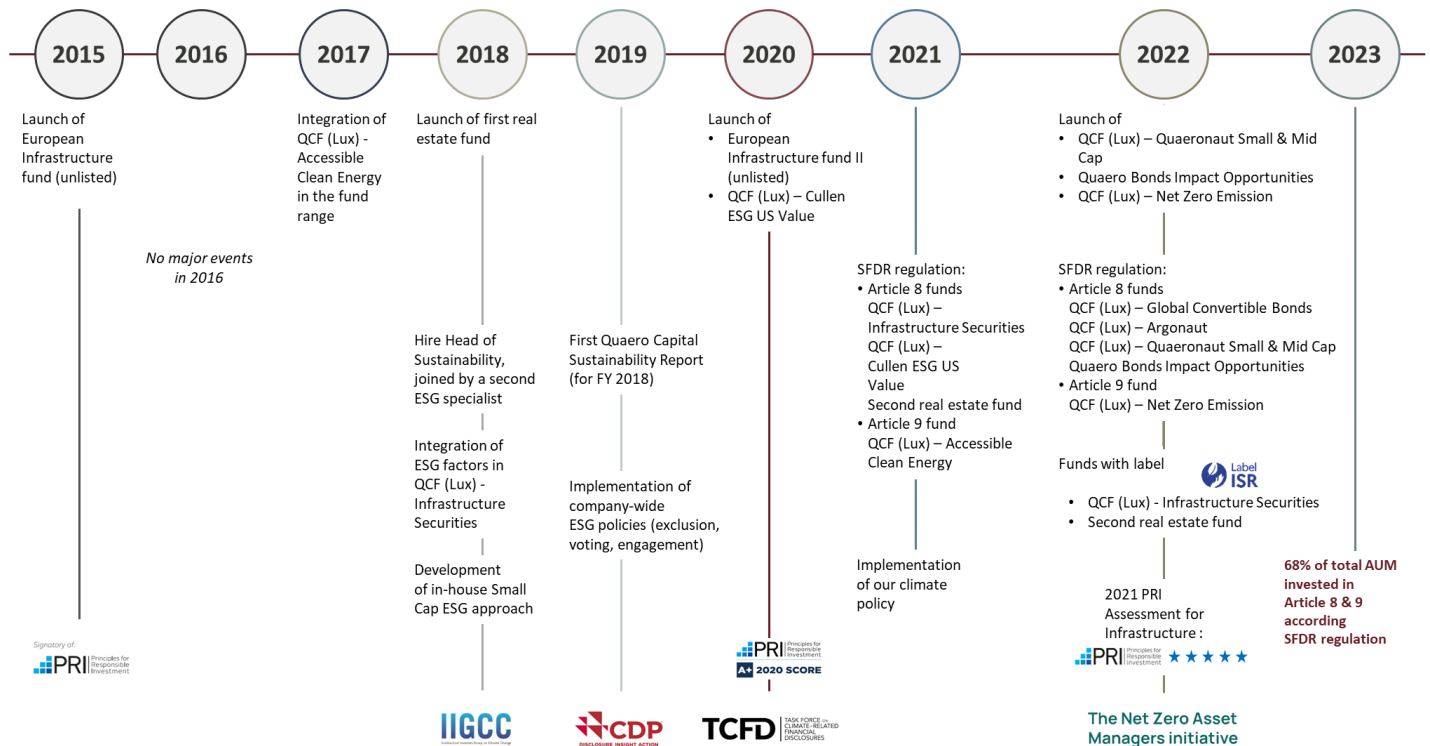
Our history

At QUAERO CAPITAL, we have increased our commitment and alignment to sustainable investment over the last decade.

Hiring and developing an internal ESG team five years ago was a pivotal step in this evolution, as it brought energy and expertise to accelerate the efforts to integrate ESG and consider our impact at fund and organisational level.

We have also brought in **experts in renewable energy and impact investment** to manage funds across different strategies, emphasising our focus on the fight against climate change.

QUAERO CAPITAL's increasing focus on sustainable investment is made clear by the product launches in recent years. During 2022, **we launched a Net Zero Emission fund** focused on investing in companies that we expect to have a material impact on decarbonising the economy across all sectors (targeting the most carbon intensive industries).



Graph 1: Our history in responsible investment

Source: QUAERO CAPITAL, March 2023

Our climate impact

In 2021, we published our **Climate Policy** to reflect our strategic focus and commitment to supporting and contributing to decarbonisation and the achievement of the Paris Agreement across our investments and our own activities.

