GREEN FOR GROWTH FUND

Green for Growth Fund

Sustainability-related disclosures: Statement on sustainable investment objective

(a) Summary

Sustainable investment objective of the financial product: The Fund's sustainable investment objective is to support mitigation of climate change and promote sustainable economic development.

Considering the Fund's target regions and specifics of the investment strategy, the Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

No significant harm to the sustainable investment objective: The Fund considers potential adverse impacts of its investments beyond the Principal Adverse Impact (PAI) indicators outlined in Table 1/ Annex I of the SFDR Regulatory Technical Standards (RTS). It maintains an Environmental and Social Management System (ESMS) including, but not limited to, the Fund's Environmental and Social (E&S) Policy, E&S Exclusion List, and detailed E&S procedures. The GGF ESMS guides the Fund's approach to assessing, mitigating and monitoring potential adverse impacts at every stage of the investment process. The Fund is leveraging the PAI indicators to monitor potential adverse impacts of its investees and to inform investment selection and focus areas for engagement. The Fund's E&S requirements to Partner Institutions (PIs) include obligations to manage adverse impacts of the GGF funded activities to avoid significant harm. The PI's capacity and commitment to manage and mitigate significant adverse impacts is assessed during due diligence considering international standards, such as the IFC Performance Standards, ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Investment strategy: The Fund provides dedicated private debt financing to small- and medium-sized enterprises (SMEs) and households as well as to eligible projects and companies ("Target Groups") primarily indirectly through eligible financial intermediaries. Financial intermediaries – local commercial banks, microfinance institutions and leasing companies – must finance projects of the Target Group in line with the use-of-proceeds criteria defined below.

To a lesser extent, the Fund also provides debt and equity financing directly to energy service companies, renewable energy companies, companies and municipal entities implementing renewable energy and/or energy efficiency measures, and small-scale renewable energy and energy service and supply companies.

To facilitate contribution to the Fund's sustainable investment objective, the investment strategy stipulates criteria both to guide the selection of PIs as well as to steer the use-of-proceeds. The criteria include the requirement for each investment to achieve CO2 emissions reductions or primary energy savings of at least 20% with reference to stringent benchmarks.

PIs have to provide regular reporting, based on which, the Fund monitors alignment with the use-of-proceeds criteria.

The Fund's investments can be complemented by tailored capacity building and technical assistance to enhance positive impact as well as to build investee capacity on managing and mitigating principal adverse impacts.

Core binding elements of the investment strategy used to select the investments to attain the sustainable investment objective relate to:

1. Target PIs (type);
2. Eligibility criteria for PIs;
3. Target countries; and
4. Target Group.

The Fund, guided by the GGF Investment Guidelines, Credit Risk Policy, E&S Policy and the AML/CFT Policy, is committed to actively promoting good governance, integrity, and transparency standards in its selection and financing of PI investments. Good governance practices – including, but not limited to, sound management structures, employee relations, remuneration of staff and tax compliance – are assessed as part of the due diligence and integrated into the Fund's decision making.

Proportion of investments: The Fund strives to invest at least 85% of its total net assets in investments considered as sustainable under SFDR, considering the annual average. The remaining share can be held in cash and cash equivalent instruments (including cash placements and money market instruments) to ensure the Fund's sound operations and to optimize short-term liquidity management. While these investments may not be considered as a sustainable investment within the meaning of the SFDR, the Fund ensures a minimum level of environmental and social safeguards, when selecting cash placement and money market counterparties and instruments. As such, the investments which are not sustainable investments are not expected to affect the delivery of the Fund's overarching sustainable investment objective.

Out of the minimum share of sustainable investments, 100% will work towards an environmental objective. Out of these, the Fund invests in economic activities that are expected to contribute to the following environmental objective set out in the Article 9 of the Taxonomy Regulation[1]: climate change mitigation. The minimum extent to which the Fund's sustainable investments are expected to align with the EU Taxonomy constitutes 15%.

