2021 ANNUAL SUSTAINABILITY REPORT

QUAERO CAPITAL

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A REFLECTION ON SUSTAINABLE INVESTMENTS IN 2021

Responsible investing continues to attract substantial interest and is now mainstream in many parts of the world, as it currently exceeds 10% of the world's investing assets. The combination of the pandemic and the climate crisis have pushed the green recovery and various government plans have sprouted all over the world, most importantly in the US and in Asia. Yet again, 2021 saw strong demand for ESG funds, but most importantly, the growth was more balanced, and the strongest change came from the US, where the interest is growing more than in any other region around the world. This will continue to challenge asset managers and asset owners to act responsibly.

Paralleling this growth, more regulations and requirements for reporting are being put into place everywhere. In Europe, the development of the Sustainable Finance Disclosure Regulation (SFDR) has been a major milestone. With its introduction, fund promoters have had to position themselves on the ESG scale and as a result are now gradually strengthening their ESG processes and becoming much more transparent about their ESG claims. This new phenomenon has highlighted the need for companies to develop a more standardized framework for reporting on ESG risk. Last year, the IFRS Foundation formally announced the creation of the International Sustainability Standards Board 'ISSB' which will sit parallel to the International Accounting Standards Board under the IFRS Foundation. This is the most significant development in ESG reporting for some time and is a major step towards convergence of the currently fragmented reporting landscape. Creating a unique reporting language will considerably help investors make comparisons across companies and industries and increase the needed transparency for investors to sustain their ESG claims in relation to their portfolios. More initiatives are coming. In particular, the SEC is now considering climate disclosure for US companies, and we are expecting much more from other countries. We are indeed in a new era for responsible investing.

At QUAERO CAPITAL, we were prepared for these changes, and we continue to move more products to the more demanding categories within the SFDR framework. We have also adopted a Climate Policy in order to join the New Zero Asset Management Initiative. This new policy will attempt to hold boards accountable for climate policies and look to incentivise sustainable performance from management. It will enshrine in our investment process and voting policies the need to have an impact on the management of climate risk on each of our portfolios' holdings. As for the QUAERO CAPITAL ESG framework, we continue to believe that a policy of engagement, dialogue and responsible voting is the best tool to achieve our sustainability goals. While we apply some exclusions, we believe we can have most impact through engaging companies across all sectors rather than investing only in a limited number of target companies and industries.

As we are producing this report, we are witnessing a bloody conflict in the middle of Europe. The brutal invasion of Ukraine by its neighbour is bringing us back to much darker times and is challenging the multilateral order painfully built since the end of the Second World War. Notwithstanding all the dramatic consequences, this invasion is likely to have at a much deeper level, it is also certain to challenge ESG investing and how investors perceive authoritarian regimes. Whereas this is in the strictest sense not necessarily directly linked to ESG at the level of the target investments, it will materially impact geographic allocations in many investors' portfolios. It has also raised a very pointed finger to our dependency on fossil fuel and will hopefully massively accelerate the energy transition. If there can be a silver lining in such a catastrophe, surely this is the one to hope for. When the tanks leave and Europe will have to heal its wounds, let's hope we can build again stronger and better, more in line with our climate objectives.

Jean Keller
QUAERO CAPITAL
Chief Executive Officer

1. THE EVOLUTION OF SUSTAINABLE INVESTMENT AT QUAERO CAPITAL

Our ESG progress in 2021

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 with a particular focus on renewable energy across different strategies, emphasising our focus on the fight against climate change. We also consider strong governance in target companies of high importance, as we believe insufficient governance will prevent progress on sustainability objectives set by these companies.

This evolution has not been without its challenges; we are a small asset manager investing across a wide range of strategies and many different countries. We have, however, always been thoughtful about our approach and prudent about our communication of what we do. We think often about the problems that greenwashing in the industry are causing not just to clients, but also to the broader sustainable objectives that we should be contributing to. We work hard to ensure that **we only ever communicate what we actually do**. This has been made clear through our conservative approach to the Sustainable Finance Disclosure Regulation (SFDR), designating only funds with high ESG standards and clear ESG processes as Article 8. **Our ambition is to have more of our funds targeting these high ESG standards, and more of our funds to be either Article 8 or 9.** This ambition can be seen in our two recent product launches, one investing in real estate and the other in fixed income, and both focused on sustainable investments. We are proud to now have two funds certified with the ISR Label.

