


CREATING SUSTAINABLE VALUE THROUGH ESSENTIAL REAL ASSET INVESTMENTS

AQUILA CAPITAL ESG REPORT 2018





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Executive summary

At Aquila Capital, we firmly believe that acting responsibly towards our environment, our investors and our employees will determine our success over the long term.

Since being founded in 2001, sustainable investing has been an integral part of our values. Our commitment to socially and environmentally accountable practices is reflected in our investment philosophy and approach, and across all aspects of our business. This means our goal is to be a responsible investor as well as a responsible firm, ensuring we incorporate ESG criteria into our day-to-day investment decisions, embed them into our corporate culture, and work collectively to promote the acceptance, implementation and effectiveness of ESG principles within the wider investment community.

To be a responsible firm, we start with strict risk management, a sound operational infrastructure, a high degree of transparency and stringent corporate governance, which ensure sustainable, long-term performance, and high levels of investment quality and customer service. We also engage in various social projects, and together with our employees we make annual donations to local and international institutions. Our ongoing commitment to gender diversity has so far resulted in above-industry figures. Women comprise 47% of our employees and 29% of our Board members, and we continue to promote building an inclusive and diverse workplace. Furthermore, we are continuously aiming to mitigate the impact of our business on the environment, and since 2006 we have been certified as 100% carbon neutral.

“At Aquila Capital, we firmly believe that acting responsibly towards our environment, our investors and our employees is a key determinant of our success over the long term.”

Roman Rosslenbroich, Co-Founder and Chief Executive Officer

We continuously look to develop and improve our approach to sustainability. In 2018, Aquila Capital became a signatory member of the Principles for Responsible Investment (PRI). By signing the PRI, Aquila Capital is committed to meeting ESG-requirements, taking into account the six principles of responsible investment. Last year Aquila Capital's Småkraft AS' Green Bond Framework was also rated the darkest shade of green by the Center for International Climate Research. In 2019, we will continue strengthening our ESG efforts – we always aim to consider new ways to increase our engagement and go the extra mile. We are currently developing a number of ESG investment products, and in our real estate business, we offer green logistics and have been developing a significant amount of social housing projects in Spain.

This report outlines what responsible investing means at Aquila Capital and provides details on how we incorporate ESG principles into our business and the respective measures we take. A collection of case studies also highlights our commitment to a more responsible and sustainable world, and the positive impact we have had.

Rosslenbroich



Roman Rosslenbroich, Co-Founder and Chief Executive Officer

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Introduction

Aquila Group is an independent asset and investment manager, employing over 300 professionals in 14 offices worldwide. Our aim is to provide institutional investors with long-term and sustainable alternative investment solutions in the areas of renewable energy, real estate, agriculture, timber and infrastructure. As a leading investment firm in these areas of real assets, we believe we have a tremendous opportunity to address pressing ESG issues, such as climate change, head on.

As investors, we understand we have an increasingly crucial role to play in the development of sustainable practices, principles and technology, as private capital is critical to achieving the UN's Sustainable Development Goals (SDGs). Through the allocation of capital, investors can help tackle climate change and move the transformation to a low-carbon economy forward. We also recognize that ESG factors have an important influence on the sustainability of investment returns and believe they can have a significant financial impact if not managed properly. Based on this conviction, we are committed to bringing ESG to the front of all our alternative investment solutions.

One of the results of this thinking has been our focus on achieving climate neutrality and producing clean energy through our investment solutions. We launched our first climate protection fund in 2006, which sought to reduce CO₂ emissions, and in 2008 we began investing in renewable energy. As of December 2018, we have completed 64 transactions across 12 countries in the renewable energy sector, that have a total capacity of 4 GW, and a transaction volume of approximately 5.3 billion euros. Since 2008, Aquila Capital's assets have produced over 8.9 TWh electricity, which corresponds to a supply of 2.5 million European households and an overall reduction of 3.6m tons in CO₂ emissions.

"As investors, we understand we have an increasingly crucial role to play in the development of sustainable practices, principles and technology, as private capital is critical to achieving the UN's SDGs. Through the allocation of capital, investors can help tackle climate change and move the transformation to a low-carbon economy forward."

Dieter Rentsch, PhD, Co-Founder and Chief Investment Officer



In 2018 alone, we produced over 2.3 TWh electricity, equivalent to one year's supply of electricity to 650,000 European households and an annual reduction of 950,000 tons CO₂ emissions. In the current year, our goal is even greater, as we are targeting 5 GW of production capacity by the end of 2019.

Our overall ambition to continue strengthening our commitment to ESG, through our investment solutions and our day-to-day decision making, extends to ensuring that our sustainability engagement is aligned with achieving the UN's SDGs. That is why we launched a company-wide initiative to further promote the importance of and need for responsible behavior – from addressing the necessity for credible long-term ESG policies in the wider investment community, to educating our employees on the contributions they can make to create sustainable value.



950,000 tons

Overall **reduction in CO₂ emissions** in 2018
(370,000 tons reductions in 2017)



2.3 TWh electricity

Generated from renewable energy assets; enough to supply 650,000 households with electricity for one year
(2.4 TWh in 2017; 660k households)



6.9 million m³

Savings in water consumption*
(7.2 million m³ in 2017)

*Calculation based on a water consumption of 2–4 m³/MWh electricity produced

Source: Aquila Capital Investmentgesellschaft mbH, as at 31.12.2018.

