

ANNEX 2: DISCLOSURE PURSUANT TO ART. 8 DISCLOSURE REGULATION

Pre-contractual disclosure for financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 ("Disclosure Regulation") and Article 6, first paragraph of Regulation (EU) 2020/852 ("Taxonomy Regulation")

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name:
Aquila Energy Efficiency Trust PLC

Legal entity identifier:
213800AJ3TY30JCQQC53

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**: ___%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**: ___%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments.

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

The environmental characteristics promoted by the Company are focused on achieving energy efficiency, with investments seeking to:

- **Reduce primary energy consumption:** through proven technologies and solutions such as energy efficient lighting, cogeneration plants, heating, ventilation and air conditioning (HVAC) systems, efficient boilers, batteries, other energy storage solutions, electric vehicles and associated charging infrastructure
- **Avoid CO2 emissions:** the avoidance of greenhouse gas emissions, in tCO2eq, resulting from the generation of electrical energy from non-renewable energy sources (see previous point) contributes to the reduction of greenhouse gases in the atmosphere, which in turn results in a mitigation of climate change



- **Generation of electrical energy from renewable energy sources:** The avoidance of electrical energy from non-renewable energy sources contributes to the achievement of the EU climate targets by 2030 and the EU's long-term strategy to achieve carbon neutrality by 2050. The generation of a certain amount of electrical energy derived from renewable energy sources is not targeted in this context, but the actual amount generated is measured on a regular basis (at least annually);

Where possible, the Company will also seek to provide wider sustainability outputs, such as delivering economic savings and other benefits to the counterparties as a result of energy savings promoted by the Company, including improved air quality.

The Company intends to invest at least 90% of its portfolio in investments that promote environmental characteristics.

A reference benchmark has not been designated in order to achieve the promoted environmental characteristics.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The Company applies various sustainability indicators to measure the attainment of the environmental characteristics. However, these indicators may also evolve over time to ensure their ongoing relevance in relation to the Company's investments in the future. In this case, the Company's disclosures will be updated to reflect the current indicators used:

- Potential energy savings in MWh
- Avoidance of greenhouse gas emissions, in tCO₂eq,
- Generation of electrical energy from renewable energy sources, such as solar photovoltaic in MWh,

● **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Company does not commit to making any sustainable investments within the definition of Article 2(17) of SFDR

● **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

The Company does not commit to making any sustainable investments within the definition of Article 2(17) of SFDR

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How have the indicators for adverse impacts on sustainability factors been taken into account?

n/a

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

n/a

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The

investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?



No



What investment strategy does this financial product follow?

The Company will invest predominantly in a diversified portfolio of Energy Efficiency Investments (defined below) located in Europe and identified by the Investment Advisor with private and public sector counterparties. The Company will seek to diversify across both geographies and technologies.

Such investments, as for the purpose of the Company, encompass investments:

- in the installation, in the built environment, transportation industry and other sectors of the economy, of proven technologies and solutions such as energy efficient lighting, cogeneration plants, heating, ventilation and air conditioning (HVAC) systems, efficient boilers, solar photo voltaic plants, batteries, other energy storage solutions, electric vehicles and associated charging infrastructure as well as;
- in the acquisition of majority or minority shareholdings in companies with a strategy that aligns with the Company's investment objective, such as developers, operators or managers of energy efficiency projects

(together "Energy Efficiency Investments").

The Company's investment strategy sets out a binding framework which is taken into account at each stage of the investment process. Further information on the investment strategy can be found in the Company's Investment Policy as set out in full in the Company's prospectus.

After an investment has been successfully made ongoing monitoring is carried out both at portfolio level and at asset level by the responsible risk management functions. The aim of ongoing monitoring is to identify, monitor and minimize Sustainability Risks over the entire term of the investment.

The Investment Adviser has a structured screening, due diligence and investment process. This process is designed to ensure that investments are reviewed and compared on a consistent basis. Execution of this process is facilitated by the team's deep experience in energy infrastructure investing. The Investment Adviser puts an emphasis on the demonstration of strong governance during the due diligence process. In doing so, the respective regional specifics of the assets are taken into account.