In 2022, we continued on this journey across our business:

- 755 GWh of green energy was produced in 2022, up 9% since 2021, through our direct infrastructure assets in wind, hydro and solar
- We launched the Quaero Capital Funds (Lux) - Net Zero Emission strategy, investing in companies that will lead their industries in decarbonisation
- Committed to the Net Zero Asset Manager initiative (targets to be communicated in 2023)

European regulation - SFDR

Regulation was a big focus for the ESG team in 2022 due to the preparation for Level II of the Sustainable Financial Disclosure Regulation (SFDR). This required significant disclosure for every Article 8 and 9 fund in new templates to be annexed to the fund prospectuses. This has been a very important stage for the regulation, requiring funds to provide significant transparency on many elements including:

- Sustainability strategy and the balance between environmental and social characteristics and/ or objectives
- Minimum commitments to sustainable investments (those with a specific sustainability objective)
- Sustainability indicators measured and monitored
- Data sources

- Taxonomy alignment

This document will be published by every fund disclosing under Article 8 and 9 and should provide investors with the information needed to really challenge which funds have the most ambition on ESG and sustainability, and which funds meet the individual expectations of that client.

Shortly every Article 8 and 9 fund will publish their first annual report, explaining how well the portfolio met the strategy and objectives, reporting the sustainability indicators and taxonomy alignments. The report will be another tool for investors to challenge funds and compare funds effectively. It should also allow to check if the relevant indicators demonstrate that the fund is meeting its objective(s).

During 2022, we have upgraded certain funds to report under Article 8, due to an increased commitment on ESG issues and we have launched two new Article 8 and one new Article 9 funds.

QUAERO CAPITAL funds characterised as Article 8:

- Education Asset Fund
- Quaero Capital Funds (Lux) - Argonaut (*upgraded*)
- Quaero Capital Funds (Lux) - Cullen ESG US Value
- Quaero Capital Funds (Lux) - Global Convertible Bonds (*upgraded*)
- Quaero Capital Funds (Lux) - Infrastructure Securities
- Quaero Capital Funds (Lux) - Quaeronaut (*launched on 16.12.2022*)
- Quaero Bonds Impact Opportunities (*launched on 26.01.2022*)

Our other real estate and infrastructure private equity strategies were closed when SFDR was implemented, but we report in line with Article 8 regardless.

Each of these funds follows a different philosophy, but all consider the analysis and evaluation of ESG risks and opportunities important to the investment process and seek to demonstrate sustainability characteristics.

QUAERO CAPITAL fund characterised as Article 9:

- Quaero Capital Funds (Lux) - Accessible Clean Energy
- Quaero Capital Funds (Lux) - Net Zero Emission (*launched on 21.10.2022*)

Both of these funds have a sustainable objective to contribute to decarbonisation in line with the Paris Agreement. For Accessible Clean Energy the focus is on decarbonising the energy system, and for Net Zero Emission the focus is on all industries, especially those that are most carbon intensive. Both strategies invest in companies that are already having, or we predict will have in the future, a significant impact on accelerating decarbonisation.

The ISR label



To demonstrate the rigour of our ESG approach, since 2021 we have been working on achieving the ISR label for multiple strategies. The ISR label was created in 2016 by the French Ministry of Economy and Finance with the aim to help investors distinguish investments funds which implement a robust methodology for socially responsible investment, leading to measurable and concrete results.

The certification process is demanding. It includes a two-day audit involving the portfolio management, ESG and compliance teams to ensure that:

- the approach is serious,
- the ESG processes are thorough and fully integrated, and
- the outcome is as expected for an ESG fund.

We are pleased to confirm that both our real estate Education Asset fund and our infrastructure fund, Quaero Capital Funds (Lux) - Infrastructure Securities were certified with the ISR label in 2022, and we expect to add another strategy to this list shortly.

PRI assessment

During 2021, the PRI updated their annual assessment questionnaire in order to raise the bar and make it significantly more challenging to achieve the highest rating. Unfortunately due to significant technical issues the 2022 reporting and assessment cycle was cancelled. We therefore can provide both our 2021 and 2020 assessments, and look forward to the more complete assessment in 2023.

QUAERO CAPITAL scored an 'A+' rating for 'Strategy & Governance' in the 2020 PRI Annual Assessment Report, reflecting a continued focus on sustainable investment. All modules in the annual assessment saw an improvement since the previous year.

QUAERO CAPITAL scored 4 out of 5 stars for 'Investment & Stewardship' in the 2021 PRI Annual Assessment Report. It is not possible to compare this assessment to that of 2020, but we have confidence that we continued to progress across every asset class.

We were very pleased with the particularly high score we achieved for our private equity infrastructure investments, which contribute a significant part of the QUAERO CAPITAL assets under management. The PRI assessment of 94/100 and 5 stars supported our strong commitment to and significant impact in this asset class.

