RESPONSE TO ARTICLE 173 AND THE FRENCH ENERGY TRANSITION LAW

DETAILS ON ESG INTEGRATION AND MANAGING CLIMATE RISK FOR QUAERO CAPITAL

Signatory of:

1. RESPONSIBLE INVESTMENT AT QUAERO CAPITAL

At Quaero Capital, investing responsibly is at the center of our investment philosophy and process. We believe that our clients will benefit from the integration of ESG criteria into our investment research and that it will ultimately enhance their performance and investment success.

Across our funds we are convinced that integrating ESG factors into our financial analysis will support making better investment decisions for our client; this is not just a question of ethics. By integrating these factors, we gain a better understanding of operational, financial and reputational risks for a firm as well as business opportunities. Additionally, ESG insights contribute to reducing negative surprises with target companies and can provide us with increased confidence about the long-term prospects for a business. This enables a better understanding of the risk / return profile of an investment which results in better portfolio construction.

As a responsible investor, we also believe that we can drive most change by providing feedback to management teams, whether through direct dialogue or through our votes. Across our funds, the investment team spend thousands of hours every year meeting companies' management of both current and prospective holdings, providing us with an opportunity, when feasible, to press certain issues and encourage greater transparency. We believe this is much more powerful route to sustainable corporate behaviour, as it focuses on positive engagement and ultimately influence on these key issues. In addition to this we take our role as stewards of capital seriously and are implementing a voting policy across our public equity funds.

In 2015 we became a signatory to the UN PRI (United Nations Principles for Responsible Investment), to demonstrate our commitment to responsible investment. We have since become a member of the IIGCC (Institutional Investors Group on Climate Change) as we look to influence corporations to address long term risks associated with climate change. We understand well the new challenges and opportunities arising from climate change; in 2016 the Accessible Clean Energy fund was launched, which aims to maximise total return by investing in companies operating across the renewable energy value chain.

We demonstrate our commitment with the creation of a dedicated position and the hiring of an ESG analyst, who works alongside the investment teams assisting in the integration of ESG criteria into research analysis, structuring our dialogue with company management, and spearheading further developments in ESG policy. One of the new initiatives launched is the development of an ESG Committee, who will have oversight and responsibility for the development and integration of the ESG policy and will drive progress.

As the industry continues to evolve, with companies reporting more ESG information and client expectations changing, we'll adapt and develop our policies and approaches in order to continue to deliver financial return for our clients in a responsible way.

2. INTEGRATION OF ESG CRITERIA

Approaching investment in a responsible and considered way has always been at the core of our investment process. The very nature of our philosophy lends itself to identify sustainable businesses – we invest for the long-term, looking for family owned businesses with good governance and with limited exposure to external factors (commodity prices, environmental regulation). With time our approach has developed, and as we appreciate the progression in the industry towards greater transparency, we have therefore integrated a more distinct ESG strategy since 2015.

We often invest in companies that rarely have 3rd party ESG ratings, which means they could be, and often are, ignored by the sustainable investment community. As we do our own research and analysis, we also do proprietary ESG analysis alongside. With this we focus on the areas that are most material to the company. We realise that we have a better understanding of the companies that we invest in than any external ESG rating agency, which provides us with a competitive advantage.

We believe in **focusing on the most material factors affecting a company**. For different companies and different industries, different factors come into focus. For a people-driven business, how they manage their staff and staff-turnover are material factors for the success of the company. Similarly, for an agricultural business, how they manage the issues of increasingly volatile and dry or wet weather related to climate change is paramount to the future of the business.

The companies we invest in often do not receive much feedback from the investment community, regarding financial or extra-financial factors. Most are covered by few, if any, financial analysts. **We therefore have a policy to pursue ongoing and active dialogue with the management teams**; as significant shareholders our opinion and feedback is valued. We spend hundreds of hours each year meeting management teams, providing us with opportunities to discuss ESG topics we believe are material to the business. One of the areas we focus on is encouraging greater transparency from our corporates on their ESG strategies and to increase ESG reporting.

