



## **Sustainability-related product disclosure: BlueOrchard Sustainable Assets Fund (BOSAF)**

In accordance with Chapter IV, Article. 45-57 and Article 9(1), (2) and (3) of Regulation (EU) 2019/2088

### **1. Summary**

The BlueOrchard Sustainable Assets Fund (BOSAF) or the “Fund” presents a unique opportunity to contribute to the long-term development of emerging and frontier markets, with infrastructure investments focused on clear and measurable impact targets in line with selected Sustainable Development Goals.

### **2. No significant harm to the sustainable investment objective**

The fund does not directly invest in sectors, which are prohibited by the IFC Exclusion List. Furthermore, inherent to the investment process is an ESG and Impact assessment (B.Impact Framework). The ESG Spirit Scorecard developed by BlueOrchard is a dedicated tool and process to assess investees’ environmental, social and governance risks and practices. It is aligned to international standards like the ILO Labor Convention. The Impact Spirit Scorecard verifies, amongst others, that the potential investment side effects do not cause significant harm to other sustainable investment objectives. BlueOrchard’s proprietary tools are based on the Operating Principles for Impact Management.

### **3. Sustainable investment objective of the financial product**

The Fund invests in sustainable infrastructure projects contributing to SDGs across emerging markets. Investments can be sector agnostic as long as they generate significant positive social or environmental impact in line with the SDGs. The Fund will target low carbon climate resilient infrastructure assets in the energy sector as well as other impactful infrastructure assets in the sustainable transportation and data infrastructure space.

### **4. Investment strategy**

The Fund will provide senior and subordinated debt to mid-sized infrastructure assets with clear social, environmental, and economic benefits in emerging and frontier markets. The Fund’s investments are to mitigate climate change and provide evident and measurable contributions to the SDGs, such as a measurable reduction and avoidance of carbon gas emissions or benefits to the local communities either through access to sustainable transport systems or creation of local jobs. The Fund will have a global remit, with investments across Official Development Assistance (ODA) recipient countries. Sustainability risk is reflected in the overall impact investment process and makes part of the variable compensation scheme.

### **5. Proportion of investments**

All investments (100%) are screened according to BlueOrchard’s proprietary ESG and Impact screening methodology. The remaining is invested in cash or money market funds.

### **6. Monitoring of environmental or social characteristics**

All investments of the Fund are regularly monitored for their impact KPIs by a dedicated team of impact and ESG specialists. Borrowers are responsible for submitting detailed information for this assessment. Additionally, the ESG Spirit Scorecard is updated on a biennial frequency and the Impact Spirit Scorecard in case the impact objective may not be attained.

### **7. Methodologies**

Each prospective investment is analyzed via a three-step ESG and Impact assessment framework consisting of (1) ESG assessment: a dedicated tool and process to assess a project’s environmental, social and governance risks and practices, (2) Impact Assessment: a dedicated tool and process to



assess a project's potential impact, (3) SDG Mapping and alignment: a dedicated SDG methodology allowing for SDG mapping at fund, sector and cross-sectoral level with clear impact targets. Specifically for infrastructure investments, BlueOrchard has developed the Sustainable Infrastructure Spirit as an impact assessment tool following market best practices and based on the Impact Management Project Framework. It is a dynamic tool and the impact data collected are traceable and verifiable.

#### **8. Data sources and processing**

The B.Impact framework consists of a holistic approach to manage and measure ESG risks and impact potential across asset classes and impact themes. The two separate developed scorecards are looking at ESG risks and practices of a company and the impact generated by the investment. Most information is collected through direct contact with potential investees and their information on the underlying portfolio, policies and procedures, organizational structure, business plans, etc. which will form part of the proprietary tools and processed accordingly.

#### **9. Limitations to methodologies and data**

Given the fast-paced development of ESG and Impact management tools and methodologies across the industry, BlueOrchard's proprietary tools are reviewed and updated on a regular basis to drive industry best-practice. The last update was reviewed and launched in December 2020. Using a proprietary tool eases comparability across the investments based on the same metrics and standards.

#### **10. Due diligence**

Each investee financed by the Fund needs to go through a rigorous on-site Due Diligence process. The Due Diligence process focuses on financial and social performance and can be broken down into two components: (1) Industry information collected through meetings with local regulators, associations, rating agencies, other infrastructure investors, etc., and (2) the on-site due diligence of the investee where the investment officers assess in detail policies, procedures, processes and practices. The on-site due diligence visit typically lasts for 2-3 days.

#### **11. Engagement policies**

Engagement policy is part of the ESG framework (Investment Process Level).

#### **12. Attainment of the sustainable investment objective**

The fund represents an innovation in the market with a strong impact focus; a direct comparison of the Fund with available benchmarks is not the case (Article 9 (2) no index designated as its reference benchmark). The fund maps its impact to the Sustainable Development Goals (SDGs) via a dedicated SDG methodology allowing for SDG mapping at fund and investment level.

For more information on BlueOrchard's proprietary ESG & Impact measurement tool in relation to this sustainability-related product disclosure please contact: [info@blueorchard.com](mailto:info@blueorchard.com)