2. OUR FUNDS – PUBLIC EQUITY AND DEBT

QUAERO CAPITAL Responsible Investment Framework

As a reminder, during 2018 we designed and implemented a set of responsible investment policies to provide a framework for the ESG approach we apply to our UCITS funds¹. This continues to be the framework we use.



Graph 2: QUAERO CAPITAL Responsible Investment Framework

Source: QUAERO CAPITAL, December 2022

Direct engagement

Our portfolio investment teams increasingly seize opportunities to engage with company managements.

This is especially the case for the small cap strategies at QUAERO CAPITAL, where the investment time horizon is long, the ownership is significant, and good relationships are often forged with the executive management and board representatives.

During 2022, the priority was to engage on climate impact and risk.

The ESG team identified portfolio companies that did not publish information on their carbon emissions. We engaged with six such companies, first sending emails explaining:

- the importance of reporting carbon emissions,
- the importance this data held for us as investors and
- our concerns that they cannot be managing their carbon impact if they are not reporting this data.

Subsequent conference calls were organised with the CEOs and other senior management of two of these companies. These calls included the ESG team and the investment team and were used to emphasise the importance of establishing an environmental strategy, measuring their carbon footprints and being transparent about their non-financial data.

We pointed out that simple disclosure of emissions is not sufficient; that in the market asset managers and asset owners want to see companies have a serious strategy to reduce their emissions. The most serious approach - we believe - is to work with the Science Based Target initiative (SBTi) in order to set emission reduction targets that are in line with the best climate science and a 1.5-degree scenario. This is a focus for our engagement, as we believe this is

¹ Note: this applies to all funds investing in listed securities except Quaero Capital Funds (Lux) – World Opportunities which is sub-managed by an asset manager outside of the QUAERO CAPITAL Group.

an objective all companies need to achieve in order for the economy to decarbonise sufficiently quickly and meet the Paris Agreement goals.

We will closely follow the progress of these companies on these issues and continue to engage if we are not satisfied with the actions taken.

We also engage on issues other than climate change. For example, with some companies, we have addressed supply chains. More information can be found in the Quaero Capital Funds (Lux) – Argonaut engagement report.

Collaborative engagements

2022 was the fourth year of our involvement in the Carbon Disclosure Project (CDP) disclosure campaign, an annual campaign aimed at corporates to encourage greater transparency of climate risk and strategy from companies we invest in.

According to CDP, in the first year of disclosure only 38% of companies have an emissions reduction target. By the third year of disclosure, that figure can reach 69%². The process of disclosing to CDP should result in targets to reduce and manage climate risk and footprint, ultimately in line with the objective of the Paris Agreement.

In 2022, we expanded this effort to more of our equity funds, engaging with 45 companies globally across 8 of our funds. We also expanded our engagement efforts with CDP to include disclosure requests for their questionnaires on water and forestry issues for those companies with significant exposure. At the end of the year, 14 engagements out of the 45 were successful, leading to disclosure to the CDP.

We consider this to be a good result and recognise that often engagement is a multi-year effort as, for companies, it usually requires significant internal action before:

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

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

Funds	Lead / Cosignatory	No. of target companies - Climate	No. of target companies - Water	No. of target companies - Forest	Disclosed in 2022
QCF (Lux) - Accessible Clean Energy	Lead & cosignatory	1	5	1	2/7
QCF (Lux) - Argonaut & QCF (CH) - Swiss Small& Mid Cap	Lead & cosignatory	19	2	5	4/26
QCF (Lux) - Bamboo & QCF (Lux) - China	Cosignatory	4	2	0	3/6
QCF (Lux) - Infrastructure Securities	Lead & cosignatory	4	2	0	1/6
QCF (Lux) - New Europe	Lead	2	0	0	1/2
QCF (Lux) - Taiko Japan	Cosignatory	1	3	4	3/8

Table 1: CDP Engagements in 2022

Source: QUAERO CAPITAL and CDP, December 2022

² Source: CDP's disclosure platform (2019)

Voting results

We consider the voting process essential to responsible investment, as it plays a key role in the development and direction of the company and influences important corporate governance structures.

During 2022, with the help of our provider of proxy voting research and recommendations we amended a **Voting Policy** that is more focused on climate and that is designed to :

- identify companies with insufficient climate strategy, risk management and/or disclosure and
- recommend voting action to encourage an improvement.

In our stewardship activities, we focus on

- climate risk and
- encouraging companies to ensure they are suitably focused on the issues and opportunities connected to mitigating and adapting to climate change.