Monitoring of sustainable investment objective: In order to monitor the positive impact of its activities, the Green for Growth Fund (GGF) has identified a set of indicators, including:

- Annual CO2 emission reduction (tCO2/year)
- MWh/year of primary energy savings

(b) No significant harm to sustainable investment objective

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

The Fund considers potential adverse impacts of its investment beyond the Principal Adverse Impact (PAI) indicators outlined in Table 1/Annex I of the SFDR Regulatory Technical Standards (RTS). It maintains an Environmental and Social Management System (ESMS) including, but not limited to, the Fund's Environmental and Social (E&S) Policy, E&S Exclusion List, and detailed E&S procedures.

The GGF ESMS guides the Fund's approach to assessing, mitigating and monitoring potential adverse impacts at every stage of the investment process. The Fund is leveraging the PAI indicators to monitor potential adverse impacts of its investees and to inform investment selection and focus areas for engagement. The Fund's E&S requirements to Partner Institutions (PIs) include obligations to manage adverse impacts of the GGF funded activities to avoid significant harm. The PI's capacity and commitment manage and mitigate significant adverse impacts is assessed during due diligence considering international standards, such as the IFC Performance Standards, ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

How are the indicators for adverse impacts on sustainability factors taken into account?

As part of the Fund's approach to managing adverse impacts associated with its investments, the Fund considers and collects information on the PAI indicators outlined in Table 1/Annex I of the SFDR RTS. Assessment of PAI indicators is integrated into due diligence and monitoring. The Fund uses proxies and tools to estimate performance against the PAI indicators where data gaps exist.

[1] Regulation (EU) 2020/852 (Taxonomy) on the establishment of a framework to facilitate sustainable investment

Are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

The GGF is committed to respecting human rights as defined by the International Bill of Human Rights and the fundamental conventions of the International Labor Organization (ILO). The Fund's E&S due diligence process is a key tool for identifying potential adverse impacts related to human rights, corruption and bribery and taxation. The PI's capacity and commitment to avoid causing harm is assessed during due diligence considering international standards, such as the IFC Performance Standards, ILO Fundamental Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

For more details, please refer to the GGF statement on the integration of principal adverse impacts.

(c) Sustainable investment objective of the financial product

What is the sustainable investment objective of the financial product?

The Fund's sustainable investment objective is to support mitigation of climate change and promote sustainable economic development.

The Fund's objective is in line with the long-term global warming targets of the Paris Climate Agreement. Considering the Fund's target regions and specifics of the investment strategy, the Fund has not designated a reference benchmark for the purpose of attaining the sustainable investment objective.

(d) Investment strategy

What investment strategy does this financial product follow?

The Fund provides dedicated private debt financing to SMEs and households as well as to eligible projects and companies ("Target Groups") primarily indirectly through eligible financial intermediaries. Financial intermediaries – local commercial banks, microfinance institutions and leasing companies – must finance projects of the Target Group in line with the use-of-proceeds criteria defined below.

To a lesser extent, the Fund also provides debt and equity financing directly to energy service companies, renewable energy companies, companies and municipal entities implementing renewable energy and/or energy efficiency measures, and small-scale renewable energy and energy service and supply companies.

To facilitate contribution to its sustainable investment objective, the investment strategy stipulates criteria both to guide the selection of PIs as well as to steer the use-of-proceeds.

Eligibility criteria for the PI selection reflect considerations of the Fund's sustainable investment objective and principles of good corporate governance.

Positive and negative criteria for the use-of-proceeds include:

- Each investment, both through a Financial Institution as well as direct investments in the Target Groups have to achieve CO2 emissions reductions or primary energy savings of at least 20%with reference to stringent benchmarks. Expected CO2 emissions reductions and energy savings are assessed ex-ante for each investment and monitored throughout the investment period, comparing actual environmental impact with baseline emissions.

