# Aquila Energy Efficient Trust PLC

## SFDR Article 10 Website Disclosures

## January 2023

## 1. Summary

*No sustainable investment objective*

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

*Environmental characteristics promoted*

**The environmental characteristics promoted by Aquila Energy Efficient Trust PLC (the Company) are focused on achieving energy efficiency, with investments seeking to reduce primary energy consumption, avoid CO2 emissions and generate 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.

*Investment strategy*

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").

*Proportion of investments*

The Company intends to invest at least 90% of its portfolio in investments that promote environmental characteristics. The remaining 10% are instruments used for liquidity and/or risk management purposes.

*Monitoring of environmental characteristics*

The sustainability indicators, applied to measure the promoted environmental characteristics of each investment, are continuously monitored throughout the life cycle of an investment and may evolve over time to ensure their ongoing relevance in relation to the Company's investments in the future.

In particular, the following sustainability indicators are taken into account when monitoring the environmental characteristics:

- Potential energy savings, in MWh
- Avoidance of greenhouse gas emissions, in $tCO_2eq$
- Generation of electrical energy from renewable energy sources, in MWh

*Methodologies and data*

The investment advisor primarily considers data from within the organisation. If no internal data is available, it is provided by the direct contractors. Where direct contractors are not able to provide data, estimates based on scientific methodologies may be performed in collaboration with recognized third parties. Data quality is ensured by internal plausibility checks. Data processing takes place in the investment advisor internal IT systems.

It is not expected that any limitations on methodologies and data sources will affect how the environmental characteristics promoted by the financial product are met.

*Due diligence*

ESG-related due diligence is embedded in the assessment concept and is carried out for each project prior to the actual acquisition or investment. Investment processes, investment decision processes as well as the monitoring of ongoing investments are part of this due diligence. The four-eye principle is applied at the investment advisor level for quality assurance.

*Engagement*

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| | Engagement is not a primary component of the Company's investment strategy. However, it is an important part of proactively mitigating potential sustainability risks.<br><br>If sustainability-related controversies are identified in projects and/or in companies in which investments are made, these controversies are assessed for their materiality partly through engagement with that company and/or project manager. This can have a considerable influence on the investment decision and may even lead to a negative investment decision.<br><br>*Reference benchmark*<br><br>A reference benchmark has not been designated in order to achieve the promoted environmental characteristics. |

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| 2. No sustainable investment objective | This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment. |

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| 3. Environmental or social characteristics of the financial product | **The environmental characteristics promoted by the Company are focused on achieving energy efficiency, with investments seeking to:**<br><br>• **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<br><br>• **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<br><br>• **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);<br><br>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. |

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| 4. Investment strategy | 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.<br>Energy Efficient Investments, as defined for the purposes of the Company are:<br><br>• 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;<br><br>• 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.<br><br>The Company's investment strategy sets out a binding framework which is taken into account at each stage of the investment process.<br><br>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 minimise Sustainability Risks over the entire term of the investment.<br><br>The investment advisor 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 advisor 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. |

AQUILA CAPITAL

**Good Governance**

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 particular directly contracted 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 investment advisor.

- In order to ensure that the companies invested in comply with the minimum standards during the life of the investment, the investment advisor 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.

**5. Proportion of investments**

At least 90% of the portfolio’s investments promotes environmental characteristics:

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 are instruments used for liquidity and/or risk management purposes. They do not promote the environmental characteristics and no minimum environmental or social standards apply.

**6. Monitoring of environmental or social characteristics**

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 $tCO_2eq$
- Generation of electrical energy from renewable energy sources, in MWh

The attainment of the Company’s promoted environmental characteristics and investment strategy is in the responsibility of the investment advisor. Those characteristics are binding to the Company and represent an investment restriction. No investment can be made if it does not promote the environmental characteristics. The sustainability indicators are monitored continuously.

The monitoring is carried out by the investment advisor, wherever possible. In case data is not available please see section 8. Data sources and processing for further information.