Funds	Total votes	% of votes made	% against/ absentee	Reason for vote against
Atlantis Japan Growth Fund Limited	684	100.0%	3.2%	1 - (19) Board Related. 2 - (2) Compensations. 3 - (1) Company Statutes
Essor Japan Opportunities	757	100.0%	5.9%	1 - (36) Board Related. 2 - (6) Compensations. 3 - (2) Company Statutes
QCF (Lux) - Accessible Clean Energy	577	100.0%	7.1%	1 - (28) Board Related. 2 - (17) Compensations. 3 - (2) Company Statutes AND (2) Capital Management
QCF (Lux) - Argonaut	1069	100.0%	14.4%	1 - (60) Capital Management. 2 - (46) Compensations. 3 - (36) Board Related. 4 - (4) Changes in Company Statute
QCF (Lux) - Bamboo	263	100.0%	19.0%	1 - (22) Board Related. 2 - (10) Compensations. 3 - (7) Meeting Administration
QCF (Lux) - China	494	100.0%	18.2%	1 - (33) Capital Management. 2 - (19) Board Related. 3 - (15) Compensation.
QCF (Lux) - Cullen ESG US Value*	568	100.0%	12.5%	1 - (8) Board related. 2 - (8) Shareholder rights.
QCF (Lux) - Infrastructure Securities	425	100.0%	7.8%	1 - (20) Compensation. 2 - (7) Capital Management. 3 - (5) Board Related.
QCF (Lux) - New Europe	370	100.0%	20.0%	1 - (13) Compensation. 2 - (6) Audit / Financials. 3 - (5) Board Related.
QCF (CH) - Swiss Small & Mid Cap	631	100.0%	11.4%	1 - (44) Board Related. 2 - (21) Compensation. 3 - (4) Capital Management.
QCF (Lux) - Taiko Japan	364	100.0%	3.8%	1 - (12) Board Related. 2 - (1) Compensation.
VB Select European Opportunities Funds	1003	100.0%	16.7%	1 - (42) Compensation. 2 - (39) Capital Management. 3 - (31) Board Related.

Table 2: Proxy voting by fund during 2022

* Fund not covered by QUAERO CAPITAL voting guidelines. Proxy voting is managed by the investment manager.

Fund ESG ratings

We are pleased to see three of our funds stand out as best-in-class funds on sustainability metrics in 2022.³










Funds	MSCI ESG Rating	Morningstar Sustainability Rating	Climetrics Rating	Conser Portfolio Check ⁴
QCF (Lux) - Accessible Clean Energy	AAA			
QCF (Lux) - Argonaut	A	N/A	N/A	B-
QCF (Lux) - Cullen ESG US Value	AAA			
QCF (Lux) - Global Convertible Bonds	AAA			
QCF (Lux) - Infrastructure Securities	AA			
QCF (Lux) - Net Zero Emission	AAA		N/A	
QCF (Lux) - Quaeronaut Small & Mid Cap	A	N/A	N/A	
Quaero BIO	AAA	N/A	N/A	

Table 3: ESG scores for QUAERO CAPITAL Article 8 and 9 funds⁵

Sources: MSCI, Morningstar, CDP, Conser, December 2022

These high recognitions are reflected in the funds' specific objectives to allocate capital to companies that either demonstrate superior sustainability characteristics or actively pursue impact objectives.

We report the Climetrics rating when available, a rating strongly aligned with the TCFD recommendations in evaluating each portfolio holding, the fund investment policy and the asset manager's governance of climate issues. At the portfolio holdings level, the Climetrics rating uses a methodology to score company performance on reducing greenhouse gas (GHG) emissions, managing water resources and tackling deforestation. Top rated funds better support the low-carbon transition.

QCF (Lux) - Accessible Clean Energy, QCF (Lux) - Infrastructure Securities and QCF (Lux) - Cullen ESG US Value all are rated in the top quartile relative to their peer group.

³ More information on the sources:

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Climetrics - Four leaves rating icon: above average climate rating. Date of fund rating: 04/2022. The Climetrics fund rating rates funds for their environmental performance related to climate change, water security and deforestation. It reflects a fund's score relative to all other funds in the rated universe and shows which funds best support the transition to a low-carbon economy. For more information, please visit www.climetrics-rating.org

Climetrics is a registered trademark of CDP Europe Services GmbH.

Conser - the agency performs a quarterly sustainability check on each equity portfolio. Conser uses the intelligence of the sustainability market to rate each holding in the portfolio, aggregated to a portfolio score between A+ and D-. More information on the scores and methodology is available on request. <https://www.conser.ch/en/> (scores as of 31.12.2021).

⁴ We use Conser ratings only for funds that are not covered by the other rating agencies.

⁵ OPPCI Educatio (launched in 2021) and Quaero Bonds Impact Opportunities (launched in January 2022) do not have any ratings yet.

Carbon intensity

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

Once again, our portfolios demonstrate lower carbon intensity, except for our clean energy strategies which are investing in the most impactful companies, but this usually also means companies in the most carbon intensive industries. For these strategies, we consider carbon emissions alongside other datapoints, as outlined in the following section.

