



## Investment Policy

### Investment objective

The Company seeks to provide investors with long-term, stable dividends, whilst preserving the capital value of its investment portfolio, principally through investment in a range of operational assets which generate electricity from renewable energy sources, with a particular focus on wind farms and solar PV parks.

### Investment policy

In order to achieve its investment objective, the Company invests principally in operational assets which generate electricity from renewable energy sources, with a particular focus on wind farms and solar PV parks.

Investments are made principally by way of equity and shareholder loans which will generally provide for 100 per cent. or majority ownership of the assets by the Holding Entities. In circumstances where a minority equity interest is held in the relevant Portfolio Company, the Holding Entities will secure their respective shareholder rights (including voting rights) through shareholder agreements and other transaction documentation.

The Group aims to achieve diversification principally through investing in a range of portfolio assets across a number of distinct geographies and a mix of renewable energy and related technologies.

### Investment limits

Investments are made in the UK and other European countries (including France, Ireland, Germany and Scandinavia) where the Directors, the Investment Manager and the Operations Manager believe there is a stable renewable energy framework. Not more than 65 per cent. of the Portfolio Value (calculated at the time of investment) may be invested in investments that are located outside the UK.

Investments are primarily made in onshore and offshore wind farms and solar PV parks, with the amount invested in other forms of energy technologies (or infrastructure that is complementary to, or supports the roll-out of, renewable energy generation) limited to 20 per cent. of the Portfolio Value, calculated at the time of investment.

In respect of investments in Portfolio Companies which have assets under development or construction (including the repowering of existing assets), the cost of works on such assets under development or construction (and not yet operational) to which Portfolio Companies are exposed may not in aggregate account for more than 25 per cent. of the Portfolio Value\*, calculated at the time of investment or commitment.

The Company will not invest more than 15 per cent., in aggregate, of the value of its total assets in other investment companies or investment trusts that are listed on the Official List maintained by the Financial Conduct Authority.

In order to ensure that the Group has an adequate spread of investment risk, no single asset will account for more than 20 per cent. of the Portfolio Value, calculated at the time of investment.

\*Increased from 15 per cent. to 25 per cent. of the Portfolio Value following authorisation from shareholders at the Company's 2022 Annual General Meeting on 27 May 2022.

## **Gearing limit**

The Group may enter into borrowing facilities in the short term, principally to finance acquisitions. Such short term financing is limited to 30 per cent. of the Portfolio Value. It is intended that any acquisition facility used to finance acquisitions is likely to be repaid, in normal market conditions, within a year through further equity fundraisings.

Wind farms and solar parks, generally assumed to have operating lives in excess of 25 years, with 30 years or more increasingly being assumed, held within Portfolio Companies generate long-term cash flows that can support longer term project finance debt. Such debt is non-recourse and typically is fully amortising over a 10 to 15-year period. There is an additional gearing limit in respect of such non-recourse debt of 50 per cent. of the Gross Portfolio Value (being the total enterprise value of such Portfolio Companies), measured at the time the debt is drawn down or acquired as part of an investment. The Company may, in order to secure advantageous borrowing terms, secure a project finance facility over a group of Portfolio Companies and may acquire Portfolio Companies which have project finance arranged in this way.

## **Revenue**

Generally, the Group will manage its revenue streams to moderate its revenue exposure to merchant power prices with appropriate use of Power Purchase Agreements, Feed-in Tariffs, Contracts for Differences and green certificates.

## **Hedging**

The Company may borrow in currencies other than pounds sterling as part of its currency hedging strategy.

The Group may enter into hedging transactions including in relation to currency, interest rates, inflation and power prices for the purposes of efficient portfolio management. The Group will not enter into derivative transactions for speculative purposes.

## **Cash Balances**

When the Company is not fully invested and pending reinvestment or distribution of cash receipts, cash received by the Group will be held as cash, or invested in cash equivalents, near cash instruments or money market instruments.

## **Origination of Further Investments**

Each of the investments comprising the Current Portfolio complies with the Company's investment policy and Further Investments will only be acquired if they comply with the Company's investment policy. It is expected that Further Investments will include operational onshore wind and solar PV investments that have been originated and developed by the Operations Manager. The Company will also review investment opportunities originated by third parties, including from investment funds managed or advised by the Investment Manager or its affiliates.

Pursuant to the First Offer Agreement, the Company has a contractual right of first offer, for so long as the Operations Manager remains the operations manager of the Company in respect of the acquisition of investments in projects of which the Operations Manager wishes to dispose and which are consistent with the Company's investment policy. It is envisaged that the Operations Manager will periodically make available for sale further interests in projects although there is no guarantee that this will be the case. Investment approvals in relation to any acquisitions of investments from the Operations Manager will be made by the Investment Manager through the Investment Committee.

Furthermore, any proposed acquisition of assets by the Group from InfraRed Funds will be subject to detailed procedures and arrangements established to manage any potential conflicts of interest that may arise. In particular, any such acquisitions will be subject to approval by the Directors (who are all independent of the Investment Manager and the Operations Manager) and will also be subject to an independent private valuation in accordance with valuation parameters agreed between the InfraRed Funds and the Company.

A key part of the Company's investment policy is to acquire assets that have been originated by RES by exercising the Company's rights under the First Offer Agreement. As such, the Company will not seek the approval of Shareholders for acquisitions of assets from the Operations Manager or members of its group in the ordinary course of its Investment Policy.

However, in the event that the Operations Manager is categorised as a substantial shareholder of the Company for the purposes of the Listing Rules (i.e. it holds 10 per cent. or more of the Company's issued share capital and for a period of 12 months after its shareholding first drops below this threshold), the related party requirements of Chapter 11 of the Listing Rules will apply to the acquisition of solar assets from the Operations Manager or any member of its group and accordingly the Company will seek shareholder approval, as necessary, for such acquisitions.

Further Investments will be subject to satisfactory due diligence and agreement on price which will be negotiated on an arm's length basis and on normal commercial terms. It is anticipated that any Further Investments will be acquired out of existing cash resources, borrowings, funds raised from the issue of new capital in the Company or a combination of the three.

## Repowering

The Company has the opportunity to repower the sites in some of the projects in the investment portfolio. For these purposes, repowering will include the removal of substantially all of the old electricity generating equipment in relation to a project, and the construction of new electricity generating equipment excluding, for the avoidance of doubt, repair, maintenance and refurbishment of existing equipment.

Where the Company determines to repower a project originally acquired from the Operations Manager, the Operations Manager has the first option to repower such assets in partnership with the Company, whilst the Company has the right to acquire the newly constructed assets on completion, subject to satisfactory due diligence and for a price determined in accordance with a pre-agreed valuation mechanism and on normal commercial terms. Repowering projects will be treated as development or construction activity which, when aggregated with the cost of works to assets under development or construction to which Portfolio Companies are exposed, may not in aggregate account for more than 15 per cent. of the Portfolio Value, calculated at the time of investment or commitment.