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| | 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. |

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| 7. Methodologies | For the environmental characteristics of (1) potential energy savings and (2) generation of electrical energy from renewable energy sources, the metric used is megawatt hours (MWh). This is considered to be an appropriate, industry standard measure of the potential energy savings and electricity produced/generated by the investments and is measured on a regular basis (at least annually).<br><br>For the avoidance of GHG emissions, tCO2eq is used as a metric which measures the avoided greenhouse gas emissions resulting from the generation of electrical energy from non-renewable energy sources.<br><br>The methodologies are quantitative, and the assessments made are informed by an appropriate range of industry standards and sources to ensure alignment with best practice. A constant review of the methodology is ensured. The ongoing measurement of the produced MWh as well as the derived tCO2eq is a direct result of the observed production data of the projects. |

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| 8. Data sources and processing | The investment advisor primarily considers data from within the organisation. Where data is not available in-house, it is provided by the direct contractors.<br><br>The respective internal teams of the investment advisor are responsible for assessing the data quality. Where direct contractors are not able to provide data, estimates based on scientific methodologies may be performed in collaboration with recognized third parties. In particular, before the data is integrated or processed in internal systems, an internal plausibility check is carried out according to the four eyes principle to ensure the quality of the data.<br><br>Data processing takes place in the investment advisor's internal IT systems. |

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| 9. Limitations to methodologies and data | The portfolio manager primarily considers data from within the organisation. If no internal data is available, he refers to direct contractors. Where direct contractors are not able to provide data, estimates based on scientific methodologies may be performed in collaboration with recognized third parties. Data quality is ensured by internal plausibility checks. Data processing takes place in the portfolio managers' internal IT systems.<br><br>At present, it is not expected that there will be restrictions on methodologies and data sources that will affect how the environmental characteristics promoted by the financial product are met.<br><br>Should this be the case, this will be disclosed in the annual reporting pursuant to Article 11 of the Sustainable Finance Disclosure Regulation and on this website. |

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| 10. Due diligence | The ESG-related due diligence is embedded in the assessment of the project and is carried out prior to the actual acquisition or investment.<br><br>A four-eyes principle is applied at the level of the investment advisor.<br><br>**Investment process**<br><br>Due diligence with regard to sustainability risks is carried out as part of the investment process, aiming at the identification of sustainability risks of the planned investment, which are recorded in a standardized form in order to be subsequently taken into account in the investment decision-making process. The analysis and results of sustainability risk impacts are incorporated into the Company’s investment process.<br><br>Depending on the underlying asset class (including but not limited to equity, mezzanine or debt investments), different sustainability risks are measured and documented qualitatively and quantitatively. If necessary, additional due diligence can also take place depending on the respective asset class, which should take a closer look at project-specific risks.<br><br>In addition, as part of the due diligence process potential investments are also assessed for whether they can contribute to the promotion of the environmental characteristics promoted by the Company and how they may be monitored.<br><br>**Investment decision process**<br><br>The results of the ESG-related due diligence are then taken into account as part of the investment proposal in the investment process. Thus, the outcome of due diligence can have a significant impact on the investment decision and, in some cases, lead to a negative investment decision. |

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| | **Monitoring of current investments**<br><br>Following the acquisition of investments, regular monitoring is carried out both at portfolio level and at asset level by the responsible risk management functions. The aim of regular monitoring is to minimize sustainability risks and to support the attainment of the environmental characteristics promoted over the entire term of the investment.<br><br>In addition to the ongoing due diligence, the following procedures will be updated periodically to enhance the ESG-related due diligence applied to future investments: further development of the sustainability policy and risk management as well as regular review of external data providers. |

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| 11. Engagement policies | Engagement is not a primary component of the Company's investment strategy. However, engaging with local communities and contractors is an important part of proactively reducing potential sustainability risks.<br><br>If sustainability-related controversies are identified in projects and/or in companies in which investments are made, these controversies are assessed for their materiality partly through engagement with that counterparty. This can have a considerable influence on the investment decision and may even lead to a negative investment decision. |

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| 12. Designated reference benchmark | A reference benchmark has not been designated in order to achieve the promoted environmental characteristics. |