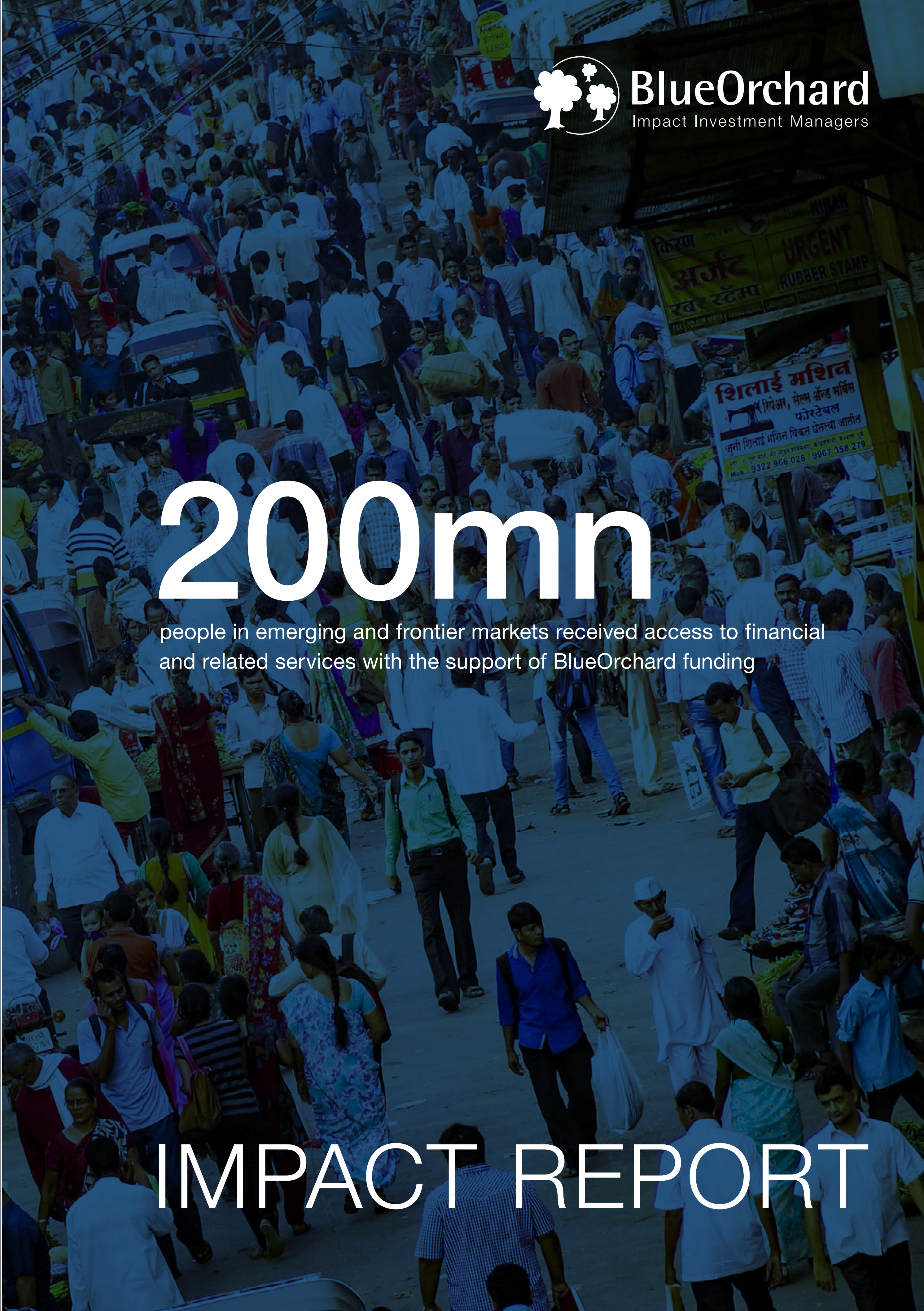

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 **2019** **2020** 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030

BlueOrchard
Impact Investment Managers

200mn

people in emerging and frontier markets received access to financial and related services with the support of BlueOrchard funding

