



Sustainability-related disclosures

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Contents

A. Summary	2
B. No significant harm to the sustainable investment objective	4
C. Sustainable investment objective of the financial product	8
D. Investment strategy	9
E. Proportion of investments	11
F. Monitoring of sustainable investment objective	12
G. Methodologies	15
H. Data sources and processing	15
I. Limitations to methodologies and data	16
J. Due diligence	17
K. Engagement policies	17
L. Attainment of the sustainable investment objective	18

A. Summary

The European Energy Efficiency Fund SA, SICAV-SIF (the “**eeef**”) has sustainable investment as its objective pursuant to Article 9 SFDR (Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector) investment fund. The environmental objective of the eeef is to contribute to **climate change mitigation**, in line with the climate goals of the EU (EU 2030 framework for climate and energy and the climate-neutral objectives of the European Green Deal) and Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending SFDR (the “**EU Taxonomy Regulation**”).

The mission and investment objective of the eeef aim to realise the potential of the European Union’s climate goals through financing investments which meet eeef’s investment guidelines (the “**Investment Guidelines**”), covering its impact dimensions. The eeef achieves environmental and economic sustainability by providing direct and indirect financing for energy efficiency and small-scale renewable energy projects and building public–private partnerships for such climate financing. The eeef observes the principles of sustainability and viability, combining environmental considerations and market orientation by financing economically sound projects, allowing for a sustainable and revolving use of its means.

The eeef manages social and environment risks and impacts through its Social and Environment Management System (“**SEMS**”), which is governed by the SEMS policy (the “**SEMS Policy**”). Such policy outlines those activities excluded from the eeef financing and the SEMS standards that the eeef aligns with and promotes development impact outcomes measured through its impact measurement framework (the “**SEMS Standards**”). Every eeef investment agreement outlines a number of social and environmental (“**S&E**”) clauses and impact-reporting obligations. As an integral part of the general eligibility criteria of the eeef, the investment has to comply with its SEMS.

Since its establishment the eeef monitors and analyses its investments to ensure that they do not cause any harm to sustainable investments objectives. Since 2019, with the introduction of the SFDR, the eeef’s investment team performs a “do no significant harm” (“**DNSH**”) assessment on all its investments. The assessment process is followed through the pre due diligence, due diligence, then during the investment and closing phases.

Principal adverse impact (“**PAI**”) indicators are taken into account as well as the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights. Sustainability risks are mitigated by refraining from financing investments of high S&E risk and by implementing the SEMS Policy which defines the framework, processes and responsibilities for identifying and managing S&E risks and impacts.

The eeef publishes on the website all Environmental and Social Impact Assessments (the “**ESIAs**”)¹ for the projects that were considered higher risk in the initial screening. Furthermore, the ESIA details how potential negative effects of the project are avoided or managed.

For both types of investments – direct and indirect financial institution investments – the SEMS has specific performance requirements and procedures which are applied. Compliance with these is assessed during the due diligence process and monitored throughout the lifetime of the project.

The investment strategy of the eeef is to target eligible project finance investments in the green infrastructure sector with a public link within the EU members States that support (i) energy efficiency (e.g. building retrofit, street lighting), (ii) renewable energy (e.g. small-scale wind) and (iii) clean urban transport (e.g. electric buses) avoiding carbon emissions or primary energy consumption by at least 30% compared to baseline.

Current asset allocation in sustainable investments is 77% (see [page 11](#)).

The impact monitoring and evaluation framework is established through a precise path composed of successive steps, i.e. initial screening; due diligence; preparation of financial close; approval and execution by the investment committee; and monitoring and reporting during the lifespan of the project.

All investments undergo risk-based S&E due diligence throughout the investments’ lifetime and each project is monitored by the eeef with a quarterly tracking and the methodology used is validated by a global engineering company. Where projects are with high investment volumes and/or technologically more complex, reports from third-parties are required. The eeef performs data sourcing, data processing, and data quality derivation and management. Certain limitations exist despite the constant improvement process and methodologies used for data. Notable limitations are the availability and quality of data covering the full range of principal adverse impacts data points.