We think increasingly about our role as stewards of capital, and how we should be using that role to advance efforts towards our sustainable objectives. For our engagement, we are realistic about our size and influence, and therefore focus our time on where we can have most impact on our priority objectives. The threat of climate change is top of that list, a subject we have engaged nearly 50 companies on in 2021 through collaborative engagements. We intend to improve our direct engagement during the next year with our small cap team who hold large positions in small companies usually for long periods of time and where their influence is significant. We will focus on certain issues including climate change and set clear objectives. Across our investments we will step up our engagement with companies to encourage them to set Science Based Targets, in line with our new commitment to the Net Zero Asset Manager initiative.

Our level of engagement with proxy voting has increased significantly in recent years. The contribution of external research has been very valuable, with the process providing new insights into the governance strength of organisations and helping each fund manager be thoughtful about how we apply our voting policy to our votes. The application of a new climate policy adopted in January 2022 will lead to us vote more often against ballots if the board is not sufficiently accountable for climate policies, or when the company's climate strategy and disclosure are not ambitious enough. **We also plan to better communicate the rationale for our votes to the companies directly.** We see that despite voting against management 12% of the time, very few of these ballots are voted against by the majority of shareholders. We therefore must make sure that the rationale for our vote is understood by company management teams, who may incorporate these insights into future plans.

We face issues of transparency and ESG data quality in certain markets such as China and Eastern Europe and in turn with the validity of external ratings. We also face challenges with ratings in developed markets for smaller companies who may not report as many datapoints as larger firms. This often leads to a low rating based on limited disclosure, not fairly reflecting the reality of the actions of the company. For these markets, we focus on our own ESG analysis and due diligence and avoid a 'ratings-focused' ESG process. For other markets and for larger companies we have more confidence in the quality of external ESG ratings and therefore use these ratings as a dependable ESG screening tool. Nevertheless, **we also consider it to be very important to have our own view in addition to the ratings.**

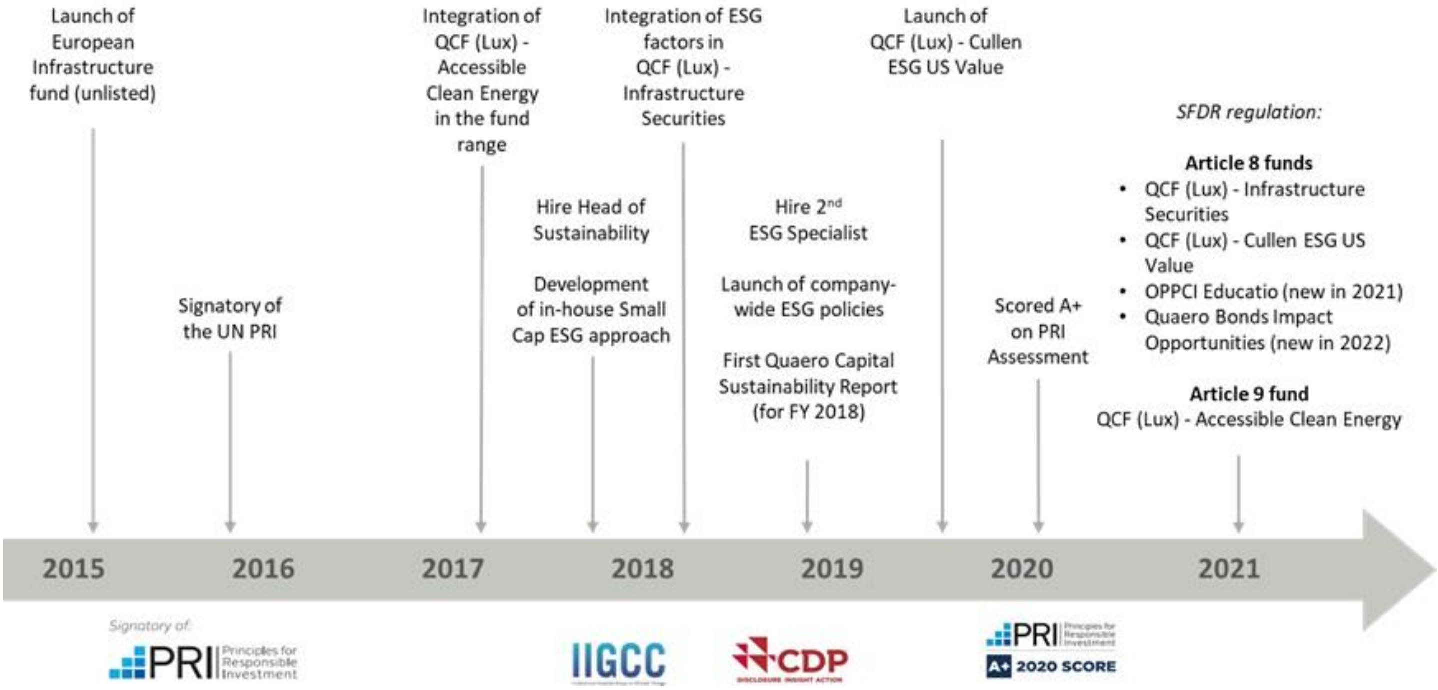
With the maturing of the industry, regulation included, **we see clients advancing their expectations of sustainable investment managers.** This process has led to very extensive questionnaires from clients and prospects, asking questions in different ways and focusing on different elements. We are always happy to provide all the transparency a client may want and intend to engage more with prospects to understand how this data and transparency is being used. As the industry continues to mature, we should work together on how to evolve.