We take shareholder responsibilities seriously, and make sure to use our votes accordingly. Using both external and internal analysis, we ensure we vote inline with our responsible investment philosophy. Looking forward we plan to publish our voting history on an annual basis; we believe in full transparency for our clients.

OUR APPROACH

Exclusion List

As with all QUAERO CAPITAL funds, we incorporate an exclusion list to our investment screens.

We do not invest in companies that are involved in the production or supply of indiscriminate weapons, inline with our commitment to the UNPRI and International Humanitarian law. We do not support weapons that cause an unnecessary number of civilian casualties.

We therefore exclude companies that breach Oslo and Ottowa conventions, ensuring we do not invest in companies that use, stockpile, produce or transfer cluster bombs or anti-personnel mines. We exclude companies involved in the use, stockpiling, production and transfer of chemical or biological weapons. And we exclude companies involved in nuclear weapons in-line with the Treaty of the Non-Proliferation of Nuclear Weapons (NPT)

In addition, we exclude companies whose conduct is in ***systematic and severe breach*** of UN Global Compact principles, which reflect global norms:

1. Human Rights
   a. Businesses should support and respect the protection of internationally proclaimed human rights; and
   b. Make sure that they are not complicit in human rights abuses

2. Labour Standards
   a. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
   b. The elimination of all forms of forced and compulsory labour;
   c. The effective abolition of child labour; and
   d. The elimination of discrimination in respect of employment and occupation

3. Environment
   a. Businesses should support a precautionary approach to environmental challenges;
   b. Undertake initiatives to promote greater environmental responsibility; and
   c. Encourage the development and diffusion of environmentally friendly technologies

4. Anti-corruption
   a. Businesses should work against all forms of corruption, including extortion and bribery

The list is aggregated using insights and analysis shared by third parties, supplemented with internal analysis from our investment team and ESG analyst. The purpose of this list, which averages about 35 companies globally, is to ensure we avoid investing in companies that systematically and severely breach these norms. We don’t expect this list to replace our own ESG analysis, but to support it.

NB : Our exclusion list is available upon request and our policy will be made available on our group website before Dec. 31st 2018.

Other controversies

Beyond this we don’t subscribe to the sector-exclusion approach to responsible investment. While a fund can limit exposure to, for example, any company in the exploration or extraction of oil, by divesting the ability to influence the strategic direction of the company is lost completely.

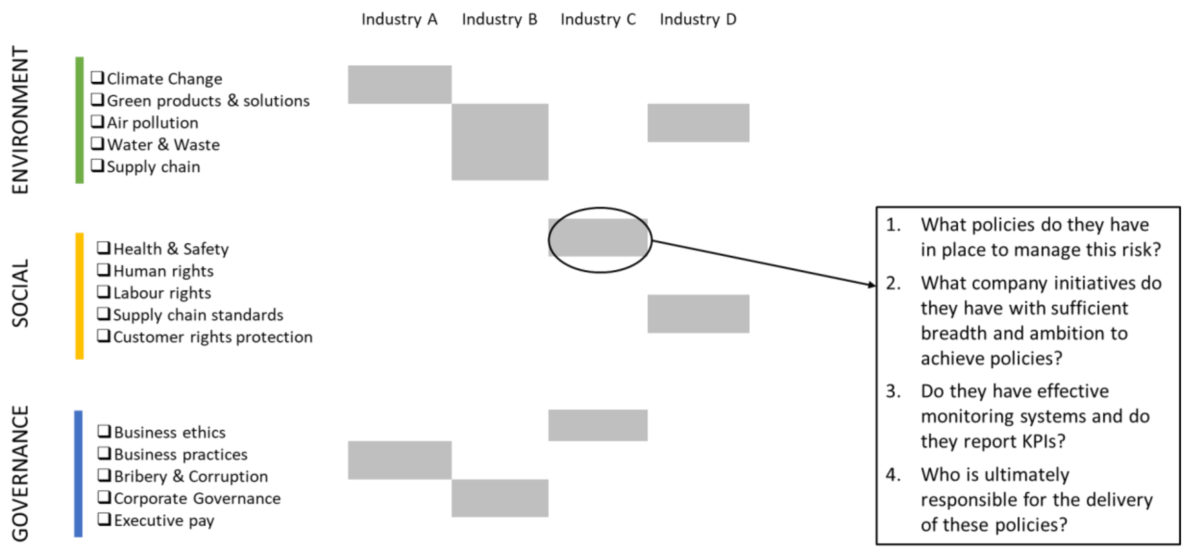
Additionally, industries are very interlinked, which makes it difficult to decide where to draw the line. If you divest oil companies, should you divest any company that uses oil as an input? Or any company that sells services or machinery to the oil industry? We subscribe to the philosophy that encouraging more responsible and sustainable behaviour from companies across industries we can create much more value and more positive impact.