Our commitment to sustainability

Throughout our history, we have recognized that being a responsible investor is an important value driver for our firm. Our mission is to enable sustainable value creation for our communities globally by spotting trends early. To deliver this requires an approach that focusses on the long-term, a deep commitment to exceptional service, a passion for quality, and an individual mindset. It also requires a firm understanding of ESG factors, the risks and opportunities they present, and how they could impact long-term performance – whether related to climate change, human capital management and labour practices, diversity and independence of the Board, or other ESG issues.

Across our business, we are committed to the highest sustainability and ethical practices. We believe that adhering to ESG principles is fundamental to operating a successful business over the long run. Therefore, we have a dedicated ESG committee to embed sustainable and ethical thinking into Aquila Capital's culture. We embed

ESG aspects into our investment analysis and decision-making processes and seek appropriate disclosures on ESG issues in our target investments. Additionally, we work collectively to promote the acceptance and implementation of ESG principles within the investment community.

"We believe that adhering to ESG principles is fundamental to operating a successful business over the long run. Therefore, we have a dedicated ESG committee to embed sustainable and ethical thinking into Aquila Capital's culture."

Daniela Hamann, ESG representative and Head Corporate Communications



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Our commitment to being a responsible investor and a responsible firm

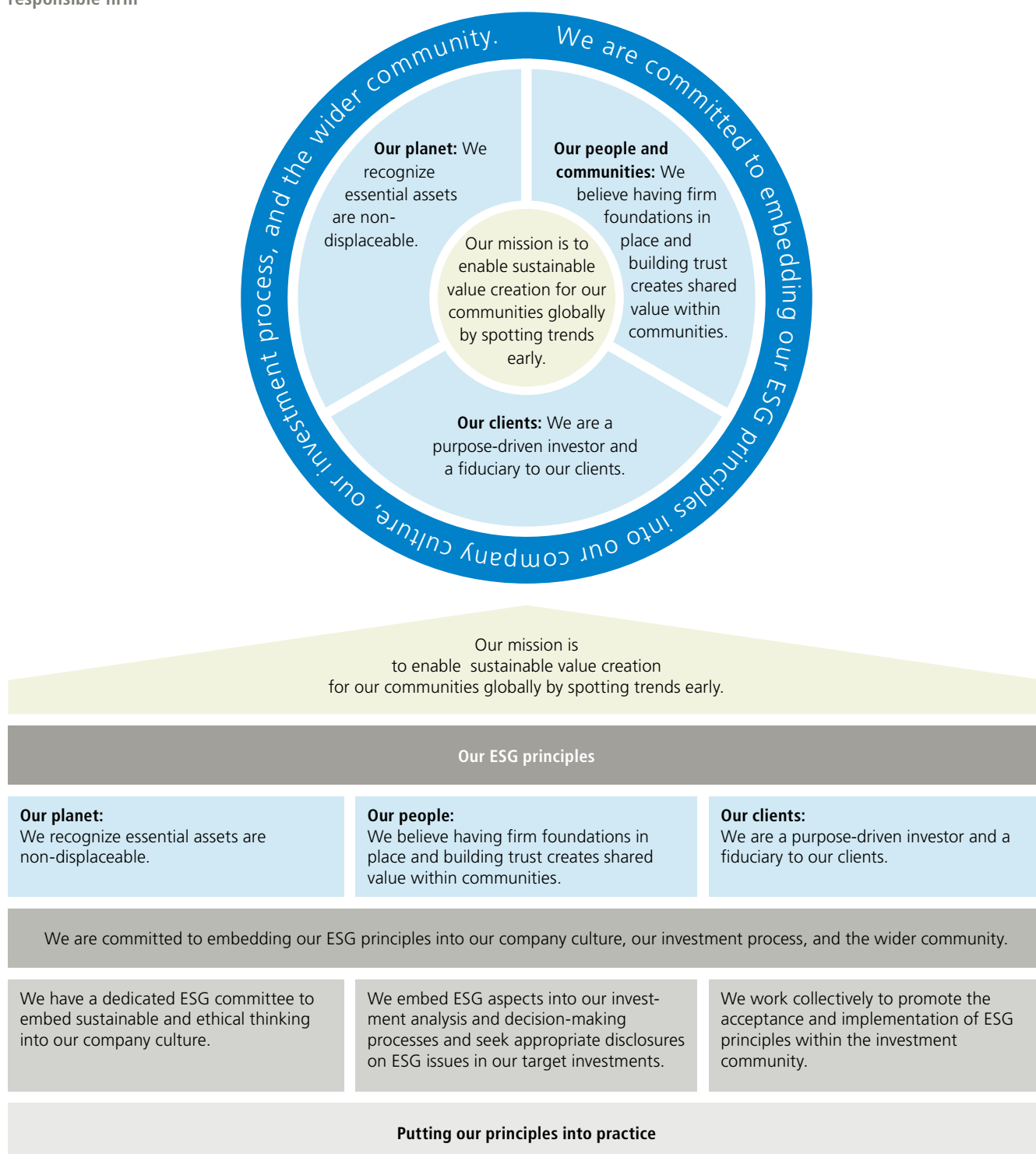


Figure 1

Source: Aquila Capital Investmentgesellschaft mbH, 31.12.2018.

Our ESG principles

The following principles guide our business and investment practices and ensure that we act responsibly towards our environment, our investors and our employees. As we pursue our mission, these principles enable us to balance our environmental and social goals with our investment goals.

Environmental – We recognize essential assets are non-displaceable.