Most importantly, we are thoughtful about what it is that we are trying to achieve. **We therefore apply the same thinking to our own business**, with projects such as calculating and reporting our own operational carbon emissions. The fundamental objective of sustainable investment is to rally the global economy to address the social and environmental objectives we share, and this applies as much to small companies as large.

Our history

QUAERO CAPITAL's increasing focus on sustainable investment is made clear by the product launches in recent years.

During 2021, we launched a real asset fund with a strong ESG focus and defined the ESG and Impact approach of a new fixed income fund (launched in January 2022).



Graph 1: Our history in responsible investment
Source: QUAERO CAPITAL, December 2021

European Regulation - SFDR

We welcomed the new SFDR regulation, one of the first elements of the European Commission's Action Plan on financing sustainable growth, which came into practice on 10 March 2021. This regulation includes transparency requirements and integration of sustainability risks for all funds. The SFDR requires that funds are designated as either funds with a sustainable objective (article 9), funds that promote ESG characteristics (article 8), or 'standard' funds (article 6), disclose sufficient information about the investment process for investors to understand how this is met, and provide additional disclosures about the impact of investments on sustainable objectives at organisation level.

We strongly support the requirement for greater transparency in the sustainable investment market; this is something we have always sought to provide clients, which is why we have reported portfolio ESG scores in monthly factsheets for many years already. As required by the SFDR regulation, we will report more KPIs for each of our funds in future Sustainability Reports. We also plan to designate more of our funds Article 8 as we work to increase our commitment to ESG across all funds.

QUAERO CAPITAL funds characterised as Article 8:

- Quaero Capital Funds (Lux) - Infrastructure Securities
- Quaero Capital Funds (Lux) - Cullen ESG US Value
- OPPCI Educatio *(launched in 2021)*
- Quaero Bonds Impact Opportunities (*launched in January 2022)*

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

QUAERO CAPITAL fund characterised as Article 9:

- Quaero Capital Funds (Lux) - Accessible Clean Energy

This is a fund with a sustainable objective, to contribute to climate change mitigation and adaptation by investing and taking an active role along the clean energy value chain.

The ISR Label

To demonstrate the rigour of our ESG approach, in 2021 we started working towards achieving the ISR Label for our investments in real estate as well as certain other equity funds with a particular focus on investing in best-in-class companies.

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 our new real estate fund, OPPCI Educatio, has now been certified with the ISR Label (in April 2022), as well as our infrastructure fund, Quaero Capital Funds (Lux) - Infrastructure Securities (in May 2022).

PRI Assessment

PRI Principles for Responsible Investment

A+ 2020 SCORE

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.

We will not have another evaluation until later in 2022 due to issues with PRI’s updated questionnaire.