However, by the nature of our investment approach we avoid many of the controversial sectors that other funds actively screen out. We have historically held very few companies exposed to weapons, tobacco, pornography, gambling and mining. We identify challenges to the sustainability of those industries, all exposed to significant and unpredictable external factors such as regulation. As noted above, this is not for ethical reasons; we wish to leave those ethical choices to our clients.

ESG Analysis

After becoming a signatory to UNPRI in 2015 we embarked on a thorough review of our integration of ESG analysis within our investment process. We took steps to structure our ESG evaluation of each company, to better document it through a proprietary template and to share intelligence across the organisation. As noted before, there are few external rating agencies that cover the investment universe for many of our funds, so developing this in-house resource has advanced our approach significantly.

With the arrival with our new dedicated internal ESG analyst, Georgina Parker, we launched a project with Geneva-based sustainable investment advisors Conser to further enhance our approach to ESG analysis. With companies reporting more and more datapoints, we're adapting our approach to focus on material factors with the benefit of the specialist perspective of our ESG analyst.



We consider the following criteria for our ESG analysis, focusing on different factors depending on the business and industry

- Environment
- Social Capital
- Human Capital
- Corporate Governance

Our updated approach ensures we focus time and energy on the factors that are financially most material to the company's financial success. Our analysis follows a proprietary structure, enabling comparison, highlighting areas of risk, and raising the need to start dialogue with management.

We structure our evaluation according to how clear their policies connect with their actions, and how sufficient they are for the business they're in. We ask:

- What policies do they have that manage the identified ESG risks?
- What specific initiatives do they outline that serve to help the organisation fulfil set policies?
- What management systems are in place to monitor and manage the success of initiatives?
- Who will take responsibility for delivery of policy and initiatives, and do they have sufficient seniority?

Fund of Funds:

The funds of funds managed within Quaero, international equities, global conservative, global balanced and Global Growth, are currently reviewing the inclusion of ESG into the investment process. We intend to integrate ESG evaluation with manager selection in the future, and will update clients accordingly.

Infrastructure Fund (Equity Project Finance i.e. QEIF & QEIF Co-Invest) :

Quaero European Infrastructure Funds have already an ESG policy in place. Every investment committee includes an ESG chapter and the reporting sent on quarterly basis includes a chapter describing our ESG policy and how does it take place in our portfolio with a deal by deal review updated on quarterly basis. Attached our ESG policy for QEIF funds. It may be of interest to note that given the institutional profile our infra funds clients a special effort has been engaged through ESG deep understanding with the help of INDEFI.

A note on Environmental analysis:

We look at companies through the lens of ESG criteria two ways; the impact the company is having on the environment, and the impact the environment could have on the company. Both can lead to significant business risks.

We look to understand how the company is making efforts to reduce their footprint and impact on their environments – what are their policies, what initiatives do they have underway, how are they measuring their progress and who is responsible for delivery?

