AQUILA CAPITAL

GENERATING ESSENTIAL INVESTMENTS
FOR A SUSTAINABLE FUTURE

AQUILA CAPITAL ESG REPORT 2021

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Wind turbines near Desfina, Fokida region, Central Greece in front of the Gulf of Corinth
Cover: Wind turbines at Tesla, near Midtfjellet, Norway

Photovoltaic Plant Tiza, located near Almería, Andalucía (Southern Spain) within the Tabernas desert

1.1 CEO STATEMENT

STATEMENT BY ROMAN ROSSLENBROICH, CEO AND CO-FOUNDER OF AQUILA CAPITAL

Within game theory it is sometimes said that disruptive events are needed to achieve a change in strategy and behaviour. Disruptive events such as the current push of digitalization in the working world or the COVID crisis. If some wondered if the reduced energy and emission figures could also be maintained through long-term changes in behaviour, data reveals differently: throughout 2021 CO_2 emissions increased by 6% compared to 2020 thereby exceeding the pre-pandemic level in 2019 by 180 mega tonnes.[1] Energy prices were skyrocketing across Europe in 2021 putting high pressure on households, industry, and even central banks by driving up inflation rates. Within these circumstances EU's climate policy is stress tested and vulnerabilities are revealed: With the global economic recovery after the COVID-years, global demand for energy increased rapidly, leading to increasing energy prices across Europe. Combined with a particularly cold winter and the shutdown of coal-fired power plants, the pressure on Europe's gas reserves was extremely high. If it wasn't already on top, the question of energy security and sovereignty was pushed higher on the agenda and the war in the Ukraine provided additional reasons for such.

A transition towards renewable energy systems is no longer only a question of combating climate change but could also lead to greater energy independence if designed with care. Within these days one hopes EU policy makers will undertake the steps necessary to accelerate the transition. However, confronted with currently still reduced acceptance from households and industry for the energy transition, in addition to the pressure of high energy prices, the attraction of the Known – by holding onto bridging technologies such as gas – is undeniable for EU politicians.

In revolving times, however, we might allow ourselves, or it is even required from us to be braver than usual. Apart from the mission to the moon-, examples of mission-oriented policy making are rare. In addition to the call for more energy security the IPPCs sixth report published in 2021, underlines once more that more commitment is needed, rooting down our mission into actions.

Celebrating our 20th birthday in 2021, we as Aquila Capital, committed ourselves already long ago to be part of the solution to decarbonize large parts of the world economy, to facilitate the energy transition and to generate assets in line with the needs and mission of our society for a more sustainable future. In these times, we see, and we are proud of the importance of our responsibility to deliver on that promise. We set us the goal to become one of the world's leading investment management companies for – what we call – essential assets by 2030. Tapping into the new asset classes battery storage and energy efficiency we further aim to contribute to the infrastructure needed for a successful energy transition.

In the context of all this, we do not only carry responsibility in what assets we generate, but also in how these are generated. Entering very early at the value chain of our assets and interacting within a globalized world, a robust ESG management system is needed. Within this report we share some insights on parts of the very multifaceted approaches we use to ensure our projects are delivered in accordance with our values, expectations, and the requirements and needs of our key stakeholders. Of which the latter includes inter alia our investors, the environment, the society, and the local communities of our projects.

As in many parts, we grow with our challenges, and we are continuously working towards improving our performance. This is the case for all parts of our company and especially for the way we generate value and thus our ESG performance.

Finally, the current times teach us not to take much for granted. For us this is the case with regards to the trust of our investors enabling us to be an actor at the centre of the needs of our global society. As outlined above, bold steps are needed not only for the sake of the energy transition but also for further energy sovereignty.

[1] *IEA (2022), Global Energy Review: CO_2 Emissions in 2021, IEA, Paris*
https://www.iea.org/reports/global-energy-review-co2-emissions-in-2021-2, p.3

1.2 THE COMPANY AT A GLANCE

Aquila Capital is an investment and asset development company with a focus on generating essential assets. By investing in clean energy and sustainable infrastructure, Aquila Capital contributes to the global energy transition and strengthens the worlds' infrastructure backbone.

The company turned 20 in 2021 and, while we took the time to reminisce about the last two decades, we were also thinking about the future. We are proud of our achievements and also have ambitious goals for the years to come.

The company was established in 2001 by Dieter Rentsch and Roman Rosslenbroich, and is founder and partner-owned. The shareholders are backed by a minority stake of Daiwa, one of Asia's largest investors.

Aquila Capital's role is to develop, manage and service essential assets along their entire value chain. Currently the company manages around 11 billion euros on behalf of institutional investors worldwide.

Over the last two decades, Aquila Capital has created a pan-European real asset portfolio by combining investment management spirit with industrial expertise. Today, the company manages wind, solar and hydropower energy assets with a generating capacity of more than 10.5 GW. Additionally, over 2 million square meters of sustainable real estate and green logistics projects have been completed or are under development. Aquila Capital also invests in energy efficiency, carbon forestry and land use, data centres and battery storage. And more is to come.

12.3 bn EUR
Assets under Management (AuM)
2020: 10,0 bn EUR

10 558
MW/MWp
Installed and Developed Capacity
2020: 9 156 MW/MWp

15 524
MW/MWp
Track Record Installed and Developed Capacity
2020: 10 751 MW/MWp

650
Wind Turbines
2020: 591

204
Solar PV Parks
2020: 209

213
Hydropower Plants
2020: 177

1.66 m
Households Supplied with Clean Energy
2020: 1.50 m

24.2 TWh
Clean Energy produced
2020: 18.2 TWh

1.85 m tonnes
Total Carbon Emissions Avoided
2020: 1.7 m tonnes

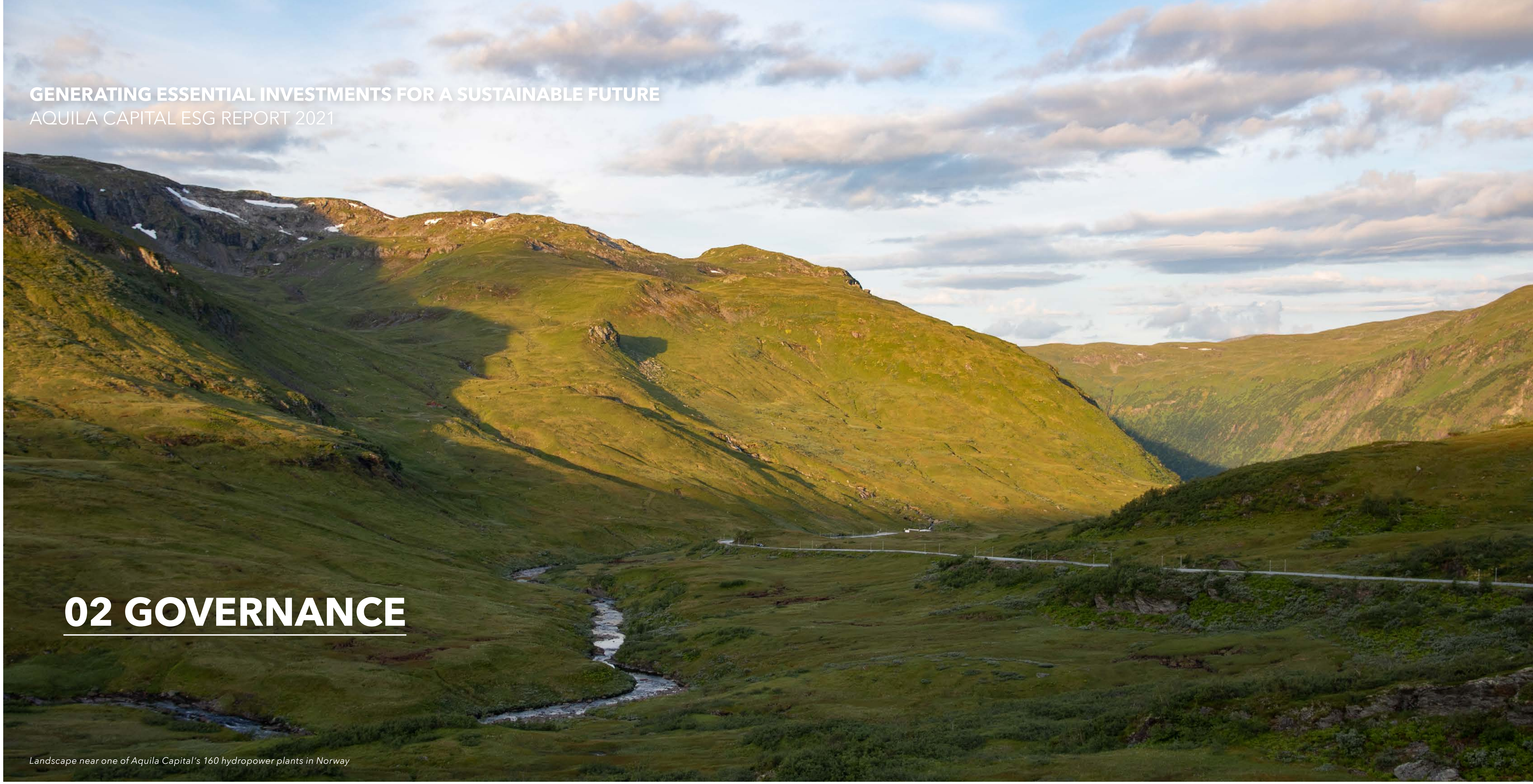
1.1 m sqm
Green logistics
2020: 0.7 m sqm

0.8 m sqm
Residential Real Estate
2020: 0.8 m sqm

9 327 ha
Direct Forest Investments
2020: 7 402

Portfolio figures as of 31.12.2021

Aquila managed hydropower plant Rebordelo close to Braganza, Portugal



02 GOVERNANCE

Landscape near one of Aquila Capital's 160 hydropower plants in Norway

In this section we present our approach to governance. Aquila Capital's governance focuses, in addition to profitability, on environmentally friendly and employee-oriented business practices. After two decades as a leader in innovation in alternative investments, Aquila Capital is now entering its third decade of development. To ensure our continued position as a market leader, good corporate governance is essential. We recognize our obligation to our values and to the people for whom Aquila Capital has a responsibility. This section outlines our governance and ESG approach. Further, we address our ESG risk management processes and provide an overview of our activities implemented in 2021 related to our expertise in developing, managing and maintaining assets in the clean energy and infrastructure sectors in the section on Thought Leadership.

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2.1 ESG AT AQUILA CAPITAL

ESG is embedded in the various roles and responsibilities of Aquila Capital's governance structure. This is true of the Board, management and management committees and working groups. The company's approach to sustainable management and good governance is defined by the AIFM's Board of Directors, which also has responsibility for Aquila Capital's sustainability performance. A supervisory board advises and monitors the Board of Directors with regards to sustainability related risks and opportunities and receives a quarterly ESG report. The supervisory board's approval of and involvement in operational ESG related matters is documented in the Rules of Procedures of the AIFM. In implementing its sustainability policies, Aquila Capital's Management Board is supported by a dedicated ESG Department. The responsibilities of the ESG Department comprise:

- Interpreting and implementing sustainability related regulatory requirements at corporate and fund level;
- Developing and implementing ESG related policies and procedures for Aquila Capital, its markets and business activities;
- Developing and implementing ESG related strategies for Aquila Capital, our markets and business activities;
- Providing transactional support on ESG related matters;
- Staying on top of all sustainability developments and research related to climate change mitigation and adaptation, CO_2 accounting and reduction, as well as conceptual work related to specific asset classes;
- Actively participating in external working groups, industry interest groups and associations;
- Providing support and guidance during the initiation of new product structures;
- Actively developing charitable work for affected and local communities in the vicinity of Aquila Capital's offices and assets.

As a real assets investor with long-term investment horizons, we are constantly aware that the materialisation of our invested capital has a direct impact on the infrastructure of tomorrow.

Given our diverse roles as a developer, manager and services provider for assets along their entire value chain, the way in which we integrate ESG is multifaceted. We are aware of our fiduciary duty in relation to our investors' capital and therefore consider the values and expectations of our investors as we integrate ESG.

Blooming vegetation at Solar PV Plant near Crucey-Villages, France

We consider environmental, social and governance factors in all our business activities, and our considerations materialise in many different processes along the entire value chain. Starting with asset selection, we concentrate on clean energy projects, energy efficiency measures, infrastructure, real estate, green logistics as well as land use and carbon forestry. We focus on assets that will have a future in a society that faces the combined challenges of climate change mitigation and adaptation as well as strong population growth.

Regarding the question of which types of assets we generate, our ESG approach shapes how they are generated. Examples of processes which we use to ensure that our assets are generated in a sustainable way include, inter alia: The integration of ESG risk analysis in the investment process (see section 2.2 ESG Risk Management), including an analysis of the potential effects of climate change and other scenarios on the performance of our assets (see section 3.3 Climate Risk Evaluation and TCFD). Further, to ensure that our business processes are sustainable, we constantly work to improve our health and safety management (4.6 Health & Safety in our Southern Europe Photovoltaic Business Activities) as well as our supply chain management (Sustainable Supply Chain Management) which is applied at the procurement phase. The development and application of ESG-related design concepts for asset classes such as green logistics, see section 3.6 Green Logistics at Aquila Capital, ensures that turnkey assets are delivered that satisfy the ESG requirements of Aquila Capital and its investors. Finally, to provide positive contributions to the environment and to local project stakeholders, we seek the implementation of environmental and social engagement strategies developed within our Sustainability Plan for Project Delivery (SPPD) – please see section 4.7.

You can find out more about our commitment to diversity and inclusion as well as charities in sections 4.3 Diversity and Inclusion and 4.10 Charities respectively.

As a PRI signatory and with strong ambitions to grow our business, we further work to accelerate capital flows consistent with international sustainability strategies, such as the Paris Agreement and the UN's Sustainable Development Goals. To this end, we are eager to continuously improve our ESG management and processes, and we actively engage in the wider community in the areas of energy, environmental and financial management (see chapter 2.3 Thought Leadership). Examples here include close collaborations with industry associations, the publishing of whitepapers and opinion articles, through which we share our expertise and experience to foster more informed decision making in the market.

Wind turbines at Tesla, near Midtfjellet, Norway

In order to evaluate the ESG performance of our funds and our investors' assets as well as identify the potential for improvements compared to our peers, we participated in 2021 again in the Global Real Estate Sustainability Benchmark (GRESB).

5 FUNDS AND 12 ASSETS PARTICIPATED IN GRESB.

MOST OF OUR INVESTORS ASSETS AND FUNDS OBTAINED A FOUR OR FIVE STAR RATING.