- In case of investing through financial intermediaries on-lending requirements are defined. These requirements include the type of end-borrower, limits to the possible loan size to end borrowers and eligible measures to be financed. These requirements can be adapted to the respective market.

- Investments have to follow the Fund's Exclusion List, which prohibits financing activities with inherent or elevated sustainability risk, such as those related to coal, oil and gas sectors, activities involving child or forced labor, and those involving the destruction of high conservation value areas, among others.

PIs have to provide regular reporting, based on which, the Fund monitors alignment with the use-of-proceeds criteria.

The Fund's investments can be complemented by tailored capacity building and technical assistance to enhance positive impact as well as to build investee capacity on managing and mitigating principal adverse impacts.

In working towards the above stated sustainable investment objective, the Fund contributes to the Sustainable Development Goals (SDGs), towards which the Fund's activities have been mapped at the SDG target level. In particular, investments contribute to SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 17 (Partnerships for the Goals). For more information on GGF's contributions towards these SDGs, please refer to the Fund's website.

GGF carries the LuxFLAG Climate Finance Label[2], which must be renewed on an annual basis. The LuxFLAG Climate Finance Label is awarded to investment funds that can demonstrate that they invest at least 75% of their total assets in investments clearly and directly related to the mitigation and/or adaptation of climate change or cross-cutting activities.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

Core binding elements of the investment strategy used to select the investments to attain the sustainable investment objective relate to:

1. Target PIs (type);
2. Eligibility criteria for PIs;

[2] https://www.luxflag.org/labels/climate-finance/about-label.html

3. Target countries; and
4. Target Group.

What is the policy to assess good governance practices of the investee companies?

The Fund, guided by the GGF Investment Guidelines, Credit Risk Policy, E&S Policy and the AML/CFT Policy, is committed to actively promoting good governance, integrity, and transparency standards in its selection and financing of PI investments. Good governance practices – including, but not limited to, sound management structures, employee relations, remuneration of staff and tax compliance – are assessed as part of the due diligence and integrated into the Fund's decision making.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes
☐ No

Through its ESMS, GGF considers adverse impacts beyond the PAI indicators on sustainability factors outlined in Table 1/Annex I of the SFDR RTS at each stage of the investment cycle, including the Fund's decision-making process.

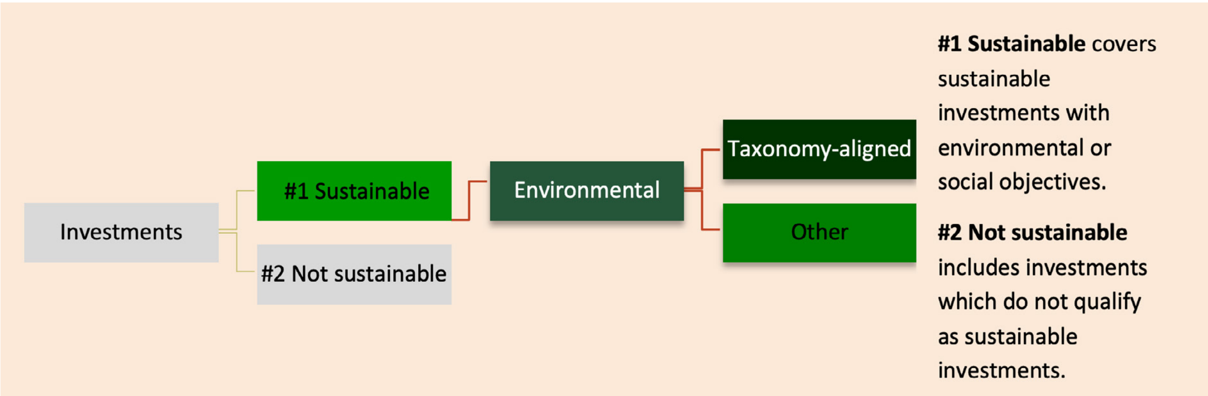
Investments are subject to initial screening and comprehensive due diligence processes, which support the Fund in identifying potential adverse impacts and in assessing the PIs' capacity and commitment to address and mitigate against these impacts. Results of the due diligence form a part of the investment proposal and are presented to the Investment Committee. Where adverse impacts cannot be mitigated to a satisfactory extent the investment will not proceed.