We also wish to understand how the climate is affecting their business. Climate change and it's secondary effects, will impact many industries and companies. A good example of this is agricultural businesses affected by areas suffering long-term drought tied to climate change.

Dialogue

With a number of Quaero funds focusing on small cap companies we can often be one of the largest investors in our portfolio companies. The fund managers have long been constructively engaging with the companies in which it invests to work towards the adoption of good governance and sustainable strategies.

More recently we have connected this dialogue with our ESG analysis is a more structured way, and have also begun to log these interactions to offer greater transparency to our clients.

When we identify an area of concern, a 'red flag', we considering starting a dialogue with the company, either through meetings with management or through communication channels such as IR. These topics of engagement usually cover two areas:

i. ESG transparency.

This is something that we'll be pushing more going forward, as we discover that many management teams aren't aware how investors are evaluating their sustainability – there's an opaqueness to agency ratings, and most of the time if there is a rating for a small cap company, it's far off the mark. So we're helping them to understand what we, and what we expect other responsible investors, want to see and hear from them. As we look forward, we'll be using our involvement with IIGCC to encourage companies to report data inline with TCFD recommendations.

ii. ESG risks and issues.

During our ESG evaluation of a company, if we identify an area of concern, either due to lack of transparency or due to risks around strategy, we raise it with the company in order to better understand the issue and to encourage responsible practice. Either we wait until our next meeting with management, or we arrange a call with the company. Usually we're able to gain comfort through the discussion with the company; either related to their strategy of managing the risk, or simply through better transparency about initiatives that are underway.

We believe this is the area we can most fulfil our obligations and commitments as responsible investors. If a CEO sits through 10 meetings with investors, and the majority of these investors raise questions regarding their sustainability strategy, we are confident that over time this feedback loop will affect corporate strategy going forward.

As often one of their largest investors, we're committed to providing that feedback and raising those issues when we identify them. We see active ownership as a powerful tool for change, not just to encourage better corporate behaviour but as a consequence to drive better long-term financial returns for our investors.

NB : Quaero Capital Dialogue policy is available upon request and shall appear on our group website before Dec. 31st 2018.

Voting

Voting forms part of our engagement strategy, which is why we aim to vote 100% of the time. We consider voting part of our fiduciary duty to our investors, and vote in accordance with clients best economic interests. Voting is executed by the fund managers, with support from the ESG analyst to monitor adherence to our voting guidelines, evaluate occasions when adherence isn't the best policy, and to document our voting rationale.

We pay particular attention to:

- Executive compensation
- Any resolutions that dilute shareholders equity, or reduce their voting influence

We intend to publish our annual voting record each year, to offer full transparency to our investors.

NB : Quaero Capital voting policy is available upon request and shall appear on our group website before Dec. 31st 2018.

3. ESG REPORTING PROVIDED TO CLIENTS

On quarterly basis our clients in Quaero European Infrastructure Fund are provided with a reporting including an ESG chapter describing our ESG policy and how does it take place in our portfolio with a deal by deal review. Attached an extract of our last half-year report (June 30th 2018).

In addition we will publish our first annual report on responsible investment for 2018, providing further description and depth on the process used by the teams. This will be published annually and will include:

- Voting history
- Dialogue Log
- Review of steps taken to further integrate ESG
- Details of the ESG criteria used for evaluation

We will provide clients of each fund with the following information annually:

- Portfolio ESG vs. Benchmark (using Conser Portfolio Check)
- GHG emissions vs. Benchmark (using Conser Portfolio Check)
- Exposure to controversies (such as alcohol, gambling, pornography)

Additional communication available to clients:

- ESG Handbook
- Voting Policy & Guidelines
- Engagement Policy
- Exclusion Policy
- Article 173 Report