GRESB ★★★★☆ 2021

GRESB ★★★★★ 2021

Whenever project refinancing is envisaged, we strive for an independent evaluation of the project's ESG performance. The Øyfjellet Wind Farm which, on completion, will be one of the largest wind farms in Europe, is owned by funds managed and/or advised by Aquila Capital. Øyfjellet Wind Investment's green bond framework has been rated by the independent consultant CICERO Shades of Green as "Dark Green". Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green found the governance procedures of Øyfjellet Wind Investment's framework to be "Excellent"[2]. Both ratings are the highest possible under CICERO's framework. These favourable ratings reflect the project's focus on best practice, including in relation to environmental impact assessments and transparent engagement with local stakeholders.

Our environment is continuously changing, bringing forward new and old challenges. Continuously reviewing, evaluating, and improving our ESG processes is therefore an essential part of day-to-day operations at Aquila Capital.

CICERO SHADES OF GREEN SECOND OPINIONS ARE GRADED DARK GREEN, MEDIUM GREEN OR LIGHT GREEN, REFLECTING A BROAD, QUALITATIVE REVIEW OF CLIMATE AND ENVIRONMENTAL RISKS AND AMBITIONS.

°C °CICERO Dark Green

[2] CICERO Shades of Green assigns an overall governance grade of fair, good or excellent based on an assessment of the governance structure of a green bond framework.

2.2 ESG RISK MANAGEMENT

Health and Safety meeting in the tunnel of a Hydropower Asset near Jorpeland, Norway

Generating essential assets with a long-term lifetime requires an alignment to the values of society. The consideration of 'sustainability risks' in the decision making and management process is therefore key to achieving a resilient portfolio. Hereby the authorities consider sustainability risks as feeding into the existing, traditional risk types: credit, market, operational and liquidity risks. Therefore sustainability risks can significantly impact the materiality and risk profile of the traditional risks within an investment. The particularity of ESG-related risks often lies in their complexity and interdependence; vulnerabilities to uncertain human or system behaviors; as well as the many different levels at which they need to be considered.

Given these characteristics, key to good ESG risk management is a thorough knowledge of all projects. Proximity physically, through many offices across various countries, as well as strong relationships with contractual counterparties enables Aquila Capital to integrate ESG along the entire investment process. This calls for relevant expertise within the various departments responsible for acquisitions and transactions, and in project management, risk mitigation and investor reporting. The framework for integrating ESG considerations into the investment process is detailed in the company's ESG policy.

Below a snapshot of how we integrate ESG considerations, dividing the process into four phases:

Phase 1: Asset sourcing and analysis

In the first phase of our investment process, we consider ESG factors relevant to the specific asset type and country. Further, we strive to achieve alignment between the ESG requirements of Aquila Capital and investor specific ESG requirements in asset sourcing. This is ensured during the company's new product/new markets process (NPP).

Phase 2: Asset due diligence

In phase two, a multi-faceted asset due diligence is conducted and the asset's compatibility with Aquila Capital's ESG principles is subject to evaluation. In general, Aquila Capital acknowledges the fact that ESG risks need to be viewed in the context of double materiality. This means also considering the potential negative effects of operations on the environment – the development, construction, and management of assets – which need to be assessed and mitigated. To implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) we evaluate climate risks and opportunities as part of the ESG risk assessment (please refer to section 3.3 Climate Risk Evaluation and TCFD).

In identifying and responding to the actual and potential direct sustainability risks for an asset, as well as the indirect sustainability risks resulting from supply chain and service offerings, Aquila Capital's due diligence aims to cover the entire value chain. ESG risk assessments are based on externally commissioned due diligence and, where applicable, further ESG and/or climate studies. Due diligence activities are based on internal ESG standards and external standards where applicable, depending on asset class and project phase. Climate risks play an important role.

Phase 3: Asset acquisition

An asset will only be integrated into a client's portfolio after all relevant ESG criteria have been assessed and all project threatening risks have been mitigated. To support Aquila Capital's Investment Committee in the decision-making process, the deal team provides the members of the Committee with a description of potential ESG risks and mitigation measures which, at this point, have already been assessed as part of a risk statement (a second line of defense). The Investment Committee approves an acquisition where an investment proposal includes appropriate ESG risk mitigation measures defined and budgeted for. Where mitigation measures are deemed insufficient for the risks involved, the acquisition can be rejected.

Phase 4: Ongoing asset management

Risk profile serves as the basis for the type and scope of ESG-related monitoring and measures performed during this phase of an asset's life cycle. ESG is integrated into the entire investment process – as there is the possibility that certain or further ESG-related risks are identified only during the asset management phase. Aquila Capital continuously monitors ESG risks and strives to improve the sustainability performance of an asset in an effort to drive long-term value creation for its investors.

Prior to and during the active management of assets, we carefully screen our potential business partners (e.g. maintenance contractors) and communicate our ethical standards during the admission process. Our partners must agree to our standards, which are detailed in contractual agreements. These contracts foresee regular reporting on sustainability matters, which is used to identify areas requiring improvement and a closing of the gap where necessary. Meanwhile, asset management engage with local communities. To be prepared for changes in local and global sustainability related requirements, Aquila Capital continuously assesses the regulatory landscape through expert teams located in its various offices all around the world.

Aquila Capital is constantly growing its targeted markets and asset classes, making it ever more important that its ESG processes are evaluated and developed to encompass factors associated with that growth.

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2.3 **THOUGHT LEADERSHIP**

To share our knowledge on sustainability, and engage with other industry leaders, we regularly attend industry events, share expert articles and collaborate with relevant associations and organisations.

Events and Conferences

Our management and teams regularly attend events and conferences in order to share the knowledge and engage with top industry leaders. Other events members of our leadership team have attended over the past year include: the Asian Clean Energy Summit, Financial Times Live "Energy Transition Strategies Summit" and Future Energy Asia.

Expert content

To provide insights on current investment topics, new markets, and long-term investment themes, we regularly publish whitepapers and opinion articles. They are written by our experts and summarise our expertise and experience for more informed decision making.

In 2021, we published more than ten content pieces, including the whitepapers "System stability and efficiency through battery storage – A turning point of the sustainable transformation?" and "A new dawn in energy transition – recommendations from practice to a new German government" and the opinion articles "Optimism Prevails – A new Government Alliance for Germany" and "Energy Security – Europe's Green Sovereignty?".

Aquila Capital Transformation Award

As part of our thought leadership activities, we have introduced the Aquila Capital Transformation Award which recognises industry experts and outstanding practice-oriented work that has the potential to play a central role in decarbonizing our economies.

With the 2021 theme "Solving the Climate Crisis through innovation", the second Aquila Capital Transformation Award honours outstanding work by researchers who focus on applicable solutions to combat climate change. In addition to providing financial support for the research, the award is aimed at joining forces regarding practical application of the underlying researched concepts and solutions.

This year Aquila Capital recognized Dr. Ning Yan, assistant professor at the Van 't Hoff Institute for Molecular Sciences at the University of Amsterdam. He is the lead author of the paper "A membrane-free flow electrolyser operating at high current density using earth abundant catalysts for water splitting" and has shared an exciting and innovative way on how green hydrogen can be produced more cost-efficiently and at larger scale by combining the advantages of different electrolyser concepts.

Collaborations and Awards

To further support our business and sustainability focus, we work closely with associations, initiatives and organisations operating in the fields of energy, environmental and financial management.

Next to collaborations and partnerships, we have been recognised by several industry awards in 2021:

- Two female leaders of our executive level, Susanne Wermter, CEO Aquila Clean Energy, and Christine Brockwell, Head Partnerships & Portfolio Management, have been ranked in the TOP 100 Women's Power List, honouring women working in wind power worldwide.
- Maree Myerscough, COO Aquila Capital APAC, was included in the Transition Economist's list of women of the Energy Transition in the renewables category.
- The leading ESG benchmark provider for real estate and infrastructure investments GRESB has declared our hydropower entity Smakraft a "Sector Leader" in its most recent assessment. A GRESB Sector Leader is the best performer by sector, region and nature of ownership from across the GRESB assessments: https://gresb.com/nl-en/2021-infrastructure-assessment-results/
- The Aquila European Renewables Income Fund (AERIF) to which Aquila Capital is fund advisor, received a 4-star green rating in its first GRESB assessment.

BAI | Bundesverband Deutscher Stiftungen | BVI | BWE Bundesverband WindEnergie

CDP DRIVING SUSTAINABLE ECONOMIES | GIIA Global Infrastructure Investor Association | Global Listed Infrastructure Organisation | GRESB Infrastructure sector leader 2021

Hamburg Financial Research Center | INREV Member of INREV | Signatory of: PRI Principles for Responsible Investment | UN environment programme finance initiative

03 ENVIRONMENT

Natural vegetation near a hydroelectric power plant, Norway

Aquila Capital aims to do business in a way where its negative impact on the environment is reduced as far as possible. In this section, we present information on how Aquila Capital manages its environmental impact. Furthermore, we share details of our progress over the past year in assessing climate risks for our investment portfolios, as well as our commitment to the Task Force on Climate-related Financial Disclosures ("TCFD") framework.

This report also contains the first publication of details of Aquila Capital's CO_2eq footprint for its own operations in 2020 and 2021. Although this represents an important milestone, it is but one of many more to come, as we continue to refine our data and baseline.

In 2021, we also took the opportunity to further enhance our lifetime avoided emissions calculations and refine our comprehensive concept for green logistics investments, with a view to generating assets that will help build a more sustainable tomorrow. Last, but not least, we accelerated our activities within the energy efficiency sector, details of which are provided here.

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3.1 **ENVIRONMENTAL IMPACT**

By their physical nature, real asset investments have an impact on the environment and the components thereof – humans, animals, plants, water, soil and air. This impact spreads across all parts of an asset's life cycle, from design and development to construction and operations and, finally, to decommissioning. While our clean energy assets naturally make a positive contribution to the climate as a whole, our projects also lead to environmental impacts that are not always beneficial. Depending on asset type and location, direct environmental impacts can arise, for example, through the conversion of greenfield or brownfield sites to sealed sites, the construction of access roads as well as the use of water resources. Moreover, the extraction of raw materials and their use in the manufacturing of components used by our assets have an indirect environmental impact. We recognise that pressure on ecosystems and the irreversible loss of species and habitats have global ecologic and economic consequences. Therefore, from the very earliest stages of our projects, we focus on minimising environmental impact to the greatest extent possible.

THE ENVIRONMENTAL DESIGN AND EFFICIENT OPERATION OF OUR ASSETS – FROM OUR RENEWABLE ENERGY PLANTS TO OUR GREEN LOGISTICS SITES AND BEYOND – IS OF THE UTMOST IMPORTANCE TO US.

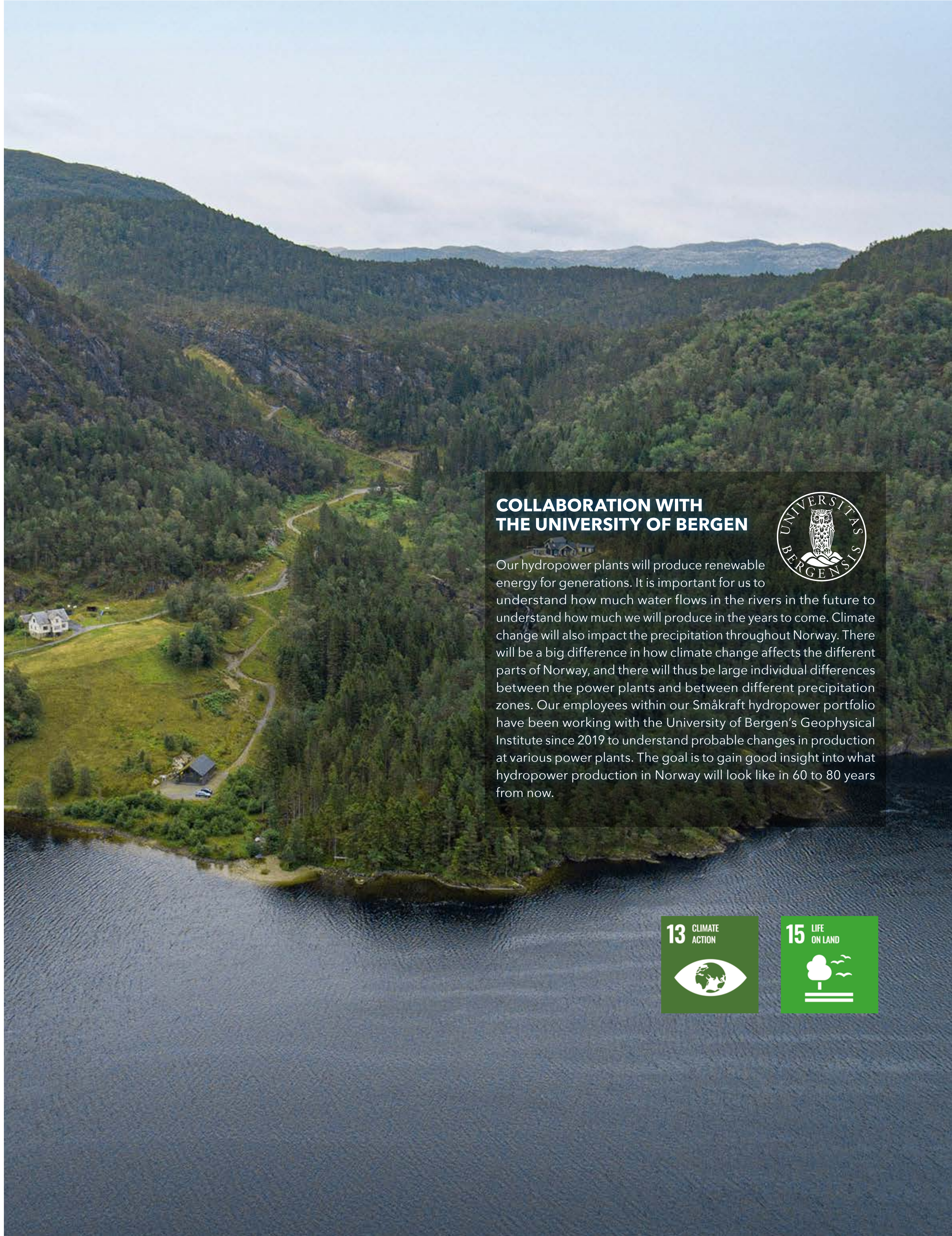
The preservation of biological diversity is part of our aim to contribute to sustainable development. We protect existing flora and fauna in the neighbourhoods directly surrounding or local to our investor's assets, for example, by conserving or creating meadows and trees or working with our tenants to actively reduce their environmental footprint. Over recent years, we have planted more than 25,000 trees at our hydropower locations in Turkey. Some of these trees were planted with the purpose of soil erosion control and stabilisation of the dams, as suggested by our environmental experts. Others were planted with the sole purpose of increasing biological diversity. Meanwhile, some trees were planted with the objective of establishing a fruit garden, to serve as a recreational and nutritional area for neighbouring communities. The measures we have undertaken have been received positively by local communities and stakeholders.