The Fund's E&S requirements to PIs include obligations to manage potential adverse impacts: GGF requires its PIs to carry out their activities in compliance with the GGF Exclusion List and national laws and regulations, and in conformance with – among others – the ILO Fundamental Conventions and relevant IFC Performance Standards.

Regular monitoring of the PIs' E&S performance is considered crucial to effectively manage the potential risks of potential adverse impacts of the Fund's investments. The Fund requires PIs to report on material negative E&S incidents, and on E&S performance on an annual basis, including on PAI indicators (as applicable). Proxies are utilized when primary data is not available. The Fund's due diligence and monitoring process also includes the use of data intelligence platforms for adverse media and controversies screening, to identify any high-risk factors or sustainability-related incidents.

(e) Proportion of investments

What is the planned asset allocation for this financial product?



The Fund strives to invest at least 85% of its total net assets in investments considered as sustainable under SFDR (#1 Sustainable), considering the annual average.

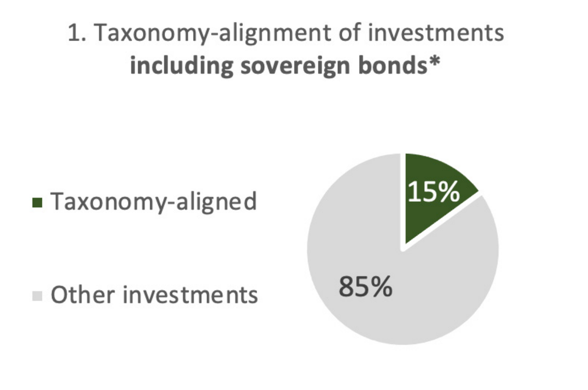
What is the minimum share of investments with an environmental objective aligned with the EU Taxonomy?

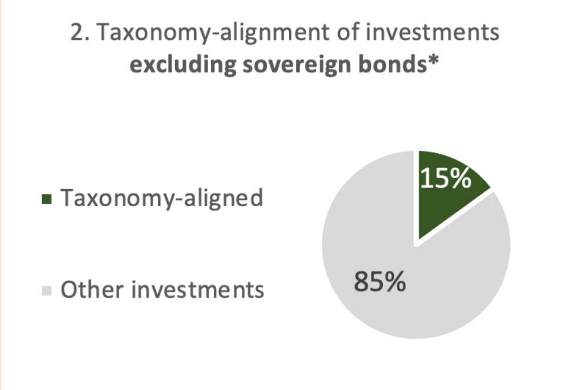
Out of the minimum share of sustainable investments, 100% will work towards an environmental objective. Out of these, the Fund invests in economic activities that are expected to contribute to the following environmental objective set out in the Article 9 of the Taxonomy Regulation: climate change mitigation.

The minimum extent to which the Fund's sustainable investments are expected to align with the EU Taxonomy constitutes 15%. Such activities may include but are not limited to: electricity generation from renewable energy sources; installation, maintenance and repair of energy efficiency equipment and renewable energy technologies; transport; manufacture of energy efficiency equipment, renewable energy and other low carbon technologies, among others.

The financial product does not have sovereign exposures.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 0%.

Considering the Fund's Target Region and investment strategy the share of investments that work towards an environmental objective but which are not aligned with the EU Taxonomy includes: investments which are not (yet) eligible for Taxonomy alignment, i.e. no technical screening criteria to determine contribution to the climate change mitigation objective have been defined; investments where local market characteristics differ from the requirements of the EU Taxonomy; and investments for which there is insufficient data to determine alignment.

What investments are included under "#2 Not Sustainable", what is their purpose and are there any minimum environmental or social safeguards?

