2023 NORTH SKY CAPITAL

IMPACT REPORT



"Be kind, honest, hard-working and intellectually curious... and you will go far in life."

--Paul Karos, December 2021

It's Time To Scale

The world is transitioning to a cleaner, more sustainable future, and we are playing a central role in this evolution. We strive to generate attractive financial returns for our investors while also creating positive social and environmental benefits.

ow in our 24th year and investing out of our 10th impact fund, we continue to lead the way by offering innovative investment strategies, curated by a knowledgeable, passionate and diverse team using time-tested investment methods. Our flagship strategies are:

- impact secondaries (private equity)
- sustainable infrastructure

2022 was an incredible year. We are grateful to everyone who joined forces with us to use investment capital to make the world a better place. Thank you for making it such a successful year in terms of investment returns, liquidity events, impactful investments and awards, such as an Impact Project of the Year award from Environmental Finance.

During the year, we made the opening salvo of investments for our latest impact secondaries fund (**Clean Growth VI**), made our final investments for our third sustainable infrastructure fund and began lining up potential investments for **Sustainable Infrastructure Fund IV** in areas such as renewable natural gas, green hydrogen and energy storage. We also incubated and launched **Paddle Energy** to pursue opportunities in community solar development. We expect the installed base of community solar to double from 5GWs the 10 GWs in as little as three years.

Our team grew again last year. We hired Erika Gucfa (Managing Director), Anthony Doan (Analyst) and Stefan den Doelder (Head of Europe). We also enhanced our impact reporting capabilities by adding human and technological resources. Further, we navigated Europe's Sustainable Finance Disclosure Rules (Article 8), providing European institutional investors a clear path to our global impact secondaries strategy.

As we transition into 2023, we see abundant opportunities for our flagship strategies. Our secondaries team is benefiting from what appears to be a buyer's market in key sectors such as circular economy and sustainable food. We have pricing power and can take advantage of overall market volatility and portfolio rebalancing by pension plans. Our infrastructure team is reviewing a wide variety of renewable natural gas, community solar and energy storage projects—all of which have been buoyed by the federal Inflation Reduction Act ("IRA") and various state initiatives relating to landfills, EV charging, renewable energy and grid stabilization. Return expectations for certain projects are penciling to 200-500 bps higher than this time last year.

Institutional investors across the globe continue to embrace impact / ESG investing, pouring billions of dollars into areas like climatech, renewable energy, EV charging, energy storage, water technology and sustainable food & agriculture.



Institutional Investments Utilizing Impact Strategy¹

European investors are leading the way, with a staggering 42% of surveyed institutional investors in Europe planning to increase allocations to sustainability / impact investments in 2023. Further, 40% of those investors also plan to allocate capital to healthcare investments, which is one of our most active investment sectors for Clean Growth VI.

The stage seems set for phenomenal growth for impact investors due to a combination of demand for climatech solutions, technology advancements (batteries, recycling, grid optimization, artificial intelligence, robotics, nuclear fusion, etc.) and game-changing policy support such as the IRA. We are playing a lead role in this transition to a more sustainable future. It is time to scale it up to the next level. *Join us!*

2023

Our Commitment to the Sustainable Development Goals

At North Sky, we remain committed to making investments that align with the United Nations Sustainable Development Goals ("SDGs"). While our investments are diversified across a multitude of industries such as renewable energy, water, waste, sustainable agriculture and healthy living, the SDGs provide a common language and a standard for discussing impact.

By aligning our investments with the SDGs and, furthermore, their underlying Target Indicators, we provide a more quantifiable representation of our impact. These heat maps demonstrate how companies across our private equity impact secondary funds and projects in our sustainable infrastructure funds map to the SDGs.

Size is based on number of portfolio companies / projects that relate to a given SDG.

Impact Secondaries Portfolio Exposure to SDGs



Sustainable Infrastructure Portfolio Exposure to SDGs







Fairygodboss aligns with SDG 5 through Target 5.B – "promote empowerment of women through technology"

Gradiant aligns with SDG 6 through Target 6.3 – "improve water quality, wastewater treatment and safe reuse"



Ensure access to affordable, reliable, sustainable and modern energy for all



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Project Vader

Project Vader is developing 200 MWh of energy storage capacity in New York. See our <u>2022 Impact Report</u> for more details.



Project Vader aligns with SDG 7 through Target 7.2 – "increase global percentage of renewable energy"

ethena

Ethena is women-founded and provides accessible compliance courses to more than 50,000 learners to build better workplaces.