In a nutshell, engagement activities before, during and after investments can be outlined as follows:

- exclusion of investment that could harm any environmental objectives;
- risk assessment of staying in a transaction in case of breach by Partners Institution; and
- balanced and substance over form approach following the closing of any transaction.

Aligned with the Operating Principles for Impact Management (“**OPIM**”), the eeef tracks, measures and reports on the environmental performance of its investments and assesses its progress and impact across the eeef’s impact dimensions. The key sustainability indicators for the eeef are (i) primary energy % savings, and (ii) Co2e % savings. The eeef screens every potential investment against its investment criteria, and all investment projects shall save at least 30% primary energy consumption and/or carbon emissions compared to the baseline. Throughout the lifetime of the investment, primary energy and carbon emissions are monitored

¹ Please refer to “Download” section under <https://www.eeef.lu/social-environmental-standards.html>

for every investment following industry best practice including the International Performance Management and Verification Protocol (“IPMVP”) for energy consumption and generation calculations and ISO 14064-2:2019 for project carbon accounting.

B. No significant harm to the sustainable investment objective

Since the establishment of the eeef in 2011 and first investment(s) made in 2012, the eeef’s investment team has performed strict analyses and monitoring in line with the SEMS guidelines to ensure that the eeef’s investments do not cause any harm environmental or social objectives.

With the introduction of the SFDR in 2019, the investment team is obliged to perform a DNSH assessment on all its investments for the eeef (including past and potential).

The SEMS is guided by the EU Directives on Environmental Impact Assessment (“EIA”), the IFC Performance Standards on Environmental and Social Sustainability and the European Investment Bank Statement on Environmental and Principles and Standards.

DNSH as part of the S&E risk assessment and management is carried out through the following process established for every project:

Investment phases	S&E risk assessment and management
Pre due diligence / due diligence phase	<p>The eeef’s eligibility criteria of energy efficiency, renewable energy, and electrification of transport</p> <ul style="list-style-type: none"> - eeef Exclusion List (based on International Finance Corporation (IFC) Exclusion List (as available on the internet)): <ul style="list-style-type: none"> o production or trade in any product or activity (i) deemed illegal under host country laws or regulations or international conventions and agreements, (ii) or subject to international bans or phase outs, such as pharmaceuticals, pesticides/herbicides, chemicals, products containing PCBs², ozone depleting substances, wildlife or products regulated under CITES³, other hazardous substances; o production or activities involving forced labour⁴ or child labour⁵; o any business relating to pornography or prostitution;

² PCBs: Polychlorinated biphenyls—a group of highly toxic chemicals. PCBs are likely to be found in oil-filled electrical transformers, capacitors and switchgear dating from 1950-1985.

³ CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

⁴ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

⁵ Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

	<ul style="list-style-type: none"> ○ production or trade in and any business relating to: <ul style="list-style-type: none"> ● weapons and munitions; ● alcoholic beverages; ● tobacco; ● pornography; and ● gambling, casinos and equivalent enterprises; ○ production or trade in radioactive materials excluding the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded; ○ production or trade in unbonded asbestos fibres excluding the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20 %; ○ activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage⁶; ○ drift net fishing in the marine environment using nets in excess of 2.5 km in length; ○ shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements⁷; ○ trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit; ○ commercial logging operations for use in primary tropical moist forest; ○ production or trade in wood or other forestry products other than from sustainably managed forests; ○ production and distribution of racist, anti-democratic and/or neo-nazi media; ○ religious organisations, unless related to projects or investments in social, educational and health public concerted facilities; ○ destruction of critical habitat; ○ psychiatric hospitals involving custodial facilities; ○ abortion clinics, euthanasia services;
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⁶ Relevant international conventions include, without limitation: Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention); Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention); Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention); World Heritage Convention; Convention on Biological Diversity and Protocols.

⁷ This includes: tankers which do not have all required MARPOL SOLAS certificates (including, without limitation, ISM Code compliance), tankers blacklisted by the European Union or banned by the Paris Memorandum of Understanding on Port State Control (Paris MOU) and tankers due for phase out under MARPOL regulation 13G. No single hull tanker over 25 years old should be used.