Funds	Weighted average carbon intensity 2021 (tco2 / USDm sales)	Weighted average carbon intensity 2022 (tco2 / USDm sales)	Benchmark carbon intensity 2022 (tco2 / USDm sales)	Benchmark⁶
QCF (Lux) - Accessible Clean Energy	307.52	413.3	139.6	MSCI World
QCF (Lux) - Argonaut	98.17	80.4 ⁷	187.1	MSCI Europe Small Cap
QCF (Lux) - Bamboo	88.8	99.2	285.9	MSCI AC Asia Pacific
QCF (Lux) - China	69.43	43.7	231.0	MSCI China
QCF (Lux) - Cullen ESG US Value	90.99	67.0	234.7	Russell Value 1000
QCF (Lux) - Global Convertible Bonds	107.22	98.1	165.0	Refinitiv GCB ETF
QCF (Lux) - Infrastructure Securities	547.86	547.86	988.2	Fund universe
QCF (Lux) - Net Zero Emission	-	142.4	139.6	MSCI World
QCF (Lux) - New Europe	804.72	396.5 ⁸	553.3	MSCI Eastern Europe
QCF (Lux) - Quaeronaut Small & Mid Cap	-	217.5	126.5	Fund universe
QCF (CH) - Swiss Small&Mid Cap	44.27	42.2 ⁹	100.0	SPI Extra
QCF (Lux) - Taiko Japan	43.52	38.4	93.8	Topix
Quaero Bonds Impact Opportunities	-	134.4	187.1	Fund universe

Table 4: Carbon intensity of each fund relative to benchmark

Source: MSCI and individual company's reports, December 2022

Our impact – Article 9 funds

QUAERO CAPITAL now manages two funds focused on the achievement of the Paris Agreement:

- **Quaero Capital Funds (Lux) – Accessible Clean Energy**
- **Quaero Capital Funds (Lux) – Net Zero Emission**

Every investment the funds make must have a significant impact on decarbonisation and the reaching of net zero emissions by 2050, as required in order to meet the objective of the Paris Agreement of limiting global warming to well below 2 degrees.

⁶ This benchmark does not necessarily refer to the index benchmark used for investment purposes.

⁷ Built on data from MSCI, Bloomberg and company data.

⁸ Built on data from MSCI, Bloomberg and company data.

⁹ Built on data from MSCI, Bloomberg and company data.



To quantify the impact the fund 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 portfolios, incorporating different elements.

Both funds are aligned with a below 2-degree scenario. We know the enormous impact the companies we invest in 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) – Net Zero Emission	Quaero Capital Funds (Lux) – Accessible Clean Energy	MSCI World Benchmark
 1.9°C	 1.5°C	 3.6°C

Note: all data on this page are as of 31.12.2022

Both Net Zero Emission and Accessible Clean Energy strategies focus 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.

Quaero Capital Funds (Lux) – Net Zero Emission estimated PAE from Carbone4 (covering only 62% of companies in the portfolio) = 61m tonnes of CO2	Quaero Capital Funds (Lux) – Accessible Clean Energy estimated PAE from Carbone4 (covering only 62% of companies in the portfolio) = 188m tonnes of CO2
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3. OUR FUNDS – REAL ASSETS

European infrastructure funds (unlisted) – fund 1 and fund 2

QUAERO CAPITAL manages two private equity funds in infrastructure.

The fund investments focus on

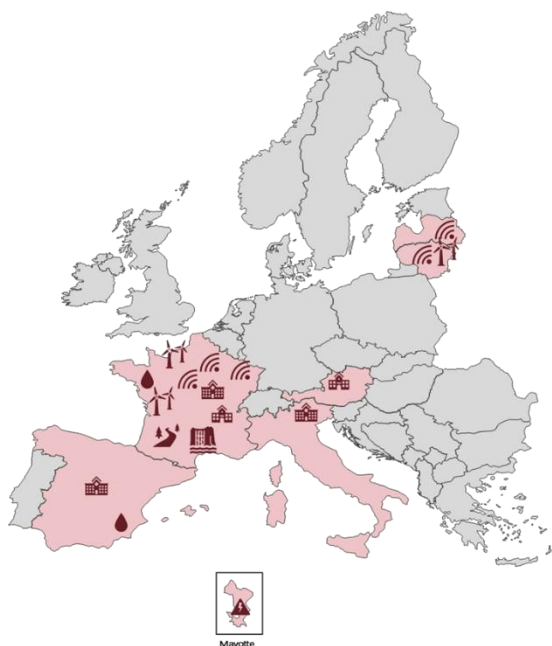
- renewable energy,
- social infrastructure such as hospitals and universities,
- optic fibre,
- data centres and
- water efficiency projects.