Our focus on real assets is bolstered by the fact that they serve indispensable needs to our society, and as a result, are essential assets. We recognise the need and urgency to take responsibility for the social implications of our actions, with sustainability and environmental protection being the highest priority. We act and initiate our investments in renewable energy infrastructure and real estate with the aim to achieve climate neutrality, preserve biodiversity, reduce waste, and responsibly use and manage water, among others.

As a responsible investor:

- We strive to strengthen and spread our stance on climate neutrality across the investment community. We launched the first climate change fund in Europe in 2006, and founded Germany's largest provider of voluntary carbon neutrality, Klimainvest Green Concepts.
- We apply our ESG principles across each stage of our investment process, from the asset sourcing and selection, to the acquisition and operational management throughout the asset's lifecycle.

As a responsible firm:

- We are committed to minimizing the impact of our day-to-day operations on the environment. This includes taking measures such as using green energy to run all our offices in Germany, and using recycled, sustainable office supplies.
- We empower our employees to reduce their carbon footprint inside and outside the office, including supporting the use of bicycles and recycled materials. We also encourage and cooperate with our employees to give back to the community.

Social – We believe having firm foundations in place and building trust creates shared value within communities.

We are committed to and follow the highest standards for the protection of human rights in all the countries and regions in which we operate. This priority not only ensures that we meet the highest standards for employee and contractor health and safety, but that we also attach great importance to investing in our company's culture, employee training, local employment and building community trust. We believe in making a positive contribution to society, and that engaging and sharing benefits with all our stakeholders creates sustainable, shared value.

As a responsible investor:

- We engage with and work side-by-side with local stakeholders and community groups in countries where we operate, to ensure that their interests and well-being are integrated into our decision-making.
- We aim to exceed all applicable labour standards in the countries where we operate.

As a responsible firm:

- We ensure that international human rights standards are respected, through adhering to principles including non-discrimination, accountability and participation.
- We strive to create an inclusive, collaborative and diverse working environment where everyone can succeed based on merit. We offer career development programs, regular training and the support required to enable our employees to perform to their full potential.

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Governance – We are a purpose-driven investor and a fiduciary to our clients.

Our fundamental reason for being is to enable sustainable value creation for our communities globally. This means our purpose is not solely in the pursuit of performance, but to also ensure we meet our clients' ESG goals and drive sustainable and long-term growth. As a fiduciary to our clients, we dedicate ourselves to acting in their best interests, including strictly rejecting corruption and corrupt business practices, removing any conflicts of interest, and providing a total investment solution in a responsible manner.

As a responsible investor:

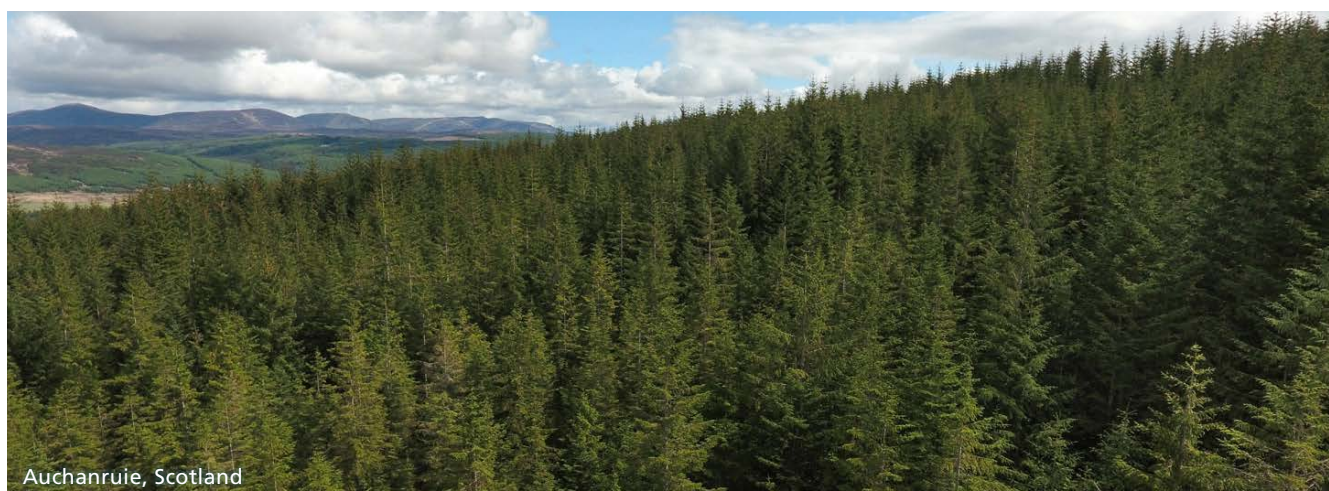
- We have established a number of rigorous control mechanisms to protect our clients from disadvantages arising from conflicts of interest.
- We safeguard the interests of our investors by carrying out measures such as including the possibility to exercise voting rights at shareholders' meetings.

As a responsible firm:

- We have a clear and comprehensive Code of Ethics in place, which aligns employee behaviour with our ethical values to cultivate teamwork and productivity.
- We implement a very stringent know-your-customer process, including politically exposed person checks, for all partners we conduct business with.
- We ensure that our employees receive regular training on anti-money-laundering.
- We have a remuneration policy in place to attract the highest calibre of people and contribute to the improvement of long-term performance.

"As a fiduciary to our clients, we dedicate ourselves to acting in their best interests."

Nadja Hofmann, Group Head Operations and Investor Relation Services



Incorporating ESG across the investment process

We are a purpose-driven investor that provides long-term diversification benefits and income to our clients through sustainable alternative investments. And as a signatory of the UN's Principles for Responsible Investments, we have integrated ESG criteria into all of our investment processes for real assets.

