

Verifier Statement

Independent Verification Report

Prepared for DWS - European Energy Efficiency Fund (EEEF): 3 December 2021

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, DWS engaged BlueMark to undertake an independent verification of the alignment of the European Energy Efficiency Fund (EEEF)'s impact management (IM) system with the Impact Principles. EEEF's assets under management covered by the Impact Principles (Covered Assets) totals \$130.3 million², for the period ending 06/2021.

Summary assessment conclusions

BlueMark has independently verified EEEF's extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: EEEF has a clear impact objective at the fund-level, articulated in alignment with EU climate goals, and linked to relevant SDGs. To further align, EEEF could compile additional evidence to support its theory of change.

Principle 2: EEEF manages impact through fund-level impact targets and consistent tracking of Primary Energy and CO₂e Savings. To further align, the Fund could consider aligning staff incentive systems to the achievement of impact targets.

Principle 3: EEEF aims to invest in public sector projects which may otherwise remain under-financed and leverages a TA facility to support public sector readiness. To further align, EEEF should develop a structured assessment of the Fund's financial and non-financial contribution(s) to impact for each investment.

Principle 4: Expected CO₂e Savings and Primary Energy Savings are assessed using the greenstem tool and expected impact is assessed in line with the IMP dimensions. To further align, EEEF could explore potential indirect and negative impacts and could further assess the size of the challenge in targeted geographies.

Principle 5: EEEF has implemented a ESG risk management system, utilizing an exclusion list and a more detailed Environmental and Social Impact Assessment. Specific S&E performance requirements are agreed with investees and compliance is monitored annually. EEEF monitors for underperformance and has a process for taking corrective actions.

Principle 6: CO₂e Savings and Primary Energy Savings are monitored for each investment. To align further, EEEF could formalise the process for engaging with investees when monitoring indicates underperformance and seek to capture broader impact outcomes for each investment.

Principle 7: EEEF has not formulated a formal policy nor a standardised process for how it considers the effects of exit on the sustainability of impact. To further align with this principle, EEEF should document its investment philosophy related to exits into a policy/process that ensures various steps are taken to encourage the long-term sustainability of impact.

Principle 8: Quarterly and annual reports present a process for reviewing and documenting impact performance against expectations. To further align, EEEF could formalise a process to ensure impact insights inform operational and investment decisions. EEEF could further explore unintended impacts.

¹ Principle 9 states that signatories "shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns."

² Assets under management figure as reflected in Quarterly Report as of 30/06/2021. BlueMark's assessment did not include verification of the AUM figure.

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Detailed assessment conclusions

The chart below summarises findings from BlueMark’s verification of EEEF’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

Principle	Alignment
1. Define strategic impact objective(s), consistent with the investment strategy	H I G H
2. Manage strategic impact on a portfolio basis	H I G H
3. Establish the Manager's contribution to the achievement of impact	M O D E R A T E
4. Assess the expected impact of each investment, based on a systematic approach	H I G H
5. Assess, address, monitor, and manage potential negative impacts of each investment	A D V A N C E D
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	H I G H
7. Conduct exits considering the effect on sustained impact	L O W
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	M O D E R A T E

³ The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by EEEF. BlueMark has relied on the accuracy and completeness of any such information provided by EEEF. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from EEEF.

⁴ The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of EEEF.

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Assessment methodology and scope

EEEF provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of 3 December 2021. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.⁵

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system’s design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with EEEF staff responsible for defining and implementing the IM system;
3. Testing of selected EEEF transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to EEEF, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for EEEF in accordance with the agreement between our firms, to assist EEEF in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit EEEF to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate EEEF’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than EEEF for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognised leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

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