Additional information on how the Investment Adviser integrates sustainability into its investment process to ensure that it is applied on a continuous basis, and in particular its approach to due diligence and ongoing monitoring of investments, can be found at www.aquila-capital.com

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

All elements of the strategy to invest in Energy Efficiency Investments are binding on the Company, as these are set out in the Investment Policy of the Company.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The implementation of the investment strategy must take the promoted environmental characteristics fully into account. The criteria for identifying suitable investments are set out in the investment process and, in particular, in the binding screening and due diligence applied by the Investment Adviser to each potential asset. The sustainability indicators defined earlier in this annex are applied systematically in this context.

The Company may only invest in projects that are subject to this process and are in line with the investment strategy. Investments that do not contribute to the environmental characteristics shall be excluded.

Furthermore, sustainability risks are explicitly included throughout the investment process - along with other risk factors - and are thus part of holistic risk management, which includes their inclusion in the risk control processes.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable; there is no obligation to reduce the scope of the investment by a minimum rate.

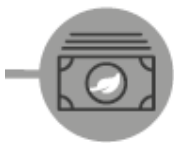
● **What is the policy to assess good governance practices of the investee companies?**

In the course of the investment process, emphasis is placed on good governance practices in the due diligence process. In doing so, the respective specifics of the investments are taken into account (this includes: investment type, asset class, size of the investment, control rights, region, etc.). In addition, the risk management function of the AIFM intends to ensure that the requirements of good governance are met.

In this context, the following elements are taken into account:

- The OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the fundamental principles and rights from the eight core conventions set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, as well as the International Bill of Human Rights, apply to the directly contracted companies, provided they have been commissioned by the investment company.
- Depending on the development phase (e.g. construction or operation phase), the Company assesses the direct contractors with regard to compliance against defined good governance principles, such as compliance with applicable labour, social and/or health and safety laws and regulations.
- The minimum protection standards are prescribed by law or laid down in contracts. The Company excludes directly engaged contractors and subcontractors that do not comply with good governance requirements as set out in the respective policies of the AIFM and the portfolio manager.
- In order to ensure that the companies invested in comply with the minimum standards during the life of the investment, the portfolio manager has implemented an ongoing review process. For each investment, due diligence is conducted as part of the pre-investment analysis to ensure that the investments meet the respective standards. If the Company acquires majority stakes in these companies, these companies will be subject to the minimum standards on an ongoing basis. Where the Company acquires minority interests, the Company and/or its holding company will work with the counterparties to support the minimum standards.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation planned for this financial product?

At least 90% of the portfolio of the Company falls into the category "**#1 Aligned with E/S characteristics**", promoting environmental characteristics.

100% of these investments qualify as investments promoting environmental characteristics without qualifying as sustainable investments within the definition of Article 2(17) of SFDR (in the category #1B below). In terms of the overall portfolio this represents a share of at least 90% as noted above.

The Company will make Energy Efficiency investments in operational, ready-to-build or under construction status. The Company may, when making Equity Investments, through such investments, indirectly hold investments that are in the development phase. The Company will acquire controlling and, opportunistically, non-controlling interests in Energy Efficiency Investments and may use a range of investment instruments in the pursuit of its investment objective, including but not limited to equity, mezzanine or debt investments.

