



BlueOrchard's Impact & ESG Approach

This document describes the Impact Management and Environmental, Social and Governance Approach (“Impact & ESG Approach” or the “Approach”) for the investment process at BlueOrchard Finance Ltd (“BlueOrchard” or the “Company”).

Marketing material.
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I. Purpose and scope

BlueOrchard is a specialist global impact investment manager and a member of the Schroders Group. Since its foundation in 2001, BlueOrchard has sought to generate measurable positive social and environmental outcomes alongside financial returns.

This **Impact & ESG “Approach”** establishes the principles governing the integration of impact and Environmental, Social and Governance (ESG) considerations throughout BlueOrchard's impact investment activities¹.

BlueOrchard operates within the governance framework of Schroders and complies with applicable Group policies relating to ESG, responsible investment, stewardship, sustainability risk management and corporate governance². This Approach complements those policies by setting out the additional principles, governance and practices specific to BlueOrchard's impact investment activities.

This Approach applies to all impact investment activities undertaken by BlueOrchard across listed and private markets. It is implemented through detailed internal procedures and investment guidelines, which may contain additional requirements depending on the asset class, investment strategy or product.

II. BlueOrchard's Impact & ESG approach

Impact investing has been at the core of BlueOrchard's investment philosophy since its inception. BlueOrchard believes that financial performance and positive social and environmental outcomes can be pursued alongside one another.

Across all impact investment activities, BlueOrchard seeks to:

- generate measurable positive social and/or environmental impact alongside financial returns;
- integrate material ESG factors, risks and opportunities into investment decisions throughout the investment lifecycle;

[1] For the purpose of this Approach, impact investment strategies are strategies that intentionally seek to contribute to measurable positive social and/or environmental outcomes alongside financial returns.

[2] Schroders website: [Sustainable investment policies, disclosures and voting reports](#)

- actively engage with portfolio companies to strengthen ESG performance and maximise impact outcomes;
- seek to sustain positive impact beyond the investment period, including by considering the potential effect of exit on impact outcomes; and
- monitor and report on financial, ESG and impact performance in a transparent manner.

BlueOrchard's Approach draws on over two decades of impact investing experience, internationally recognised standards and evolving market best practice, including, where relevant, but not limited to:

- the Operating Principles for Impact Management³;
- the IFC Performance Standards⁴;
- the UN Principles for Responsible Investment⁵;
- the UN Sustainable Development Goals⁶;
- recognised impact management methodologies, including the Five Dimensions of Impact⁷.
- the Client Protection Standards⁸.

III. Governance and oversight

The Impact Management Team is responsible for maintaining this Approach and supporting methodologies, tools and procedures, and for proposing material updates in line with regulatory developments, market practice and BlueOrchard's experience.

The [Global Impact & ESG Steering Committee](#), BlueOrchard's senior governance body for impact and ESG matters, is responsible for approving this Approach and overseeing its ongoing application and development.

[3] [Home - Operating Principles for Impact Management](#)

[4] [Performance Standards on Environmental and Social Sustainability | International Finance Corporation \(IFC\)](#)

[5] [Principles for Responsible Investment | PRI](#)

[6] [THE 17 GOALS | Sustainable Development](#)

[7] [Five Dimensions of Impact | Impact Frontiers](#)

[8] [Client Protection Standards & Pathway – Cerise+SPTF](#)

The implementation of this Approach is the responsibility of all BlueOrchard employees. Every employee is expected to comply with the principles set out in this Approach and the supporting procedures, within the scope of their respective roles and responsibilities. The [Impact Committee](#), BlueOrchard's investment-level governance body for impact and ESG matters, provides independent oversight of investment-level impact and ESG assessments, including the review of investments requiring enhanced governance in accordance with the relevant procedures.

This Approach is reviewed periodically to ensure its continued alignment with applicable regulations, Schroders Group policies and evolving market practice. It is published on the company's website.

IV. B.Impact™ Framework

BlueOrchard implements this Approach through its proprietary [B.Impact™ Framework](#), which provides a structured and consistent approach to integrating impact and ESG considerations across the full investment lifecycle and across asset classes. While the core principles of the B.Impact™ Framework apply across BlueOrchard's impact investment activities, their implementation is tailored to reflect the characteristics of the relevant asset class, impact theme and investment instrument.

The B.Impact™ Framework embeds impact and ESG management into every stage of the investment process, from initial screening and due diligence to investment decision-making, monitoring, engagement and reporting. It combines robust governance, proprietary methodologies and dedicated impact management capabilities to support disciplined investment decision-making and the delivery of measurable impact alongside financial returns.

