



Sustainability-related product disclosure: The InsuResilience Investment Fund

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

1. Summary

The InsuResilience Investment Fund, SICAV-RAIF (IIF) or “the Fund” is a pioneering initiative to develop climate insurance solutions for the poor and vulnerable, driven by KfW, the German Development Bank, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

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 was created to facilitate the adaptation to climate change by improving access to and use of climate insurance solutions in developing countries, as well as to improve the resilience of poor and vulnerable households to weather events, while financing qualified corporates along the value chain of insurance with main operations in Official Development Assistance (ODA) recipient countries.

4. Investment strategy

IIF is an umbrella fund structure combining a private debt Sub-fund (IIF Debt Sub-fund) and a private equity Sub-fund (IIF Equity Sub-fund). The Debt Sub Fund’s investment strategy focuses on a strong and diversified portfolio of institutions that facilitate the distribution of climate insurance products to the poor and vulnerable. The Equity Sub Fund’s strategy is to partner with investees to support and accelerate the development of climate insurance products. Sustainability risk is reflected in the overall impact investment process and makes part of the variable compensation scheme.

5. Proportion of investments

All IIF 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 IIF are regularly monitored for their social component by a dedicated team of monitoring specialists. Specific impact related indicators relevant for the Fund, e.g. number of poor and vulnerable having access to climate insurance and number of female beneficiaries, are monitored at the investee level on quarterly basis throughout the life of the investment. 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

The Fund combines a top-down approach of strategic asset allocation with a rigorous bottom-up credit analysis and underwriting process. 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 direct contact with IIF 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 BlueOrchard Microfinance 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 lenders, etc., and (2) due diligence of the investee where the investment officers assess in detail policies, procedures, processes and practices of the investee. The due diligence is comprised of interviews with the senior management and directors and loan file reviews and more broadly assess credit underwriting and risk management tools and processes.

11. Engagement policies

Engagement policy is part of the ESG framework (Investment Process Level). IIF Investees are eligible to receive support from a dedicated Technical Assistance (TA) Facility, fully funded by BMZ. The TA Facility finances the development and distribution of climate insurance products. In addition, BMZ has established a Premium Support Facility to temporarily support the ramp-up of viable innovative climate insurance products of the Funds' investees.

12. Attainment of the sustainable investment objective

IIF is the first fund investing to support climate insurance for the poor and vulnerable in less developed countries. A direct comparison of the Fund with available benchmarks is not applicable (Article 9(2)) as there is no index available as a 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