We have a unique investment approach which enables sustainable value creation and allows us to invest with conviction. Our philosophy is based on the following fundamental beliefs:

- Putting responsible investing at the heart of our investment process enables us to generate more successful outcomes for our investors over the long term.
- By assessing risk first, and opportunity second, we maintain our focus on the long term and follow a disciplined and results-driven investment process.
- Combining our macro view and bottom-up fundamental research with our highly specialised management teams strengthens our steadfast, "big-picture" investment philosophy which focusses on secular and sustainable trends.
- By understanding the importance of having local on-site teams of managers, our "boots on the ground" philosophy underpins our sustainable outperformance.
- Utilising our strong operational management expertise and covering the entire value chain enables us to deliver better investment results and high quality in all that we do.
- Thinking differently through an approach that fosters curiosity, debate and teamwork allows us to develop a view that looks beyond the obvious and inspires innovative investment solutions.

We incorporate our ESG principles across every single stage of our investment process with the goal of creating a truly sustainable portfolio for our investors. This means that all our investment managers and analysts, irrespective of their sector, apply a responsible investing mindset in all that they do.

We understand that there is no "one-size-fits-all" approach in responsible investing. Although ESG standards remain consistent, our employees spanning different teams and countries use comprehensive and internationally recognized ESG criteria when carrying out their relevant disciplines, depending on the asset class, sector or region. We believe this degree of flexibility is essential to devising tailor-made investment solutions that cater to the individual needs and complex requirements of our investors.

"Our employees spanning different teams and countries use comprehensive and internationally recognized ESG standards when carrying out their relevant disciplines. We believe this degree of flexibility is essential to devising tailor-made investment solutions."

Susanne Wermter, Head Energy and Infrastructure EMEA



Barkow, Germany

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Incorporating ESG factors across the real assets' investment process

Asset sourcing and analysis:

- Consider the ESG principles in the sector and country relevant to the investment opportunity.

Asset due diligence:

- Multi-faceted asset due diligence is conducted and consider the asset's compatibility with ESG principles, sustainability, climate neutrality and human rights.
- Ensure adequate transparency around ESG principles between our firm and partnering providers.

Asset acquisition:

- An asset will be integrated into our portfolio only after all relevant ESG principles have been assessed.

Ongoing management:

- Consider ESG principles as they relate to the continual maintenance and administration of an investment strategy or asset.
- Supplementary regulations will be enforced if local requirements appear lax.

Figure 2

Source: Aquila Capital Investmentgesellschaft mbH, 31.12.2018.

Putting our principles into practice

In this section we provide details of our ESG principles in action.

Our contribution to the UN SDGs

In 2015, the United Nations launched 17 Sustainable Development Goals (SDGs), with the purpose of putting an end to poverty, improving health and education, reducing inequality, spurring economic growth and tackling climate change around the world. These goals are set to stimulate action for people, the planet and prosperity, with the agenda of transforming the world by 2030.

Investors, companies and countries are all needed to help mobilize capital and achieve these goals, as according to the UN Commission on Trade and Development, meeting the SDGs will require 5 trillion US dollars to 7 trillion US dollars in investment each year from 2015 to 2030.

The 17 UN SDGs (Sustainable Development Goals)



"It is clear that in order to fight climate change and achieve UN SDGs, large scale investments are required. Therefore, we provide our clients with innovative products that have a positive lasting impact towards the environment and society in general."

Lars Meisinger, Head International Client
Advisory & Corporate Development



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Through pursuing our mission of enabling sustainable value creation for our communities globally, we believe we are especially contributing to these nine SDGs:

	End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
	Our investments in agriculture highlight our commitment to promoting sustainable farming practices, such as organic dairy farming, and our work to improve food security, including restoring wild bees to create a more sustainable food supply.
	Ensure healthy lives and promote well-being for all at all ages.
	Whether it concerns our employees or members of a local community, our efforts including promoting a healthy lifestyle. In the workplace this includes encouraging our employees to take care of their health through better eating, increased physical activity and mental health awareness.
	Achieve gender equality and empower all women and girls.
	In the workplace, when it comes to closing the gender equality gap, we believe that company culture is key. One of our goals is to create an inclusive environment where everyone can succeed on merit. We firmly believe no barrier should inhibit an individual from performing to their full potential.
	Ensure access to affordable, reliable, sustainable and modern energy for all.
	With one of the largest renewable energy portfolios in Europe, we are committed to investing in and expanding clean energy sources such as solar, wind and hydro. As of December 2018, our current portfolio is projected to produce more than 184 TWh of green energy over its lifetime.
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
	As an employer we are committed to helping our employees advance and succeed at every stage of their career. Ongoing training and development programs ensure employees have the tools and resources necessary to reach their full potential.
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
	We are committed to investing in scientific research, in particular regarding the digitalization of energy transition, which should facilitate more sustainable development for our society. We partner with institutes to carry out initiatives, including research regarding short-term weather forecasts.
	Make cities and human settlements inclusive, safe, resilient and sustainable.
	In the real estate sector, we are currently developing 5.200 green housing dwellings, with a total of 1.700 social housing units. We also offset for carbon emissions for all our new real estate units for a course over two years, making them climate neutral. Besides we are planning to combine new logistic projects with rooftop PV and/or district heating/cooling.
	Take urgent action to combat climate change and its impacts.
	We are committed to investing in the energy transition and our renewables portfolio is projected to save 950,000 tones of CO2 emissions annually. In 2018 we launched our Energy Transition Infrastructure Fund, which aims to pursue three important sub-sectors of the energy transition: renewable energy generation, energy storage and energy transportation.*
	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
	Our investments promote sustainable land management, both through organic farming practices and the sustainable management of forests. We are also committed to improving biodiversity, through our efforts to restore wild bees.

