



## Summary Sustainability-related disclosures

December 2022

The European Energy Efficiency Fund SA, SICAV-SIF (the “**eef**”) 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 eef 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 eef aim to realise the potential of the European Union’s climate goals through financing investments which meet eef’s investment guidelines (the “**Investment Guidelines**”), covering its impact dimensions. The eef 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 eef 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 eef 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 eef financing and the SEMS standards that the eef aligns with and promotes development impact outcomes measured through its impact measurement framework (the “**SEMS Standards**”). Every eef 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 eef, the investment has to comply with its SEMS.

Since its establishment the eef 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 eef’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 eef publishes on the website all Environmental and Social Impact Assessments (the “**ESIAs**”) <sup>1</sup> 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.

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

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 75% (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 policies 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 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.