4. QUAERO CAPITAL FUNDS AND ESG INTEGRATION

	AUM (€m)	%	Asset Class	ESG integration
Argonaut	297.7	24.3	Equities	Yes
Smaller European Companies	156.5	12.8	Equities	Yes
Swiss Small & Mid Cap	109.5	8.9	Equities	Yes
New Europe	57.1	4.7	Equities	Yes
Accessible Clean Energy*	37.6	3.1	Equities	Yes
World Opportunities	39.1	3.2	Equities	
European Equities L/S	8.8	0.7	Equities	
Tiburon Taiko	69.3	5.7	Equities	Yes
Bamboo	49.9	4.1	Equities	Yes
Infrastructure Securities	12.1	1.0	Equities	Yes
Yield Opportunities	69.6	5.7	Multi (?)	
International Equities	26.4	2.2	Fund of Funds (equity)	
Global Conservative	10.7	0.9	Multi	
Global Balanced	18.4	1.5	Multi	
Global Dynamic	4.8	0.4	Multi	
Quaero European Infrastructure Funds*	124.8	10.2	Private equity Infrastructure	Yes
CIPAV Satellite*	112.3	9.2	Equities	On going
ATD Quart Monde*	19.1	1.6	Equities	On going

*In green the funds managed by Quaero Capital (France) SAS

ESG criteria are integrated into the analysis for **74.7%** of the funds managed by Quaero Capital;

5. INTEGRATION OF CLIMATE CHANGE-RELATED RISKS

Quaero Capital recognises the challenge of climate change,and the academic research connecting human activities to increases in greenhouse gases. We are members of the Insitutional Investors Group for Climate Change, and are making a number of efforts to contribute to achieving the agreements set out at the Paris agreement in 2015.

1. Through dialogue and voting we encourage reduction of GHG emissions

Our voting and engagement policies include emphasis on the risks related to climate change, and also the impact the company has on the environment and contribution towards climate change. We recently joined the IIGCC (International Investor Group for Climate Change) to learn further about how we can contribute, and as we look to influence corporations, to the benefit of invesetors, to address long term risks associated with climate change

2. Launch and expansion of the Accessible Clean Energy fund

Quaero Capital is committed to the clean energy transition, demonstrated with the launch of the Accessible Clean Energy fund in 2017 to invest in technologies that encourage and drive the transition. From a portfolio construction aspect, the fund can reduce the carbon footprint of a portfolio due to the reduced emissions.

3. Integrating carbon footprint within our ESG analysis

Contribution to carbon emissions is a factor taken seriously throughout the investment process. To meet the goals set in the Paris Agreement in 2015, many industries will face a number of significant challenges. For this reason, across our portfolios we have limited exposure to fossil fuels, often significantly below the benchmark. We consider this allocation of capital to contribute to helping achieve the Paris Agreement goals.

4. Measurement of carbon footprint at portfolio level

From a portfolio perspective due to the market cap and geography of many of our funds we’ve found it challenging to identify a reliable source of data for carbon footprint. After consideration we have decided to work with a Swiss sustainable advisors to help us measure the carbon footprint for each fund, which we aim to make available to our clients in our first annual responsible investment report.

Measuring Carbon footprint is one way to measure the impact of a portfolio on climate change; while it is not an all-inclusive measure, it is a mature metric which is a good starting point in understanding the contribution of a portfolio to global warming.

The calculation of carbon footprint will be done for both Scope 1 GHG emissions (greenhouse gas emissions corresponding ot the direct activities of the business) and Scope 2 GHG emissions (greenhouse gas emissions related to electricity, power, water or other input used for the manufacture of products or delivery of service). The contribution of each position to the portfolio's carbon footprint is calculated on the basis of percentage capital held. The footpring of the fund is the sum of these contributions, normliased by the turnover detained.

Scope 3 GHG emissions (avoided greenhouse gas emissions) is still in infancy in measurement, and much more difficult to estimate. We therefore do not include these currently, although will once agains review this decision in 2019. We are however intending to measure Scope 1,2 + 3 GHG emissions for our Accessible Clean Energy fund. This fund is a sustainability themed fund, focused on maximising return by investing along the value chain of clean energy, and we therefore expect to see considerable avoided emissions related to investment in this fund.