TARGET 8·8



Ethena aligns with SDG 8 through Target 8.8 – "protect labor rights and promote safe working environments"

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



Make cities and human settlements inclusive, safe, resilient and sustainable

PADDLE 米 ENERGY

Paddle Energy expects to generate 50 MW of clean energy in 5 years. See <u>page 12</u> for more details.

TARGET



9.1

Paddle Energy aligns with SDG 9 through Target 9.1 – "develop sustainable, resilient and inclusive infrastructures"



Project Plymouth is capturing approximately 2,292 metric tons of methane from foodwaste in its conversion to RNG. See <u>page 16</u> for more details.

TARGET 11.6



Project Plymouth aligns with SDG 11 through Target 11.6 – "reduce the environmental impacts of cities"

6



Ecore's upcycling of used truck tires has diverted more than 100 million pounds of waste from landfills.

TARGET



12.5

Ecore aligns with SDG 12 through Target 12.5 – "substantially reduce waste generation"



Protect, restore and sustainable use of terrestrial ecosystems to reverse land degradation and halt biodiversity loss

Domain CAPITAL GROUP

North Sky's investments in Domain's environmental strategy have conserved and restored more than 9,100 acres of natural habitat. See our <u>2022 Impact Report</u> for more details.

TARGET 15·1



These investments align with SDG 15 through Target 15.1 – "conserve and restore terrestrial and freshwater ecosystems"



17·H

TARGET

North Sky contributes to SDG 17 (Partnerships for the Goals) through Target 17.H — "Encourage Effective Partnerships" — by sharing knowledge and participating in impact-focused organizations such as the Intentional Endowments Network, Principles for Responsible Investment, Forum for Sustainable and Responsible Investment, Confluence Philanthropy, Impact Capital Forum and Mission Investors Exchange. North Sky is also an Emeritus Manager within the ImpactAssets IA 50 database having been named to the list every year since 2017.

North Sky is proud to support greater Diversity, Equity and Inclusion in the private markets and has made its DEI information available to investors via the Nasdaq eVestment platform.



Sustainable Development Goals in Action

SDG 3 (Good Health and Well-Being) seeks to ensure healthy lives and promote well-being for all. The World Health Organization ("WHO") estimates that more than 13 million deaths occur as a result of avoidable environmental causes each year, with 7 million of those deaths being due to air pollution.² According to a report from the Energy Policy Institute at the University of Chicago, air pollution reduces each person's life expectancy by 2.2 years - that's more than firsthand cigarette smoke!³ At least 6,000 cities are monitoring their air quality but with nearly the entire global population breathing air that exceeds WHO air quality limits, how does someone know if their health is threatened by the air he or she is breathing in real time? As part of our impact secondaries portfolio, BreezoMeter is giving people the resources to educate themselves on their environmental risks while taking control of their health.



BUSINESS DESCRIPTION

BreezoMeter provides an air quality analytics platform intended to offer real-time, dynamic and location-based air quality data to 100+ countries, pollen data to 67 countries and data on fires to 97 countries.⁴



IMPACT THESIS

BreezoMeter aligns with SDG 3 through Target Indicator 3.9 ("Reduce illnesses and death from hazardous chemicals and pollution") and Target Indicator 3.D ("Improve early warning systems for global health risks").

BreezoMeter's Environmental Intelligence Solution calculates over 7.9 billion pollutant concentrations every hour allowing users to take meaningful action to conserve their health and the environment. Furthermore, the information enables businesses to develop solutions that help reduce exposure to environmental hazards.

TARGET



PEDLICE ILI NESSES

AND DEATH FROM HAZARDOUS CHEMICALS AND

POLLUTION

3.9

IMPROVE EARLY WARNING SYSTEMS FOR GLOBAL HEALTH RISKS

TARGET

3∙D

GOOD HEALTH

AND WELL-BEING

3

IMPACT IN ACTION

BreezoMeter partnered with Propeller Health to develop and implement a connected inhaler. The attached sensor registered each time a user administered their prescribed medication, logging location and time of use within an app. BreezoMeter's live environmental information allowed for an analysis of the patient's environmental triggers that could be associated with symptom flare-ups. This valuable insight helps healthcare providers to target specific sensitivities and create a customized treatment plan based on environmental stimulators.