The Fund's assets not qualifying as sustainable investments under the SFDR can be held in cash placements and money market instruments for liquidity purposes, falling under the scope "#2 Not sustainable". In addition, attaining the sustainable investment objective in its target region requires the Fund to provide investments in currencies suitable for these countries (in local currency, or in hard currency other than the Fund's currency) as well as in interest rate structures that do not necessarily match the interest rate structures paid to investors. In these cases, the Fund may use derivatives for the purpose of hedging currency risk and interest rate risks. By doing so, derivatives enable the Fund to make sustainable investments that would not have been possible otherwise.

Given the Fund's evergreen structure this position might at times fluctuate beyond the level implied above, for example due to high portfolio repayments, or to mismatches between the timing of on-boarding new investors (for example, the Fund has limited influence on the exact timing of funding subscriptions from public investors and on tranching this funding) and disbursements of the Fund's investment in the target region.

While these investments may not be considered as a sustainable investment within the meaning of the SFDR, the Fund ensures a minimum level of environmental and social safeguards, when selecting cash placement and money market counterparties and instruments. As such, the investments which are not sustainable investments are not expected to affect the delivery of the Fund's overarching sustainable investment objective.

(f) Monitoring of sustainable investment objective

What sustainability indicators are used to measure the attainment of the sustainable investment objective by this financial product?

In order to monitor the positive impact of its activities, GGF has identified a set of indicators, including:

- Annual CO2 emission reduction (tCO2/year)[3]
- MWh/year of primary energy savings

How are the sustainable investment objective and the sustainability indicators monitored throughout the lifecycle of the financial product and what are the related internal/external control mechanisms?

The expected environmental impacts are assessed ex-ante which informs the specific monitoring requirements and engagement focus areas throughout the investment period. Impacts are regularly monitored and reviewed at the Fund portfolio level as well as for each investment throughout its lifecycle. Where appropriate, third-party consultants are engaged to support the Fund's monitoring of investments.

Impact results towards these indicators along with additional metrics are regularly published on the Fund's website and in periodic publications and reports.

For more information on the Fund's impact monitoring approach and results please see:

- GGF Annual Impact Reports
- Quarterly factsheets on investment & environmental impact
- GGF Website
- Fund Advisor's Disclosure statement to the Operating Principles for Impact Management

[3] Calculation of the indicator is based on modelling by the Green for Growth Fund based on primary reporting and country-specific third-party data. See details in section "Methodologies" of this statement.

(g) Methodologies

What is the methodology to measure the attainment of the sustainable investment objective using the sustainability indicators?

The GGF utilizes primary data, such as from PI reporting or GGF's own internal Fund monitoring data as a general practice. In order to assess and monitor its environmental impact, the Fund applies the following assessment methodologies:

- The Fund's primary environmental indicators relating to CO2 emissions reductions and primary energy savings are calculated and reported in accordance with recognized methodologies/ approaches:
    - CO_2 emissions reductions are calculated and reported in accordance with the requirements of the International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting and its corresponding supporting standards.
    - Primary energy savings are calculated and reported in accordance with the requirements of EU Directive 2012/27/EU.
- Financial Intermediaries: depending on the nature and scale of a sub-loan, two specific assessment approaches are used:
    - Standard Measures: smaller, readily assessed sub-loans are directly calculated and reported in an online tool. The tool calculates positive environmental impact metrics (such as energy and emission savings) by combining project data provided by the PI and additional country-specific assumptions. The calculation model draws on base parameters that are adapted to climatic region-specific meteorological data (heating and cooling degree days, solar irradiation, precipitation levels etc.), fuel specific parameters (primary energy and CO_2 emission factors), country/region specific technical data (grid mix of electricity, efficiency of standardized technologies, etc.), crop-specific parameters (irrigation needs, fuel efficiency of agro-equipment, etc.).
    - Non-standard Measures: larger, more complex sub-loans are assessed on an individual basis by a third-party consultants. Such impact assessments undergo an additional check by the Technical Advisor of the Fund.