Our Climate Policy

In 2020, we implemented a Climate Policy to reflect our commitment to the clean energy transition. QUAERO CAPITAL acknowledges the responsibility of the asset management industry in the fight against climate change and takes climate issues into account as an integral part of its responsible investment policy.

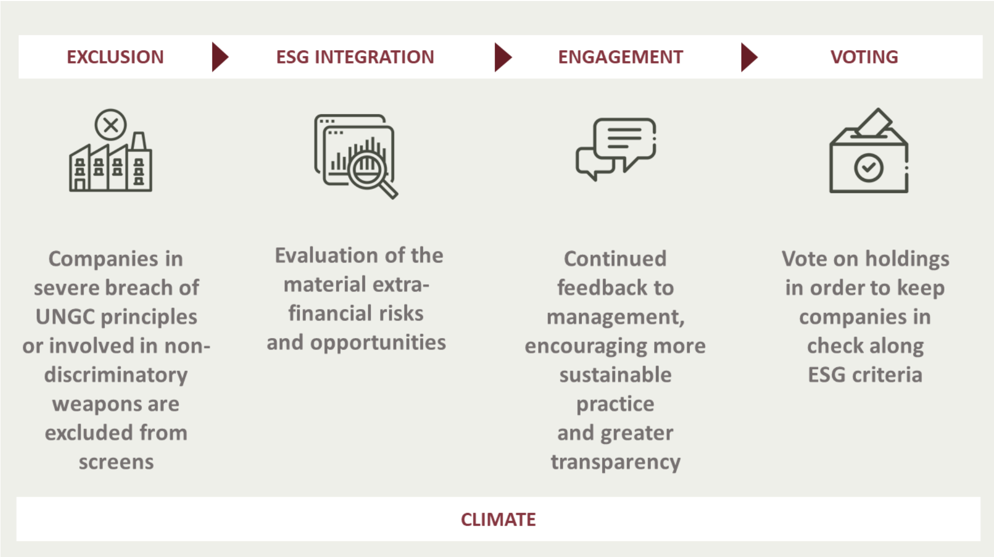
We see the integration of climate risk as a core part of our fiduciary duty to clients. We also believe that the climate transition provides great opportunity for enhanced financial returns as well as positive impact, and as such continue to innovate and develop opportunities for clients in this sphere.

As part of this policy, we commit to annual reporting in line with the Task Force for Climate-related Disclosure’s (TCFD) guidance (see Section 4 of this report).

2. OUR FUNDS – PUBLIC EQUITY AND DEBT

QUAERO CAPITAL Responsible Investment Framework

As a reminder, during 2018 we designed and implemented responsible investment policies to provide a framework for the ESG approach we apply to our UCITS funds[1]. This continues to be the framework we use.



Graph 2: QUAERO CAPITAL Responsible Investment Framework
Source: QUAERO CAPITAL, December 2021

Engagement

Our portfolio management teams prioritise opportunities to engage with company management, and we are keen to join initiatives to collaborate with other investors.

2021 was the third 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.

We expanded this effort to more of our equity funds, engaging with 47 companies globally in 2021 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. During 2021, 18 engagements out of the 51 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.

Reviewing all our engagements on climate since 2019 – as we only started engaging on water and forest last year – we can see that out of the 50 companies that we have requested to

[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.
[2] Source: CDP's disclosure platform

disclose to CDP, 24 have responded. This represents a success rate of 48% (over the 3-year period).

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 intent to join in 2022.

Funds	Lead / Cosignatory	No. of target companies - Climate	No. of target companies - Water	No. of target companies - Forest	Disclosed 2021
QCF (Lux) - Infrastructure Securities	Cosignatory	7	2	1	7/10
QCF (Lux) - Accessible Clean Energy	Cosignatory	4	6	1	6/11
QCF (Lux) - New Europe	Cosignatory	5			2/5
QCF (Lux) - Taiko Japan	Cosignatory	2	3	2	2/7
QCF (Lux) - Bamboo	Cosignatory	6			2/6
QCF (Lux) - China	Cosignatory	4	1	1	0/6
QCF (Lux) - Argonaut and QCF (CH) - Swiss Small& Mid Cap	Lead & cosignatory	7	0	0	1/7

Table 1: CDP Engagements in 2021
Source: QUAERO CAPITAL and CDP, December 2021

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 2021, 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. 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.