	<ul style="list-style-type: none"> ○ crematoria; ○ human Cloning or human embryo testing; ○ companies engaging in genetically modification of organisms; - S&E due diligence questionnaire, which is aligned with the IFC Performance Standards; - 3rd party assessment of S&E risk in the form of an EIA (for certain higher S&E risk projects); - further corrective measures (for certain higher S&E risk projects).
Investment decision and closing	Investment Committee discussion and decision based on S&E risk findings prepared by portfolio management and the eeef's risk team, due diligence team, for each project the environmental / social risk categorization sheet is included.
Investment phase	<ul style="list-style-type: none"> - collection of sustainability indicators and monitoring of achieving 30% or more (annually basis); - collection of S&E compliance certificate monitoring portfolio company compliance with the Exclusion List, IFC Performance Standards, as well as local S&E law, regulations, and international conventions for S&E aspects (annual basis); - ad hoc reporting requirement in case of sustainability performance or DNSH; - S&E risk evaluation and monitoring throughout the investment phase.

DNSH test is performed as part of the investment life cycle's S&E risk assessment and S&E risk management is documented in the SEMS, which is constantly reviewed and upgraded for improvement. The latest SEMS is publicly available on the eeef website (<https://www.eeef.lu/social-environmental-standards.html>), in addition to an Impact Management Framework which outlines the sustainable investment objective and framework.

a) Principal Adverse Impact (PAI) Indicators

As part of the eeef's active management of adverse impacts, the eeef assesses during on-site due diligence visits through its pre-adapted due diligence tools such as e.g. due diligence questionnaire to prepare an assessment for the investment committee, which are discussed with all project stakeholders with respect to the relevant project. During the life of an investment, the sponsor has contractual reporting requirements on key performance requirements.

For the purpose of the DNSH test pursuant to Article 2, (17) SFDR, applicable PAI indicators include mandatory ones outlined in Table 1/Annex I of the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing SFDR with regard

to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of DNSH, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports (the “**SFDR RTS**”).

The eeef considers PAIs as part of the DNSH test and the overall investment process as established by the alternative investment fund manager of the eeef (the “**AIFM**”).

Given that the eeef focuses on project financing in energy efficiency, renewable energy, and electrification of transport, not all 14 PAIs are relevant with respect to each of the eeef’s respective projects. PAI no.1. “GHG emissions” and PAI no.2 “carbon footprint” are therefore considered in accordance with Annex I of SFDR RTS as binding elements of the investment strategy.

The other 12 PAIs are nonetheless assessed as part of due diligence and monitored throughout the investment life cycle for relevance and when exposures are identified on a given project.

For investments directly into the projects or SPV structures

The SEMS considers the indicators as per Annex I of SFDR RTS for its direct investments with the exception of the following indicators:

Indicator number	reference	Description	Comment
No. 3. Scope 3		<i>GHG emissions</i>	as such data is currently not available for upstream and downstream emission tracking.
No. 12.		<i>Unadjusted gender pay gap</i>	
No. 13.		<i>Board gender diversity,</i>	for the contractual parties of the eeef’s financing that are special purpose vehicles (SPVs) and have no employees.

For investments in Financial Institutions (FI)

Where the eeef grants loans to financial institutions, the entry point for a DNSH test is the financial institutions themselves and the financial institutions' Social and Environmental Management System (FI SEMS). The eeef assesses the quality and the effectiveness of the FI's SEMS to assess the PAIs.

b) Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

The sustainable investments of the eeef are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and International Bill of Human Rights as minimum safeguards pursuant to Article 18 of EU taxonomy.

This is reflected in the SEMS Policy, the detailed on-site due diligence and the application of the risk evaluation report based on IFC Performance Standards. Through the SEMS, the eeef has put practices in place to promote responsible business conduct through its investment activities, supporting that its investments do not contribute to adverse impacts, but promote a positive development impact. The eeef evaluates its existing and future investments against employment and industrial relations, human rights, environmental performance, stakeholder management, grievance mechanisms using the IFC Performance Standards as guidance.

C. Sustainable investment objective of the financial product

The eeef has sustainable investment as its objective. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective.