Water is essential for life and simultaneously unlimited finite resource. Freshwater consumption and wastewater discharge are two topics we take into account as part of our daily activities at the sites where our investors' assets are located. Freshwater is not only used and subsequently discharged during our construction activities, but also needed in the operation of our assets, for example, to clean solar panels or to sustain our tenants' activities. As our operations require the use of water, we have an obligation to take a responsible approach.

Our activities related to hydropower production also have an impact on water and surrounding areas where the plants are located. We attempt to make these interventions in the most environmentally friendly way possible. Our objective is to avoid negative consequences from our interventions in rivers and ecosystems or – where this is not viable – to minimise such impacts as far as we can. Furthermore, we avoid some environmental impacts during our real estate and green logistics activities owing to methods such as the collection and use of rainwater.

Poor waste management contributes to climate change and air pollution, and directly affects many ecosystems and species. Landfills, considered the last resort in the waste hierarchy, release methane, a very powerful greenhouse gas linked to climate change[3]. Waste generation occurs mainly during the construction of our assets and will occur again when our assets reach the ends of their lives. Furthermore, waste is an unavoidable consequence of the activities of our real estate and green logistics tenants. Therefore, onsite waste management facilities and a waste management plan are important prerequisites and requirements. Where hazardous waste is produced, for example, at our wind parks when hazardous liquids and/or gases are exchanged during maintenance, our operations and maintenance (O+M) providers are trained and instructed to apply the highest environmental protection standards.

Landscape around hydropower plant at Bladalselva, Norway



COLLABORATION WITH THE UNIVERSITY OF BERGEN

Our hydropower plants will produce renewable energy for generations. It is important for us to understand how much water flows in the rivers in the future to understand how much we will produce in the years to come. Climate change will also impact the precipitation throughout Norway. There will be a big difference in how climate change affects the different parts of Norway, and there will thus be large individual differences between the power plants and between different precipitation zones. Our employees within our Småkraft hydropower portfolio have been working with the University of Bergen's Geophysical Institute since 2019 to understand probable changes in production at various power plants. The goal is to gain good insight into what hydropower production in Norway will look like in 60 to 80 years from now.

[3] EEA Europe (2014) Waste a Problem or a Resource

3.2 CLIMATE RISK EVALUATION AND TCFD

Current research shows that the energy supply sector is still the biggest contributor (34%) of net human caused greenhouse gas (GHG) emmissions[4] as described by the contributions of the Working Group III to the IPCC Sixth Assessment Report, published in April 2022. In addition, without a strengthening of policies beyond those implemented by 2020, the report projects GHG emissions to rise, leading to a median global warming of 3.2°C by 2100. The figures once more underline that fighting climate change is a priority. However, the IPCC's most recent report also shows that changing weather patterns and climate extremes already affect all regions across the globe, albeit with different intensity[5]. Assessing and monitoring our exposure to the impacts of these changes has therefore become an increasingly important part of our fiduciary duty. We therefore follow the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).

In 2015 the TCFD was created by the Financial Stability Board (FSB) to develop recommendations on the types of information that companies should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks – those related to climate change. The working group is composed of representatives from various organizations, including large banks, insurance companies, asset managers, pension funds, large non-financial companies, accounting and consulting firms and credit rating agencies.

In 2017, the TCFD published its climate-related financial disclosure recommendations. The recommendations were designed to help companies provide better information to support informed capital allocation and were structured around the four thematic areas: governance, strategy, risk management, and metrics and targets.

Central to the implementation of these recommendations at Aquila Capital is an integration of climate risks analysis within the company's ESG risk processes and assessment (see also 2.2). The TCFD divides climate-related risks into two major categories: (1) risks related to the transition to a lower carbon economy and (2) risks related to the physical impacts of climate change.

Risks Related to the Transition to a Lower Carbon Economy

Transition risk refers to the economic and financial risks associated with a disorderly transition to a low carbon economy. Transition risk could be driven by a shift in climate policy, a breakthrough in technology, a shift in market preferences, or a change in societal norms[6]. At Aquila Capital, an analysis is performed of policy, legal, technology, and market changes to address climate change mitigation and adaptation requirements at asset level. Depending on the nature, speed and focus of these changes, transition risks may pose financial or reputational risks to the asset classes we target on behalf of our investors. For example:

- Although the reputational risk to clean energy investments is generally low, the possibility of decreasing energy prices owing to a rapid increase in renewable energy plants is considered within our financial models and/or mitigated through hedging instruments
- Given the strong call for innovation and investment in energy storage solutions, the transition risks to our investments in battery storage systems arising from competing new technologies need to be carefully assessed.
- Our investors' construction related investments in the real estate and logistics sectors could be affected by the development of new regulations regarding CO_2-eq intensity targets for buildings so this risk is closely monitored.

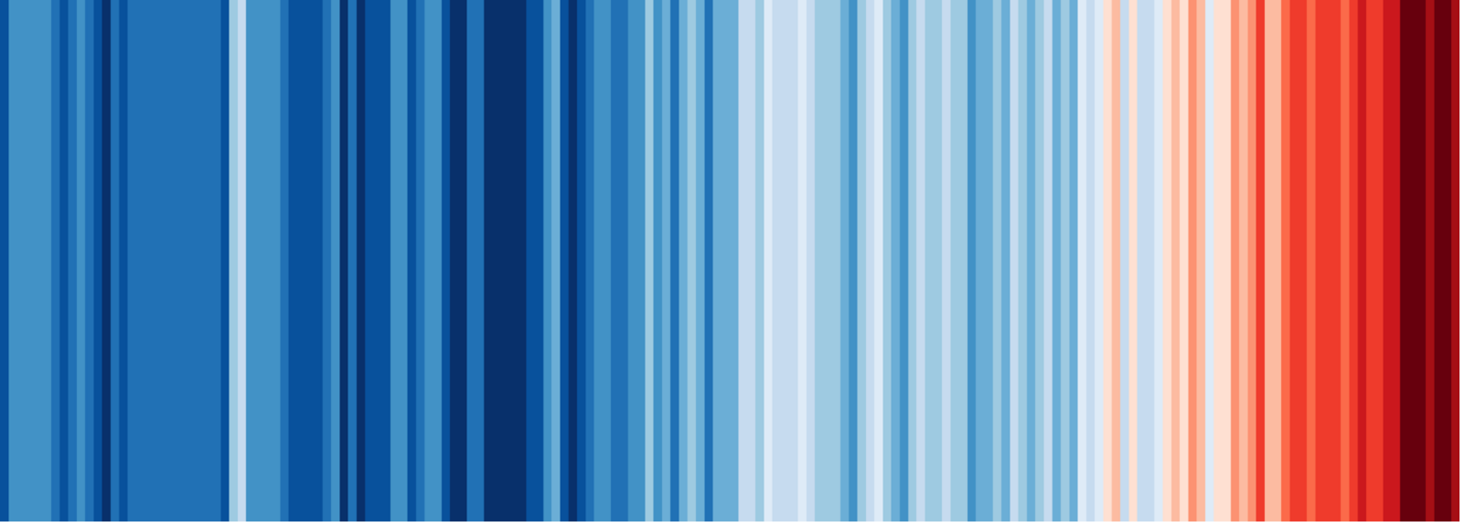
As these examples show, the materiality of transitional climate risks at Aquila Capital depends on project specific features including, for example, asset class, location and development stage.

Risks Related to the Physical Impacts of Climate Change

Physical climate risks are subdivided by the TCFD into acute and chronic climate risks. Acute physical risks are understood to be event driven risks, including increasingly severe extreme weather events, such as cyclones, hurricanes or floods. Chronic physical risks refer to longer term shifts in climate patterns, for example, sustained higher temperatures, that may cause sea levels to rise or result in chronic heat waves. These could impact organisations and assets in a multitude of ways.

Physical climate risks can become complex and their potential to affect real assets must be analysed with regard to direct damage as well as their possible indirect impacts on systems including supply chains. Furthermore, potential changes to the ecosystems

[4] *IPPC, Climate Change 2022: Mitigation of Climate Change, Working Group III to the Sixth Assessment Report, Cambridge University Press*
[5] *IPCC, Climate Change 2022: Impacts, Adaptation, and Vulnerability, Working Group II to the Sixth Assessment Report, Cambridge University Press*
[6] *Bolton et al., 2020: The green swan - Central banking and financial stability in the age of climate change*



Global temperature change (1850 – 2021), Ed Hawkins, National Centre for Atmospheric Science, University of Reading, https://showyourstripes.info/l/globe

that surround a project, which could negatively impact neighbouring communities, require consideration. Ecosystem changes could include water availability and quality as well as food security. Extreme temperature changes could also affect an organisation's premises, operations, transport needs and employee safety.

Given the expected lifespan of the real assets Aquila Capital manages for its investors – 20-30 years for wind and solar and even exceeding 100 years for hydropower plants – analyses of climate change risks can become quite complex.

During Aquila Capital's due diligence processes, which come into force when an asset is being acquired (see chapter 2.2), acute climate risks, such as the possibilities of wildfires and flooding, are assessed at an asset level by third-party experts. Given changing climate conditions and increasing anomalies, and the fact that systemic consequences are often highly complex and difficult to predict, the application of historical data to future risk predictions is no longer adequate.

Climate modelling is a quite recent discipline, which is constantly growing in sophistication and knowledge. Given that most trends are still analysed on larger scales, for example, at a country or continental level, risk predictions and their trajectory into the future for specific micro regions are scarce. So to assess the lifetime climate change risks of our investors' assets, it is necessary to gather smaller-scale data.

TO GENERATE SUCH KNOWLEDGE, WE ENGAGE WITH EXPERTS FROM RESEARCH INSTITUTES, UNIVERSITIES AND CONSULTANCIES.

As science is evolving rapidly, such analyses need to be updated continuously. Therefore, for our Norwegian, Portuguese and Turkish hydropower portfolios, for example, we perform climate studies regularly. For our hydropower portfolio located in Northern Portugal, the effect of increasing temperatures as described by the IPCC's Representative Concentration Pathways (hereafter RCPs) 4.5 and 8.5[7] on local precipitation, evapotranspiration and surface runoff was analysed. The study showed a future decrease in water availability under both scenarios. The use of the 4.5 and 8.5 RCP scenarios, which stabilize the climate change induced radiative forcing increase at 4.5 and 8.5 Watts per meter respectively squared in the year 2100, are two commonly applied scenarios in climate modelling. Both scenarios capture two future trends and therefore can make predictions of how concentrations of greenhouse gases in the atmosphere will change in future as a result of human activities. Here, RCP 8.5 is the scenario with comparatively higher greenhouse gas emissions than RCP 4.5. The study shows a future decrease in water availability in both scenarios.

Additionally, more extreme weather events are expected, such as droughts followed by heavy rainfall. Overall, the Portuguese hydropower portfolio is predicted to develop towards a more skewed seasonality curve, i.e., with less production during the summer and higher production concentration during winter months. The net effect on production is inconclusive, as some regions in Northern Portugal stand to benefit from overall higher precipitation in the long-term, while in other regions annual rainfall patterns are pointing towards a negative trend.

In contrast, the seasonality curve for run-of-river hydropower assets in the Nordics is projected to smooth out over the year, with significantly higher production shifting to the winter. Here, the increased production during the winter months is supposed to outweigh the projected reduced production during the summer months, leading to a net gain in annual hydrology.

We receive similar results for our solar assets, where an increase in radiation from shifting climate patterns can lead to higher energy yields, even taking into account more intense and rapid degradation and lower module efficiency due to increased radiation and heat waves.

At the end of the second quarter 2022, an analysis of the potential effects of climate change on our investors' Nordic wind portfolios will be finalised. This study will give us additional insights on potential changes in wind speed and the anticipated performance of our investors' wind assets until 2060, in accordance with the IPCC's RCP 4.5 and 8.5 climate modelling scenarios.

In the context of these projects, we are pleased that Aquila Capital has been able to engage with a variety of leading experts from research institutes, universities and consultancies. We are only too aware though that, given the inherent uncertainty of climate modelling and the long time horizons of our studies, the results of these climate change scenario analyses must be digested with care.

[7] *Riahi et al. (2011): RCP 8.5 – A scenario of comparatively high greenhouse gas emissions, https://link.springer.com/article/10.1007/s10584-011-0149-y*

3.3 CORPORATE CARBON FOOTPRINT

Aquila Capital has been carbon neutral since 2006. This has been achieved by offsetting emissions. This year, we are pleased to be able to publish for the first time our comprehensive CO_2eq footprint[8] in line with the standards set by the GHG Protocol. For us, it is important that we gain a good understanding of the drivers of our CO_2eq footprint. Therefore, we continuously work to refine and improve our database for emissions calculations.

For 2021, we have added two more categories: the greenhouse gas emissions (GHGs) of our company cars (Scope 1) and the GHG emissions from the IT equipment we purchased over the value of EUR200 (Scope 3). The GHG Protocol breaks greenhouse gas emissions down into three categories: Scope 1 emissions, which are defined as those caused directly by an organisation's activities; Scope 2 emissions, defined as the indirect, procured emissions resulting from an organisation's energy consumption; Scope 3 emissions are those arising from the activities of assets not owned or controlled by the reporting organisation, but through which the organisation has an indirect impact through its value chain. Scope 3 emissions include all sources not within an organisation's scope 1 and 2 boundaries.

Aquila Capital is growing as a company, which is reflected in its key metrics. In 2021, the company's office space expanded by 35% while employee headcount increased by 30%.