Funds	Total votes	% of votes made	% against/ absentee	Reason for vote against
QCF (Lux) - Accessible Clean Energy*	507	96.6%	3.9%	1. (10) Board Related, 2. (6) Compensation, 3. (2) Capit Management
QCF (Lux) - Argonaut**	994	100%	16.7%	1. (64) Compensation, 2. (48) Capital Management, (38) Board Related
Atlantis Japan Growth Fund Limited	544	100%	4.2%	1. (20) Board Related, 2. (3) Compensation
QCF (Lux) - Bamboo	286	100%	19.6%	1. (20) Capital Management, 2. (11) Compensation, (9) Meeting Administration, 4. (6) Board Related
QCF (Lux) - China	357	98.7%	26.4%	1. (47) Capital Management, 2. (13) Compensation, (12) Board Related, 4. (11) Meeting Administration, (7) Changes to Company Statues; (7) Others
Essor Japan Opportunities	732	100%	6.3%	1. (36) Board Related, 2. (9) Compensation
QCF (Lux) - Infrastructure Securities	520	100%	8.7%	1. (16) Capital Management, 2. (14) Compensation, (7) Board Related, 4. (3) SHP: Governance
QCF (Lux) - New Europe	367	100%	16.9%	1. (26) Board Related, 2. (18) Compensation, 3. (Meeting Administration, 4. (5) Capital Management
QCF (CH) - Swiss Small& Mid Cap	645	100%	12.6%	1. (17) Board Related
VB Select European Funds	914	100%	16.5%	1. (58) Compensation, 2. (50) M&A, 3. (22) Capit Management, 3. (9) Meeting Administration, 4. (Audit/Financials, 5. (4) Changes to Company Statutes
QCF (Lux) - Taiko Japan	316	100%	6%	1. (58) Compensation, 2. (50) M&A, 3. (22) Capit Management, 3. (9) Meeting Administration, 4. (Audit/Financials, 5. (4) Changes to Company Statutes
QCF (Lux) - Cullen ESG US Value ***	502	100%	6%	1. Compensation, 2. Board related

Table 2: Proxy voting by fund during 2021

* The missed votes were due to the timing of an investment which missed the deadline for the submission of votes ahead of the AGM
**QCF (Lux) - Smaller European Companies merged with Argonaut on 22 February 2021
***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 2021.[3]

Funds	MSCI ESG Rating	Morningstar Sustainability Rating	Climetrics Rating	Conser Portfolio Check
QCF (Lux) - Accessible Clean Energy	AAA			A
QCF (Lux) - Infrastructure Securities	AA			B
QCF (Lux) - Cullen ESG US Value	AA			A-

Table 3: ESG scores for QUAERO CAPITAL Article 8 and 9 funds[4]
Sources: MSCI, Morningstar, CDP, Conser, December 2021

These high recognitions are reflected by the funds specific objectives to allocate capital to companies that either demonstrate superior sustainability characteristics or actively pursue impact objectives. We are proud of our early commitment to these funds and their subsequent success.

We are also very pleased to now report the Climetrics rating, 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 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] 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 the QCF (Lux) - New Europe portfolio which has invested in companies in industries with very high carbon intensities such as cement and aluminium, but with ambitious carbon reduction targets approved by the Science Based targets initiative (SBTi).

Funds	Weighted average carbon intensity (tco2 / USDm sales)	Benchmark[5]	Benchmark carbon intensity (tco2 / USDm sales)
QCF (Lux) - Accessible Clean Energy	307.52	IShares Global Clean Energy ETF	319.9
QCF (Lux) - Infrastructure Securities	547.86	S&P Infrastructure	988.2
QCF (Lux) - Cullen ESG US Value	90.99	Russell Value 1000	236.2
QCF (Lux) - Argonaut	98.17	MSCI Europe Small Cap	110.5
QCF (Lux) - Bamboo	88.8	MSCI AC Asia Pacific	287.49
QCF (Lux) - China	69.43	MSCI China	230.8
QCF (Lux) - New Europe	804.72	MSCI Eastern Europe	767.2
QCF (CH) - Swiss Small& Mid Cap	44.27	SPI Extra	100
QCF (Lux) - Taiko Japan	43.52	Topix	90.35
QCF (Lux) - Global Convertible Bonds	107.22	Refinitiv GCB ETF	180.1

Table 4: Carbon intensity of each fund relative to benchmark
Source: MSCI and individual company's reports, December 2021

[5] This benchmark does not necessarily refer to the index benchmark used for investment purposes.