The objective of the eeef is to promote to a sustainable energy environment and contribute to the mitigation of climate change and transitioning to resilient, energy-efficient, and green infrastructure by enhancing energy efficiency and fostering renewable energy in the form of a targeted private–public partnership, primarily through the provision of dedicated financing via direct finance and partnering with financial institutions. To that end, the eeef enables projects in European cities, regions and communities to build resilient infrastructure, through the provision of dedicated financing to projects in energy efficiency, renewable energy, and electrification of transport, which have a link to the municipal, local, regional or national authorities and public or private entities acting on behalf of those public authorities.

In combination with the requirement to only invest into economically sound sustainable projects and to build a public-private partnership, the eeef facilitates sustainable investments in the public sector, where projects are often hindered or decelerated due to budget restrictions and lack of experience with financial rigor. By achieving these objectives, the eeef has an overall aim to attract

additional capital into climate financing, particularly into an area in which financial means are currently insufficient to strongly contribute to the mitigation of climate change.

The eeef's sustainable investment objectives are in line with 3 out of the 17 UN Sustainable Development Goals (**SDGs**) as follows:

Sustainable Investment Objective	SDGs alignment
Ensure access to affordable, reliable, sustainable and modern energy for all	Goal 7
Make cities and human settlements inclusive, safe, resilient and sustainable	Goal 11
Take urgent action to combat climate change and its impacts	Goal 13

The eeef is registered on the SDGs partnership platform⁸ since 2019.

D. Investment strategy

a) the Investment strategy to attain the sustainable investment objective

The investment strategy of the eeef is to target eligible project finance investments in the green infrastructure sector with a public link within the EU members States that support investments avoiding carbon emissions or primary energy consumption by at least 30% compared to baseline.

For the purpose of implementing such investments and projects, the eeef provides (i) direct financing to municipal, local, regional or national authorities and public or private entities acting on behalf of those public authorities, such as utilities, public transportation providers, social housing associations, Energy Service Companies ("**ESCOs**") or purchase of receivables (forfeiting structure), etc. ("**Beneficiaries**"); and (ii) indirect financing of such Beneficiaries through financial intermediaries on-lending the money made available to them by the eeef. The financing instruments are in the form of private debt (mostly senior but also junior) and equity (max 20% of total commitments).

Direct financings are either made in a forfeiting structure or on a project finance basis where the debt or equity is provided to a SPV solely established to implement the project. The use of funds of the forfeiting or the SPV is only for the intended infrastructure measure and cash flows generated from the investment are ring fenced for debt service or dividends to the eeef.

⁸ <https://sdgs.un.org/partnerships/european-energy-efficiency-fund-eeef-investing-sustainable-energy-projects-europe#description>

Indirect investments follow a similar structure just that the eeef channels the investment via a financial intermediary.

With the introduction of SFDR and EU Taxonomy Regulation, the eeef has adapted its investment strategy and ensures to include provisions and obligations in the relevant agreements, i.a. technical assistance agreements and facility agreements, with respect to all its investments (direct and indirect) in order to comply with its investment guidelines.

The eeef aims to provide financial support, on market-based terms, additional to the resources provided by the local financial sector and/or private investors.

The eeef investment strategy targets investments within three categories of projects within the Member States of the European Union:

Project category	Examples of investments
Energy Saving and Energy efficiency	<ul style="list-style-type: none"> - Public and private buildings incorporating renewable energy and/or energy efficiency solutions including those based on the usage of Information and Communication Technologies (ICT). - Investments in high energy efficient combined heat and power (CHP), including micro-cogeneration, and district heating/cooling networks, in particular from renewable energy sources. - Local infrastructure, including efficient lighting of outdoor public infrastructure such as street and traffic lighting, electricity storage solutions, smart metering, and smart grids, that make full usage of ICT. - Energy efficiency and renewable energy technologies with innovation and economic potential using the best available procedures.
Renewable energy	<ul style="list-style-type: none"> - Distributed generation from local renewable energy sources, to medium and low voltage (110kV and lower) distribution networks. - Smart-grids enabling higher renewable energy sources uptake. - Energy storage to allow storing part of the energy produced from intermittent sources during low-consumption hours and feeding this energy back at times of peak-demand. - Decentralised energy sources can also be the injecting of locally produced biogas into the natural gas network. - Microgeneration from renewable energy sources meaning distributed energy from renewable energy, typically providing below 50kW output that is