These all can contribute significantly towards the SDGs.

The investment time horizon for our investments in real assets is long, and our influence on projects is considerable as we usually take majority ownership positions.

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.

The funds have closed 72 projects since 2016, investing across six European countries and spending nearly EUR 4bn in capex.



A few highlights from the dedicated impact report include:



SDG 3 – Good health and well-being

26% of fund 1 assets contribute to SDG 3.

We invest in the management of hospitals in Italy and Spain. These two hospitals house about **1'400 beds** and provide services to a population of about **1.1 million people**. In 2022, **686'962 patients were admitted** in our premises, an increase of 7% due to the post-covid "return to normal". Moreover, our fibre networks are key to enable the innovation in delivering healthcare online to residents across France.

SDG 4 – Quality education

With more than **154'500 m² of education facilities** (about 18'000 m² for fund 1 and about 137'000 m² for fund 2), our portfolios contribute to SDG 4 through the building and maintenance of schools and university buildings. In total, these premises can welcome **more than 43'000 students**.



SDG 6 – Clean water and sanitation

Around 25% of fund 1 and 14% of fund 2 assets contribute to SDG 6 through the investment in water treatment companies, **improving water efficiency through treatment and recycling**. In 2022, the amount of water treated was **63.4 million m³** and the amount of wastewater treated was **50 million m³**, partly thanks to the new acquisition Socamex in fund 2.

SDG 7 – Affordable and clean energy

With more than **755 GWh of green energy produced in 2022** (240 GWh for fund 1 and 516 GWh for fund 2), we strongly contribute to SDG 7 through our investments in building and operating renewable energy assets, mostly in wind, hydro and from this year in solar. This represents an increase of 9% compared to last year, mainly due to the new solar park project Septante and the build-up of Forces HydroliQ. We also encourage improving energy efficiency and the adoption of clean energy sources across the other assets of our portfolio.



SDG 8 – Decent work and economic growth

All our portfolio companies contribute to SDG 8 in some way, either by creating new jobs or by investing locally through CAPEX or by contributing to local council through taxes. The focus of both fund 1 and fund 2 is to finance new projects or projects already in operation but with CAPEX /development needs. These are often projects that boost employment and economic activity in remote areas. In 2022, the capital expenditure was about EUR 10m for fund 1 and EUR 146m for fund 2; and we created **174 direct and indirect jobs for a total of c8'100 over the lifetime of our projects**.

SDG 9 – Industry, innovation and infrastructure

Practically all our portfolio companies contribute to SDG 9 in some way. The infrastructures we invest in support regional economic development. The local taxes paid over the lifetime of the projects contribute to the economic activity and attractiveness of the regions. This is particularly relevant for our wind projects. In **2022, we paid EUR 1.7m for fund 1 and EUR 4.6m for fund 2 II as local taxes**. Moreover, our fibre optic projects allow households and businesses to access a high-speed Internet network. In 2022, we added 428 new connected plugs to the fibre optic network. Moreover, our data centres provide essential telecom services.



Real estate

The first real estate fund we launched, **OPPCI Foncière Quaero I**, follows the evolution of working methods to offer new generation office buildings.

Our second real estate fund focuses on buildings dedicated to education. Both our real estate funds are French.

The investment team considers ESG especially important for the asset class. As a consequence, they collect data on many key ESG indicators and actively manage the assets to see improvement towards industry benchmarks.

Some of the KPIs reported annually for these funds:



SDG 4 - Quality education

Our real estate funds aim to facilitate the financing and development of social buildings such as education facilities, including universities and vocational training centres.

Currently **3'695** students are enrolled in the facilities owned the funds.

SDG 9 - Industry, innovation and infrastructure

59% of assets are monitored for energy consumption. 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 environmental impact of the buildings.



SDG 10 - Reduced inequalities

88% of buildings have disability access. Our goal is to ensure full access to buildings for all.

Every year, we will donate a certain amount of money to Télémaque, a foundation that helps young people from disadvantaged neighbourhoods to access higher education. In addition, the teams of Quaero Capital (France) SAS will provide human support to this foundation in the form of mentoring.

SDG 13 - Climate action

The current level of CO2 emissions for the assets we monitor is **13kg CO2** equivalent emissions per m² vs. the average national emissions of 16 kg per m² in France. This level requests the high energy standard for new constructions as well as the investments to renovation and improve the energy efficiency of older buildings in the portfolio.



SDG 17 - Partnerships for the goals

61% of our buildings are monitored by a 'green committee', hosted by the property manager and attended by the tenants. The purpose of the 'green committees' is to raise awareness about environment footprint of the building and define strategies to improve it. As we have numerous buildings under renovation, this will increase as green committees are implemented after the renovation phase and effort will be made to increase involvement from more tenants.