AQUILA CAPITAL HEADCOUNT + 30 %
OFFICE SPACE (LEASED) + 35 %

AQUILA CAPITAL CORPORATE CARBON FOOTPRINT 2020 – 2021

GHG Protocol Scope Category	Category Description	2021 CO_2eq [tCO_2e]	Share on total Scope 1 - 3 emissions	2020 CO_2eq [tCO_2e]	
1	Refrigerants & Others	52	2 %	39	+ 33 %
1	Fleet*	360	16 %	–	+ 100 %
1	Natural Gas**	150	7 %	135	+ 11 %
	Sum Scope 1	**562**	**25 %**	**174**	**+ 223 %**
2	Electricity (locationbased)***	239	11 %	129	+ 85 %
2	District Heating	101	5 %	103	– 1 %
	Sum Scope 2	**340**	**16 %**	**232**	**+ 47 %**

** Newly added in 2021.*
*** Emissions from upstream energy production included in 2021.*
**** Emissions from upstream energy production included in 2021.*

[8] *Greenhouse gas emissions are disclosed as CO_2 equivalents (CO_2e). All greenhouse gases regulated by the UN Kyoto Protocol have been accounted for: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), sulfur hexafluoride (SF_6), hydrofluorocarbons (HFCs), and perfluorocarbons (PFCs). For better legibility, the emissions are simply referred to as carbon emissions and reported in metric tons of CO_2.*

GHG Protocol Scope Category	Category Description	2021 CO_2eq [tCO_2e]	Share on total Scope 1 – 3 emissions	2020 CO_2eq [tCO_2e]	
3.1	Purchased Goods & Services – Paper and Board	7	0 %	7	+ 1 %
3.1	Purchased Goods & Services – Water Supply	4	0 %	3	+ 17 %
3.1	Purchased Goods & Services – IT Equipment*	247	11 %	–	+ 100 %
3.4	Upstream Transportation and Distribution – Freighting and Courier	**8**	**0 %**	**2**	**+ 364 %**
3.5	Waste Generated in Own Operations	165	7 %	57	+ 190 %
3.6	Business Travel	333	15 %	246	+ 36 %
3.7	Employee Commuting	**552**	**25 %**	**485**	**+ 14 %**
	Sum Scope 3	**1.316**	**59 %**	**799**	**+ 65 %**
	Sum Scope 1 – 3	2.218	100 %	1.204	+ 85 %

** Newly added in 2021.*

As can be seen from the above, most of our CO_2eq emissions are related to our indirect business activities and fall within Scope 3. The second largest contributor to our CO_2eq footprint is our Scope 1 emissions and the smallest impact comes from our Scope 2 emissions.

Under Scope 1, our largest share of emissions comes from our company car fleet. These emissions were newly added to our 2021 corporate carbon footprint ("CCF") calculations, consumption data having previously been unavailable. Our fleet makes up 16 % of our total CO_2eq emissions and is the second biggest contributor to our total carbon footprint. Other emissions under Scope 1 arise from the cooling and direct heating of our offices, using refrigerants and natural gas, and these showed increases of 25 % and 10 % respectively last year. These increases were attributable to strong growth in office size and employees in 2021.

Looking at Scope 2, the absolute CO_2eq emissions from purchased electricity also increased significantly in 2021. This was due to the inclusion for the first time of upstream emissions from electricity production, as well as an increase in offices and, therefore, office size. Furthermore, the electricity consumption per employee also increased, resulting in 0.35 tonnes CO_2eq/employee (2020: 0.25 tonnes of CO_2eq/employee). This increase was related to the rental of office space without green electricity procurement, which increased overall carbon intensity. However, in 2021, 63 % of our offices were sourcing green electricity.

Within the Scope 3 universe, employee commuting accounted for the largest part of our total footprint (25 %) followed by business travel (15 %) and the newly added category of electrical items purchased (11 %). In total, Aquila Capital procured more than 800 electrical hardware items worth more than EUR 200 each in 2021, from cell phones to notebooks and monitors. When you set this in relation to our new hires in 2021, as they are the greatest reason for the purchasing of new IT equipment, the carbon intensity per new hire was nearly one tonne of CO_2 (0.98 tonnes of CO_2eq/new hire). Here we see great opportunity in upcoming years to reduce our carbon impact with many relevant measures possible. Under Scope 3 nearly all categories increased in 2021. Again, this can be attributed to increases in office size and employee headcount.

Business travel accounted for 15 % of our CO_2eq emissions. These increased in 2021 in comparison to 2020, as Aquila Capital employees returned to travelling more actively after travel bans were uplifted in late spring. Business travel CO_2eq emissions per employee were 0.5 tonnes of CO_2eq/employee. In 2020, this intensity figure was 0.47 tonnes of CO_2eq/employee.

Within business travel, air travel contributed the most CO_2eq emissions. Within our growth strategy, local presence plays an increasingly important role in our investment and asset management. Aquila Capital now has 16 locations globally, ensuring efficient on-site management and the necessary proximity to the respective assets and service providers. At the same time, the local presence contributes to a significant reduction of CO_2eq emissions caused by travel activities. Emissions from business travel also include hotel accommodation. In 2021, a total of 945 hotels stays were accounted for. Of these, two thirds occurred in Germany or Spain.

Aquila Capital performed an employee commuting survey in June 2021 and the results were used for the calculation of our 2020 and 2021 CCF. Compiling data on employee commuting allows us to design strategies to potentially achieve a shift to lower emission options. For example, by offering a bicycle leasing service, we are encouraging our employees in Germany to reduce their emissions from commuting.

The survey results showed that a large proportion of our employees commute to work by car – approximately 54 %. This was followed by 39 % of employees commuting by public transport, 5 % commuting by bicycle and 2 % on foot. Employee commuting CO_2eq emissions per employee were approximately 0.81 tonnes of CO_2eq in 2021.

Participation and active engagement are important in working towards reducing our CCF. In this context, in 2021, our employees contributed to reducing our CCF via our innovation platform 'iLab' where a 'less printing initiative' was launched. On this digital platform, ideas can be systematically collected and assessed to enhance innovation within Aquila Capital. The initiative has led to the export of printing figures from Aquila Capital's network printers, establishing a baseline against which to assess the impact (expected decrease of pages printed per employee) of further communications actions. We can monitor and internally report on Aquila Capital's printing habits at an office level. We hope that this transparency will further reduce the amount of printing and lead to increased awareness.

OFFSETTING OUR CO_2EQ-FOOTPRINT

While Aquila Capital strives to minimise and reduce its CCF to the greatest possible extent, there remains an amount of CO_2eq emissions which can't be avoided. Therefore, we leverage the knowledge and the experience of our partner AQ GreenTeC and have identified an offsetting strategy aligned to Aquila Capital's business model. In 2021, we successfully offset 2,223 tonnes of CO_2eq, by the acquisition of VER (verified emissions reductions) carbon credits certified for the Sachal Wind Power Project in Pakistan – a wind farm with a total capacity of 49.5MW. Here we are contributing to an increase in the world's renewable energy mix where a financing of projects is needed. Our impact corresponds to an annual production of approximately 136.5 GW. The wind farm is located in Jhimpir, on an area of 2.75 km^2 which was commissioned in 2017.

Knowing the data, this year we are aiming to set targets for reducing our CCF. To ensure adequate CCF management, ongoing measurement and regular updates are needed to validate the effectiveness of interventions towards achieving future reduction targets. Further, in 2022, we will look at measures to source green electricity for our seven offices currently not powered this way.

We are committed to continuously building upon our GHG calculation methodologies to ensure alignment with evolving industry standards and look forward to engaging in discussions on the topic with other market participants and stakeholders. We hope that this will result in future in enabling us to measure the product carbon footprints of the components our assets use and add it as a criterion for our decision-making process.


Eucalyptus trees in a plantation near Gaspar, Santa Catarina, Brazil

3.4 LIFETIME AVOIDED EMISSIONS

In 2021 we enhanced Aquila Capital's lifetime avoided CO_2eq (eq = equivalent) emissions ('LAE') methodology. We believe that the disclosure of this key performance indicator (KPI) is a functional, practical, and meaningful way of recording the positive impact of our investors' assets on the decarbonisation of the electricity grid and corresponding contribution to achieving climate change mitigation. When reporting to our investors, we want to make sure that the data provided has been calculated using a credible, comprehensible and transparent methodology.

While this KPI is beneficial to the financial industry as a whole, currently many different methodologies exist. As a result, the financial industry has not agreed on one standardised methodology yet, which has led to inconsistencies in terms of terminology and scope of the application. This is why Aquila Capital partnered with the German independent Research Center for Energy Economics 'FfE'[9] in 2021, to enhance further its calculation methodology in order to fulfil high standards when it comes to accuracy, validity, and timeliness of the information provided to investors. For Aquila Capital, it is the highest priority that the actual impact of a project's contribution to the low carbon transition gets reported. The company has used this motivation to develop an LAE calculation methodology which upholds the external assurance of climate impact professionals.

LAE are CO_2eq emissions that would have been released if a particular action or intervention had not taken place over the lifetime of the intervention. For our calculation purposes the intervention is the construction of a clean energy project with subsequent electricity feed-in into an existing grid.

This means that the CO_2eq emissions avoided by our investors' contributions assumes that electricity generated by the renewable energy assets in question displaces the same amount of current local grid output, which is composed of different sources including, for example, coal, gas and nuclear power. The sources of electricity within a grid mix define the CO_2eq-intensity of the grid. The more fossil-fuel based sources generate the electricity at a certain time and location, the higher the CO_2eq-grid intensity, meaning more CO_2eq can be displaced and therefore avoided. Within the calculation the composition of the local grid mix is therefore the biggest contributor to the potential for CO_2eq emissions avoidance.

While the industry has by nature knowledge on the composition of the historic composition of the electricity grid mix, estimating this for future years entails uncertainties and will remain a key challenge. However, this is not crucial to the LAE calculation. The composition of the future electricity mix is greatly influenced by socioeconomic parameters: society, demographics and economic growth. The barriers and opportunities represented by these will determine how fast the transition to a clean electricity grid can be achieved.

For estimating the composition of the future electricity grid mix, commercial institutions and consultancies from the energy sector have provided scenarios based on various sets of assumptions.

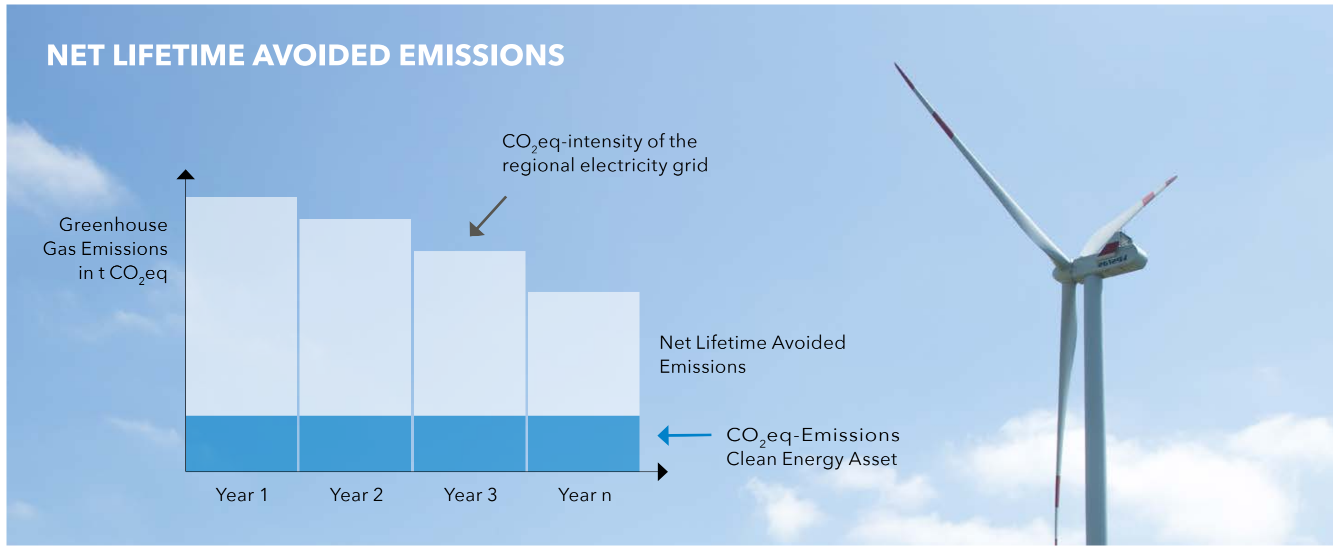
However, we now have the opportunity to apply scientific models from global research institutions. Together with the FfE, various research-based trajectories on the composition of grid GHG emissions and, therefore, intensity until 2060 have been analysed. Among these, an integrated assessment model (IAM) published by the Netherlands Environmental Assessment Agency called 'IMAGE'[10], also used in the IPPC 5th Assessment Report, was selected by Aquila Capital. The selected underlying scenario within the IAM is in line with the 1.5 °C goal defined by the Paris Agreement.

THIS WAS A CRUCIAL FACTOR IN OUR DECISION-MAKING PROCESS, AS AQUILA CAPITAL REGARDS ITSELF AS BEING A PART OF THE SOLUTION TO DECARBONISE LARGE PARTS OF THE WORLD ECONOMY AND OUR BUSINESS PURPOSE REFLECTS THE GOALS DEFINED BY THE PARIS AGREEMENT.

Grid intensity is calculated using lifecycle emissions factors from renowned sources such as the International Energy Agency, the ecoinvent Association as well as publications of the German Environmental Agency.

Aquila Capital reports 'net avoided CO_2eq emissions', which means that it is monitoring the CO_2eq emissions from the projects themselves. While the generation of renewable electricity produces only a small amount of CO_2eq emissions, the whole life cycle of a renewable energy asset has to be taken into account (raw material sourcing, manufacturing, transport, instalment, use phase, decommissioning). To be accurate and reliable, an asset's own CO_2eq emissions must be subtracted from the calculations.

[9] *Forschungsanstalt für Energiewirtschaft, www.ffe.de/*
[10] *Integrated Model to Assess the Global Environment*



The graphic above illustrates a net lifetime avoided emissions calculation.

While lifetime avoided emissions can be calculated for carbon dioxide emissions only, Aquila Capital's enhanced methodology foresees the inclusion of all GHG emissions, meaning other climate change gases such as methane, nitrous oxide and fluorinated gases. These are disclosed as CO_2 equivalents, abbreviated as CO_2eq. The inclusion of these additional GHG emissions is essential, as they contribute to the greenhouse effect. Their disclosure increases the transparency of the positive impacts of our investors' assets on reducing global warming.

As well as increasing the positive contribution of GHG intensity reduction of the electricity grid through our clean energy assets, we also strive to reduce our 'gross avoided CO_2eq emissions' in the future, meaning the CO_2eq emissions from the projects themselves, as described in 3.5 Tackling Emissions of our Investors' Assets.

We are proud to disclose that Aquila Capital has obtained an independent audit statement from TÜV Rhineland on its enhanced calculation methodology as of June 2022. This has confirmed that the calculation methodology we use to measure the positive contribution our investors' assets make towards the achievement of climate change mitigation corresponds with the expectations of the auditors and that our high standards of accuracy, validity and timeliness are being met. Even so, Aquila Capital actively promotes with every disclosure it makes that the recipient must keep in mind that an LAE calculation is subject to uncertainties and approximations and that it will be influenced by future changes in society, demographics and economic growth.

Aquila Capital is committed to enabling its investors to be part of the energy transition and therefore strives continuously to increase its clean energy portfolio. The company has already exceeded 10.5 GW of capacity, and the continuous expansion of clean energies worldwide form an important building block in Aquila Capital's strategy for the coming decade.