	concerned with heat and/or power production technology aimed at the individual domestic households, houses of multiple occupancy, multiple dwellings, and light commercial sectors. The technologies include but are not limited to photovoltaic, micro-wind power, micro-hydro power, ground-, water- and air source heat pumps, solar heating, solid biomass/biogas heating, and micro CHP using renewable energy sources.
Clean Urban Transport	Clean urban transport to support increased energy efficiency and integration of renewable energy sources, with an emphasis on public transport, electric and hydrogen vehicles and reduced greenhouse gas emissions. The projects will support a progressive substitution of oil by alternative fuels and the development of vehicles which consume less energy and generate fewer pollutant emissions.

b) the policy to assess good governance practices of the investee companies

The “good governance” is considered as a standard of governance, which is broadly reflective of industry-established norms and practices with regards to sound management structures, employee relations, remuneration of staff, tax compliance as well as compliance with applicable law (“**Good Governance**”).

A good governance assessment is conducted when the eef is investing in SPVs or financial institutions or providing financing to such SPVs or financial institutions. Depending on the structure where the eef is investing or financing, an applicable due diligence will be performed and documented with the support of the project developers and beneficiaries (e.g. resource constraints or employment conditions referred to in the OECD Due Diligence Guidance for Responsible Business Conduct). It has to be noted, however, that due to the fact that the majority of investment projects are implemented via a SPV structure, only a subset of the relevant OECD guidance topics is applicable.

E. Proportion of investments

Current asset allocation	
Sustainable	77%
Not sustainable: <ul style="list-style-type: none"> - the eef’s mandatory cash reserve to ensure the right level of liquidity; - required cash collateral in relation to hedging products; - cash awaiting disbursement to sustainable investments related to (i) incoming cash due to amortization of the existing portfolio and (ii) incoming new investor subscriptions 	23%

F. Monitoring of sustainable investment objective

The eeef has developed the SEMS and an Impact Management Framework (as outlined in its SEMS Policy) to define, assess, measure and monitor the specific impact of investments along the eeef’s lifetime, in particular the carbon emissions and primary energy savings performance in line with the IPMVP, which requires every project to establish a baseline energy consumption and then conduct a post-project implementation assessment.

Through the SEMS, the eeef has put practices in place to promote responsible business conduct through its investment activities, supporting that its investments do not contribute to adverse impacts, but promote positive development impact. The eeef assesses all investments against its SEMS Policy, identifying whether the investments have activities in the exclusion list (referred to in the Investment Guidelines of the AIFM Agreement) and the S&E risk level of the same. The eeef evaluates investments against employment and industrial relations, human rights, environmental performance, stakeholder management, grievance mechanisms using the IFC Performance Standards as guidance.

The eeef manages S&E risks and impacts through its SEMS, which is governed by the SEMS Policy. Such policy outlines those activities excluded from eeef financing and the SEMS standards that the eeef aligns with (i.e. OPIM)/IFC Performance Standards), and promotes development impact outcomes measured through its impact measurement framework.

Every eeef investment agreement outlines a number of S&E clauses and impact-reporting obligations. As an integral part of the general eligibility criteria of the eeef, the investment has to comply with its SEMS. The policy compliance is monitored through the investment’s lifetime. The eeef is publishing on its website all EIAs for the projects that are potentially deemed to have a negative environmental and/ or social impact. In accordance with Article 10(1) (a) to (c) SFDR, it provides sustainability-related disclosures in the financial services sector.

For both types of investments – direct and financial institution investments – the SEMS has specific performance requirements and procedures which are applied. Compliance with these is assessed during the due diligence process and monitored during the lifetime of the project.