IMPACT REPORT

BlueOrchard's Impact

Provided access to financial and related services to over
200mn
people

USD
6bn
invested

Invested in
80
countries

475
institutions financed

15mn
climate insurance beneficiaries

58%
female end clients

45%
rural end clients

39mn
micro-entrepreneurs served by our institutions

USD
1bn
portfolio in health & education across our institutions

191,000
students & learners reached

13,370,715
KWh of energy saved

88,000
renewable energy & energy efficiency loans

4,509
tons of CO_2 avoided

Foreword

From Social Performance to Impact Management

The year 2019 marks the tenth anniversary of the Social Performance Impact Reporting and Intelligence Tool (SPIRIT), BlueOrchard's proprietary tool for social performance management. Being among the few impact investment managers with in-house assessment tools, BlueOrchard is continuously adjusting and enhancing its processes and procedures to comply with industry best practices, meeting BlueOrchard's expanding offerings as well as better serving its investees and investors.

Since the launch of SPIRIT in 2009, BlueOrchard has diversified its asset class offerings, its investee and investor bases and its investment themes, currently addressing 13 out of the 17 United Nations Sustainable Development Goals (UN SDGs). We are therefore pleased to present, in this year's report, the latest version of SPIRIT, which is aligned with the new International Finance Corporation's (IFC) Operating Principles for Impact Management. As part of a consortium of global public and private organizations involved in the development of the principles, BlueOrchard has significantly contributed to their conceptualization. This SPIRIT version represents the most important advance in BlueOrchard's impact management practices and reflects a change of focus within the industry, from social performance to impact management: a shift also reflected in the new name of this report, *BlueOrchard Impact Report*.

In view of the importance of generating and reporting impact at BlueOrchard, the company has taken a number of crucial steps to further improve its impact management. Among the building blocks of this approach was the strengthening of its dedicated impact management team. A second step was the revamping and upgrading of its impact tools and management practices to take account of BlueOrchard's expanding investment universe, including new asset classes and new types of investees. With more and more parties entering the impact investing space, the number of definitions, terms and concepts has increased. Therefore, the final step was to explain and classify its impact according to the dominant concepts of environment, social and governance (ESG) objectives and SDGs.

BlueOrchard's mission is to make an intentional, positive, social and environmental impact across a variety of sectors in emerging and frontier markets, while providing attractive returns for investors. At the heart of BlueOrchard's impact credo is therefore the conviction that the only way to deliver on these goals is to be client centred. By examining our activities through this lens, we continue to develop our impact practice through partnerships with our investees to achieve greater impact and deliver on the SDGs, while providing our investors with information regarding the impact of their investments.

On behalf of the entire BlueOrchard team, we thank you for your interest in our work and hope that you will continue to partner with us in making an impact.

Maria Teresa Zappia
Chief Investment Officer

Nadina Stodiek
Impact Manager

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1. Introduction

Today, investors who wish to contribute to sustainable development in emerging economies – be it by supporting financial inclusion for unbanked populations, providing a higher number of children with quality education, or supplying stable energy from eco-friendly sources – have access to a wide range of available impact investment products. Impact investing has shed its niche image, becoming an established investment strategy and expanding into new investment themes and asset classes.

In contrast to socially responsible investments (SRIs) and their subcategory – environmental, social and governance (ESG) investing – which focus on exclusion to ensure that potential investments do not cause environmental, social or governance harm, impact investing goes much further and aims to actively make a measurable positive impact, either socially or environmentally. Impact investing concerns the efficient interaction between measurable social and environmental impact and profitable financial returns. Impact and returns are equally important components of the investment strategy. Concept, design, investment policies and portfolio investments are all aligned to achieve these specific investment objectives. Key elements in impact investing are therefore tailored impact management and associated measurement tools and practices, which ensure that the investments create tangible, measurable and sustainable social and environmental benefits for people and the planet.

Currently, more than 50% of the assets under management (AuM) in impact investing go to developing countries.[1] The impact investing industry has shown how to successfully invest in developing countries and achieve financial returns while contributing to sustainable, environmentally friendly and inclusive development. This makes impact investing a powerful ally in the efforts to achieve the United Nations Sustainable Development Goals (UN SDGs), an interconnected set of 17 goals that call for public and private participants to take action for people and the planet by ending poverty, reducing inequality, protecting the environment and ensuring collective peace and prosperity by 2030.