Under construction: Green Logistics Park at Tortona near Milan, Italy

3.5 GREEN LOGISTICS

At an inauguration event in mid 2020 at our green logistics warehouse located near Toledo in Spain, we celebrated the start of a series of investments in warehouses with ecological characteristics in Southern Europe. With a total area of 68,000 m², the warehouse in Toledo was designed and built with high levels of energy efficiency firmly in mind. In 2021, two further green logistics investments in Portugal and Italy of 115,000 m² and 51,600 m² followed.

The increasing demand for logistics space due to continued growth in e-commerce and the limited supply of modern, large-scale storage space creates an attractive investment opportunity. Aquila Capital has been investing in real assets for more than 20 years and understands the responsibility inherent in infrastructure developments, given the likely long lifetime of the assets.

Being part of a society that needs to tackle climate change, with our Aquila Capital Green Logistics Concept we are tapping into the opportunity to invest in logistics with the clear intention of generating assets that will help build a more sustainable tomorrow.

Our green logistics investments are designed to reduce energy use and carbon emissions throughout their lifetimes. Applying these criteria results not only in a contribution to global sustainability goals but also in the achievement of additional economic benefits, for example lower operational costs, and higher resilience, for example, to the effects of changing local climate conditions on buildings.

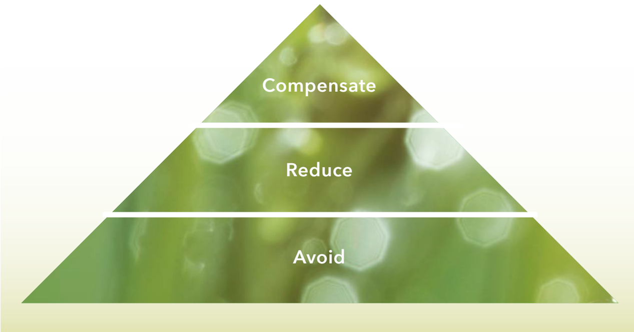
To ensure an ambitious sustainability performance is achieved, early engagement and the implementation of strategies to reduce life-cycle emissions and energy use is needed, particularly during the development and construction phases of a project. By developing most of our logistics warehouses ourselves, we realise ecological benefits from the start and can therefore reduce negative sustainability impacts from a lifecycle perspective to a minimum.

By integrating the entire value chain in our business model – from development to operation – we try to overcome a dilemma that is often observed within the real estate sector. Often, strategies designed to produce ecological benefits and lower operational costs are not realised, because of a split in beneficiaries between the construction and operational stages.

To address this, we developed the Aquila Capital Green Logistics Concept. With one eye on market standards (as set, for example, by LEED, BREEAM and GRESB) and the other on the best practices of sustainable logistics pioneers as well as our long experience in renewable energy investments, we are in a very strong position to maximise the opportunity.

There are three main considerations underlying our investment selection process as well as the development and construction of projects:

PRIORITY OF STRATEGIES TO REDUCE ENVIRONMENTAL IMPACTS*



Firstly, we use a forward-thinking design approach that considers, among other things, the CO_2eq emissions reduction potential at the various development stages of a project and the preconditions necessary.

Secondly, we take an holistic perspective of impacts, by not only analysing negative and positive impacts on the environment but also the effects on society as a whole.

Lastly, the priority pyramid set out by the UK Green Building Council is applied (see above). The pyramid shows that developers are encouraged to avoid negative impacts as best they can. If negative impacts are unavoidable, for example, owing to the on-site combustion of fuel, strategies and technologies are used to reduce them to a minimum, for example, by substituting high carbon intensive activities with lower carbon intensive activities where possible.

Where this is not feasible, a resulting negative impact shall be compensated for. The capacity to do this is increased by our partnering work with AQ Green Tec, a service provider for offsetting GHG emissions.

** based on UK Green Building Council (UKGBC)*

Installed Rooftop PV Plant for a Vinegar Producer in Cremona, Northern Italy

3.6 ENERGY EFFICIENCY AND THE IMPORTANCE OF ADDITIONALITY

In 2021, Aquila Capital launched its first energy efficiency strategies. While the EU has increased the amount of public funds available for energy efficiency, the Commission recently calculated that an additional investment of EUR260 billion per year will be necessary to meet the EU's 2030 climate and energy targets over the period 2021-2030[11]. The Commission also points out that much of that finance will need to come from the private sector.

According to estimates by the International Energy Agency (IEA) 32 % of the globally required CO_2 reduction required can be achieved cost-effectively through efficiency measures[12]. In developed countries, this potential is even higher due to the larger stock of old buildings. For these reasons, the European Green Deal has increased the prioritization of energy efficiency.

Yet, the Energy Efficiency Financial Institutions Group (EEFIG) states that aggregate energy efficiency investments must more than double[13].

Further the attractiveness of energy efficiency goes beyond emission savings: it enables better energy access by increasing the services delivered by each kilowatt of electricity, it increases asset values for homeowners, businesses and utilities and can further boost economic activity through increased cost-effectiveness.

By nature, energy efficiency investments are often characterised by hurdles of scale and complexity and are, thus, time intensive. To unlock the available potential, more innovative financial arrangements are needed. Private capital is therefore essential in closing the energy efficiency investment gap. Thus, our deployment of capital in this area can be considered to fall under what is known as the principle of "additionality".

The concept of additionality originated in the context of carbon credits, where projects that are "additional to" the business-as-usual scenario represent a net environmental benefit. This is important because, without the "additionality" requirement, there is no guarantee that emissions reduction activities will lead to an overall reduction of greenhouse gases into the atmosphere. If carbon credits were awarded to activities that would have happened anyway without cuts elsewhere, emissions would be allowed to rise making the process meaningless.

It is in this way that the idea of additionality helps to classifying the level of impact for investments. That is identifying investments with supplementary impact of a measure beyond standard practices and autonomous changes. Creating positive impact through additionality is the focus of Aquila Capital's investment strategy within energy efficiency. With the aim of contributing to the Sustainable Development Goals, particularly SDG 7.3, the investment strategy is to support genuine new energy efficiency projects and measures rather than acquiring stand-alone generation assets, grid-scale batteries or existing assets.

Measuring additionality is, however, challenging, firstly because of a general lack of data and, secondly, because of the need to quantify both the impact of an upfront investment in an area where few investors take action and the longer-term benefits.

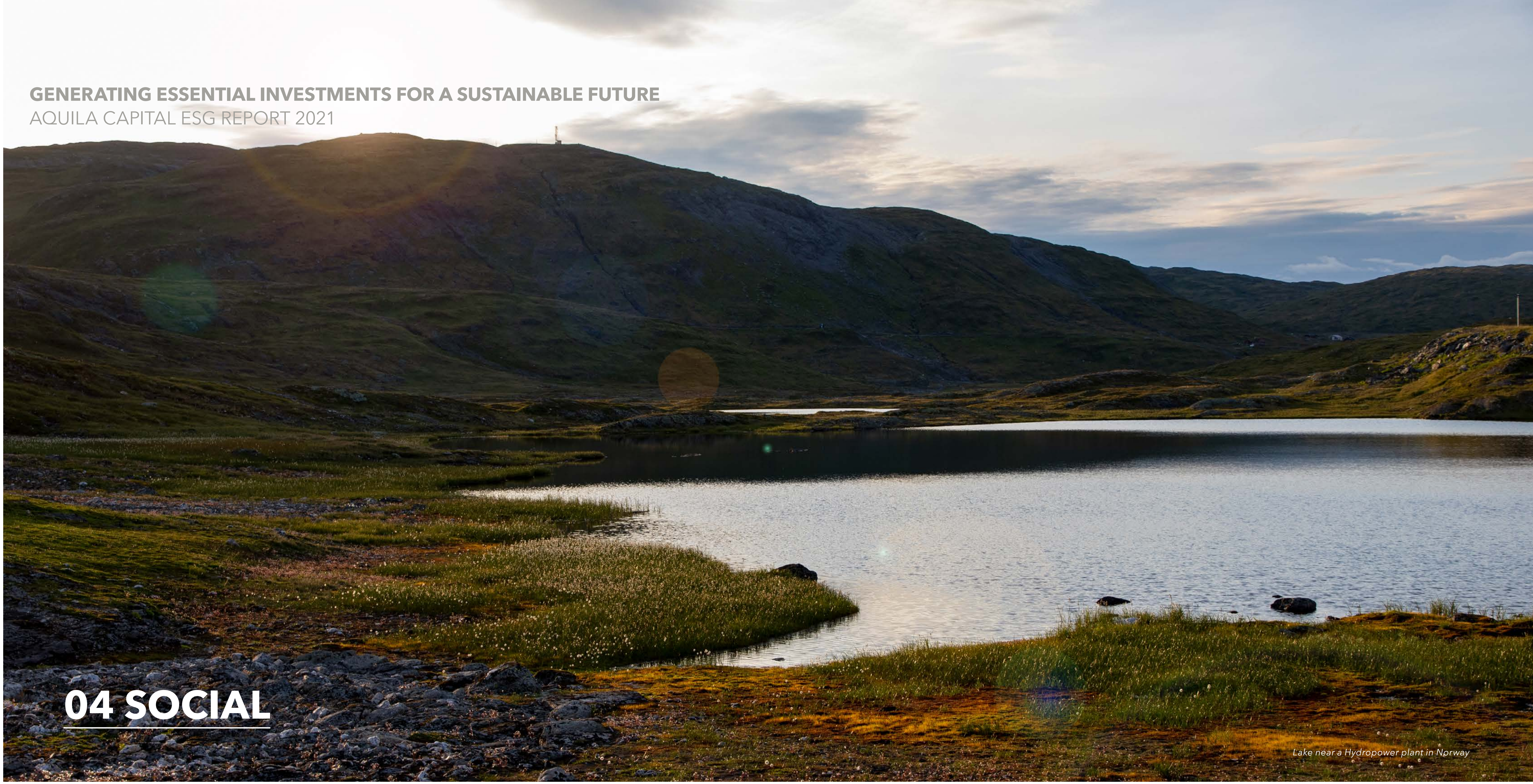
Further, the consideration of additionality and the manner of accounting for it may further influence the cost-effectiveness of the energy efficiency measures envisaged and, consequently, the decisions taken by policy makers.

For the latter, and looking differently at the funding gap described above, this principle stipulates these investments must not replace public or equivalent structural expenditure. In other words, our "additional" investments in energy efficiency may not result in a reduction of national structural expenditure but should be in addition to national public spending, thereby maximising efforts behind the energy transition.

In its latest report, the IPCC[14] mentions the retrofitting of energy saving technologies to buildings as one of the main ways in which developed countries can reduce their CO_2 emissions.

In addition to the installation of rooftop solar plants, we are proud to have now made investments into several "lighting as a service" initiatives in Italy, designed to save energy.

[11] EC, DG for Research and Innovation, CORDIS results pack on climate neutrality, 2022, https://data.europa.eu/doi/10.2830/567506
[12] IEA, Multiple Benefits of Energy Efficiency, 2019, https://www.iea.org/reports/multiple-benefits-of-energy-efficiency
[13] EC, DG Energy, Evolution of Financing Practices for Energy Efficiency in Buildings, SME's and in Industry, 2022, https://data.europa.eu/doi/10.2833/509481
[14] IPCC, Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment, 2022 (Shukla et al), Cambridge University Press



04 SOCIAL

Lake near a Hydropower plant in Norway

Similar to our approach within Governance and Environmental responsibility, our activities within social responsibility are multi-faceted and concern Aquila Capital activities within our offices and with our employees as well as our social activities related to our investors assets. Further managing COVID-19 as an international company and ensuring the safety as well as health of our employees was a big part of the management of social responsibility within 2021. To reduce any burdens for employees during the pandemic we implemented agile working conditions. For our social activities related to our investment processes and asset management we would like to highlight in this report our approach and 2021 developments related to Health & Safety and Social and Community Engagement within the locations of our investors assets. When considering our values, we take great importance to our "commitment" that relates also to other stakeholders than employees. We take responsibility for what we do: integrity and transparency. This concept is linked to our local community engagement as well as related to the employees of our suppliers. The globalization and untransparent supply chains create challenges for the industry as a whole. We therefore would like to share our progress related to Sustainable Supply Chain Management and Human Rights in the Value Chain.

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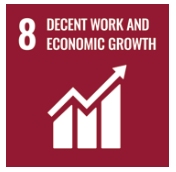
4.1 TALENT AND DEVELOPMENT



Opportunity and support for continuous learning is key

At Aquila Capital, continuous advanced learning and training is considered indispensable. We recognise that the development of our employees contributes significantly to securing the future of the company, and we want our employees to experience and see growth and development.

For all employees, we regularly offer internal learning and knowledge sharing and provide interactive sessions about specific business topics or expertise relevant to an employee's professional life. These interactions also provide the opportunity to address current procedural topics embedded into our daily activities. For example, internal learning and exchange sessions related to new HR or Aquila Capital tools as well as products launched within the organisation serve as a forum for sharing success and information. In 2022, we hope that we can offer more hybrid events, which offer internal learning and exchange sessions in both a classroom format and videoconferencing style. The sessions are open to all employees from executive to intern level.

Global e-learning platform

We now offer high quality courses from various universities and companies to our employees via Coursera – a well-known and prominent global e-learning provider. Offering Coursera learning courses boosts our digitisation, as these courses are offered as web-based training.

We believe that our talent management promotes sustainable business operations by providing our employees with the following:

- Market-leading learning solutions using innovative technology;
- Agile learning techniques using off-the-shelf, customised or individualised content, and the flexibility to learn anytime and where it suits our employees best;
- An ability to assist in reducing our CO_2eq footprint, by cutting travel, hotel stays and classroom use in comparison with traditional training methods.

Most importantly, we recognise the talent, the passion and the hard work of our employees are keys to the success of Aquila Capital. We therefore chose to invest in a state-of-the-art provider for digital learning to further boost the skills and competences of our employees, in full alignment with our company culture.

GENERATING ESSENTIAL INVESTMENTS FOR A SUSTAINABLE FUTURE
AQUILA CAPITAL ESG REPORT 2021

2021 Alternative Asset Analysts at Hamburg Headquarter Location

Standardised and individual development initiatives for differing target groups

During their careers at Aquila Capital, employees can participate in a variety of development initiatives both for technical skills and personal development. From a coaching pool, a designated employee can select a coach for one-to-one sessions. For sales teams, an important function within Aquila Capital's business operations, a sales academy has been developed together with an international partner. This program focuses on developing and growing junior talents into future client coverage specialists.

Meanwhile, our "LEAD" programme enables designated future young leaders to participate in a one-year leadership programme, which focuses on business topics relevant to Aquila Capital including leadership skills. For all employees, we provide language learning opportunities for various business relevant languages.

Furthermore, we also have learning initiatives for young talent, who are recruited in an assessment centre to participate in Aquila Capital's tailor-made trainee and analyst programmes.