Source: Aquila Capital Investmentgesellschaft mbH, 31.12.2018.

Additionally, our everyday business practices and investment solutions also contribute to several of the remaining eight SDGs.

* Learn more about energy transition and read our whitepaper. 

Case studies: ESG goals in action

E – Driving the European energy transition with a “dark” green bond

In October 2018, Aquila Capital issued its first green bond via Småkraft AS, a Norwegian hydropower operator. Norway is a robust and mature hydropower market, and therefore was a natural starting point for us to issue our debut green bond. We believe green bonds are attractive instruments to mobilise the capital required to transform European energy grids and continue driving the European energy transition.

Proceeds from the 50 million euros 5-year bond were used to finance the company’s growth, both via the acquisition of existing plants and the construction of new run-of-river plants. Småkraft AS is the biggest independent operator of small-scale hydropower plants in Europe and has a goal to double its annual production to 2 TWh by 2022.

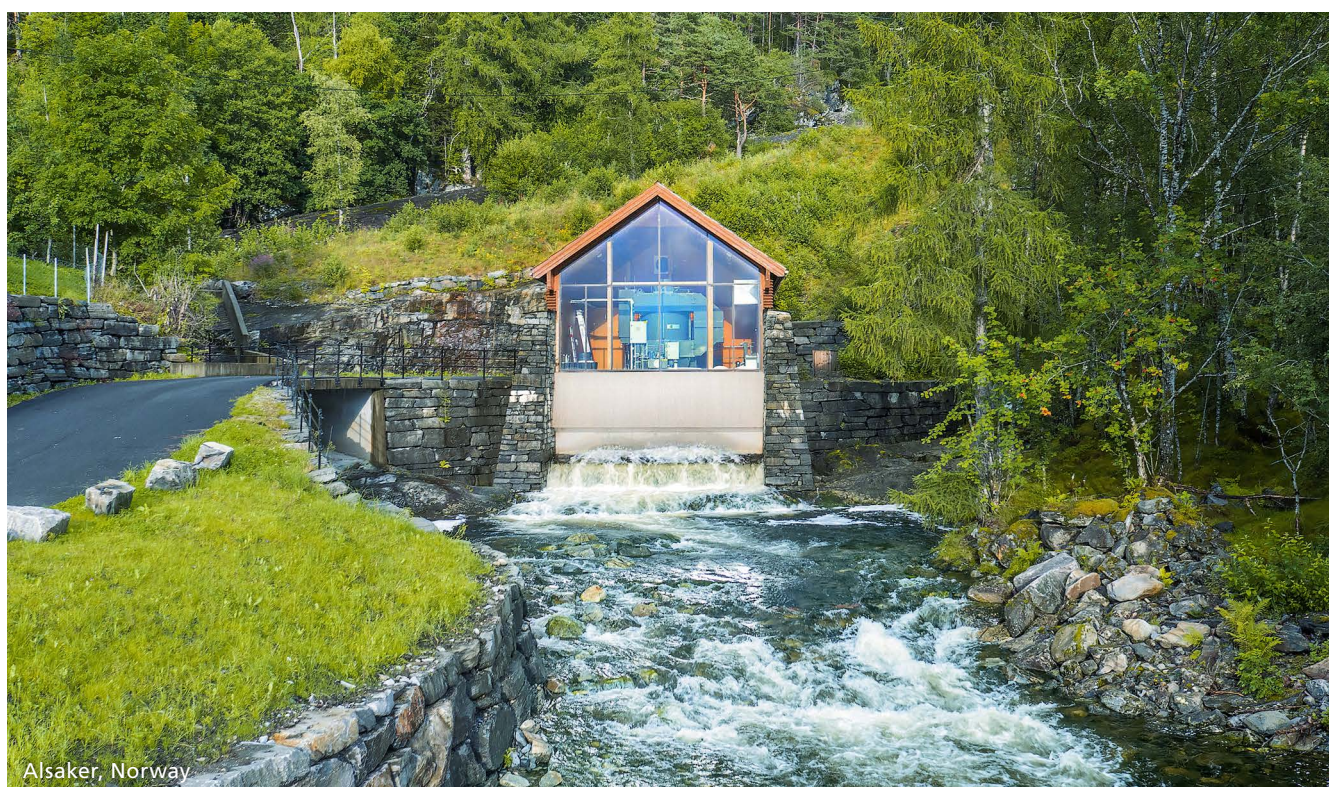
The Norwegian research institute Center for International Climate and Environmental Research (CICERO), an independent rating organisation for green bonds, rated the bond dark green, which is the highest possible grade. This is the highest possible category and is

reserved for projects and solutions that have a long-term vision of a low carbon and climate resilient future. Typically, this entails zero emission solutions and governance structures that integrate environmental concerns into all activities.



“Norway is a robust and mature hydropower market, and therefore was a natural starting point for us to issue our debut green bond. We believe green bonds are attractive instruments to mobilise the capital required to transform European energy grids and continue driving the European energy transition.”