The combined efforts resulted in 58% improvement in medication adherence. Those patients who used the data to take preventative action also saw 84% reduction in rescue inhaler use and 72% of participants gained control of their asthma.⁴





IMPACT METRICS

7.9+ billion pollutant concentrations calculated every hour

Air quality data with 5 meters / 16.5 feet granularity

More than 47,000 sensors worldwide

Technology available in more than 100 countries

6 CLEAN WATER AND SANITATION





SDG 6 (Clean Water and Sanitation) aims to ensure availability and sustainable management of water and sanitation for all. With less than 1% of the earth's water being available for human use, it is no surprise that water scarcity is among the top environmental challenges communities continue to face.⁵ For perspective, the average American family uses more than 300 gallons of water per day in its home while an industrial plant may use up to 10 million gallons of water per day.⁶ Water reserves may be naturally restored, however, often not with the same quality nor quantity, leading to a drained resource. Experts predict half of the world's population will be living in water-stressed regions by 2025. Gradiant has developed solutions to mitigate this risk.

🛆 gradiant

BUSINESS DESCRIPTION

Gradiant is a leading global solutions provider and developer of cleantech water projects for advanced water and wastewater treatment. With offices in more than 10 countries, Gradiant serves clients globally in its mission-critical operations in industries such as semiconductors (essential to manufacturing cars, smartphones, laptops, etc.), pharmaceuticals and food and beverage.

IMPACT THESIS

Gradiant aligns with SDG 6 through Target Indicator 6.3 ("Improve water quality, wastewater treatment and safe refuse").

Gradiant operates with the goal of helping customers minimize water consumption, recycle water and waste for beneficial reuse, eliminate contaminants that would otherwise be discharged into the environment and recover valuable resources from waste. The company's water reuse, zero liquid discharge, resource recovery and wastewater treatment technologies enable customers to bring sustainability to their operations and supply chain.



IMPACT IN ACTION

Gradiant's technologies seek to reduce the environmental footprint involved in acquiring and utilizing the raw materials needed for manufacturing products. Increasing demand for electronic vehicles means more demand for batteries, thus leading to the elevated demand for battery materials — including lithium — which takes a great amount of water to produce.

Semiconductor foundries also use immense amounts of water for chip fabrication — typically about 10 million gallons of water per day, mostly withdrawn from groundwater. The water is then contaminated in the production process of goods. Gradiant's technologies treat both of these waste streams to return up to 95% of fresh water.⁷ "The idea here is to give nature its water back, to elevate water to the level of respect that it deserves as an essential resource for life."

> Anurag Bajpayee, CEO of Gradiant⁷

IMPACT METRICS

8 billion liters of water cleaned

5 million household equivalents of water treated per day

670+ active water treatment facilities

525 employees

Minority founded





9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



BUSINESS DESCRIPTION

PADDLE 🛞 ENERG'

Paddle Energy ("Paddle") is a development company focused on the community solar segment of the renewables market. Paddle also taps into another growing trend, which is to pair energy storage (batteries) with solar installations to enable 24/7 power from solar panels. Paddle's smallto-medium scale ground mount solar and energy storage system projects are anticipated to generate 50 MW of clean energy in the next five years.

IMPACT THESIS

Research suggests that annual solar installations must grow

2030 to achieve aggressive federal, municipal and corporate clean energy goals.⁸ New markets will need to be tapped to speed our transition to a cleaner, more sustainable electric system in this decade. A major factor in this shift will be homes and businesses powered by solar energy. Though promising, residential markets face unique challenges such as high upfront costs, roofs that are unsuitable for solar panels (e.g., too weak or shaded), prohibitions by home owners associations or aesthetic preferences. Apartment and condo dwellers face even bigger challenges since they do not own or control the rooftop or surrounding property.

from less than 25 GW in 2021 to more than 90 GW by

The solution to these problems is community solar. Similarly, community solar extends to commercial and

Recently, we incubated a solar developer to meet the

growing demand for community solar power.

industrial customers that may not have the site availability or the creditworthiness to build a dedicated solar facility. The community solar sector seeks to democratize access to clean energy by creating the solar power remotely, such as a nearby vacant field, and delivering the electricity via a simple agreement to residential and business customers.

> Paddle aligns with SDG 9 ("Industry, Innovation and Infrastructure") through Target Indicator 9.1 ("Develop sustainable, resilient and inclusive infrastructures").

Paddle was formed to provide access to renewable energy for anyone who wants it. Paddle's community solar projects provide homeowners, renters and businesses equal access to the economic and environmental benefits of solar energy generation regardless of the physical attributes or ownership of their home or

business. These projects typically generate solar power from ground-mounted panels installed in rural areas that are free from obstructions, resulting in ideal conditions for maximum amount of sunlight and energy production. Further, these systems can benefit from solar tracking systems (single- or dual-axis) that enhance solar power production by as much as 40%. The power from these "solar farms" is dispatched through the local electrical grid to end users in the same manner traditional energy is delivered to users. In most cases, users simply pay for their share of the community solar power and then receive offsetting credits on their existing utility bill. This solution is generally more efficient than individual-owned panels in terms of upfront costs, aesthetics and long-term physical and contractual commitments.