According to the UN Conference on Trade and Development (UNCTAD), annual investments of USD 5 to 7 trillion across sectors and industries will be necessary to achieve the SDGs globally. In developing countries, however, there is a USD 2.5 trillion annual shortfall in funding (see Figure 1). Bridging this investment gap can only be achieved if investments from both public and private investors are mobilised and increased exponentially. Against this backdrop, impact investing constitutes an effective and powerful tool to 'close the gap' and help mobilise the needed capital to achieve the SDGs.

Figure 1: SDGs investment gap[2]

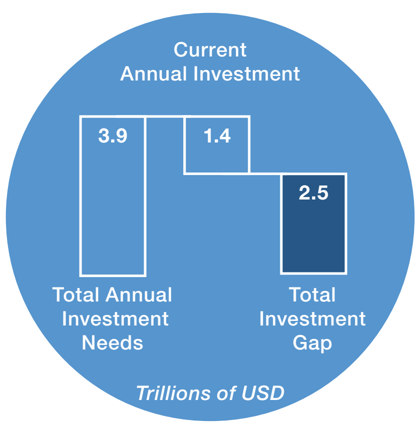


Figure 2: Impact Investing industry growth since 2013[3]

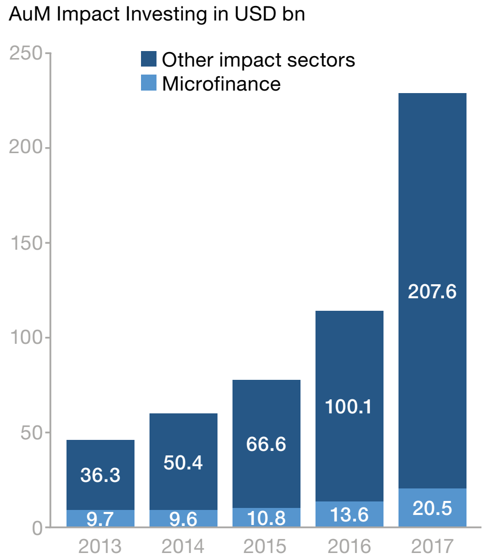
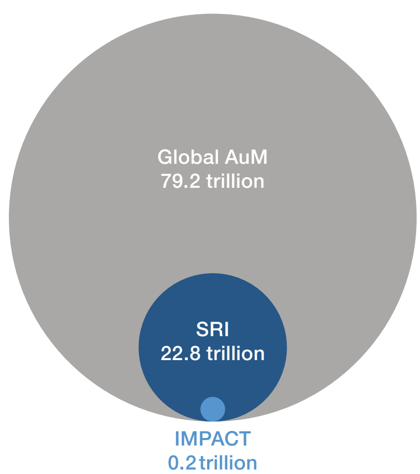


Figure 3: SRI and Impact Investing industry in USD[4]



BlueOrchard has addressed this topic by initiating the BlueOrchard Impact Summit, a platform where global leaders, key decision makers from the private and the public sphere, and academics can come together and find ways to unlock the resources required to meet the SDGs. The last summit, held in Switzerland in 2018, centred around the key topic 'Closing the gap' and brought together 120 high level participants representing 70 public and private organizations from all over the world. The experience, expertise, and contributions of the summit's speakers and attendees where synthesized in a whiter paper, reflecting on identified areas where all stakeholders can work together to contribute to closing the SDGs' investment gap in developing countries.[5]

The main challenge today is not in defining impact investing and distinguishing it from traditional and other socially responsible investment strategies, but rather reaching scale. Reaching scale is fundamental for this industry to achieve its true potential and fully contribute to the achievement of the SDGs. Even though impact investing has experienced tremendous growth in recent years, from USD 46 billion in assets in 2013 to USD 228 billion in 2017,[6] its market size is still small considering the USD 79.2 trillion AuM of the global asset management industry (see Figures 2 and 3). An essential component of the process to scale up the industry is the improvement, professionalisation and standardisation of the industry's impact management as this demonstrates the effectiveness and relevance of impact investments in achieving the SDGs.