Tor Syverud, PhD, Head Investment Management Hydropower



Alsaker, Norway

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E – Restoring wild bees to create a sustainable food supply

Wild bees are vital to our ecosystem. As one of the most important pollinator groups, they ensure food security and nutrition, and maintain biodiversity. However, with the notable increase of intensive agricultural practices and land use in Europe, along with the effects



of climate change, the wild bee population is endangered. With three out of four of the world's crops producing fruits or seeds for human consumption dependent on pollinators, a decline in the wild bee population could have a negative impact on our food supply in the future.

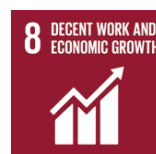


In 2018 Aquila Capital launched an initiative to support the restoration of wild bees. Our solar parks have a habitat of wild plants and protective structures, which create ideal conditions for wild bees to be protected and to thrive. We started a project to colonise wild bees on our solar parks, and together with Rolf Witt, a renowned wild bee scientist, we are exploring possibilities of a wild flower planting programme and providing additional nesting opportunities to the wild bee population. Following the success of our initial project, we are planning to build a greater diversity of pollinator habitats on our other solar parks.

S – Large-scale sustainable dairy farming in New Zealand

In recent years the global dairy industry has been seeing increasing demand for higher-quality milk products from emerging markets, most-notably China. The growth in demand has been fuelled by rising prosperity, urbanisation and an increased awareness of the health benefits of milk. Dairy is one of New Zealand's key exports and in September 2014, Aquila Capital began marketing its first New Zealand dairy farming trust to investors. Since then, we have built up a portfolio of six dairy farms in New Zealand, making us the first mover in terms of large-scale organic milk production in the country.

Since 2018, our milk is organic certified, which means our farms are managed under strict and carefully controlled organic principles. Organic certification goes beyond food that is simply free of synthetic pesticides and fertilisers – it also includes ensuring only organic feed and seed are used, all equipment and machinery are cleaned



to remove any non-organic substances before use, weeds must be manually or mechanically removed, and water usage is monitored by meters. Organic certification is a holistic approach to farming and food production that promotes and enhances biodiversity, fosters sustainable growing practices and ensures the ethical treatment of livestock. Assure Quality are the organisation that provide our farms with the organic certification, which is based on European standards. It will audit the farms annually.

Aquila Capital's international farming team consists exclusively of trained agricultural economists, making it strongly placed to provide insight into the fast developing trends in the global agricultural sector.





Wiefelstede, Germany

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S – Engaging with the local communities to strengthen relationships

We believe that engaging with all our stakeholders, including the local community, and building long-term, trusting relationships, is key to ensuring the success of our projects.

■ Running towards a tighter community

The wind farm Midtfjellet is an onshore wind farm in operation in southwestern Norway. It has a capacity of 150 MW and is currently the largest wind farm in the country. Every year, Aquila Capital sponsors and participates in a festival for the local community, with the aim of building stronger relationships.

The sponsorship for the “Midtfjellet Day” is carried out via a local sports club. Volunteers from the club arrange activities for the event, including the Midtfjellet Run, which starts in the center of the city and ends at the wind turbines. Many runners from Aquila Capital take part in this event with the locals, in which prizes are distributed at a ceremony after. Entertainment, a barbecue, and a dinner in the evening are also organized for the participants.

Around 500-800 participants gather at this annual festival, either taking part in the run, a public march, or simply to spend some time together and be a part of the community. In addition to this day, we also organise a sperate half marathon and a special 5,419 km run (which is the same length as the Fitjar postcode) in June, to further boost our involvement in building the community spirit.



■ Promoting an open dialogue with the Sami people

As part of its renewable energy business, Aquila Capital has a number of large-scale wind projects, particularly in Sweden, Norway and Finland. In 2018 we acquired a wind farm project, which is located in Sundsvall Municipality, Sweden.

The project land is used by the Sami people for reindeer herding. Sami people are indigenous people of Northern Europe. While building wind farms works towards tackling climate change, wind turbines could potentially come in the way of the Sami's traditional herding activities and cultural heritage. To mitigate the negative impact, Aquila Capital understands the importance of promoting an open dialogue throughout the term of the project, and long-term cooperation with the local communities and stakeholders, in order to build trust and find mutually beneficial solutions. As a result of several consultations between the developers and the Sami village, there is an agreement in place between the two parties, which enables wind-farm developments to be established, and where the local communities are compensated for the use of their land. The views of the Sami people are also involved throughout the project, for example during construction, consultations will be undertaken about which site areas may contain important pasture land, to minimize access restrictions and destruction of soil.

S – Investing in research to foster innovation in energy transition

We are engaged in a number of research programs regarding digitalisation of energy transition, with the aim of facilitating more sustainable development for our society. One particular research initiative, called the “PEARL TF-PV” project, aims to strengthen productivity and reduce the cost of electricity produced by thin-film PV power plants by improving plant reliability, yield, and prediction of overall plant lifetime.

This project requires developing a rapid electroluminescence imaging-based inspection method for both large and small PV plants,

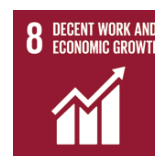
and improved yield prediction for thin film photovoltaics, in particular for Cadmium Telluride, Copper Indium Gallium Selenide and Silicon modules. As Aquila Capital's portfolio includes the project's required assets with thin-film module types, we saw this as an opportunity to partner with the Photovoltaik-Institut Berlin and other institutions across Germany, Netherlands and Austria, to drive research and development on this topic.



