

13 February 2023

Aquila Energy Efficiency Trust PLC

(the "Company")

Publication of Circular

The Board of the Company announces that it has today published a circular to Shareholders (the "Circular") convening a general meeting of the Company to consider recommended proposals, including (i) a continuation vote (by way of an ordinary resolution) and (ii) the adoption of new articles of association (by way of a special resolution).

Following the Company's Investment Strategy Review in April 2022, the Board announced that the Company's first continuation vote following its initial public offering in June 2021 would be brought forward from 2025, to February 2023. As such, the general meeting will provide Shareholders with the opportunity to vote on an ordinary resolution on the continuation of the Company. In addition, Shareholders are also being asked to approve a consequential amendment to the Company's articles of association such that the next continuation vote should occur in a further four years (i.e. 2027).

The Board unanimously recommends that Shareholders vote FOR the continuation of the Company and amendment to the articles of association, the rationale for which is included in the Chair's letter within the Circular published today and extracted, without material amendment, in the appendix to this announcement.

The Circular contains a notice of a general meeting of the Company to be held at 2.00 p.m. on 28 February 2023 at the offices of Apex Listed Companies Services (UK), 6th Floor, 125 London Wall, London EC2Y 5AS (the "General Meeting").

The notice of General Meeting and the Form of Proxy will be submitted to the National Storage Mechanism and shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism> and on the Company's website at <https://www.aquila-energy-efficiency-trust.com>.

For further information please contact:

Aquila Capital (Investment Adviser)	Via Buchanan
Buchanan (Financial PR) Charles Ryland, Henry Wilson, George Beale	020 7466 5000
Peel Hunt (Broker) Luke Simpson, Huw Jeremy (Investment Banking)	020 7418 8900
Apex Listed Companies Services (UK) Limited (Company Secretary) Maria Matheou, Brian Smith	020 3327 9720

The Company's LEI is 213800AJ3TY3QJCQC53

Capitalised terms used but not defined in this announcement have the meanings given to them in the Circular published by the Company today.

Appendix

Expected timetable*

Notice posted to Shareholders	13 February 2023
Latest time and date for receipt of Forms of Proxy	2:00 p.m. on 24 February 2023
General Meeting	2:00 p.m. on 28 February 2023

**Each of the times and dates above are subject to change by the Company. Reference to time in this announcement, the Circular and the Form of Proxy are to London time unless stated otherwise. If any of the above times and/or dates changed, the revised time(s) and/or date(s) will be notified to Shareholders by announcement through a regulatory information service.*

"Dear Shareholder

NOTICE OF GENERAL MEETING

PROPOSED CONTINUATION AND NEW ARTICLES OF ASSOCIATION

1. Introduction

I am writing to inform you that a General Meeting of the Company will be held at 2:00 p.m. on 28 February 2023 at the offices of the Company Secretary, 6th Floor, 125 London Wall, London EC2Y 5AS at which Shareholders will be asked to vote upon (i) Continuation; and (ii) the adoption of New Articles.

The Continuation of the Company and adoption of New Articles are both conditional upon the approval of the relevant Resolutions by Shareholders at the General Meeting, notice of which is set out at the Notice of General Meeting. The purpose of this Notice is to provide Shareholders with details of the Continuation and New Articles and to explain why the Directors are recommending that Shareholders vote in favour of the Resolutions at the General Meeting.

2. Rationale for Proposed Continuation

The Board unanimously recommends that Shareholders vote for the Continuation of the Company.

The Board is of the view that the Company has reached an important inflection point. An increase in the origination resources deployed by the Investment Adviser to build pipeline relationships with ESCOs is now delivering results. The Company achieved its revised target to substantially commit the gross proceeds raised through its IPO by the end of 2022, with total commitments of £96.7 million and deployed capital of £61.2 million. Since 31 December 2022, a further £3.5 million of commitments have been made. The total commitment and deployment amounts as at 30 January 2023 were at £100.7 million and £60.4 million, respectively. The Company's portfolio of 31 investments is diversified across geographies (Italy, Spain, Germany and the UK), technologies, counterparties and ESCO partnerships. This portfolio of investments is forecast to achieve an unleveraged, average yield of 8 per cent per annum, which the Board believes is attractive given the credit quality of the portfolio.