Impact Monitoring and Evaluation Framework		
Module 1	Initial screening	The AIFM screens the eligibility of the projects proposed by the project developer and reviews whether these are in line with the eeef’s general criteria, have a public link and deliver a positive S&E impact. The projects with identified negative PAIs are

		not pursued. In the event of positive screening, detailed due diligence (including on-site) with legal and technical advisors will be carried out.
Module 2	Due diligence	<p>During the due diligence phase, the AIFM conducts thorough, in-depth due diligence of the investment opportunity and carefully evaluates the project's impact. The AIFM reviews the project's technical documents submitted by the project developers to ensure that the information provided is complete and is aligned with the eeef's energy and carbon calculation and reporting principles. The AIFM evaluates the project's eligibility along with the various criteria, including estimating the project's carbon and/or primary energy savings using validated calculations. The avoided CO₂e amount in tonnes per million euros invested should also fall within the range that appears in the market standards given geography and project scale.</p> <p>Aside from this, the project developer is also requested to submit a SEMS questionnaire, so that the eeef can ensure compliance in the project's social and environmental aspects according to the EU Directives on EIA.</p>
Module 3	Preparation of financial close	An Investment Committee ("IC") proposal is drafted by the AIFM, containing its investment recommendation and a summary of the findings on the main due diligence areas, project economics and risk mitigation strategy. The findings are presented in the IC proposal for decision.
Module 4	Investment Committee approval & execution	Upon approval by the Investment Committee, the signing of documentation and disbursement up front or according to agreed milestones follows. Contracts will comply with local legislation and the SEMS provisions of the eeef.
Module 5	Monitoring and reporting	The AIFM reports to the eeef project-specific primary energy and carbon savings and aggregates the savings across the portfolio on a quarterly basis. The realised investments are included in the quarterly report. S&E reporting is also conducted on a periodic basis on each

		<p>project level. A dedicated team manages the eeef’s annual audits and ensures that project lifetime savings and S&E aspects are aligned with estimations and investment criteria. When necessary, an on-site audit plan is proposed for assurance of project savings, especially for investments through local financial institutions.</p> <p>With reference to the Article 15.3 SFDR RTS, the eeef is not directly investing in non-financial undertakings as the projects are either structured as forfeiting agreements or project-finance transactions where the borrowers are either the SPV (direct investments) or the bank investing in the SPV (indirect investments). In all cases financing is only provided for CAPEX investments with a distinct use of funds. Project cash flows generated from the concession agreement are solely used for debt service and/or dividend payments. As such turnover is not a relevant measure to be used as a key performance indicator.</p>
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The eeef publishes on the website⁹ all (i) ESIA’s for the projects that were considered higher risk in the initial screening and (ii) how potential negative effects of the project are avoided or managed.

eeef Technical Assistance (TA): The eeef operates Technical Assistance which is targeted to support the public authorities in developing bankable sustainable energy investment programs. These projects relate to the energy efficiency sector, small-scale renewable energy and/or public urban transport. The eeef TA aims to bridge the gap between sustainable energy plans and real investments through supporting all activities necessary to prepare investments in sustainable energy projects.

To help the TA beneficiaries further as well as to ensure a higher project implementation rate, the eeef goes one step further providing TA support by way of consultancy services. The eeef selects appropriate experts with the required knowhow and expertise via a public tender process, completed entirely by the eeef, and assigns them to the relevant investment programs. The TA beneficiaries can use the consultant services to carry out, for example, feasibility studies and energy audits and to evaluate the economic viability of their investments. Legal support for the investment programs, on the other hand, is mandated by the TA beneficiary directly, while costs are to be covered by the eeef. Finally, the eeef TA can be combined with other project development support services offered by the European Commission.

⁹Please refer to “Download” section under <https://www.eeef.lu/social-environmental-standards.html>

G. Methodologies

To ensure the impact assessment, energy consumption, CO₂e emissions and primary energy savings of each project, a quarterly and monitored tracking is conducted in line with the IPMVP for energy consumption and generation calculations and ISO 14064-2:2019 for project carbon accounting. All methodologies used by the eeef have been validated by a global engineering company. To determine the impact of the eeef’s investments through measuring, monitoring and verification processes, the eeef technical criteria are assessed based on the project’s technology and investment size. For projects with higher investment volumes and/or more complex technologies, detailed energy analyses are required in the form of third-party validated reports.