Eagles Leadership Academy

We have a new leadership academy for our management and line managers, across all locations and business units, customised to their needs and business challenges. This includes offering focused and concise blended learning solutions that fit into everyday schedules, so that continuous learning becomes embedded as part of Aquila Capital's culture. This program offers both standardised as well as individualised learning opportunities, using different learning methods – from individual coaching sessions to live and virtual group training sessions, digital learning solutions and network opportunities. Besides the basic target groups of team and group heads and "C" level employees, we also focus on specific target groups such as potential female line managers, first-time line managers, new-joiner line managers, as well as successors to key positions.

4.2 **TALENT KEY PERFORMANCE INDICATORS**

TOTAL NUMBER OF EMPLOYEES

2020 523
2021 679 ↻ 30 %

679

WOMEN

2020 46 %
2021 45 %

45 %

MEN

2020 54 %
2021 55 %

55 %

SHARE OF WOMEN IN LEADERSHIP

2020 31 %
2021 30 % ↻ 4 %

30 %

AGE AVERAGE

	2021	2020
> 50	12,4 %	10,0 %
40 - 50	27,7 %	27,7 %
30 - 40	39,5 %	40,1 %
< 30	20,4 %	22,2 %

AGE BREAKDOWN

	2021	2020
Ø Men	40	39
Ø Women	38	37
Ø Total	39	38

As of 31.12.2021

NUMBER OF NATIONALITIES

2020 39
2021 43

43

EMPLOYEES PER COUNTRY

	2021	2020
Germany	349	305
Greece	6	-
Italy	16	-
Japan	2	1
Luxembourg	38	32
Netherlands	5	6
Portugal	17	11
Czech Republic	2	1
Singapore	18	12
Spain	203	140
Norway	4	3
Switzerland	8	5
Taiwan	1	-
UK	7	6
New Zealand	3	-
Turkey	-	1

TURNOVER RATE*

2020 9%
2021 6% ↻ 30 %

**calculated under consideration of permanent contracts only*

6 %

NEW HIRES

2020 160
2021 251 ↻ 57 %

251

EMPLOYMENT CONTRACT

	2021	2020
Temporary contracts	9 %	8 %

PART-TIME EMPLOYMENT

2020 62
2021 79 ↻ 27 %

12 %
of all contracts

4 QUALITY EDUCATION

5 GENDER EQUALITY

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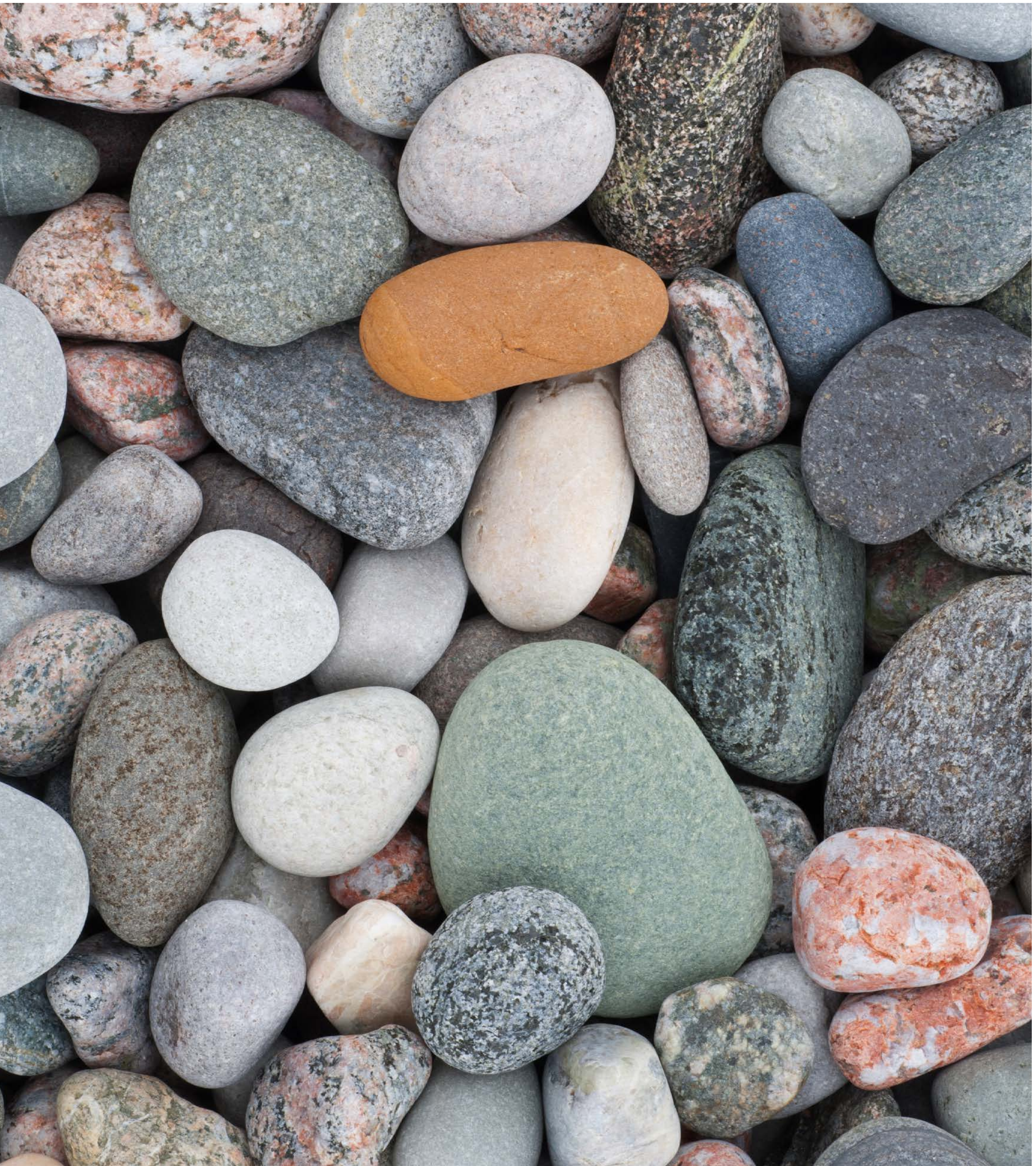


4.3 DIVERSITY AND INCLUSION

Diversity and inclusion aims to empower employees by respecting and valuing their differences in terms of age, gender, ethnicity, religion, disability, sexual orientation, education and national origin. Diverse and inclusive team structures are characterised by deeper trust and greater commitment from their members. By bringing together the different backgrounds and perspectives of the people involved, the summation of individual skills forms a more robust structure that encourages new ways of thinking, ultimately leading to a stronger company performance.

Talent is important – not background

As an investment and asset development company, Aquila Capital relies on attracting the best talent, globally. Therefore, it is crucial to find those individuals best suited for their positions, regardless of their origin. We firmly believe that respect and recognition of the uniqueness of each person ensures the further development of all our employees – and, thus, the success of our company.

Particularly among younger people, diversity and inclusion is of great importance when choosing an employer today. It is important to us to foster the uniqueness of everyone in order to bring out the best of a broad spectrum of experiences and skills. We live by this conviction every day – and we have measures firmly integrated into our structures and processes to promote this objective.

Strong growth fosters diversity

Aquila Capital continued its dynamic development in 2021. Its number of employees increased from 523 to 679, representing growth of 30 % over the year. With 16 offices in 15 countries spread across Europe and the Asia-Pacific, the company benefits from a high level of cultural diversity among its employees. Although 51 % of the workforce is located in Germany, Aquila Capital employs individuals from a wide range of nations, especially at its Hamburg headquarters. Our staff comprises 43 nationalities, and almost as many languages are represented in the company. Since it is the daily exchange between us that creates a strong team spirit, we offer free language courses and encourage our employees to make active use of these. In addition, we have onboarding sessions for new employees to make it easier for them to get started. For existing colleagues, there are regular live events that promote collaborative activities away from the daily work. Now that COVID restrictions have been relaxed, these activities can be expanded further.

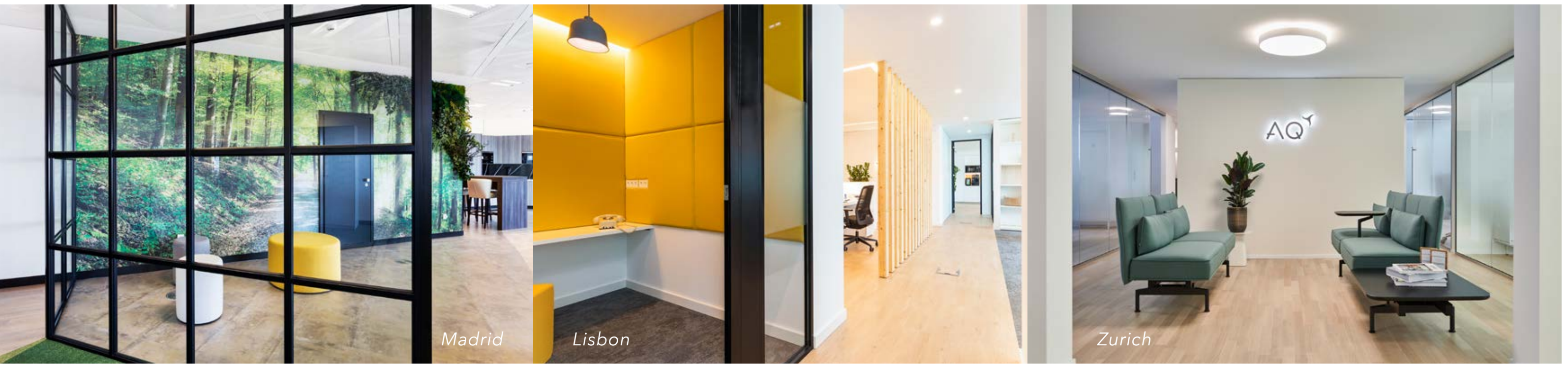
Targeted development of women

Almost a half – about 45% – of our employees are female, a high proportion for the financial sector. The share of women in leadership positions in 2021 was 30%, similar to the previous year. In future, we would like to increase this number even further. To this end, we support current and potential female managers within the framework of our career model, new business developments and our internal Leadership Development Programme. This support includes coaching, networking initiatives and other measures. And in our recruiting process, we make sure that women are ideally given preference where they are identically qualified for a leadership position.

An approach towards fairness

Another aspect of our Leadership Development Programme, but one that cuts across gender, is to sensitise participants in terms of diversity and inclusion. At Aquila Capital it is a matter of principle that no one is excluded because, for example, of their origin or belonging to a particular group. In order to actively live these convictions throughout the company, we believe it is important that managers lead by example and always exemplify the fair and respectful treatment of all people.

We have explicitly included diversity in the list of our company core values. As we see diversity and inclusion as an ongoing process, we are determined to continuously improve going forward.


Madrid Lisbon Zurich

4.4 OFFICE ENVIRONMENT AND HYBRID WORKING

Office Environment

Aquila Capital currently has more than 600 employees working in 15 countries around the world. In 2021, we opened three new office locations. With respect to local and regional requirements as well as cultural factors in the various countries and within Aquila Capital, we try to set up and design our offices accordingly. Thereby, we take care that a certain Aquila Capital standard is fulfilled and implemented.

For new locations, several factors are considered in the search for an office.

At the beginning, a site analysis is conducted where the location, environment and directly neighbouring companies are considered. In addition, office size and the particular property are further taken into account. The year and type of construction of the building, as well as an energy certificate and heating system (gas or district heating) are important considerations. During the search, preference is given to buildings with certifications such as LEED, BREEAM or DGNB, as such buildings already meet a high standard.

Another important consideration in the search process is the infrastructure surrounding the property. We look at the ability of the property to be reached by public transport and whether there are sufficient parking facilities for cars and bicycles. In addition, we focus on the e-mobility at new locations and ensuring that appropriate facilities (charging station, bicycle and car facilities) are available.

Once a suitable office site has been chosen, we look at the interior design.

We make sure that we use green electricity from renewable sources. We also pay attention to the issue of waste separation, disposal and avoidance in all locations and implement the corresponding requirements on site. In addition to the materials used in the office, such as carpets made of old fishing nets in Luxemburg, refurbished furniture, plants, capsule-less coffee machines and drinking water taps, attention is paid to air and noise quality. Furthermore, in addition to modern workspaces, we also pay attention to social areas such as think tanks, quiet rooms, kitchens and libraries during the site development. This is especially considered for sites with large open-plan offices. In considering all of these factors, we make sure to work with sustainable, regional and fair partner companies. This starts with the electricity supplier and ends with the local fruit supplier and cleaning team.

Soft factors such as sports and lunch offerings (regional and healthy) are also considered in the location search.

Hybrid work

Owing to COVID, companies around the world were required to allow employees to work from home, if possible. This was also implemented sucessfully by Aquila Capital. The original mandatory working from home situation led to a rethink at the company and we established a hybrid working model that can be implemented worldwide on the basis of a 3:2 rule.

With the change to a hybrid work model, Aquila Capital has also adapted its standards in each of its offices. As a result, it is now possible to rent smaller offices, since each colleague no longer needs his or her own workstation all the time. Existing desk workstations are now shared.

Shared workstations are equipped with a height-adjustable table, a curved screen, mouse, keyboard and a modern docking station, so that every colleague can work in every place.

Aside from the flexibility from an arrangement whereby colleagues work remotely two days a week, the move to a hybrid working model has plenty of other benefits. For example, smaller office spaces can reduce rental and heating costs. In addition, electricity costs can be lowered by reducing the number of workstations and equipping offices with modern shared desk equipment that consumes less electricity.

4.5 COVID-19 MANAGEMENT

When the COVID pandemic started in January 2020, many companies were faced with major challenges. In 2021, we continued our active COVID-19 management and instead of just reacting to regulations, we even acted as a pioneer in several areas.

Since the beginning of the pandemic, there has been a close collaboration between the all involved departments in terms of the execution of measures.

HYGIENE CONCEPT

With respect to the adopted Occupational Health and Safety Act, Aquila Capital developed a hygiene concept for all of its 16 office locations. This included the supply of disinfectant dispensers and temperature measuring devices at entrances. Spit guards between desks, signs with applicable distance requirements and notices as to the mask obligation were installed. In addition, a maximum attendance rule was implemented and documented with daily updated figures right from the beginning.

MASKS (FFP2 + MEDICAL MASKS)

FFP2 masks as well as medical masks were made available to employees before there was any legal obligation to do so. The same applied to self-tests, which have been freely available at reception areas.

(SELF-) TESTING OFFERS

In addition to the self-tests, Aquila Capital in Hamburg has offered once or twice a week, depending on participants and incidences in Hamburg, a professional rapid test with its medical team. In total, 2,374 tests have been conducted with the company's medical team in the last 13 months.

