

Pre-contractual disclosure for SFDR art. 9 financial product

ANNEX II

Template pre-contractual disclosure for financial products referred to in Article 9(1), (2) and (3) of Regulation (EU) 2019/2088 and Article 5 of Regulation (EU) 2020/852

Product name: BlueOrchard Financial Inclusion Fund SCA SICAV-RAIF
legal identifier: n/a

Sustainable Investment objectives

Does this financial product have a sustainable investment objective?

Yes

No

- It will make a minimum of sustainable investments with an environmental objective: 0 %
 - in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

- It promotes Environmental / Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
 - with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
 - with a social objective

- It will make a minimum of sustainable investments with a social objective: **75 %**

- It promotes E/S characteristics, but will not make any sustainable investments

What is the sustainable investment objective of this financial product?

As its primary objective and reason for being, the Fund seeks to provide investors with access to investments in emerging markets that are made for the purpose of advancing a sub-set of the United Nations Sustainable Development Goals (“SDGs”, “the Goals”). The Fund builds upon BlueOrchard’s 20-year track record of impact in the pursuit of financial inclusion by leveraging our best-in-class deal sourcing and impact measurement frameworks to identify equity investment opportunities with emerging and frontier market financial intermediaries operating in the microfinance and SME finance sectors. The Fund aims to be a catalytic force in not only providing capital support for proven institutions in the micro and MSME financing sector. This Fund represents BlueOrchard’s

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system, establishing a list of **environmentally sustainable economic activities**. For the time being, it does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not



Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

first initiative in developing a sustainable, financial inclusion-oriented product in the private equity market. The Fund is viewed as a strong compliment to the existing platform of exclusively Article 9 funds already focusing on the provision of debt financing to similar financial intermediaries around the developing world. The Fund aims to contribute towards the following SDGs specifically:

- Goal 1: No Poverty
- Goal 3: Good Health and Well-Being
- Goal 5: Gender Equality
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation and Infrastructure
- Goal 10: Reduced Inequalities; and
- Goal 13: Climate Action

Each sustainable investment should positively contribute to at least one of those seven Goals, without significantly harming any sustainable objective.

There is no external reference benchmark designated for the purpose of attaining the sustainable investment objective, but internal proprietary assessments that can serve as benchmark are in place.

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

Each investment is expected to have different characteristics in its contributions towards the sustainability investment objective of the Fund and will therefore combine some standard and some custom contribution indicators. These indicators will be determined pre-investment, and tracked and reported regularly during the holding period.

Each investment will track and report on the following elements of its social impact

- Number of beneficiaries* in rural/urban areas
- Jobs created or maintained

*beneficiaries are defined as people reached through responsible financial services in emerging market economies.

At least one additional investment specific indicator, aligned to at least one of the selected seven SDGs, will be tracked and reported. Examples of such custom indicators may include:

- Number of female/male beneficiaries
- Beneficiaries having access to affordable financial services
- Volume of investments intermediated to least developed economies
- Beneficiaries reached with affordable health/life insurance
- Beneficiaries reached with affordable climate insurance
- Women beneficiaries that have access to affordable insurance services
- Number of small-scale enterprises financed
- Total number of digital lending/insurance beneficiaries
- Estimated digital lending/insurance YoY growth

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and antibribery matters.

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

Each sustainable investment shall contribute solutions to at least one of the global challenges addressed by a sub-set of the United Nations Sustainable Development Goals (“SDGs”, “the Goals”), specifically:

- Goal 1: No Poverty
- Goal 3: Good Health and Well-Being
- Goal 5: Gender Equality
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation and Infrastructure
- Goal 10: Reduced Inequalities; and
- Goal 13: Climate Action

Each sustainable investment should not significantly harm any sustainable objective.

Specific Sustainability & Impact (“S&I”) due diligence and frameworks that may include proprietary tools like ESG scorecards will be used to assess all potential investments to identify any significant harm or principal adverse sustainability impacts towards the sustainable investment objective of the Fund.

Each investment in the Fund is carefully selected based on the investee’s ability to provide both a reasonable financial return for investors and a positive impact on the communities in which they conduct business. The sustainability and impact objectives of the Fund are explicitly aligned with the concept of trying to catalyse the advancement of the SDGs and expand the market for financial intermediaries specializing in micro and MSME financing in emerging markets. The Fund, in developing its pre-inception pipeline has already passed over opportunities to invest in financial intermediaries that are deemed as being misaligned, or insufficiently aligned, with the sustainability and impact objectives of the Fund.

The notion of “do no harm” is at the core of the Fund’s purpose and BlueOrchard closely and very actively monitors developments in emerging markets and specific sectors to identify negative industry trends where they arise and to reassess investment strategy where necessary in that context.

All relevant indicators for adverse impacts on sustainability factors will be assessed at the time of investment.

As part of the ongoing monitoring of its investments, the Fund may, but is not obliged to, reassess any investment against any significant harm to any goal during the holding period.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Specific S&I due diligence and frameworks will be used to vouch the Fund considers the relevant available principal adverse impact indicators (PASI) and to ensure that it does not significantly harm (DNSH) any environmental objective of the Fund.

The Fund may, but is not obliged to, reassess any investment against any significant harm or PASI during the holding period.