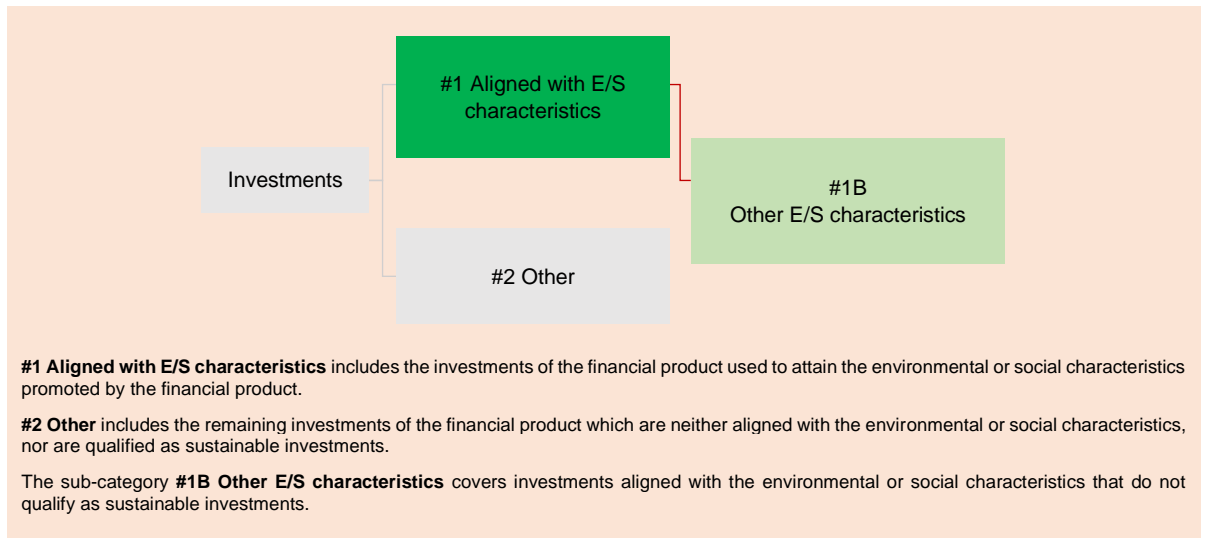
Up to 10% of the portfolio's investments fall into the category "**#2 Other**". For further specifics, see the question "What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?" below.

The following overview provides a schematic representation of the portfolio allocation described.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Company does not intend to use hedging or derivatives for investment purposes but may from time-to-time use derivative financial instruments such as futures, options, futures contracts and swaps (collectively "Derivatives") to hedge currency, inflation, interest rates, commodity prices and/or electricity prices.

The Derivatives will not be used as a means to promote the environmental characteristics of the Company, but the Company does consider minimum ESG safeguards, including that the Derivatives must be traded on a regulated market or by private agreement (OTC) entered into with first class financial institutions or reputable entities specialized in this type of transactions

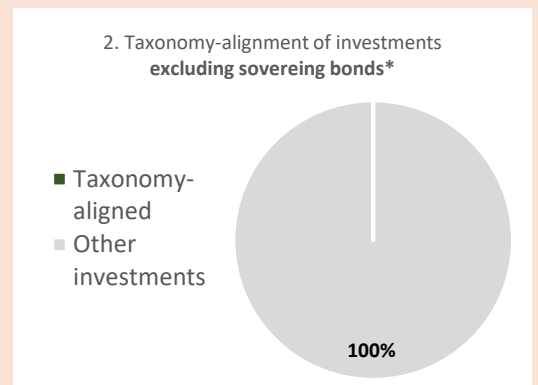
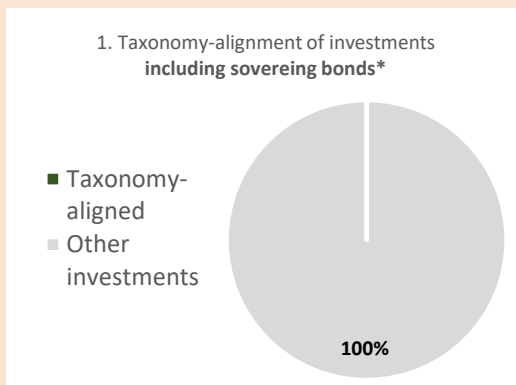
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Company does not commit to making sustainable investments with an environmental objective aligned with the EU Taxonomy.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**

The minimum share of investments in transitional activities is 0%.

The minimum share of investments in enabling activities is 0%.

● **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Company does not commit to making sustainable investments with an environmental objective aligned with the EU Taxonomy.

● **What is the minimum share of socially sustainable investments?**

The Company does not commit to making sustainable investments with an environmental objective aligned with the EU Taxonomy.

● **What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

"#2 Other" only includes instruments used for liquidity and/or risk management purposes. The AIFM does not take any special measures for these instruments. Furthermore, no environmental or social minimum standards apply. Particularly in the investment and divestment phase, the proportion of these instruments may temporarily vary (increase) under the conditions described in the prospectus of the Company, but it will not affect the promotion of environmental characteristics.

● **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

n/a

● **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

n/a

● **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

n/a

● **How does the designated index differ from a relevant broad market index?**



are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under the EU Taxonomy.



Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

n/a

- **Where can the methodology used for the calculation of the designated index be found?**

n/a



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.aquila-energy-efficiency-trust.com/>