COMPANY VACCINATIONS

Aquila Capital was one of the first companies in Hamburg to offer company vaccinations with BioNTech commencing on 11th June 2021. The in-house vaccination made it possible for around 90 people to receive full vaccination protection. In total 215 vaccination doses have been enabled at Aquila Capital.

ACCESS CONTROLS

Owing to a low overall vaccination rate in Germany, the 3G access rule for companies was rolled out in November 2021, which required a certificate check when entering the office and daily checks were carried out.

DOCUMENTATION

Documentation was an important factor in being able to assess the progress of the pandemic. This included recording the consumption of disinfectant, masks, self-tests etc. Daily attendance records were also kept, as were records of the numbers of participants in professional rapid tests.

Asset management inspection at Aquila Capital managed hydropower plant Alforfa, close to Serra da Estrela, Portugal

4.6 HEALTH AND SAFETY

Construction works, as well as activities from the operations and maintenance phases of our real asset projects, entail health and safety (H&S) considerations such as working with electricity and at heights, which demand the implementation of high standards.

Aquila Capital is committed to preventing incidents, injuries or harm to its own employees or the employees of its contractors, subcontractors and business partners working on the construction and operation of its investors' assets.

In 2021, an incident occurred at one of our solar PV plant construction sites in Almeria, Spain, which resulted in the fatality of an operative of our EPCs subcontractor. The incident is being fully investigated by the local relevant authorities in close collaboration with us. Safety is the prerequisite for every activity in Aquila Capital. Therefore, we work hard to enhance the safety and zero-tolerance culture for our own and external employees as well as our suppliers.

In this year's ESG Report, we are focusing on the H&S management of our constructional and operational photovoltaics (PV) business activities in Southern Europe.

During the construction, operation and maintenance of our PV assets, we work together with various external parties. In order to adhere to regulatory H&S standards and to ensure a high performance, it is necessary to stringently monitor these counterparties.

H&S at the Development Phase

Although in general worker accidents mainly occur at the construction stage, the opportunity to influence an asset's overall H&S performance is greatest at earlier project life phases, for example, during the development phase. The decisions made at the design and defining stage have a major impact on site safety during construction and, later, during the operational and maintenance stages.

Therefore, we are aware that our structures and processes for planning PV projects at the organisational level in the early stages will influence a construction site greatly and, therefore, its H&S performance. Aquila Capital has developed a set of instruments and tools to aid it and its contractual parties to achieve adequate H&S management in the later stages and set standards applicable to all activities. These include H&S requirements from contractual parties, which are defined in policies and internal/external processes related to adequate H&S management.

H&S at the Construction Phase

The construction of renewable energy assets encompasses a diverse field of activities, each with a specific associated risk. A worker carrying out a task is directly exposed to the risks associated with that task and passively exposed to risks produced by nearby co-workers. Building design, materials, dimensions and site conditions are often unique, requiring adaptation and a learning curve from site to site. We at Aquila Capital are aware of the complexity of the work carried out by the employees of our contractors, subcontractors and business partners, which involves a mix of different actors, stakeholders, and sub-processes every day.

According to EU directive 92/57/EEC, the 'Construction Sites Directive', we are required to appoint a coordinator for safety and health matters (hereafter H&S coordinator) for any construction site on which more than one contractor is present.

For Aquila Capital's Southern European PV construction sites this is certainly the case, and we have decided to externalize this role to recognised and industry-leading providers of safety services. H&S coordinators perform a diverse set of relevant tasks to ensure adequate on-site H&S management including, for example, H&S plan approval and continuous renewal as well as weekly site visits to construction sites. Prior to construction, the H&S plan drawn up by the engineering, procurement and construction services provider (EPC) is analysed, updated and approved by the H&S coordinator. The H&S plan is the principal working document which defines how a contractor and any subcontractors will manage H&S on a project and includes answers to any safety issues raised in pre-construction information.

Aquila Capital is obliged to ensure that an EPC contractor's personnel are adequately trained and equipped with relevant personal protective equipment (PPE) for the tasks to be performed. Therefore, the H&S coordinator must understand which risks are associated with each part of a project and where specific training, certification and PPE is needed. Prior to taking up the contractor relationship, evidence of, for example, adequate worker training and certification is validated by an H&S coordinator. During on-site inspections and site visits, PPE adequacy is monitored. A weekly protocol from the on-site visit is sent to Aquila Capital management. Contractors further provide Aquila Capital with incident and accident reporting, at least on a monthly basis, and are encouraged to do so more frequently. A "root-cause" analysis of any accident is also a requirement.

H&S at the Operations and Maintenance Phase

Based on the norms and regulations of the countries in which Aquila Capital operates, there is an obligation to ensure that site access is restricted to personnel adequately trained and equipped with relevant PPE. When work on our operating assets is necessary, our H&S coordinator receives an overview of the scope of the work and performs an initial risk assessment where training, certification and PPE needs specific to the task are identified. Evidence of, for example, adequate worker training, must then be uploaded to a database by the contractor prior to the start of the work. Once evidence of adequate training, certification and PPE is ensured by formal notification from the H&S coordinator, the contractor may begin work. From this point forward, the contractor, the H&S coordinator, Aquila Capital's operations and maintenance (O+M) provider as well as Aquila Capital management are in constant contact.

Going forward, we plan to streamline our H&S reporting with contractors, subcontractors and business partners and use sound internal data aggregation to increase transparency by ESG reporting.

We constantly strive to improve internal and external initiatives related to H&S. We actively participated in the Spanish Association of Photovoltaics (UNEF) working group on H&S in 2021, which had a focus on H&S accident indicators.

In the years to come, we plan to develop a comprehensive, global HSE framework and further expand our internal workforce responsible for H&S management – in line with our growth ambitions.

4.7 SOCIAL AND COMMUNITY ENGAGEMENT

Renewable energy projects have an inherent major positive impact on the environment with their ability to decarbonise the energy sector, aiding us in the transition to a low carbon economy. With the European Green Deal boosting renewable energy projects, investment into clean energy assets has accelerated over recent years. With the increase in renewable energy deployment, the pressure on land is growing, as the need to expand carbon sinks and protect biodiversity is in direct conflict with agricultural and renewable energy production. Conflicts can arise when new renewable projects compete against other types of land usage, such as residential housing, recreational areas, agriculture and nature conservation, or when they cause landscape disruptions.

The Iberian Example

In 2021, we implemented a Sustainability Plan for Project Delivery (SPPD) at Aquila Capital for our clean energy operations in Southern Europe. The framework sets out the minimum mandatory sustainability requirements to be considered from early-stage development and throughout the life cycle of projects, including the construction, operation and end-of-life phases. By focusing on managing sustainability risks and opportunities at a project-level, the SPPD structures and sets out the right processes and tools needed to address differing local stakeholder needs and the main environmental issues.

Aquila Capital's SPPD therefore includes five main working lines: local value, environmental commitment, sustainability promotion, alliances, reputation and positioning. These are displayed on the below.

Locals enjoing the view at Tesla, Midtfjellet, Norway

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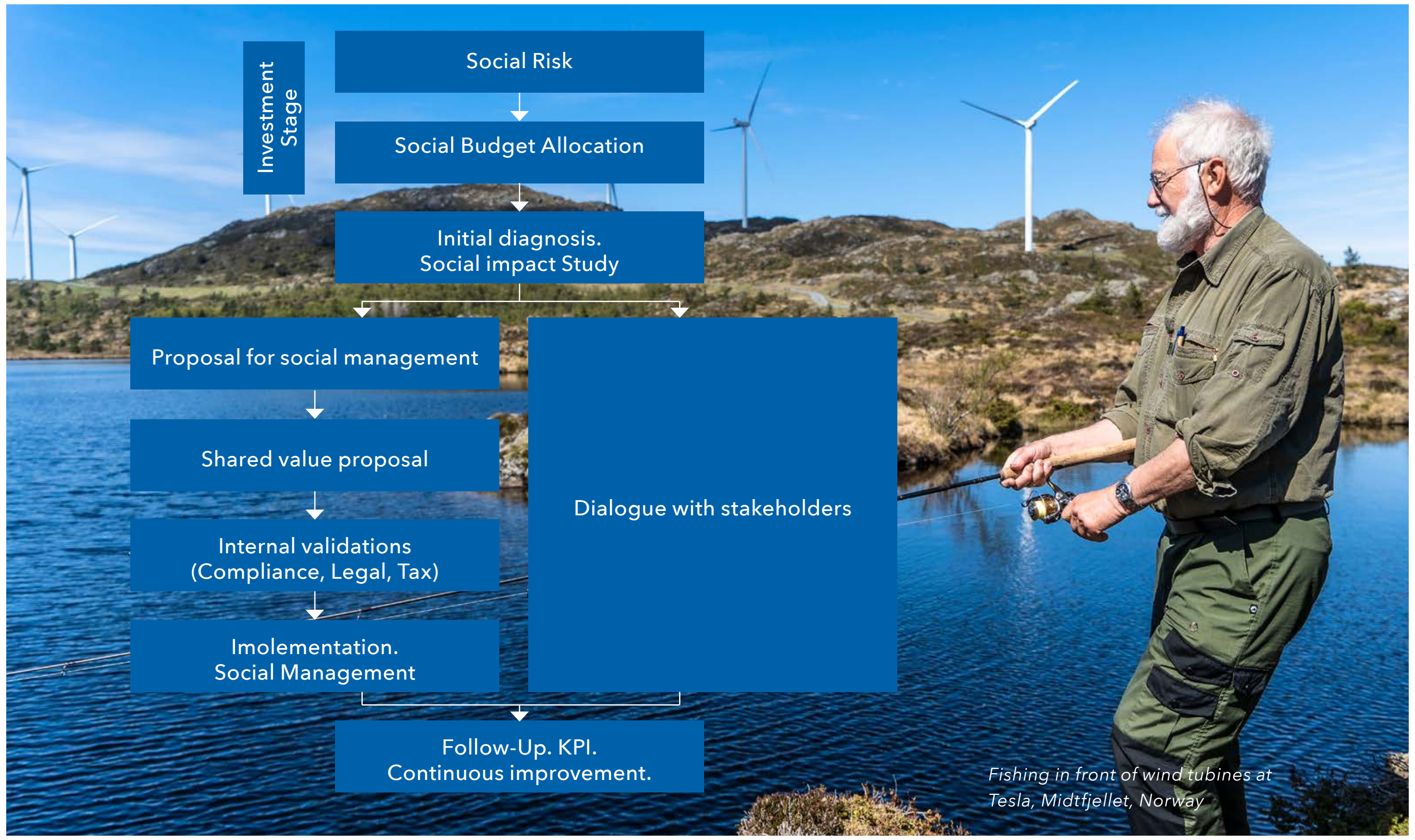
Local value is one of the main working lines included in Aquila Capital's SPPD and it defines the Stakeholder Engagement Procedure (SEP) for our projects. When engaging with local stakeholders, we seek to avoid social risks through an early identification of key issues. While this is important in guiding us to enhance shared value it can improve operational efficiency.

Additionally, next to social risks, we also identify social opportunities, which can guide us to enhance shared value.

With the SEP we strive for proactive rather than reactive stakeholder management and commit to create long-term relationships with local stakeholders – beyond the development phase – which will add value to society and local communities. At a methodological level, the SEP provides Aquila Capital with a standardised tool with criteria to define and prioritise action and investment.

The SEP starts with an initial identification of social risk at project-level. This is carried out on the entire portfolio and integrated into the due diligence phase of our investment process (see p. 14 on Aquila Capital's ESG Risk Management in the Investment process). Should we identify social risks categorised as medium to high that, nevertheless, are not project threatening – the likelihood of this is managed by the investment decision – the ESG Risk Assessment will include risk documentation and initial proposed risk mitigation measures which should be further assessed as part of the SEP which, in turn, will give guidance on defining and prioritising action and investment. The SEP follows different pathways, visualised in the graphic below.

This process may subsequently result in the inclusion of a social budget in the financials of a project and the size thereof will depend on the social risks inherent as well as on the capacity. With the



Fishing in front of wind tubines at Tesla, Midtfjellet, Norway

Local woman mountain biking at Tesla, Midtfjellet, Norway

social budget risks are managed to mitigate possible negative impacts of a project, as well as fund social investments to enhance a project's intrinsic benefits.

To identify the best possible application of the funds, a social impact study is commissioned from renowned external service providers which assesses and defines the following:

- A baseline characterising the local context and stakeholders;
- The project's impact on the local community and stakeholders;
- A strategy to address social risks and opportunities;
- A "shared value proposal" defined in conjunction with Aquila Capital and local interest groups.

For example, in 2021, we commissioned a total of 27 social impact studies with an external services provider for Spanish and Portuguese clean energy projects - all of which are currently under development. Building on the results from a social impact study, we proposed a social management plan to the local stakeholders and community and defined a shared value proposal.

Including the expectations of project stakeholders at a very early stage of the project is crucial, partly because it establishes constant communication and dialogue. Once we successfully implement our social management plan, we continue to have a constant dialogue with local stakeholders – even beyond the development and construction stages of a project, if necessary. Finally, we follow up regularly by monitoring the performance of the social management plan through KPIs and make improvements where necessary.

This year, we will initiate the first social and community engagement initiatives as part of a SEP for our Iberian clean energy portfolio. The SPPD framework, which includes a local value working line, will guide us in ensuring consideration of sustainability at project level as well as the project's social requirements.

Øyfjellet Wind Park

Øyfjellet Wind Park, in Vefsn municipality in Northern Norway, will with 72 turbines produce 1,3 TWh. The project started as a local initiative and has been through an extensive licensing process with approval from local and national authorities in Norway. In 2021, the Norwegian Ministry of Petroleum and Energy approved the so-called MTA-plan[15], which is a detailed plan on environment, transportation and land-use.

The reindeer herding district in the area does not support the project, which concerns a reindeer migration route, although no grazing areas. The reindeer herding district and the Sami Parliament has been consulted several times during the licensing process, both by the Norwegian Water Resources and Energy Directorate and by the Norwegian Ministry of Petroleum and Energy. According to Norwegian authorities, decisive emphasis was placed on the reindeer husbandry's own presentation of the operation in the licensing process.

Øyfjellet Wind AS is committed to contribute to finding a satisfactory solution for all stakeholders.

The public perception of clean energy is generally positive, owing to its roles in air pollution reduction and decarbonisation of the energy system. However, there can be local social effects which, in some cases, can lead to reduced local support within affected communities. The energy transition must be carried out in an orderly and fair manner for all stakeholders, and this fact has to be a priority consideration for the authorities, private companies, the third sector[16] and civil society. With that in mind, we believe that positive interactions between Aquila Capital and local stakeholders and communities through constant dialogue is the best way to bring all interested parties to common ground, as all expectations are then taken into account in a project's decision-making process. When shared values are implemented, all relevant stakeholders are engaged throughout a project's lifetime.