Community Solar State Policy Types⁹

None Mandate Enabled Incentive Mandate and incentive

IMPACT IN ACTION

Launched in late 2022, Paddle has already amassed a pipeline of approximately 20 MW of projects in Maine. Paddle will be expanding into other states in 2023. Each project is expected to be roughly 1-5 MWs. Paddle works hand-in-hand with landowners, utilities and local authorities to bring these projects online. By our estimates, each megawatt installed can power 173 homes and displace 241 tons of CO2 per year. A number of Paddle's projects are also located in Opportunity Zones as well as Energy Communities as identified by the Inflation Reduction Act, thereby further benefiting these underserved communities.

IMPACT METRICS

4.9 gigawatts of community solar has been installed in the U.S. through Q2 of 2022

41 states plus DC have at least one community solar project installed

19 states have a formal community solar policy or program

4.3 gigawatts of capacity will be added to the community solar market in the next 5 years

50% of homes can't support rooftop solar panels



IMPACT SPOTLIGHT THE INFLATION REDUCTION ACT

When North Sky began researching cleantech in 2005, the sector was nascent, relatively small and supported by a handful of federal incentives. The 2005 Energy Policy Act provided \$15 billion of federal loans, primarily supporting non-polluting energy sources – think solar and wind. In the ensuing years, various incentives were added (or extended) pertaining to the construction of wind and solar farms, the production of renewable fuels, the sale of electric vehicle and energy efficiency upgrades to residential and commercial buildings. From 2005 to 2020, these incentives totaled about \$117 billion. However, in 2021 the bipartisan \$88 billion Infrastructure Investment and Jobs Act was passed to upgrade America's infrastructure like roads, bridges, water sources and internet while creating good, sustainable jobs. Then one year later, the Inflation Reduction Act (the "IRA") was passed which contained a whopping \$370 billion intended to accelerate the transition away from fossil fuels and toward renewable energy.

LARGEST LEGISLATION IN U.S. HISTORY TO PROMOTE CLEAN ENERGY



FEDERAL SUPPORT FOR THE ENERGY TRANSITION

Clean, sustainable, green technologies have become mainstream. The IRA provides much, much bigger incentives, and across a broader array of technologies than legislation in prior years. Among other things, the IRA provides \$370 billion for:

- Extension of tax credits for solar, wind, geothermal, hydropower and biomass generated electricity for projects started prior to 2025
- Tax credits for standalone battery storage and interconnection facilities
- Large new incentives for renewable natural gas ("RNG"), renewable hydrogen, electrical vehicle infrastructure and energy efficiency
- Creation of "technology neutral" credits beginning in 2025
- · 3-year carryback provisions expand tax equity market
- Transferability provisions for tax credits, allowing more efficient monetization
- Significant focus on prevailing wage labor at qualifying projects, "Made in USA" components and building in economically underserved areas
- Incentives for maintaining nuclear power and helping oil and gas companies comply with methane regulations

The transition to a more sustainable energy future has begun to noticeably accelerate and both our impact secondaries and sustainable infrastructure strategies have the opportunity to benefit from supportive legislature.

[] Factorial

COMPANY DESCRIPTION

Factorial Energy provides high-performing and safe solidstate batteries ("SSB") for electric vehicles ("EV"), homes and critical applications and is an industry leader in the development of SSB technology for EV applications.¹⁰

The company has developed proprietary, safe electrolyte films to replace traditional liquid electrolytes that are highly flammable and carcinogenic. These new batteries are safer, non-combustible, less expensive to manufacture/recycle, more energy-dense and more durable.



IMPACT THESIS

Factorial Energy aligns with SDG 7 ("Affordable and Clean Energy") through Target Indicator 7.2 ("Increase global percentage of renewable energy").

The company is unveiling the

industry's first 40-amp hour SSB which is not only safer than traditional batteries but also has the potential to extend the fully charged vehicle's range by 20%-50%. This cell design is likely to exceed the automakers' expectation of 1,000 cycles at 80% capacity. With this increase in range and battery longevity, Factorial Energy projects to help displace 336,000 gas cars and 1 billion gallons of gas in five years.

By achieving pricing accessibility and wide adoption coupled with Factorial's offering of safety and range, we could [...] "reduce CO₂ emission by hundreds of millions of tons annually and save tens of billions of dollars that would otherwise be put towards ecological and human health pollution harm reduction," said Siyu Huang, Founder and CEO of Factorial Energy.