(h) Data sources and processing

What are the data sources used to attain the sustainable investment objective of the financial product including the measures taken to ensure data quality, how data is processed and the proportion of data that is estimated?

Input data for monitoring the Fund's attainment of the sustainable investment objective, it draws on the following data sources:

- (Internal) Fund-level data: Aggregated in the internal data management tools of the Fund Advisor. The data covers a range of data points at Fund and portfolio level, allowing monitoring of the Fund's overall activities related to resource mobilization, financing, and technical assistance.
- PI reporting: Contractually agreed reporting on a set of predefined indicators, submitted by the PIs to the Fund on a regular basis, utilized for continuous monitoring of use-of-proceeds, including through a tool developed specifically for financial institutions for the management of green sub-loan portfolios. It is being used both by the staff of GGF PIs to determine eligibility of projects and report their impact characteristics, as well as by the Fund for monitoring its environmental impact.
- Environmental impact studies: Depending on the scale and nature of the project, specialized consultants are engaged to assess the environmental impact of proposed investments.
- External evaluations: GGF collaborates on external evaluations which provide additional perspectives and analysis of the Fund's impact.
- On-site visits: Site visits facilitated through the Fund Advisor's staff operating from several offices across the region, facilitating continuous exchange with PIs, and the incorporation of on-the-ground market knowledge.

The proportion of data that is estimated is limited.

(i) Limitations to methodologies and data

What are the limitations to the methodologies and data sources? (Including how such limitations do not affect the attainment of the sustainable investment objective and the actions taken to address such limitations)?

Considering the Fund's target regions and investment strategy, the availability of relevant disclosures or external data for monitoring of the attainment of the Fund's sustainable investment objective is limited. To address this limitation and to ensure that it does not affect the attainment of the sustainable investment objective, data related to the abovementioned sustainability indicators is directly collected from PIs. The data reported to the Fund is reviewed by the Fund Advisor's expert teams.

(j) Due diligence

What is the due diligence carried out on the underlying assets and what are the internal and external controls in place?

Assessing the potential of an investment to contribute to the Fund's sustainable investment objective follows a two-step approach in the pre-investment phase:

- During pre-screening, the investment's alignment with the Fund's requirements is assessed. This relates to minimum requirements regarding ESG aspects, as per the Fund's Issue Document and Investment Guidelines.

- During the due diligence phase, the investment is assessed with regards to the binding elements of the Fund's investment strategy related to the eligibility criteria and positive and negative screening criteria for the use of proceeds. In addition, for each investment the alignment with the Fund's impact objectives is reviewed, taking into consideration different elements such as potential outreach to the target group, the investee's capacity to deliver the expected impact and the Fund's specific impact contribution. The due diligence also includes the identification of potential adverse impacts and an assessment of the PI's capacity and commitment to address and mitigate against these impacts. The Fund assesses the PI's own ESG practices and capacities. If material gaps are identified, the PI will be required to address them within a reasonable timeframe.

(k) Engagement policies

Is engagement part of the investment strategy?

Engagement with PIs is an integral component of the Fund's investment process and central to managing the Fund's achievement of its sustainable investment objective. GGF considers itself as a long-term partner to its PIs in line with its target to sustainably strengthen the green finance capacities in the local investment environments of its target regions. This engagement includes the provision of tailored technical assistance to develop green financial products, train PI staff on green finance practices/requirements, enhance a PI's capacity to assess environmental impacts, and offer assistance to end-clients for green investments, among others.

(l) Attainment of the sustainable investment objective

Has a reference benchmark been designated?

☐ Yes
☒ No

Annex

Version history	
Version date	**Description of the change**
9 March 2021	First publication in accordance with Article 10 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR, "the Regulation")
19 December 2022	Update of the statement in line with the final Regulatory Technical Standards (RTS) in accordance with Article 10 of SFDR