QCF (Lux) – Accessible Clean Energy

As the name suggests, the fund has a clear sustainable objective from launch – to allocate capital to companies that will make clean energy accessible to all and meaningfully contribute to climate change mitigation. This is achieved by investing in companies that have a proven clean technology, strong management and sufficient ambition to scale their activities to make a meaningful contribution to climate change mitigation and adaptation.

We use the Sustainable Development Goal (SDG) framework to report on the way the fund contributes towards the achievement of the SDGs.

SDG 7 – Affordable and clean energy

100% of holdings in the fund have a clear vision and strategy in line with a zero carbon future. The investment team look for companies that have interesting technology and/or intellectual property across the clean energy value chain that has a significant impact on climate change mitigation and adaptation, and for companies that have the ambition to scale these products globally.

SDG 13 – Climate action

76% of holdings have > 50% of revenue exposed to green activities[6]. The fund commits to a minimum of two thirds of investments with > 50% revenue from green activities, demonstrating the concentration of the fund in companies that are focused on the clean energy transition.

The Scope 1 & 2 carbon intensity of this 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 minimise their operational carbon footprint, these figures fail to demonstrate the extent to which these companies contribute to mitigating climate change. This is why we report the % of revenue that we identify as 'green activities'.

In addition, we think it is important to try and frame the level of impact the products and services of the companies in which we invest are having on climate change mitigation and adaptation. We therefore have calculated internally an estimated potential avoided emissions (PAE) figure for the portfolio, based on figures reported by companies themselves. We have checked whether these figures have been verified by a 3rd party or audited, and where they have not, we have sense-checked the figures against similar companies in the portfolio. For those without calculations, we have found alternative sources, including ISS Climate. For those without calculations and for which we have not found alternative sources, we have assumed a PAE of zero. The methodology is not perfect, but we believe it is a useful exercise to demonstrate the enormous impact these companies are having on climate change mitigation.

PAE calculations estimate the lifetime emissions avoided due to products and/or services sold during the reporting year. Importantly these are based on a variety of assumptions of behaviours now and into the future.

The result, using data for 28 out of 45 positions in the portfolio, is a **PAE of 670.7m tonnes of CO2 vs. Scope 1 & 2 emissions of 153.4m tonnes** calculated for 42 out of the 45 positions. It is important to remember that this PAE figure is a broad estimate, but it is reasonable to

[6] Green activities are understood as primary business that lies along the clean energy value chain including (i) clean energy technology development and production including solar, wind, bioenergy, hydraulic, geothermal energy; (ii) renewable energy transmission and distribution; (iii) smart grid management; (iv) energy storage technologies including hydrogen and batteries; (v) carbon capture and renewable energy services; (vi) raw materials used in the clean energy value chain; (vii) and energy efficiency including energy efficient products, systems and processes.

conclude that the impact of products sold during the year will reduce CO2 emissions by multiple times the operational emissions during the same year.

The largest contributors include the energy developers such as **Enel and Iberdrola**, who are investing significantly in renewable energy. While many still have a high operational carbon footprint due to remaining fossil fuel powered plants, as these are divested and reduced and capital expenditure focuses on renewable energy, for each of these holdings the PAE is significantly higher than the Scope 1 & 2 footprint.

Schneider Electric, a global specialist in energy management and automation, has a very high estimated impact on emission avoidance through its work across many industries.

Another significant contributor is **Kingspan**, the global leader in high-performance building insulation. While their carbon intensity of operations is down 29% YoY due to increased investment in renewable energy, an increased shift to zero emission company cars and improved energy efficiency, the company sales of energy saving products continue to grow. The impact of these products is very significant, at **an estimated PAE 100 times larger than the operational footprint**.

As the companies in our portfolio focus efforts to reduce their operational footprint while increasing sales, we expect the net impact of the companies in the portfolio to significantly increase over time.