S – Training and development

As an employer, we not only look to invest in retaining and motivating the best talent, but also to equip qualified potential junior employees with the skills and aptitude to ensure they are able to develop flourishing careers. In 2017, we launched our first international Investment Trainee Programme (ITP) and ran it through 2018. Over a timeframe of 15 months, seven young graduates were placed,

on a rotation basis, within the numerous operating divisions of Aquila Group. Through tailored training initiatives, trainees were provided with an overall understanding of how each business unit functions, as well as an overview of the operating structures within Aquila Group. At the end of the program, trainees are welcomed to the company as permanent employees.



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S – Building sustainable cities through green and social real estate

We have been an active player in the real estate investment market since 2012, and since then have built up a total transaction volume of 1.36 billion euros. Along with maximizing returns for our investors, all of our investments aim to achieve positive social and environmental impacts. A perfect example within the real estate sector is our logistics portfolio, where most of our investments have been constructed according to the strict set of criteria of the German Sustainable Building Council (DGNB).

As the real estate sector accounts for nearly 40% of the world's energy consumption, and over 30% of global greenhouse gas



emissions¹, we strive to improve the sustainability of the sector and reduce the carbon footprint of developments. Our goal is to also create cleaner as well as more inclusive cities. We currently have over 5,200 new dwellings² under development in Spain, all of which are carbon neutral for a course over at least two years, while a significant amount are also allocated to social housing. At the same time, we are building green logistics properties in core/core-plus European countries.

"Along with maximizing returns for our investors, all of our investments aim to achieve positive social and environmental impacts. A perfect example within the real estate sector is our logistics portfolio, where most of our investments have been constructed according to the strict set of criteria of the German Sustainable Building Council."

Rolf Zarnekow, Head Investment Management Real Estate



Watch our video on Aquila Capital's commitment to ESG



Madrid, Spain

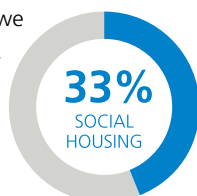
¹ Source: UN, as at July 2018.

² Source: AQ Acentor Development S.L., as at April 2019.

Supporting low-income communities with social housing

In 2018, we launched our real estate developer, AQ Acentor, which reflects our firm commitment to developing residential projects in the Spanish market, primarily in metropolitan areas, such as Madrid, Barcelona, Málaga and Valencia.

Following the global economic crisis, the steady progress of Spain's economic situation has resulted in a significant increase in demand for high-quality residential properties. However, the supply of modern and affordable living space is largely non-existent. With AQ Acentor, we are currently developing over 1,700 flats in Spain that have been categorized as social housing. Through this, we are able to support low-income communities, including families with income that does not exceed 5.5 times the Public Indicator of Multiple Effects Income for basic price housing, and 7.5 times for limited price housing.³



Offsetting real estate's carbon footprint

We have offset the carbon footprint of all the residential units in our Spanish real estate portfolio for a period of two years each, by funding renewable energy projects initiated by Klimainvest Green Concepts, a German sustainability agency and a predominantly owned subsidiary of Aquila Group. Taking into account ESG criteria and investing in sustainable projects is part of our DNA. We have been cooperating with Klimainvest Green Concepts and other initiatives for years and are proud to have been working in a climate-neutral way since 2006.



Tenants and buyers have the option to extend this period by renewing the certification through Klimainvest Green Concepts. Our aim is to combine some of our new housing developments in Spain with district heating/cooling and/or a voluntarily offset carbon footprint.

Targeting sustainable and green buildings certification

We have a strong track record in logistics investments, and specialize in developing green logistics in Germany, Spain, Portugal and Italy. Our aim in 2019 is to make our new developments climate neutral, e.g. by installing photovoltaic systems on their logistics centers' rooftops.

For our new logistics developments, we aim to achieve a minimum LEED (Leadership in Energy and Environmental Design) Silver Certificate. LEED is the most widely used green building rating system in the world and the global benchmark which defines a series of standards for environmentally friendly, resource-saving and sustainable construction for sustainability over the life cycle of the building. Our German logistics facilities are certified by DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen). The DGNB system covers all the key aspects of a sustainable building, including environmental, economic, sociocultural and functional aspects. The logistics centers in a number of our real estate funds are built in order to meet the requirements of the silver and bronze standards of DGNB's green building certification.



³Source: AQ Acentor Development S.L., as at 31.12.2018

CREATING SUSTAINABLE VALUE THROUGH ESSENTIAL REAL ASSET INVESTMENTS

AQUILA CAPITAL ESG REPORT 2018

G – Cracking the glass ceiling: building a more inclusive workplace

Although significant progress has been made in recent decades, gender equality continues to be a pressing issue across the world. In the workplace, when it comes to closing the gender equality gap, we believe that company culture is key. One of our goals is to provide an environment in which all our employees can flourish, and a culture which includes reducing inequalities and elevating women and diversity.

Women make up 47% of our employees. In addition to this, 29% of our Board members are women, compared to an average of 18% of women at the Board level in Germany. Women also comprise 25% of the workforce at an executive level, compared to an 8% average in Germany. These above-industry figures highlight that we consciously recognize and encourage gender equality in the acquisition, cultivation and commitment to female talent at all levels of the company's structure.