For standard projects (e.g. street lighting), savings can be obtained directly by using validated calculations from greenstem™, the eeef’s web-based proprietary impact management and verification system. The calculation is aligned with international standards mentioned above and best practices, which is validated by a global engineering company.

Apart from assessing targeted eeef-specific primary energy/carbon savings goals, all investment in its portfolio also has to comply with its SEMS which consists of:

- EU Directives on EIA.
- IFC Performance Standards.
- Operating Principles for Impact Management.
- European Investment Bank (“EIB”) Statement on Environmental and Social Principles and Standards.

For both types of investments – direct investments into the projects in accordance with the Investment Guidelines and on-lending to financial institutions to invest in the projects in accordance with the Investment Guidelines. The eeef’s SEMS describes performance requirements (for example, minimum of primary energy or CO₂e savings) and procedures which are applied. Compliance with these documents is assessed during the due diligence process and yearly monitored during the lifetime of the project.

H. Data sources and processing

The eeef derives and manages its data as outlines in the table below.

Data Sources	The eeef draws on various data sources to measure achievement of the sustainable investment objective as well as to assess the S&E risks. The sources include quantitative and qualitative data from
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	<p>primary and secondary data sources, including public tender publications.</p> <p>Primary data originate from the project developers. The eeef accesses primary data through self-reporting documents or templates (i.e. SEMS risk assessing sheet) directly from the potential partners, but also through interviews, survey, and observation methods.</p> <p>Secondary data is collected from outside the partner institution (the “Partner Institution”). The eeef accesses a range of databases (i.e. IEA), including statistical, technical, or area-related data points.</p>
Data Processing	Collected data is processed internally, which includes data cleaning, documentation, and correction.
Data Quality	Internal and external data processing increases the quality of the data that the eeef works with. The different data sources allow the eeef to verify data and increase the quality of the data used for analysis and eventually obtain credible results.
Proportion of Data	<p>SEMS data is collected through due diligence and/or questionnaire from the project company on an annual basis.</p> <p>In principle, all projects’ primary energy and/or carbon savings are based on estimations for projects under construction and with less than one year of operations and actual data for projects, which have been in operation for over one year. Data on actual projects’ savings lag a year.</p>

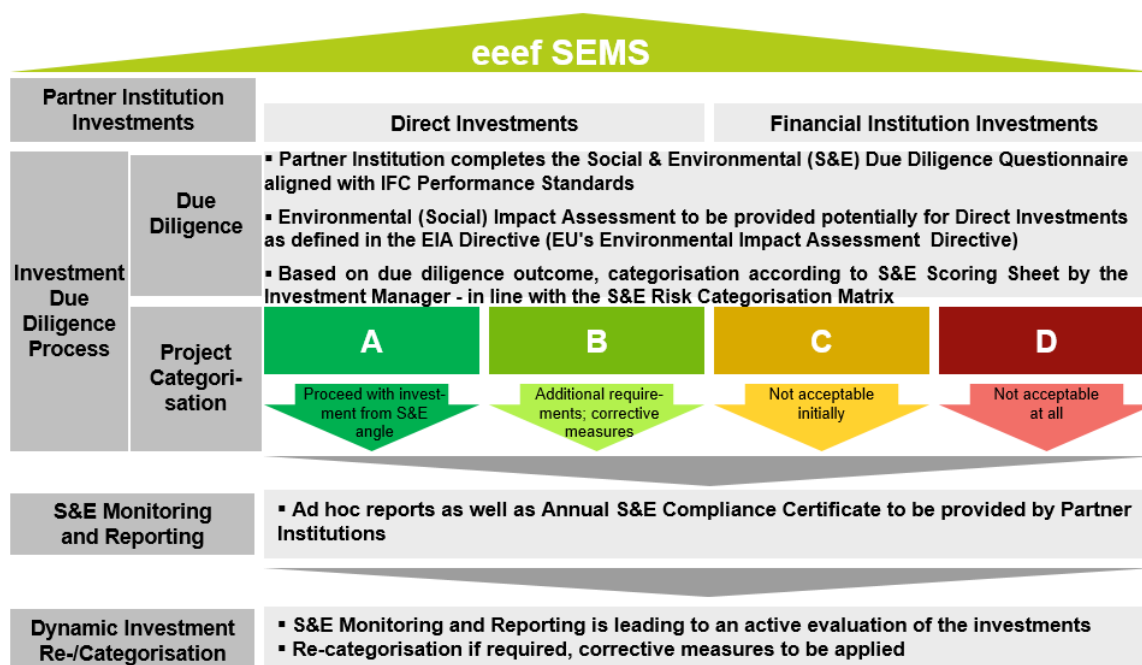
I. Limitations to methodologies and data