The majority of the Company's forecast project cash flows - approximately 69 per cent - are investment grade, as assessed by using both the Investment Adviser's credit analysis and external agencies. In projects which are non-investment grade, there are usually additional protections; these include the ability to export power to a grid and to extend the maturity of a contract with an ESCO and underlying counterparty to recover missed payments. The latter is possible because the Company's financing agreements are of a shorter duration than the useful life of equipment installed and, in many cases, of a shorter duration than the contract between the ESCO and the counterparty.

The Company's portfolio also benefits from a combination of fixed and variable return payments. While approximately 67 per cent of the total investment value provides a fixed rate of return from contractual cash flows, approximately 33 per cent by investment value has variable cash flows linked to power production and power prices, or inflation indexation. In many cases, these variable return investments have downside protections, for example, minimum contractual returns, which reduce the risk of lower than forecast cash flows.

The Company targeted a dividend of 3.5 pence per Ordinary Share for the year to 31 December 2022 and is targeting 5.0 pence per Ordinary Share for the year to 31 December 2023. Following consultation with Shareholders in April 2022, it was decided that the Company's dividend payment in respect of the year to 31 December 2022 would be paid principally out of capital. It is anticipated that dividend payments for the year to 31 December 2023 will be substantially covered by net income.

A key priority for 2023 is to deploy all of the remaining capital raised at IPO. Given recent good progress, and as set out in the Company's investment update announcement published on 30 January 2023, the Investment Adviser now anticipates deployment by the end of the first quarter of 2023 to exceed the approximately 80 per cent of IPO proceeds referred to in the Trading Update published on 20 December 2022. The Company's "Superbonus" projects are forecast to be repaid during 2023, providing the ability to reinvest in further energy efficiency projects generating attractive returns. The Board believes that the Company's strong origination capability together with its partnerships with ESCOs and large global industrial companies are driving a significant pipeline of larger transactions, which, it is anticipated, will enable the timely redeployment of Superbonus returns and others too. It is this capacity to originate new energy efficiency projects through ESCO relationships and other origination partnerships that now stands the Company in particularly good stead.

The Company is in the process of arranging a revolving credit facility to enable further investment. The Board is encouraged by the progress seen in RCF discussions and the current expectations are that it will be able to put in place a facility in the first half of 2023.

The Board is further assured that opportunities for investment in European energy efficiency infrastructure have increased since the launch of the Company in June 2021. The impact on European energy prices of the war in Ukraine is leading to a much greater focus on reducing energy bills and energy usage. Through ESCO and other relationships, the Investment Adviser is witnessing a much higher demand from businesses across its main investment geographies of Italy, Spain, Germany and the UK, and other parts of the EEA, to finance the installation of energy efficiency infrastructure. As announced previously, in April 2022, the Board has appointed an independent external consultant, Complete Strategy Ltd, to conduct a monthly review and report to the Board on the Investment Adviser's performance in relation to the achievement of investment commitments and deployment. Complete Strategy Ltd has reconfirmed to the Board that, in its opinion, the market for energy efficiency projects remains positive and there is a strong origination capability within the team at the Investment Adviser. As at the date of this announcement, the Company has a pipeline of 78 potential deals originated by established ESCO partners with an aggregate value of £488.8 million, which provides a strong visibility of continuing investment opportunities.

I am also pleased to report that the Board is now at full strength, with the addition of David Fletcher, as Chair of the Audit and Risk Committee, and Janine Freeman, as a Non-Executive Director. David Fletcher is a highly experienced audit chair, a role that he performs for several other listed investment companies. David Fletcher was, for 17 years, Group Finance Director of Stonehage Fleming Family & Partners, a leading, independently owned, multi-family office. Janine Freeman is an experienced, senior energy industry executive and non-executive director with over 20 years of experience in the energy industry. Driving investment in clean energy infrastructure has been her primary focus for much of that time. I believe that these complementary additions have greatly strengthened the breadth of expertise of the Board.