4. TCFD REPORTING

Governance

As the Climate Policy is a core part of QUAERO CAPITAL's strategy, the **Board of Directors** includes in its responsibilities to oversee and monitor the delivery of QUAERO CAPITAL's climate strategy.

The **Management Committee** is responsible for determining the company's approach to climate risk as well as sustainability. This includes setting the company-wide values that QUAERO CAPITAL follows, committing the firm to policies, initiative and actions related to climate change.

The **ESG Committee** determines the strategy of the firm as it relates to ESG including the climate strategy.

The **ESG team**, alongside the Legal team, drafts ESG and Climate policies. The ESG team is responsible for all ESG policies, including the Climate Policy, ensuring their implementation.

Strategy

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

During 2022, we launched the Quaero Capital Funds (Lux) – Net Zero Emission fund that focuses on investing in companies that contribute significantly to decarbonisation and the achievement of net zero emissions by 2050.

We also launched the Quaero BIO fund which has a commitment to invest at least 30% of AUM in green or social bonds.

2. Perform climate-related exclusions

Our exclusion list has expanded in line with the Global Coal Exit List from Urgewald with the support of the Transition Pathway Initiative (TPI) tool.

3. Integrate climate risk in ESG analysis and the investment process

Climate risk is an important part of the ESG analysis we undertake on our investments. We work with the detailed corporate climate disclosures from the CDP when available. We also encourage commitments from some QUAERO CAPITAL funds to maintain lower portfolio carbon intensity than the benchmark. In 2022, we signed the Net Zero Asset Manager initiative to further embed climate-related topics into the fund investment processes.

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

We engaged with 45 companies through the annual CDP disclosure campaign, requesting that companies disclose more information through the CDP questionnaire regarding their climate strategies and progression.

In addition, we have moved ahead with a stronger position on our proxy voting by implementing a Climate Policy which will ensure we hold more companies to account for their climate strategies and disclosures and encourage greater commitment to future greenhouse gas emission reductions.

5. Report on each portfolio's carbon footprint and the impact of 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 this Annual Sustainability Report.

6. Achieve operational carbon neutrality

See section 'Our 2022 Carbon Footprint' below.

Risk Management

The Risk team monitors the execution of the climate Exclusion Policy, ensuring no trades are made in any of the names identified through pre- and post-trade checks.

KPIs

We report weighted average carbon intensity for our listed funds (except Quaero Capital Funds (Lux) - World Opportunities), see Table 4 on page 14.

Our 2022 Carbon Footprint

We believe that every company needs to act to help mitigate climate change.

Therefore, since 2019, we have measured QUAERO CAPITAL's annual carbon footprint in line with GHG protocol.

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
Carbon footprint in tCO ₂ e	109.0	34.5	36.8	68.6
% change YoY		-68%	7%	86%

Table 5: QUAERO CAPITAL carbon footprint since 2019

Source: QUAERO CAPITAL, January 2023

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

There are a few elements to highlight:

- **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 22 tonnes of CO₂, a 40% increase from 2021. Almost 27% of employees now cycle to work, a number which has increased every year in our survey, and nearly 12% walk. 43% use public transportation, leaving only 18% of employees using cars and/or motorbikes (5.5% of which is with electric / hybrid cars)
- **Business travel significantly increased in 2022**, as expected following the lifting of all travel restrictions internationally. Km travelled doubled and this resulted in carbon emissions of 44.7 tonnes of CO₂ from business travel in 2022. While more flights have been taken vs. 2021, the proportion of travel done by plane still 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 80% 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 2.05 tonnes.

5. OUR PUBLIC COMMITMENTS

Our commitments

In 2015, QUAERO CAPITAL became a signatory to the UN PRI (United Nations Principles for Responsible Investment) to demonstrate our commitment to responsible investment. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society.

Since 2018, QUAERO CAPITAL has been a member of the Institutional Investors Group on Climate Change (IIGCC) and a signatory to the Carbon Disclosure Project (CDP) since 2019.

We have also signed the statement of support for the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) in 2020.

QUAERO CAPITAL has been a member of France Invest since 2016 and Swiss Sustainable Finance and Sustainable Finance Geneva since 2019.

In 2022, QUAERO CAPITAL became member of l'Institut de la Finance Durable previously Finance for Tomorrow.

In 2022, QUAERO CAPITAL joined the Net Zero Asset Manager initiative.



6. CORPORATE SOCIAL RESPONSIBILITY AT QUAERO CAPITAL

Our offices

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

In 2022, we implemented and solidified the policies we introduced over the past few years in our Geneva, London and Paris offices to improve the working environment for our staff and minimise our carbon footprint.