3. OUR FUNDS – REAL ASSETS

Quaero European Infrastructure Funds (QEIF)

QUAERO CAPITAL manages two private equity funds in infrastructure, Quaero European Infrastructure Funds (QEIF) and QEIF II. 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.

KPIs are collected on an annual basis for projects, using the Sustainable Development Goal (SDG) framework to identify those that are most material, and objectives are agreed over time to align the projects to contribute towards the achievement of the SDGs more meaningfully.

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. A few highlights from the dedicated impact report include:

SDG 3 – Good health and well-being

25% of QEIF 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 2021, we received **644’636 patients** in our premises.

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 m^2 of education facilities** (about 18’000 m^2 for QEIF and about 137’000 m^2 for QEIF II), our portfolios contribute to SDG 4 through the building and maintenance of schools and university buildings. In total, these premises can welcome **more than 105’000 students.**

SDG 6 - Clean water and sanitation

Around 25% of QEIF assets contribute to SDG 6 through the investment in water treatment companies, **improving water efficiency through treatment and recycling**. In 2021, the amount of water treated was **22.5 million m^3**, an increase of 11% compared to last year and the amount of wastewater treated was **15 million m^3**.

SDG 7 - Affordable and clean energy

With more than **692 GWh of green energy produced in 2021** (252 GWh for QEIF and 440 MWh for QEIF II), we strongly contribute to SDG 7 through our investments in building and operating renewable energy assets, mostly in wind and hydro. This represents an increase of 53% compared to last year, mainly due to the commissioning of several new wind farms. We also encourage improving energy efficiency and the adoption of clean energy sources across the other assets of our portfolio. For example, our data centre DEAC (QEIF II) adopted a green business approach in 2021, and, as a consequence, has switched to **100% green energy sources** to power its operations.

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 QEIF and QEIF II 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 2021, the capital expenditure was EUR 299m for QEIF and EUR 41m for QEIF II. In 2021, we created **192 direct and indirect jobs. This figure should reach c. 9'628 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 **2021, we paid EUR 2.3m for QEIF and EUR 4.4m for QEIF II as local taxes.** Moreover, our fibre optic projects allow households and business to access a high-speed Internet network. In 2021, we added 119'000 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, nurseries, post-secondary schools and nursing homes.

Our second real estate fund, OPPCI Educatio, focuses on buildings dedicated to education. Both our Real Estate funds are French.

The investment team considers ESG of high importance, collecting data on many key ESG indicators and actively managing 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 **2’885** students are taught in the facilities owned the funds.

SDG 9 - Industry, innovation and infrastructure

56% 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 environmnetal impact of the buildings.

SDG 10 – Reduced inequalities

80% 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 **16.9 kg CO2** equivalent emissions per m^2 vs. the average national emissions of 16 kg per m^2 in France. This level is higher than the national average due to new assets with poor energy efficiency and insulation, elements we plan to change with renovation works.

SDG 17 – Partnerships for the goals

56% 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.

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 the 'legal owner' of 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

Our newly launched real estate product has a particular focus on maximising energy efficiency of buildings through renovation and close management of energy use. Real estate is a very important sector for energy efficiency; renovation with increased insulation will be a significant contributor, with the aim to reduce energy use to below industry averages.

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. New commitments from some QUAERO CAPITAL funds to maintain lower portfolio carbon intensity than the benchmark ensures this is the case, and the plan to sign the Net Zero Asset Manager initiative during 2022 will further embed this into the fund investment processes.

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

We engaged with 47 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 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 funds relative to their benchmarks in this Annual Sustainability Report.

6. Achieve operational carbon neutrality

See section 'Our 2021 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 13.

