

## ENGAGEMENT POLICY

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April 2022

**Scope** 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<sup>1</sup> other than managed accounts or dedicated vehicles not marketed to third parties (each a "Fund").

**Objective** The purpose of this policy is to set out the guidelines for QUAERO CAPITAL's shareholder engagement activity. This policy is designed to outline the objectives of the activity, as well as the processes and documentation used to store and communicate on the activity.

**Policy**

**1. General principles**

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

Companies make an essential contribution to society, providing jobs for employees, products for customers, financial returns to investors and taxes for governments to spend on social services and goods. There is however risk for this contribution to fall short of its potential, often due to a weak governance structure or poor management of environmental, social and governance ("ESG") risks. QUAERO CAPITAL views these criteria as important and believes better management of such risks leads to better long-term financial performance. As an asset manager, QUAERO CAPITAL therefore has a responsibility to act as good steward of capital on behalf of its clients through active stewardship, including direct engagement on these issues with company management teams to encourage behaviour and actions that will lead to better company and stock performance

QUAERO CAPITAL engagement opportunities vary by investment strategy but the Engagement Policy supports the pursuit of active dialogue with company management where possible in line with a commitment to sustainability. This may result in asking questions about a company's approach to key sustainability risks during management meetings and ensuring that company management teams they are aware of QUAERO CAPITAL's broad commitment to sustainable, long-term investment. Disclosure and transparency of sustainability risk management are a central theme to these conversations.

The process is designed to maximise shareholder value.

QUAERO CAPITAL's guiding principles in completing dialogue and engagement are to do so

- i) in accordance with investors' best economic interests,
- ii) when not influenced by conflicts of interest and
- iii) with consideration of the cost to the funds.

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<sup>1</sup> This policy does not apply to *Quaero Capital Funds (Lux) – World Opportunities*, *Quaero Capital Funds (Lux) International Equities*, *Quaero Capital Funds (Lux) – Global Balanced* and *Quaero Capital Funds (Lux) – Global Conservative*. It does not apply either to the fixed income strategies run in the following funds: *Quaero Capital Funds (Lux) – Global Convertible Bonds*, *Quaero Capital Funds (Lux) – Yield Opportunities* and *Quaero Bond Impact Opportunities*.

## **2. Applicable rules**

### **a. Application**

For companies where QUAERO CAPITAL has significant influence, it 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 are prioritised depending on the level of materiality to the future of the company and the severity of the controversy.

These engagements are initiated by the portfolio manager directly with the company management team and are usually followed by a meeting between the portfolio manager, 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; they 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 disclose greater detail of their climate strategies. 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 markets which individually make up a large proportion of economies and are a focus for many of our investment strategies.

### **b. Guidelines**

Engagement consists of

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

### **c. Policy limits**

Engagement does not consist of

- Discussions with companies held in the portfolio to interfere or change the course of the company strategy or its management team
- Requests to hold a seat on the Board of Directors

### **d. Process**

Engagement is performed by the ESG team in collaboration with members of the relevant investment team. Follow-up communications are initiated by the ESG team, and all engagements are logged by the ESG team.

## **3. Reporting**

Engagement activities are reported in aggregate annually in the Annual Sustainability Report. For the Small Cap team, engagements are reported in more detail in an Annual Impact Report.