The Board has consulted widely with Shareholders on the Continuation of the Company. Shareholders have widely expressed their support for the Company's investment proposition and to date a significant proportion has expressed support for the Continuation of the Company. The Board, of course, remains open to discussions with Shareholders in the period running up to the General Meeting. Importantly, both the Board and the Investment Adviser are highly supportive of the Company's investment strategy and are committed to driving the growth of the Company.

The Board is very aware of the circumstances in which the Company finds itself. The Company is small in size and with a share price that is currently at a very significant discount to NAV, and the Board recognises the considerable challenges that these conditions present. Having now delivered on its initial investment commitments, the Board and the Investment Adviser are focused on continuing performance and on ensuring that the market understands both the important role of investing in energy efficiency to meet carbon reduction targets and the strong investment proposition being offered by the Company. The Board also remains committed to a continued, regular engagement with Shareholders. There are clearly factors outside the control of the Board which materially influence the Company's share price, but where we have the levers to improve the perception of the Company and narrow the Company's discount to NAV, we will strive to do so.

3. Proposed New Articles

The Board proposes that the Company adopts New Articles to amend article 167 of the Articles to reflect the revised

timing of future continuation resolutions, as a result of the Continuation Resolution being tabled at the General Meeting, such that the next continuation resolution (following the Continuation Resolution) would be tabled at the annual general meeting of the Company in 2027 (and every fourth annual general meeting thereafter).

A copy of the Company's existing Articles and the proposed New Articles will be available for inspection (on request from Maria Matheou at aetcosecmbx@apexfs.group) during normal business hours (excluding Saturdays, Sundays and bank holidays) at the Company's registered office from the date of this announcement until the close of the General Meeting, and will also be available for inspection at the General Meeting from at least 15 minutes prior to the start of the meeting up until the close of the meeting. A copy of the Company's existing Articles and the proposed New Articles are also available on the Company's website at <https://www.aquila-energy-efficiency-trust.com>.

4. General Meeting

The Notice of General Meeting to be held at 2:00 p.m. on 28 February 2023 at the offices of the Company Secretary, 6th Floor, 125 London Wall, London EC2Y 5AS is available on the Company's website at <https://www.aquila-energy-efficiency-trust.com>.

The Resolutions to be proposed at the General Meeting are as follows:

Resolution 1: Continuation

This resolution is to approve the Continuation of the Company. Resolution 1 is an ordinary resolution and requires a simple majority of the votes cast on the resolution to be in favour of such resolution.

Resolution 2: New Articles

The Company is proposing to adopt New Articles in substitution for the existing Articles. The proposed change introduced by the New Articles is set out in paragraph 3, above. Resolution 2 is a special resolution and requires approval by not less than 75 per cent of the votes cast on the resolution.

5. Action to be taken

It is important to the Company that Shareholders have the opportunity to vote even if they are unable to attend the General Meeting. Whether or not you propose to attend the General Meeting in person, you are requested to complete the Form of Proxy and submit it electronically to the Company Secretary (aetcosecmbx@apexfs.group), so that it arrives no later than 2:00 p.m. on 24 February 2023.

If you hold your shares in CREST, you may appoint a proxy or proxies by completing and transmitting a CREST Proxy Instruction using the procedures described in the CREST Manual as soon as possible and so that the instruction is received by no later than 2:00 p.m. on 24 February 2023.

The completion and submission of a Form of Proxy or the transmission of a CREST Proxy Instruction will not affect your right to attend and vote in person at the General Meeting if you wish.

Shareholders are reminded that, if their Ordinary Shares are held in the name of a nominee, only that nominee or its duly appointed proxy can be counted in the quorum at the General Meeting.

6. Recommendation

The Board considers the passing of the Continuation Resolution and the Articles Resolution to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of both the Continuation Resolution and the Articles Resolution at the General Meeting, as members of the Board intend to do in respect of their own beneficial holdings, amounting to 99,736 shares representing 0.10 per cent of the issued share capital of the Company as at the date of this announcement.

Yours faithfully

Miriam Greenwood OBE DL

Chair".

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