This year's *BlueOrchard Impact Report* gives a comprehensive overview of the company's impact measurement and management expertise, explaining how BlueOrchard's impact management know-how has evolved over time to become today's truly inclusive and holistic practice across multiple asset classes and impact themes, firmly aligned with industry best practices. Finally, the report concludes with a set of lessons learned and recommendations for building an effective impact management system. The report is enriched by contributions from a number of BlueOrchard's partners (investors, investees and industry leaders, among others), demonstrating that lasting impact can only be achieved with the commitment of all participants in the impact value chain.

Figure 4: BlueOrchard funds and SDG mapping

BlueOrchard's Impact Credo

As of April 2019, BlueOrchard has disbursed in excess of USD 6 billion to more than 475 institutions across 80 different emerging and frontier countries, whilst impacting the lives of over 200 million individuals with low incomes and contributing to 13 out of the 17 SDGs (see Figure 4). It has achieved this by constantly keeping impact management at the forefront of all aspects of its investment work. Throughout its nearly 20 years of existence, BlueOrchard has been implementing solid social performance management practices, developing proprietary impact management tools and tracking its impact footprint in terms of enhanced social and environmental impact and financial returns for both its investors and investees. These practices are based on a strong company credo, which consists of five key principles (explained below) that constitute the building blocks of impact management at BlueOrchard.

Keep impact in sight.

BlueOrchard is firmly convinced that a company with a sound impact practice and sustainable business model can be a top financial performer. This first principle, therefore, involves everyone at BlueOrchard and asks them to always keep the company's mission – to create tangible social and environmental impact – in sight during their daily work activities, as well as while developing and implementing internal processes and procedures.

Measure impact.

The second principle requires BlueOrchard to measure its social and environmental impact. The impact data gathered to measure and analyse BlueOrchard's impact also enables the company to learn from its experience and field implementation and to take informed future strategic decisions.

Build skills and tools.

The third principle is to create and further develop the firm's impact investment skills and proprietary impact management tools. For example, BlueOrchard's proprietary tool for social performance management, SPIRIT (**S**ocial **P**erformance **I**mpact **R**eporting and **I**ntelligence **T**ool), has been reviewed and upgraded six times since its implementation. As BlueOrchard has expanded its asset class offering, it has also developed tailored SPIRIT tools for these different asset classes.

Stay client centred.

This principle calls for BlueOrchard to remain client centred in its efforts to set impact targets and develop measurement tools. This principle considers both the investors' and the investees' points of view. On the one hand, BlueOrchard aims to meet investors' expectations with regard to detailed information on its social and environmental impact. On the other hand, BlueOrchard develops an impact approach that is in line with the reality in the field, taking into account the limitations and capabilities of the target investees and their management systems by following a pragmatic field-based approach.

Contribute to industry best-practices.

Out of a conviction that proprietary impact management tools must be linked to best practices and industry standards, BlueOrchard has been an active member of, and signatory to, organisations and principles that promote best practices in SRI and impact investing. For ten years, BlueOrchard has been a signatory to the UN Principles for Responsible Investment (UNPRI), proving the company's commitment to incorporating ESG criteria into its investment work, while being transparent and reporting its practices on a voluntary basis to help other investors to develop a sustainable global financial system.[7] Additionally, BlueOrchard is a member of a number of best-practice industry initiatives, such as the Smart Campaign[8] and the LuxFLAG association.[9] BlueOrchard has also actively contributed to the conceptualisation of industry-wide recognised impact tools (for example tools by the Global Impact Investing Network (GIIN) or Cerise (a French non-profit organisation advocating responsible finance), and supported the creation of impact management tools such as the SPI4 Alinus for microfinance institutions (MFIs). As a seed investor in SustainCERT, a social enterprise committed to mainstream SDG impact certification, BlueOrchard is furthermore supporting the development of next-generation impact measurement and management solutions.[10] Finally, BlueOrchard has also actively contributed to the conceptualization of the IFC Operating Principles for Impact Management that are expected to become industry-wide accepted benchmark principles, providing guidance on how to establish an effective impact management system.

The Blended Finance Impact Management (BFIM) team leads the impact management practice at BlueOrchard. The team is responsible for developing and maintaining impact management tools and processes and for producing impact data reports. It interacts closely with, and advises, all teams at BlueOrchard to deliver collaboratively on BlueOrchard's impact credo.

