

## EXCLUSION 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 investment exclusions.

QUAERO CAPITAL will act in accordance with the United Nations Global Compact ("UNGC", see Appendix) as well as international treaties on controversial weapons.

QUAERO CAPITAL recognises the Paris Agreement ambition and as such exclude from its investment universe companies that are not making the important transition to renewable energy sources as part of the Climate Policy.

**Policy**

**1. General principles**

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

QUAERO CAPITAL assesses the behaviour of companies applying the principles of the UNGC. Those companies that are deemed to be in severe and systemic breach of these principles are excluded from QUAERO CAPITAL's investment universe.

QUAERO CAPITAL focuses on the following key principles:

**a. Human rights**

While protecting and fulfilling human rights is a legal obligation and the responsibility of governments, it is widely recognized that all businesses have the potential to impact human rights.

Companies are expected to obey internationally recognized human rights principles and to prevent and manage its impact on human rights. Human rights related issues include complicity in human right abuses, modern slavery, the rights of indigenous people and displacement of local communities, and international humanitarian law.

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<sup>1</sup> This applies to all funds investing in listed securities except *Quaero Capital Funds (Lux) – World Opportunities*, *Quaero Capital Funds (Lux) - International Equities*, *Quaero Capital Funds (Lux) – Global Balanced* and *Quaero Capital Funds (Lux) – Global Conservative*.

QUAERO CAPITAL will exclude from its screen companies that are deemed to have severely and systemically breached the UNGC principles regarding human rights.

**b. Labour standards**

Companies have a responsibility to uphold internationally recognised standards and rights for their labour force.

This applies to issues such as abolition of child labour, elimination of all forms of forced and compulsory labour, defence of the freedom of association and effective recognition of the right to collective bargain, and elimination of discrimination.

QUAERO CAPITAL will exclude from its screen companies that are deemed to have severely and systemically breached the UNGC principles regarding labour standards.

**c. Environment**

Care for nature, the environment and preserving biodiversity are important business responsibilities. Companies should take a precautionary approach to environmental challenges, promote greater environmental responsibility, and encourage environmentally friendly technologies.

QUAERO CAPITAL will exclude from its screen companies which are deemed to have severely and systemically breached UNGC principles regarding the environment.

**d. Corruption**

Correlation between corrupt business practices and the negative effects on long term financial return is growing. Corruption induces business-related costs and market inefficiency and hinders economic, political and social development.

Companies are expected to take a proactive approach towards corruption, including extortion and bribery, by implementing adequate anti-corruption measures and improving transparency.

QUAERO CAPITAL will exclude from its screen companies that are deemed to have severely and systemically breached the UNGC principles regarding corruption.

**e. Sanctions**

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

**f. 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, which prohibits the use, stockpiling, production, and transfer of anti-personnel mines
- The Oslo Convention on Cluster Munitions, which prohibits the use, stockpiling, production and transfer of cluster bombs
- The Chemical Weapons Convention, which prohibits the use, stockpiling production and transfer of chemical weapons

- The Biological Weapons Convention, 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

**g. Climate-related exclusions**

QUAERO CAPITAL excludes investments in:

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

**2. Implementation**

**a. Governance**

The ESG Committee is responsible for reviewing and approving the Exclusion list prepared by the ESG team.

The Exclusion list is reviewed at least twice a year. During the review process, the following decisions can be made:

- Companies that were on the list and that have made positive/relevant changes in their activities or behaviour may be removed from the list
- Companies may also be added to the list

**b. Dialogue and divestment**

A company new to our Exclusion list may already be an investment. In such an instance, we would engage in dialogue with the management of said company to encourage a change. If no such change is observed within 12 months, or if it is unlikely that dialogue will result in any change in behaviour, QUAERO CAPITAL will commit to divest.

**c. Screening of portfolios**

The Risk team is responsible for ensuring that any order related to funds in scope of the Exclusion Policy is screened against the Exclusion list. Companies on the Exclusion list are blocked in pre- and post-trading processes.

APPENDIX – UNITED NATIONS GLOBAL COMPACT PRINCIPLES

**Human rights**

Businesses should

- (1) support and respect the protection of internationally proclaimed human rights; and
- (2) ensure that they are not complicit in human-rights abuses.

**Labour standards**

Businesses should uphold

- (3) the freedom of association and the effective recognition of the right to collective bargaining;
- (4) the elimination of all forms of forced and compulsory labour;
- (5) the effective abolition of child labour; and
- (6) the elimination of discrimination in respect of employment and occupation.

**Environment**

Businesses should

- (7) support a precautionary approach to environmental challenges;
- (8) undertake initiatives to promote greater environmental responsibility; and
- (9) encourage the development and diffusion of environmentally friendly technologies.

**Anti-corruption**

Businesses should

- (10) work against corruption in all its forms, including extortion and bribery.