The B.Impact™ Framework is built around four complementary components:

1. Independent governance, including dedicated governance bodies and independent review of impact and sustainability assessments.
2. Impact and ESG management capabilities, supported by dedicated expertise, proprietary methodologies and tools, ESG and impact scorecards and internal procedures.
3. Investment lifecycle integration, ensuring that impact and ESG considerations are embedded throughout investment selection, portfolio management, engagement, monitoring and reporting.

4. Continuous learning and accountability, supported by transparent reporting and periodic independent external verification of the B.Impact™ Framework.

The B.Impact™ Framework combines two complementary assessments that are applied to all impact investment opportunities:

- An ESG assessment, which evaluates material environmental, social and governance (ESG) risks and opportunities. The assessment considers material ESG risks, good governance practices, compliance with applicable minimum safeguards and exclusion criteria, and the investee's capacity to identify, manage and mitigate material ESG risks.
- An Impact assessment, which evaluates the expected contribution of an investment towards positive social and/or environmental outcomes, its alignment with the relevant investment strategy and impact objectives, and the likelihood of achieving the intended impact throughout the investment lifecycle.

Figure 1. BlueOrchard's B.Impact™ Framework



The assessments support investment decisions by ensuring that each investment is aligned with the relevant impact strategy while appropriately identifying and managing material ESG risks. They also determine the eligibility of investments and the level of governance and oversight required throughout the investment lifecycle.

For all impact investments managed by BlueOrchard, the following requirements apply:

- **Impact:** BlueOrchard impact funds target investments rated High or Very High Impact. Medium Impact investments may only be considered following additional review and approval by the Impact Committee. Low Impact investments are not eligible.
- **ESG:** BlueOrchard targets investments rated Low or Medium ESG Risk. High ESG Risk investments may only be considered following additional review and approval by the Impact Committee and may require mitigation measures, engagement and/or enhanced monitoring. Very High ESG Risk investments are not eligible; and
- All investments must comply with the applicable exclusion criteria as set out in Annex 1 to this Approach. Additional exclusions may apply at fund level where required by regulation, investor requirements or the relevant investment strategy.

The detailed assessment methodologies, rating thresholds and approval processes are described in the relevant Impact & ESG procedures.

The B.Impact™ Framework is regularly reviewed and enhanced, drawing on BlueOrchard's experience from its implementation, evolving regulatory requirements and industry best practice. BlueOrchard also contributes to the development of impact investing practices through participation in relevant industry initiatives and collaboration with market participants.

BlueOrchard is a signatory to the Operating Principles for Impact Management (OPIM)⁹, and its impact management system is subject to periodic independent verification against the Principles. The results of the verification are publicly disclosed, supporting transparency, accountability and the continuous improvement of BlueOrchard's impact management practices.

[9] [Home - Operating Principles for Impact Management](#)

V. Climate

BlueOrchard recognises that climate change presents both material risks and investment opportunities. Climate-related risks are considered not only because they may affect the financial performance of an investment, but also because they may impair the achievement of intended social and environmental impact outcomes.

Climate considerations are integrated into the B.Impact™ Framework and reflected in the assessment of material ESG risks and opportunities across all investment strategies.

As part of the Schroders Group, BlueOrchard supports Schroders' commitment to achieve net zero greenhouse gas emissions across its investment activities by 2050 and applies relevant Schroders Group climate policies, including the [Schroders Group Climate Change Position Statement](#)¹⁰ and the [Schroders Capital Fossil Fuel Approach](#)¹¹.

Across all impact investment activities, BlueOrchard applies restrictions to fossil fuel-related activities. Depending on the asset class and investment instrument, these are implemented through use of proceeds restrictions and/or portfolio company-level exclusion criteria that restrict a company's involvement in fossil fuel-related activities. Additional climate-related exclusions or investment restrictions may apply depending on the investment strategy or fund mandate.

Through its climate finance strategies, BlueOrchard seeks to support the objectives of the Paris Agreement by directing capital towards activities that contribute to climate mitigation, adaptation and resilience, particularly in emerging and frontier markets. BlueOrchard's climate approach is informed, where relevant, by recognised international climate finance guidance and initiatives, including the Joint MDB approaches to climate finance and Paris alignment¹².

For investment strategies with explicit climate objectives, additional climate-specific requirements apply, including, where relevant, the assessment of Paris alignment using recognised market methodologies, together with climate-specific impact objectives, metrics and reporting.

[10] [Schroders Group Climate Change Position Statement](#)

[11] [S-I-SCHRODERS-CAPITAL_V4 V2](#)

[12] [Joint MDB Methodological Principles for Assessment of Paris Agreement Alignment](#)

VI. Engagement

BlueOrchard's active ownership approach is centred on constructive engagement with portfolio companies and other relevant stakeholders and is an integral part of impact investing. Through engagement, BlueOrchard seeks to enhance impact outcomes, strengthen ESG practices and support the effective management of material ESG risks.