Our 2021 Carbon Footprint

We believe that every company needs to act to help mitigate climate change. Therefore, since 2019, we have measured our 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
Carbon footprint in tCO2e	109.0	34.5	36.8
% change YoY		*-68%*	*7%*

Table 5: QUAERO CAPITAL carbon footprint since 2019
Source: QUAERO CAPITAL, December 2021

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:

- The most significant reduction from 2019 to 2020 and 2021 has been the **drop in business travel**. This is certainly affected by the pandemic, with km travelled down 75% in 2020 from 2019. This is, however, also due to different choices made about whether travel is necessary, and whether a train is a feasible and much lower carbon option. In particular, travel between Paris and Geneva is now largely done by train rather than plane. In 2021, we travelled 17% more km than in 2020, but our carbon footprint from this travel was just 1.4% higher. We hope to see these actions continue to help reduce our footprint, although acknowledge that as the pandemic subsides, more travel may be required as a part of our business.
- Our **renewable energy contracts** across offices have ensured the footprint from our energy consumption in offices remains very low at just 1.9 tonnes.
- **Fewer of our employees drove to work** in 2021 than during 2019, and more of those that do drive, do so in electric or hybrid vehicles than previously. This has reduced the emissions from driving during commutes by 75% and reduced our Scope 3 emissions by 14 tonnes of CO2.
- We have **improved our calculations**, still following the GHG protocol but updating the carbon intensity load of certain activities for 2019 as well as for the newly calculated years. This has reduced our estimated carbon footprint for 2019 is now 21 tonnes lower than previous estimated.

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 Geneve since 2019.

In 2022, QUAERO CAPITAL became member of Finance for Tomorrow.

6. CORPORATE SOCIAL RESPONSIBILITY AT QUAERO CAPITAL

Our offices

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

In 2021, we applied and solidified the policies we introduced in 2018 in our offices of Geneva, London and Paris. Our aim is to offer comfort to our teams while improving our environmental efficiency:

- **Eliminating our use of unnecessary single-use plastics:** we no longer offer staff and client drinking water in plastic bottles. We instead provide each employee with a glass bottle that they can refill as often as they like at filtered water sources in our offices. We estimate that by eliminating single-use water bottles, we have reduced our global output by about 500 plastic bottles a week.
- **Recycling:** we ask our staff to recycle all material possible across our offices, including (but not limited to) paper, plastics, aluminium, glass and ink cartridges.
- **Using renewable energy:** our Geneva headquarter as well as our London and Luxembourg offices run on 100% renewable energy. We are looking to do the same in Paris.
- **Reducing the number of business trips:** we actively encourage our employees to participate in video conferences as an alternative to business travel wherever possible. To this end, we invested in video conferencing technology for every office.
- **Minimising our carbon footprint:** since 2019, as part of our Climate Policy, we have started undertaking an annual extensive process of mapping our principal carbon emissions in line with the GHG protocol. This includes Scope 2 emissions (electricity used in office) and Scope 3 emissions (business travel and employee commutes). Our intention is to minimise our footprint every year through the policies outlined above. We wish to offset the remaining carbon emissions with certified carbon offset projects. For 2020-2021, our estimated emissions are 71 tCO2eq which we will offset through STOOK similarly to last year.

Labellisation projet : 26/01/2021
n° projet : 2020GESBOI002

Our staff

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

- In 2019, we implemented a paternity leave policy offering 2 weeks of paternity leave to our employees in the year following the birth of the child.
- In 2020, we put in place a flexible working policy where employees can work from home one day per week, which will remain in place beyond any COVID-19 related restrictions.

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.

Colis du Coeur, a Geneva-based organisation, distributes food and hygiene products to families and people in precarious situations. They help to sustain the lives of 6’500 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 work 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.

In late 2021, we decided to volunteer at Colis du Coeur. The organisation told us that volunteers are short after Christmas, a time when the demand for help is often at its highest. Therefore, we organised several afternoon volunteering sessions for the Geneva office staff.

The turnup among staff was very high and we plan to organise similar events every year.




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.

Team building 2021

As a team building experience, we participated to the 43rd Course de l'Escalade in December 2021, the first pedestrian race in Switzerland and one of the most important in Europe.

All QUAERO CAPITAL joggers were proposed weekly training with a running specialist with a view to train for the run and promote sport within the company.


Annual donations

In 2021, 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

- Geneva Call, a neutral and independent humanitarian organization working to improve the protection of civilians in armed conflict
- Fondation Martin Bodmer, a unique heritage library – recognized as World Heritage by UNESCO –, a place for research and conservation, as well as a museum open to all and dedicated to writing from its origins to this day
- Fondation Dance Area, which promotes choreography, dance education, training, and support for young dancers and artists in Geneva

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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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