Project Plymouth



PROJECT DESCRIPTION

Project Plymouth is a renewable natural gas ("RNG") project located in Johnston, Rhode Island (just west of Providence). With our development partner, Anaergia, we acquired an underperforming 3.2MW waste-to-power facility, adjacent to the central landfill, and are upgrading it to a waste-to-RNG facility capable of producing 320,000 MMBtu/year of carbon negative fuel. The project utilizes proven technology to convert food and liquid waste into natural gas that will be sold under a long-term offtake agreement with a large North American gasoline, oil and natural gas producer and exporter. Feedstock is provided under intermediate and long-term agreements with waste haulers and waste generators.

IMPACT THESIS

The project aligns with SDG 11 ("Sustainable Cities and Communities") through Target Indicator 11.6 ("Reduce the environmental impact of cities").

This project is a cost effective means of disposing of organic waste, but is also vitally important to meet Rhode Island's Food Waste Ban. These organic waste diversion laws are designed to reduce the amount of organic material dumped in landfills to prolong the lifespan of the central landfill and to foster a greener local economy based on harnessing the waste for biogas generation. This project will divert over 100,000 tons per year of waste destined for landfills and instead convert it to carbon negative fuel, which will help counteract the environmental impacts of the area's highly dense population (roughly 1,018 people per square mile). This effort supplants fossil fuel-derived natural gas as well. Project Plymouth benefits from the IRA's RNG investment tax credit and support for methane reduction.







Impact Momentum

The continued mainstreaming of sustainable and impact investing was validated in 2022 as North Sky easily had its most active year yet with substantial exit activity across our companies and projects. Our investment experience, performance and passion for impact helped create significant demand and attractive exit opportunities within our impact secondaries and sustainable infrastructure portfolios. Among the companies and projects to which North Sky bid adieu last year were the following:



Agrivida Developer of natural animal nutrition products Acquired by Novus International December 2022



Advarra Provider of clinical research compliance services Acquired by Blackstone & CPPIB August 2022



Enovix Developer of advanced siliconanode lithium ion batteries Sold all shares June/September 2022



Hayward Gordon Manufacturer of pumps and mixers for challenging fluid applications *Acquired by EBARA Group Japan* September 2022



Hint Health Developer of a direct primary care software platform Acquired by Banneker Partners April 2022



Planet Labs Provider of daily earth imaging data critical to environmental initiatives Sold public shares August 2022



Premier Crop Systems Developer of precision agronomy software Sold holdings July 2022



Project Skyline 215 MW portfolio of operating solar and energy storage assets *Loan repaid* December 2022



Project SoCo 227 MW portfolio of operating solar assets Acquired by energyRe, LLC August 2022



Stem Developer of digitally connected and intelligent energy storage networks *Sold public shares* August 2022



Tangent Energy Solutions Developer of software to monitor & manage distributed energy services Acquired by Caterpillar April 2022



Volta

Provider of smart media-enabled charging stations for electric vehicles *Sold shares* August/December 2022

Conclusion

e feel blessed to have been doing work we love for so many years. We are grateful to the many investors who have joined us across all our funds. With stock and bond market volatility, inflation and macroeconomic uncertainty, many investors are looking to us to deliver attractive returns and stability. We are here to guide you through the storm. With the passage of the IRA last August and the secular trends of increasing demands for cleaner, greener ways of doing everything from manufacturing, farming, waste

disposal, water purification, energy production and transportation to simply wanting to live healthier, more sustainable lives, we have never felt the wind at our back as much as we do right now. We are excited to keep applying our experience and insights to the opportunities that lay ahead.

It is time to accelerate our investment pace in private equity and sustainable infrastructure. The need is vast. The opportunities are attractive. The time is now.



For more information, please visit www.northskycapital.com

Endnotes

- 1 US SIF Foundation's 2022 Report on US Sustainable Investing Trends. Investor mix includes public pension plans, insurance companies, college endowments and foundations
- 2 https://www.who.int/news/item/04-04-2022-billions-of-people-stillbreathe-unhealthy-air-new-who-data#:~:text=Almost%20the%20 entire%20global%20population,limits%2C%20and%20threatens%20 their%20health
- 3 https://www.cnbc.com/2022/06/14/air-pollution-takes-2-years-offyour-life-more-than-smoking-or-alcohol.html
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- 6 https://www.gradiant.com/news/water-scarcity-concerns-drivesemiconductor-industry-to-adopt-new-technologies-ieee-spectrum
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- 10 https://factorialenergy.com

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Authors & Editors:

Scott Barrington, CEO

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North Sky

Minneapolis Boston Rotterdam Main 612 435 7150 northskycapital.com