Gender diversity at Aquila Capital

	12/2017	12/2018	Average in Germany
Board level	29%	29%	18% ³
Executive level	18%	25%	8% ³
Overall	42%	47%	32.4% ⁴

Source: Aquila Capital Investmentgesellschaft mbH

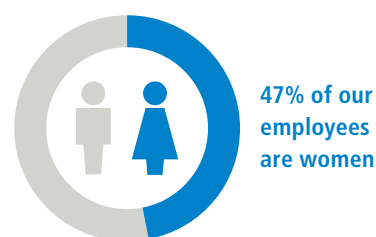


Figure 5

³ Source: Vigeo Eiris, Gender diversity in corporate senior management: glass ceiling yet to be cracked, March 2018; https://30percentclub.org/assets/uploads/UK/Third_Party_Research/Gender-diversity-in-senior-corporate-managment.pdf

⁴ Source: Vigeo Eiris, as at 31.12.2017.

Inside Aquila Capital: Living ESG, everyday

At Aquila Capital, our aim is to live ESG, better every day. We are dedicated to creating a more sustainable and responsible world, and we strongly believe that this starts with our own actions: we embed our socially and environmentally responsible practices into our day-to-day activities, from the smallest detail of using recycled paper in the office, to the wider commitments of improving gender diversity in the workplace, and ensuring the well-being of our employees. The following examples highlight a few of the measures we take in our everyday business:

■ Sustainability on a small scale

We have taken a number of measures to support our climate neutral position and be more sustainable in our everyday life. In October 2018, we switched to sustainable office materials at our headquarters in Hamburg, including making recycled paper available for internal printouts, using new ballpoint pens made from recycled plastic, and increasing the availability of pencils with refills. We have also switched to using recycled paper in the lounges, kitchens and bathrooms, and using organic milk only in the kitchens. Further, our German offices utilize green electricity.

■ Investing in our employees

Our employees are our most valuable asset. We offer ongoing training and development programs to ensure they remain motivated, and that they have the tools and resources necessary to reach their full potential. This includes regular 'Leadership Offsites', where senior managers focus on discussing strategic topics, management issues and the long-term business development of Aquila Group.

■ Fighting polio, 500 lids at a time

We are proud to be part of the charity "Deckel Gegen Polio", which finances polio vaccinations by selling plastic bottle lids to recycling companies. Plastic lids are made from high-density polyethylene or



polypropylene, which are high-quality, recyclable materials. A single lid weighs about 2 grams, and 500 lids result in approximately 1 kilogram of material, the proceeds of which will be able to cover the cost of one vaccination against polio. We collect the plastic beverage lids in order to use the proceeds to support vaccination campaigns against polio worldwide.

■ Promoting a healthy lifestyle

One of our goals is to ensure the well-being of our employees. We promote a healthy lifestyle in the workplace and supply employees with fresh fruit and water on a daily basis. We also raise health awareness and encourage our employees to take care of their fitness, while supporting them in reducing their carbon footprint: in June 2018 we launched an initiative with JobRad to provide employees with a subsidised bicycle scheme, which they are able to use to commute to work and in their spare time for leisure purposes. In addition to this, we participate in the Virgin Pulse Global Challenge, which promotes physical activity, and awareness of diet, mental health and sleep.

"Our employees are our most valuable asset. We offer ongoing training and development programs to ensure they remain motivated, and that they have the tools and resources necessary to reach their full potential."

Marc Aurel Kaiser,
Chief Human Resources Officer



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Industry recognition

This section highlights various certifications, awards and memberships, which illustrate our commitment and engagement with the sustainable investment industry.

Since 2006

We have been certified as 100% carbon neutral since 2006.



In 2008

We launched our first United Nations Environment Programme-certified agriculture fund. By signing, we openly recognize the role of the financial services sector in making the world's economy and lifestyles sustainable and commit to the integration of environmental and social considerations into all aspects of operations.



In 2012

We launched our first Forest Stewardship Council-certified timber fund, WildInvest 3. Being FSC/PEFC certified means that our forests, or supply chains, are managed responsibly; and that Aquila Capital complies with their environmental and social standards. This includes ensuring that local communities are respected, and endangered plants and animal species are protected.



In 2017

As a signatory of CDP (formerly Carbon Disclosure Project) since 2017, we support companies' drive for climate-conscious behavior. CDP is a non-profit organization founded in 2000 that publishes environmental data on enterprises and communities and manages the largest database of this kind worldwide.



In 2018

We became a signatory of the Principles for Responsible Investment in 2018. By signing, we have committed to integrate the six principles for responsible investment throughout our investment process. Additionally, we are contributing to developing a more sustainable global financial system and sustainable environment and society by implementing these principles.



Aug 2018

GRESB assesses the sustainability performance of real estate and infrastructure portfolios and assets worldwide. Aquila Capital's European Hydro portfolio (consisting of Småkraft, Småkraft Utbygging and Tinfos) participated in theGRESB Infrastructure Fund Assessment while Småkraft participated in theGRESB Infrastructure Asset Assessment:



- The European Hydro portfolio had a significant increase in score from 23 to 61 compared to last year and scored well above the peer group average (56);
- Småkraft's score increased from 17 to 66, placing it first in its "renewables – Nordics – private entities" peer group. Småkraft's star rating also rose from 1 star to 4 stars.

Aug 2018

Aquila Capital's Småkraft AS' Green Bond Framework was rated as the darkest shade of green by the Center for International Climate Research independent second opinion. The darkest green is only rated for projects and solutions that have a long-term vision of a low carbon and climate resilient future. Typically, this entails zero emission solutions and governance structures that integrate environmental concerns into all activities



Nov 2018

We were awarded with the Swedish Renewable Energy Award 2018, by the Swedish Wind Energy Association. The award is given annually to a company which significantly contributes to the renewable transition of the energy system.





Ullatti, Sweden

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Read more about our commitment to ESG at

www.aquila-capital.de/en/esg



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