The eeef has developed its framework to measure progress towards achieving the sustainable investment objective over time. Own learnings and external reviews continuously inform adjustments. Notwithstanding this constant improvement process, the methodologies and the data used for analysis have limitations.

Key limitations are the (i) availability and (ii) quality of data covering the full range of PAI data points. The mixed method approach of the eeef allows accessing different data sources and facilitates verification of the data used for analysis. It therefore contributes to increased robustness of analytical results that are used to manage the achievement of the sustainable investment objective.

J. Due diligence

All underlying investments undergo risk-based S&E due diligence throughout the investments’ lifetime, requirements outlined below.



In respect to eeef-specific impact assessment, the eeef reviews project technical documents submitted by the project developers to ensure that the information provided is complete and complies with the eeef’s energy, carbon calculation and reporting principles. Among the submitted technical files by the project developers, a technology-specific due diligence questionnaire created by the eeef is attached, where the AIFM updates yearly emission conversion factors. The AIFM then evaluates the projects’ eligibility along with the various criteria including estimating project carbon and/or primary energy savings using validated calculations.

K. Engagement policies

Under the SEMS Policy, following the closing of a transaction, the eeef considers a balanced and substance over form approach. Therefore, when considering actions against Partner Institutions that are deemed to be in breach of the S&E Standards, the eeef considers the economic, environmental, and social risks of staying in the transaction against the rewards of helping the affected Partner Institution to transform its operations back into compliance for the benefit of the affected communities.

Generally, any issues that are found or, as relevant, estimated to significantly harm one or more of the environmental objectives referred to in Article 9 of the EU Taxonomy Regulation and PAIs,

trigger the exclusion of the contemplated investment as a sustainable investment and such investment is not further considered.

L. Attainment of the sustainable investment objective

To attain the sustainable investment objective, the eeef has established the process of choosing an investment which follows the eeef's investment criteria as outlined in the Investment Guidelines and in accordance with the PAIs on sustainability factors from Annex I, Table 1 SFDR: GHG emissions (no. 1) and Carbon footprint (no. 2).

All investment projects shall save at least 30% of primary energy and/or carbon emissions compared to the baseline when the eeef has entered and respectively will enter a project. Such baseline is measured in relation to the actual year of investment for each of the projects and takes into consideration the respective project site and other characteristics, such as the energy mix of the project location. This is established as part of the eeef's due diligence into every project, followed by a post-project implementation assessment for the duration of each individual investment. Throughout the lifetime of the investment, actual primary energy and carbon emissions data are collected and monitored on a yearly basis. Data is based on best practice industry standards, including the IPMVP for energy consumption and generation calculations and ISO 14064-2:2019 for project carbon accounting.

An eligibility assessment check is performed by the eeef to evaluate whether a project can qualify as a sustainable investment by applying the following criteria:

- the eeef may only consider public entities, private companies in a private public partnership or financial institutions who are financing the aforementioned companies;
- the project(s) either relate(s) to and develop (s) the energy efficiency sector, the renewable energy sector or the clean urban transport sector;
- the project(s) must support the goal of avoidance of CO₂e emissions or primary energy consumption by at least 30% compared to baseline of the relevant project;
- the investment does not violate any of the eeef's policies and guidelines such as the Exclusion List outlined above.

For both types of investments – direct investments into the projects and on-lending to financial institutions to invest in the projects in accordance with the Investment Guidelines – the SEMS describes performance requirements (for example, minimum of primary energy or CO₂e savings) and procedures which are applied. Compliance with these documents is assessed during the due diligence process and yearly monitored throughout the lifetime of the project. Investment Guidelines outline activities and investment project categories the eeef could consider for investments.