[15] *Miljø-, transport og anleggsplan*
[16] *The part of an economy or society comprising non-governmental and non-profit-making organisations or associations, including charities, voluntary and community groups, cooperatives, etc.*

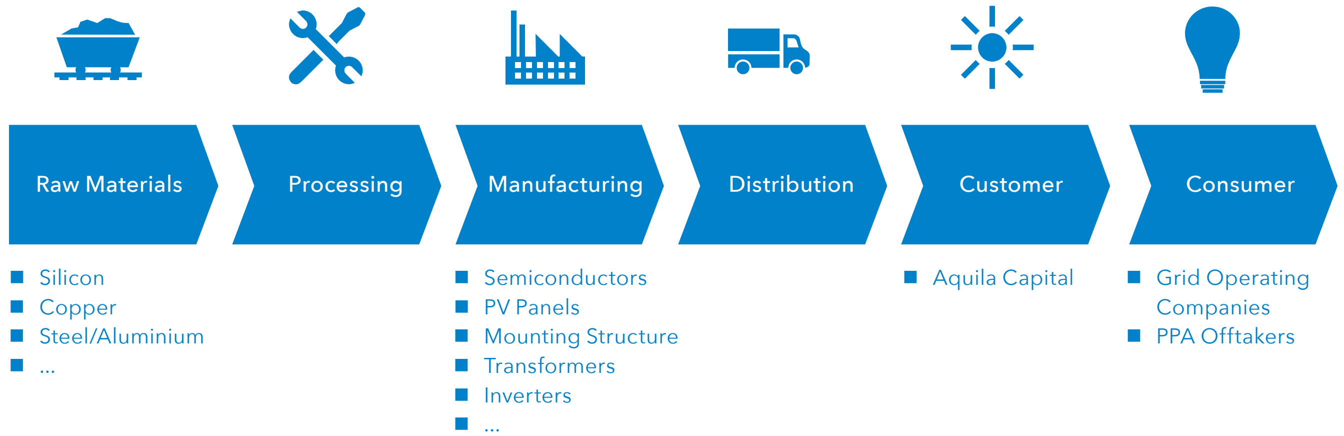
4.8 SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Sustainable supply chains integrate sustainable practices into their complete lifecycle, from product design and development to materials selection, manufacturing, distribution, installation, and decommissioning. Sustainability is determined by various aspects of these processes, including environmental stewardship, the conservation of resources, the reduction of product carbon footprints, social responsibility, quality and financial viability.

Aquila Capital often starts as the customer in the supply chain, as we acquire finished goods and services for our investors' assets. These may be wind turbines, batteries, solar PV panels and mounting structures – just to name a few – or services needed for the construction of assets. Therefore, our operational activities often begin when an asset is being constructed or installed, even though, in some cases, our direct activities can start at a later point, for example, at the operational stage.

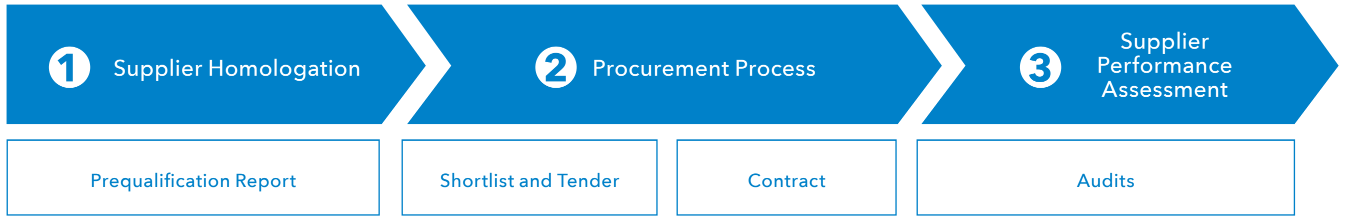
Generally though, this means that we often have a large influence on sustainable supply chain performance through our supplier selection and sourcing activities. We have visualised in the graphic below the supply chain for a solar PV project where, within the supply chain, Aquila Capital is the customer. Individual components and/or structures procured by Aquila Capital are subsequently installed on the project site and operated until end-of-life or divestment. At the end of the supply chain are the consumers of the green electricity produced.

SUPPLY CHAIN



When it comes to environmental stewardship, the conservation of resources, the reduction of product carbon footprints and social responsibility, our procurement department strives to prevent, mitigate, reduce and manage risks while maximising the opportunities. Aquila Capital's procurement process includes various mechanisms within three phases: Supplier acceptance, the procurement phase itself and a supplier performance assessment.

PROCUREMENT PROCESS



Step 1. Supplier Acceptance

At this stage, a potential supplier must complete a prequalification questionnaire, which includes information on the company and its financials, project track-record and main contacts. Information related to the company's QHSE (quality, health, safety and environment) and sustainability measures, procedures, processes, and management – including the implementation of relevant management systems or certifications – are also requested.

Attached to the prequalification questionnaire any new potential supplier receives Aquila Capital's Code of Conduct and Ethics for Suppliers and Contractors. Long-term existing suppliers are supplied with an updated Code of Conduct and Ethics on an ongoing basis. The principles and guidelines contained in the Code apply to any potential supplier, as well as any parent companies, subsidiaries, or affiliates. Suppliers, once selected, are expected to comply with any and all applicable legislation.

The results of the prequalification screening helps Aquila Capital to select and prioritise suppliers. Once all of the documentation is complete, Aquila Capital's Compliance Department issues a validation for each supplier, after which the supplier can be onboarded for procurement discussion.

This procedure ensures that goods and services are only sourced from suppliers who comply with all applicable regulations, and helps demonstrate the high value Aquila Capital places on sustainability.

Step 2. Procurement Process & Contracting

Once a supplier is onboarded, the procurement and contracting process for a specific component/project can begin. As sustainability-related analysis of the counterparty has already been performed under the Supplier Acceptance phase of the procurement process, the sustainability management and processes of the supplier or business partner are already known to us at this stage.

Depending on the asset class, market or sustainability risk level identified, we can use two mechanisms to further manage potential sustainability risks or opportunities: Via the inclusion of sustainability considerations in the tendering process and within a contractual agreement.

For suppliers with elevated risks, an additional ESG-related risk screening was developed and integrated into the procurement process in 2021. Here, sustainability criteria are analysed in addition to the criteria described in Step 1 (see also section 4.11).

Shortlist and Tender Process

In cases where Aquila Capital is shortlisting potential suppliers or applying a tender process for the sourcing of services or goods, sustainability criteria relevant to the asset class and/or goods or service are incorporated as needed. For example, last year, we included sustainability criteria into our battery energy storage systems (BESS) tendering process, as we wanted to ensure high environmental and social standards, above regulatory requirements, for the battery components we source and install. Five additional sustainability requirements, for example, environmental and energy management certification as well as value mapping of the main supply chain stages for the BESS components were incorporated. At this stage of the process, the supplier is obliged to sign the Aquila Capital Code of Conduct and Ethics.

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Contractual Agreement

Once we reach the contracting stage with a potential supplier or business partner (this could be an O&M or EPC contractor or a tenant) various sustainability and HSE-related clauses are included into the contract to ensure high standards throughout Aquila Capital's supply chain.

For assets that will ultimately be leased to third parties, such as our green logistics assets, we are currently in the process of drawing up tenant-related sustainability requirements, which will be included in future leasing contracts - where deemed relevant.

Step 3. Supplier Performance Assessment

Aquila Capital assesses supplier performance in terms of quality, timeliness, completeness, productivity and regulatory compliance. For early stage projects, for example, at the acquisition of project rights or in the case of a greenfield project, the complexity of ensuring a sustainable performance intensifies, given the likelihood of increased activity in the designing, developing and, therefore, sourcing of components and services. In these circumstances, the sustainability performance of a supplier is given the greatest attention. Going forward, we are planning to assess and monitor sustainability-related supplier performance including using third parties.

Aquila Capital strives to improve and collaborate with the international community on enhancing the integrity and transparency of supply chains globally. Over the last few decades, advances in processes to collect, monitor and disclose information publicly have contributed to the development of sustainability governance for global supply chains. However, collaboration between the actors within supply chains remains limited, leading to sustained barriers towards greater transparency. We see the need for an industry-wide global response regarding the monitoring and assurance of the sustainability performances of suppliers and business partners through a collective approach. In 2022, we will contribute to an ongoing dialogue with relevant stakeholders and policymakers aimed at improving transparency.

Wind park Odin, near Ljusdal, Sweden

Onsite visit at Desfina Windpark, Fokida region, Central Greece in front of the Gulf of Corinth

4.9 HUMAN RIGHTS IN THE VALUE CHAIN

Aquila Capital considers the protection of human rights to be of the utmost importance. In today's society, the topic is gaining more attention, and upcoming legal requirements will push the European financial services industry even further towards taking responsibility for the impact of their activities on human rights throughout their entire value chains. Such measures are in line with our fundamental beliefs, and we welcome legal regulations governing human rights due diligence.

However, in our procurement activities, we are confronted by the fact that not all countries sufficiently honour their obligations to protect human rights. This challenging environment drives Aquila Capital all the more to continue reinforcing its commitment and its duty to all its stakeholders. Aquila Capital makes every possible effort not to be an accomplice in any form to the abuse or violation of human rights among workers, suppliers, contractors, collaborators, partners, competitors, clients, local communities and society in general. We are therefore committed to upholding human rights and implementing the measures necessary to achieve this.

Aquila Capital's internal sustainability framework consists of policies and processes which assist in human rights protection in the company's business operations. Its commitment to uphold human rights is defined in its ESG policy and Code of Conduct and Ethics. These documents are based on international standards such as the UN's International Bill of Human Rights and Guiding Principles for Business and Human Rights as well as the OECD's Guidelines for Multinational Enterprises.

In 2021, Aquila Capital initiated a review of its human rights controls across its policies, processes and tools with the objective of continuously improving its performance in this area.

Human Rights in Our Clean Energy Activities

We want to engage with partners that care about sustainability as much as we do. When it comes to the sourcing of components, our clean energy procurement department is committed to good corporate citizenship and constantly assesses the potential human rights impacts of its purchasing. We believe that our purchasing power provides us with a platform to influence the business world positively.

Our procurement processes foresee mechanisms to protect human rights throughout the supply chain. Any new supplier must acknowledge and accept our Code of Conduct and Ethics Code, which set our standards and expectations regarding human rights. Our business partners are thereafter obliged to transmit these standards and expectations to their employees and subcontractors, as well as those who are in any way involved in the production process. During Aquila Capital's prequalification screening of a potential supplier, existing human rights and sustainability commitments, practices and/or certifications are assessed. The results of this prequalification screening assist in the selection of suppliers whose human rights protection standards and expectations are aligned with ours. In 2021, we further developed specific and extensive clauses on human rights protection, which have now been incorporated into new procurement and service partner contracts.

While we strive to support the creation of fairer and better working conditions in factories overseas, we realise that our influence can be limited. However, that does not stop us striving for an ongoing dialogue with relevant stakeholders and policymakers, or using our influence through our investment decisions. We believe that, through these actions, we can contribute to abolishing human rights abuses in global value chains.

To further assist efforts to achieve higher standards across global supply chains, we pledged our support to the German government in 2021 for a national supply chain law and an ambitious regulation that will make companies responsible for their whole value chains. We therefore see the coming of Germany's "Act on Corporate Due Diligence in Supply Chains" in 2023 as a success for society. Going forward, we will continue to do everything in our power to achieve further progress on the important topic of human rights.

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Aquila Capital employees in Singapore assisted charity Yong-en Care Centre with the packing and delivery of essential groceries and provisions for needy residents in the Chinatown community, which is located near our Singapore office

Aquila Capital employees at Hanseatic Help's warehouse in Hamburg, Germany

4.10 **CHARITIES**

At Aquila Capital, we promote the commitment of our employees by enabling them to give their time or make donations to chosen charities, based on their personal preferences. Examples of charitable activities in 2021 include the following:

Aquila Charity
Our annual donation campaign, the "Aquila Charity" initiative, usually takes place around Christmas and gives employees and some clients the opportunity to contribute to chosen charities based on their own preferences. This year, the team decided to not only allow donations during Christmas time, but also to set up a second round of donations to support victims of the immense flooding of western Germany and neighbouring countries. Employees were asked to donate to the German Red Cross or other charities working to benefit the flood victims. Aquila Capital then doubled the amount donated to ensure a bigger impact.

Aquila Capital's Contribution to Hanseatic Help's Give Warmth Initiative
In the light of falling temperatures in Hamburg in December, Aquila Capital's Hamburg headquarters contributed to a local charity initiative 'Hanseatic Help' for people in need in the cold winter months. We collected winter clothes as well as mattresses and bags to donate, and helped collect and sort the donations with Hanseatic Help staff. These winter items were then distributed to people in need.

Community Service in Yong-en Care Centre Singapore
In July, our colleagues in Singapore assisted with a community service initiative with Yong-en. They helped to pack approximately 100 bags of essential groceries and provisions for the needy residents of a nearby community. The team also delivered some of the packed bags to nearby households, which provided a meaningful outreach opportunity.

Cleaning Up the Neighbourhood
During the pandemic lockdowns, our global workforce was mostly at home. In order to continue our community service initiatives during this period and involve all our new team members in the Singapore region, we decided to take a very local approach. The local Aquila Capital team cleaned up the litter in their local neighbourhoods. The idea behind this was that a little bit of cleaning up might motivate others and it turned out to be a nice way of contributing to keeping local communities clean.

AQUILA CAPITAL'S EMPLOYEES DONATED A TOTAL OF 206 HOURS OF THEIR FREE TIME TO SUPPORT LOCAL COMMUNITY ENGAGEMENT INITIATIVES IN THE PAST YEAR.

In addition to these examples, we are also committed to sustainable partnerships and sponsorships with the objective of protecting our environment. In 2021 we supported the following organisations:

- Naturschutzbund Hamburg
- The Ocean Cleanup
- Kinderhospiz Sternenbrücke
- Niederländische Armen-Casse
- Soldatenhilfswerk der Bundeswehr
- Africa's Most Endangered Species (AMES)
- Demicare- Anneliese Langner Stiftung
- Polizeiverein Hamburg
- Help make educational opportunities for refugees worldwide more accessible
- #LeaveNoOneBehind: Prevent the Corona disaster at EU´s external borders
- One Earth – One Ocean e.V.: Collect and recycle marine plastic litter
- WWF – Save Forests
- Listening to Children`s Voice of Porto Novo (Santo Antao, Cape Verde)
- Aktion Deutschland Hilft – Hochwasser Deutschland

IN 2021, AQUILA CAPITAL DONATED A TOTAL OF 16,200 EUR DURING OUR ANNUAL CHRISTMAS DONATIONS.

Read more about our
commitment to sustainability

https://www.aquila-capital.de/en/sustainability

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