



## Principal Adverse Impact Statement

In accordance with Article 4(1)(b) and 4(2) of Regulation (EU) 2019/2088

BlueOrchard Asset Management (Luxembourg) SA (the “Firm”, “we”, “our”, “BlueOrchard”), considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse impacts statement of BlueOrchard Asset Management (Luxembourg) SA.

### (a) Definitions

**Integration of Sustainability Risk Consideration:** means explicitly and systematically include analysis of a range of Sustainability Risks. In principle, this leads to a broader assessment of the environment in which investee companies operate and their performance in managing different stakeholders’ interests, giving a fuller understanding of future opportunities and risks than traditional financial analysis alone.

**Sustainable Investment:** as defined under SFDR, means (a) an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and on greenhouse gas emissions; or on its impact on biodiversity and the circular economy, or (b) an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or in economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. The terms used in this definition in turn depend for their meaning on their use in the SFDR.

**Sustainability Risk:** means an environmental, social or governance event or condition that, if it occurred, could cause an actual or a potential material negative impact on the value of investments. The terms used in this definition in turn depend for their meaning on their use in the SFDR.

**Sustainable Factors:** mean environmental, social, employee matters, respect for human rights, anti-corruption and anti-bribery matters. The terms used in this definition in turn depend for their meaning on their use in the SFDR.

### (b) Description of principal adverse impacts on Sustainability Factors

As a global asset impact manager, BlueOrchard plays an important role in understanding the relationship between the social and environmental challenges the world faces and the potential impact that these will have on the investments that the company makes on behalf of their clients. Through the Integration of Sustainability Risk Considerations, we apply an investment framework through which the risks and opportunities related to Sustainability Factors are considered by our Impact, Risk and Investment teams as an integral and mandatory part of the investment process.

The Integration of Sustainability Risk Considerations in our investment process provides a broad assessment of the market in which our investees operate, and their performance in managing different

stakeholder interests, thus offering a fuller view of future opportunities and risks than traditional financial analysis alone.

We recognize that companies do not operate in a vacuum: their long-term competitiveness, profitability and value are closely tied to their abilities to adapt to, and take advantage of, structural social and environmental trends.

We recognize that business activities, including those of our investees, may result in impacts on the planet and/or on people. These impacts can be deemed positive or negative. As an impact asset manager, we have an obligation not only to understand and quantify the positive effects of our investments, but to develop, implement and continually refine our approach to assessment of impact risk and the tools at our disposal for mitigation thereof.

### **(c) Description of policies to identify and prioritise principal adverse impacts**

BlueOrchard has developed proprietary tools and adequate capacity to identify and consider sustainability risks and principal adverse impact on Sustainability Factors as part of its investment process and thus ensures that principal adverse impacts are minimized, mitigated or avoided throughout the lifecycle of an investment.

BlueOrchard uses B.Impact, a proprietary impact management and ESG framework, that consists of a comprehensive approach to manage and measure ESG risks and impact potential across asset classes and impact themes. It is important to highlight that B.Impact is aligned with the Operating Principles for Impact Management (OPIM), a recognised framework developed to ensure that impact considerations are integrated throughout the investment lifecycle, and it has been externally verified. B.Impact consists of both ESG and Impact Scorecards.

The identification and assessment of principal adverse impacts is conducted as part of the ESG assessment at due diligence and monitoring stages.

The ESG Scorecard is used during the due diligence to entail a sustainability risk assessment taking into consideration environmental, social and governance events or conditions that could cause an actual or a potential material negative impact on the value of the investment and it evaluates that the investee meets certain minimum safeguard standards. Each investee is scored in a range between 0 and 100, and a rating is assigned. BlueOrchard only selects investees from “Low ESG Risk” to “Medium ESG Risk” categories with proper risk mitigation processes in place.

As part of ongoing monitoring, investees are reassessed on their ESG processes and practices on a regular basis to ensure that each investee still complies with BlueOrchard’s ESG standards and requirements and additional diligence is performed in the event of an actual or perceived material change in their approach. In addition, BlueOrchard closely and very actively monitors emerging markets and specific sectors to identify negative industry trends where they arise and to reassess investment strategy where necessary in that context.

Finally, BlueOrchard ensures that any managed Funds do not invest in harmful sectors which are prohibited by respective Fund’s Exclusion Lists (at least aligned with IFC Exclusion List).



#### **(d) Engagement policies**

Engagement, as defined by the United Nations Principles for Responsible Investment (UN PRI), is “the process through which investors use their influence to encourage companies they invest in to improve their management of ESG issues.”<sup>1</sup> BlueOrchard strives to engage actively with investees to support, encourage and guide them towards best ESG practices and towards maximizing their impact potential. We believe effective and responsible engagement are key to delivering long-term risk-adjusted returns for our clients.

As such, engagement is integral part of our investment process. Investment officers in BlueOrchard’s regional offices constitute the main point of contact for our investees. They are thus responsible for carrying out most engagement activities, supported and complemented by the Impact Management Team. However, in certain private asset investments, especially in private equity and infrastructure investments, the Impact Management team may engage directly with the investee.

Thematic priorities for engagement with investees can vary and depend on the materiality of a certain issue. However, a central priority for engagement is always the investees’ ESG performance and capabilities. Any gaps or shortcomings related to an ESG topic identified during the due diligence or ESG assessment will result in an engagement with the investee to address the identified issue and mitigate the negative impact.

These may include for example:

- Support on developing and implementing Environmental and Social Management Systems (ESMS)
- Establish concrete mitigation measures or operational safeguards to minimise any identified material negative impact
- Build ESG capabilities
  - Support on developing and implementing an exclusion list
  - ESG and impact data collection, monitoring and/or reporting
  - Corporate governance (e.g. appointing a sustainability representative on the institution’s board and management)
  - Carbon accounting methodologies

The description of our engagement process is formalised in our ESG & Impact Framework.

#### **(e) References to international standards**

BlueOrchard’s ESG Scorecard is aligned with international standards such as the IFC Performance Standards, the International Labor Standards, the United Nations Global Compact and to a broad extent with the OECD Guidelines for Multinational Enterprises.

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)

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<sup>1</sup> UN PRI (2013). <https://www.unpri.org/stewardship/getting-started-with-collaborative-engagement-/482.article>.