Engagement is undertaken throughout the investment lifecycle and is tailored to the nature of the investment, asset class, materiality of the issue and BlueOrchard's ability to engage with and provide guidance to the portfolio company. Where material impact or ESG risks or opportunities are identified, BlueOrchard seeks to engage with portfolio companies, establish appropriate objectives and actions, and monitor progress over time. Where appropriate and available under the relevant fund or strategy, engagement may be complemented by technical assistance and capacity building to support portfolio companies in implementing agreed improvements and strengthening impact outcomes.

BlueOrchard's active ownership activities are undertaken in alignment with Schroders' approach to active ownership and stewardship^[13], including the [Schroders Capital Engagement Blueprint for Private Markets](#)^[14] and [Schroders Engagement Blueprint for Listed Assets](#)^[15], while reflecting the specific characteristics of BlueOrchard's impact investment strategies and investee base.

BlueOrchard's principles, processes and governance for engagement, including the identification and prioritisation of engagement objectives, monitoring, escalation and reporting, are further described in the [BlueOrchard Engagement Approach](#).

VII. Impact at exit

BlueOrchard seeks to support the durability of positive impact beyond the investment period. Where relevant, the impact achieved during the life of an investment and the likelihood that such impact will be sustained following exit are considered as part of BlueOrchard's impact management approach.

The approach to impact at exit reflects the characteristics of the relevant asset class and BlueOrchard's ability to influence the exit process. For investments where BlueOrchard has greater influence over the nature or timing of an exit, impact considerations may inform exit decisions.

[13] [Active ownership](#) | Schroders

[14] [Engagement Blueprint Our vision for active ownership in private markets](#)

[15] [Engagement Blueprint Our vision for active ownership of listed assets at Schroders](#)

VIII. Monitoring and reporting

BlueOrchard monitors impact and ESG performance throughout the investment lifecycle to assess progress towards intended impact objectives and identify material changes in ESG risks, while continuously monitoring material controversies and adverse events. Monitoring outcomes inform investment management, engagement and, where appropriate, further actions in accordance with the relevant procedures.

BlueOrchard is committed to transparent reporting on the impact and ESG performance of its investments. Reporting is tailored to the relevant investment strategy and may include impact outcomes and indicators, ESG performance, active ownership activities and applicable regulatory disclosures. BlueOrchard publishes relevant impact and sustainability reporting and fund-level disclosures on its website and may work with portfolio companies and external partners to support impact data collection, analysis and reporting.

Annex 1 - Investment exclusion criteria

Impact funds managed by BlueOrchard are subject to formalised exclusion criteria, which are set out in the relevant Investment Guidelines and reflected, where applicable, in the fund's sustainability-related disclosures¹⁶. The applicable criteria may vary depending on the asset class, impact theme, regulatory requirements and investor commitments.

For private asset strategies, exclusion criteria generally draw on the IFC Exclusion List¹⁷ and may incorporate additional fund specific requirements. For listed debt strategies, BlueOrchard applies its Listed Debt Exclusion List¹⁸, together with any additional requirements applicable to the relevant fund or mandate.

Compliance with the applicable exclusion criteria is assessed prior to investment and monitored throughout the investment lifecycle through the B.Impact™ Framework and supporting processes.

Fossil fuels

Funds managed or advised by BlueOrchard apply restrictions to the financing of fossil fuel-related activities in line with BlueOrchard's climate commitments and applicable Schroders Group policies. These restrictions may be implemented through use of proceeds requirements, portfolio company-level exclusion criteria that restrict a company's involvement in fossil fuel-related activities, or other investment restrictions, depending on the asset class and investment instrument.

BlueOrchard recognises investment opportunities that support the transition to a low-carbon economy, including through financing renewable energy and other transition-aligned activities. Such investments may include companies with legacy fossil fuel exposure, provided the use of proceeds is dedicated to transition-aligned activities and is accompanied by enhanced issuer or company level assessment and engagement. Additional fossil fuel and climate-related restrictions may apply at fund or mandate level.

International norms and minimum safeguards

Investments are assessed against applicable international norms and minimum safeguards, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. Investments materially inconsistent with applicable requirements are not eligible.

Additional exclusions or stricter criteria may apply depending on the relevant asset class, investment strategy, regulatory requirements, fund documentation or investor mandate. Where multiple requirements apply, the stricter requirement prevails.

[16] [Products - BlueOrchard](#)

[17] [IFC Exclusion List \(2007\)](#)

[18] [Exclusion Policy - Listed Debt Exclusion List](#)

Important information

Marketing material.

The information in this document was produced by BlueOrchard Finance Ltd (“BOF”), a member of the Schroders Group.

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BlueOrchard
Impact Investment Managers

Member of the
Schroders Group



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