— **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

The S&I due diligence and frameworks will include an assessment of alignment with OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via the ESG Scorecard analysis. Any opportunity found not to be aligned with these guidelines will not be eligible for investment.

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Does this financial product consider principal adverse impacts on sustainability factors?

Yes

No

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What investment strategy does this financial product follow?

The Fund aims to provide positive financial returns alongside a demonstrable sustainable impact return. It will do so by integrating sustainability and impact criteria across the full investment cycle. From selecting investments that can positively contribute to the sustainable objectives of the Fund and with sound S&I practices, to regular monitoring of S&I indicators and reporting.

The Fund invests only in business models that create a positive contribution towards at least one of the social objectives.

Each sustainable investment shall contribute solutions to at least one of the global challenges addressed by a sub-set of the United Nations Sustainable Development Goals (“SDGs”, “the Goals”), specifically:

- Goal 1: No Poverty
- Goal 3: Good Health and Well-Being
- Goal 5: Gender Equality
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation and Infrastructure
- Goal 10: Reduced Inequalities; and
- Goal 13: Climate Action

Specific indicators per investment will be selected, tracked and reported.

In addition, the investment process will follow best practice alignment with the Operating Principles for Impact Management (“OPIM”).

● **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

As an impact fund focused on investments in emerging markets, the Fund Prospectus and Investment Guidelines each contain extensive requirements (all of which are binding upon BlueOrchard as the Portfolio Manager) in respect of investment selection and achievement of impact objectives.

The binding elements of the Fund are:

- The Fund will not knowingly invest in any activity that is involved in Excluded Investments, as per the IFC Exclusion List
- All sustainable investments in the Fund will aim to positively contribute to at least one of the seven Sustainable Development Goals outlined above
- The Fund's investment universe consists of organizations that have low or medium risk ESG ratings, as indicated by the ESG rating scale. Investments into "high ESG risk" are possible but require an additional Impact Committee approval and might require additional engagement with the investee, or additional monitoring requirements (to be defined during the Impact Committee). "Very high ESG risk" organizations are excluded from the Fund's investment universe.
- The Fund targets investments with "Very High" impact and "High" impact, as indicated by the Impact rating scale. Investments into "Medium Impact" are possible but require an additional Impact Committee approval and possible additional engagement and/or monitoring with the investee (to be defined during the Impact Committee). Investments with "Low" impact will be excluded from the investment universe.

The determinations of asset allocation, the regional focus and investment concentration limits, the requirements for impact and ESG assessment are all referenced in the fund documents provided to investors prior to and during the life of an investment in the Fund.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

The S&I due diligence and frameworks will include pre-investment screens and an assessment of the good governance practices of each investment, including on factors such as a Code of Conducts and ESG incident screening.

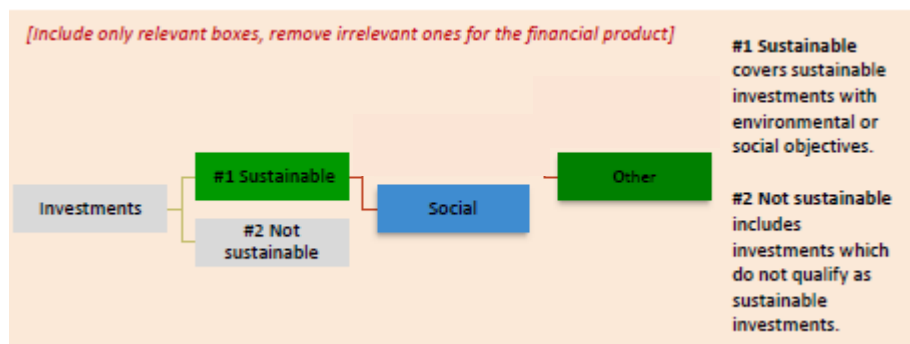
Post-investment, changes to these factors will be monitored, assessed and engaged with.

All material changes in management, corporate strategy, ownership etc. are contractually required for disclosure to BlueOrchard and subject (in specific cases such as change in ownership or strategy) may be subject to specific governance involvement of BlueOrchard designated members of the Target company's Board of Directors.



What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.



The Fund is exclusively allocated to investment in fully vetted (for impact and ESG purposes as well as economic purposes) financial institutions in emerging and frontier markets which, as a prerequisite, have a demonstrable potential and/or track record to contribute meaningfully to expanded financial inclusion and betterment of social and economic conditions in vulnerable communities. All these investments are considered “category 1” or sustainable as they are subject to the previously described requirements for impact/ESG/sustainability and required to achieve certain thresholds for admission into the Fund universe of acceptable investments.

In respect of “category 2” the Fund may, for purposes of liquidity management, also maintain an allocation of highly liquid assets including cash and AAA rated money market funds.

With the exception of the cash/liquidity management portion of the portfolio, all investments are considered and required to be “sustainable” and meet the criteria established in the Prospectus and Investment Guidelines.

- ***What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?***

As noted above the category 2 investments consist of highly liquid instruments such as traded money market funds and cash. These investments will also be assessed against the specific S&I due diligence and frameworks to ensure the respect of minimum environmental or social safeguards.

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Can I find I find more product specific information online?

More product-specific information can be found on the website:

www.blueorchard.com