For example, we have introduced recycling bins so that our employees can recycle all possible materials such as paper, plastic and ink cartridges.

In addition, our headquarters in Geneva (2018) and our offices in London (2019) and Luxembourg (2021) have run on 100% renewable energy for several years. We favour video conferencing over business travel, investing in video conferencing technology for each office.

Since 2019, as part of our Climate Policy, we have undertaken an extensive process of mapping our key carbon emissions in line with the GHG protocol. These include:

- Scope 2 emissions - office electricity consumption
- Scope 3 emissions - business travel and employee travel

Our intention is to minimise our carbon footprint each year through the policies described above. We aim to offset remaining carbon emissions through certified offset projects.

For 2022, our emissions are estimated at 69 tCO₂eq. We will offset this footprint through STOCK Co2, as we did last year.

Our staff

Since its creation, QUAERO CAPITAL has promoted the values and principles underlined below:

The **diversity of our workforce** is very important. We are convinced that our continued success is influenced by the wide variety of experiences and capabilities our staff bring to our business.

We work to ensure that QUAERO CAPITAL provides **equal opportunities** to all our employees and job applicants regardless of (amongst others) their gender, religion, race, nationality, age or sexual orientation. People are recruited primarily for their skills and expertise. We pay particular attention not to disregard application from senior professional, as they bring diversity and intergenerational mix to our firm. We can count on their great experience, their loyalty and their ability to accompany young talents and thus secure the transfer of knowledge between generations.

In 2019, for our offices in Switzerland we implemented a **paternity leave policy** offering 2 weeks of paternity leave to our employees in the year following the birth of a child.

In 2020, we introduced a **flexible working policy** where employees can work from home one day per week, which has remained in place beyond any COVID-19 related restrictions.

We favour **team building** experiences. In several of our offices, staff have the possibility to participate, as a team, to local sport events such as “la Course de l'Escalade” (in Geneva) and the Paris Marathon. In order to prepare for those events, weekly training sessions with coaches are organised. This also promotes **sport and healthy lifestyle** within the company.

We highly value **education and share of knowledge**, having strong relationships with universities. QUAERO CAPITAL is a sponsor of the Master of Financial Engineering at Ecole Polytechnique de Lausanne (EPFL) and some of our employees are actively involved in teaching once a year in various Masters at Ecole Nationale des Ponts et Chaussées and EPFL where they give their support and share their experience with students and teachers.



7. CHARITY EVENTS SPONSORED BY QUAERO CAPITAL

Project sponsored by QUAERO CAPITAL



At QUAERO CAPITAL, we are keen to give back to the communities around us. We donate money to several organisations and charities, but we also wish to offer our time.

This year again, we volunteered to Colis du Coeur. The Geneva-based organisation distributes food and hygiene products to families and people in precarious situations. They help sustain the lives of 7'000 people each month (this is twice as many as before the pandemic, and 40% of them are children). Many of these people work without legal status or have lost their jobs since the start of the pandemic. The organisation has also noticed that many students who benefit from their help have been unable to find work. According to the Cantonal Office of Statistics, 20% of people living in Geneva are at risk of falling below the poverty line. Colis du Coeur works to ensure that those in these situations have enough food to eat and necessities to survive.

The turnout among staff was very high and we plan to organise similar events in the coming years.



Projects sponsored by our Infrastructure strategies

Our infrastructure strategies help local communities by sponsoring charity projects and various leisure programs. We strongly believe that it is important to participate to the economic as well as social development of communities in which we operate. These sponsorships are made on behalf of our infrastructure projects.

Wind projects in France have donated EUR 77'500 to local municipalities regarding projects such as running event for local school in Longèves, renovation of medieval castle in Tardoir, renovation of local Church and tree plantation in Merisier.

Through one of our telecom projects, we have sponsored various sport and cultural events and a social rehabilitation association for an amount of EUR 9'500.

Our utility asset in Mayotte sponsored various events and associations for an amount of EUR 14'425.

Annual donations

In 2022, we donated to:

- **Colis du Coeur**, which supports Geneva-based population in need and provides food and basic products (see above)
- **EPIC Foundation**, which works with disadvantaged youths globally
- **SOS Enfants**, which provides free psychological and educational support to children, adolescents and their parents
- **Simon Rivett-Carnac Trust**, which supports mental health charities and projects
- **KCK Kampa Community Centre**, an organisation that supports Ukrainian children and mothers seeking refuge
- **Fondation Dance Area**, which promotes choreography, dance education & training and supports young dancers
- **Société d'Encouragement pour l'industrie nationale**, which aims at relaunching local businesses in France

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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). A list of members' names is available for inspection at the registered office address shown above.
Quaero Capital LLP is authorised and regulated by the FCA.*

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