

Sustainability-related product disclosure: BlueOrchard UCITS Emerging Markets SDG Impact Bond Fund

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

1. Summary

The BlueOrchard UCITS Emerging Markets SDG Impact Bond Fund or the “Fund” is a scalable and liquid impact investing strategy, offering investors unique access to a portfolio of bonds and loans of emerging market development banks, financials and microfinance institutions.

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 specifically seeks to contribute to closing the UN Sustainable Development Goals investment gap, while creating tangible impact along a number of selected SDGs. Apart from defined impact objectives including reduction of inequalities, basic infrastructure, clean energy and economic equality, the Fund will invest in bond issuances of sovereign development institutions and local financial institutions to foster financial inclusion.

4. Investment strategy

The funds investment strategy consists of identifying promising socially responsible issuers worldwide, and to accompany them in their growth and development while earning a stable financial return for investors through a risk-controlled, rigorous asset selection process. Sustainability risk is reflected in the overall impact investment process (B.Impact) and makes part of the variable compensation scheme.

5. Proportion of investments

All bond 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

The investments are monitored on a regular basis. For Green, Social and Sustainability bonds the bond allocation and impact report will be collected every year to guarantee ICMA compliance and to update KPIs accordingly. In case of reputational risk or a material change in business model, the ESG and Impact assessments are performed again.

7. Methodologies

BlueOrchard takes an active approach towards Impact Bond Fund investing and follows a disciplined investment approach. A proprietary bottom-up credit selection and top-down portfolio construction process facilitates an active management approach. ESG and impact measurement and management is an integral part of the investment process. 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 & alignment: a dedicated SDG methodology allowing for SDG mapping at fund and investment level.

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 public sources of information (e.g. company websites, independent parties' reports); and direct contact with external experts. Both 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 bond investments based on the same metrics and standards.

10. Due diligence

Investments will be selected by applying a 3-stage top-down, country risk and bottom-up process. These analyses result in an impact and financial scoring and determine the portfolio construction process. A rigorous bottom-up credit selection has been established to ensure social and financial goals are pursued and aligned. The process includes: issuer background analysis, ESG risk assessment, external rating review, ESG and Impact Spirit scorecards assessments and SDG alignment, capital adequacy & performance, risk / return assessment.

11. Engagement policies

Engagement policy is part of the ESG framework (Investment Process Level). On the public asset side, our engagement with companies consists of 1-to-1 investor calls where we take the opportunity to challenge issuers in regards to ESG and Impact related questions we identified during our analysis. The discussions can be a source for change/improvement of documentation available and approach.

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