2. Impact Management at BlueOrchard

2.1. SPIRIT

SPIRIT is an integral part of BlueOrchard's triple bottom line investment analysis that each investee has to undergo in order to be considered for the company's investment offering. Since the first version of BlueOrchard's proprietary impact management tool was introduced, the company's product offerings have been extended to asset classes beyond private debt, whilst its investment universe has expanded to include new types of investees across more frontier and emerging markets. In line with this evolution, SPIRIT has reached its sixth iteration.

The first version of SPIRIT was released 10 years ago, in 2009, with the objective of assessing the social performance management policies and processes of the financial institutions (e.g. microfinance institutions) financed by BlueOrchard. It was aligned with the six dimensions of the *Universal Standards for Social Performance Management*[11], which was then the first industry-wide compilation of best practices for microfinance. BlueOrchard added a seventh dimension (environment) to take better account of its offerings. Over time, SPIRIT has evolved to incorporate the input received from BlueOrchard's local investment teams and its further diversified client base, in addition to meeting changing requirements following the shift from social performance to impact management. BlueOrchard has also continued to focus on aligning its tools and processes with industry best practices.

SPIRIT Version 6 (SPIRIT 6.0) represents the most important advance in BlueOrchard's impact management practices. The objective is to expand the company's ability to measure and manage impact beyond microfinance and financial inclusion. With SPIRIT 6.0, BlueOrchard aims to build an efficient and versatile impact management system whereby different type

Figure 5: Dimensions of SPIRIT 6.0 aligned to IFC Principles

of investees, such as local commercial banks offering a wide range of small and medium enterprise (SME) financing services (e.g. leasing and factoring), finance companies active in the provision of retail services for the consumptions needs of low-income households, specialised insurance companies, and infrastructure projects, can be evaluated from a social and environmental standpoint. SPIRIT 6.0 considers the entire lifecycle of an investment, project or business, allowing for a more comprehensive impact assessment.

The sixth iteration of SPIRIT is aligned with the IFC Operating Principles for Impact Management (hereafter, *the Principles*).[12] These are nine industry-wide accepted benchmark principles that provide guidance on how to establish an effective impact management system. One of the important features of the Principles is their fit-for-purpose aspect that facilitates their applicability to different types of institutions, including asset owners and asset managers, but also funds and investment companies (i.e. investees). The Principles were developed by a consortium of leading industry players drawn primarily from mainstream financial markets. This has created a comprehensive perspective on the establishment of an impact management system that is user friendly and understood by all its users.

Dimensions of SPIRIT 6.0

IFC Principle 1

With the first of SPIRIT's dimension, BlueOrchard analyses the **strategic intent** of its investees, checking whether there is a consistent alignment between the investee's business strategy and its impact objectives. This analysis is important in understanding the market in which the investee positions itself.

IFC Principle 2

The second dimension looks at the **balance between financial and impact returns**, asking the investee to provide information on the relative level of importance of impact data versus financial data monitoring and reporting. Here, BlueOrchard assesses the investees' management involvement in the process of measuring and managing impact.

IFC Principle 3

The third dimension examines the **investee's contribution to the achievement of the impact objectives** as defined in its strategic plan. The questions concern the investees' business lines and product offerings and provide a better understanding of the investees' operations. These operations may be financial or non-financial and the information must be backed up by evidence.

IFC Principle 4

Aligned with the framework proposed by the Impact Management Project (IMP)[13], a forum for building global consensus on how to measure and manage impact, dimension four asks the investee to perform a **systematic assessment of its impact objectives**. For each impact objective defined for dimension one (strategic intent), the investee is requested to define a specific outcome.

IFC Principle 5

IFC Principle 6

Dimension five considers the post investment phase where the **monitoring of the institution's impact risks and performance,** in addition to the **management of potential negative effects,** becomes crucial. Here, BlueOrchard examines the monitoring process and its specific features, but also looks at how the investee is mitigating potential negative effects resulting from its business activity. This is relatively new to the industry, in which the tendency so far has been to focus on positive impact without considering whether the business's achievement of such impact might also have negative effects.

IFC Principle 7

IFC Principle 8

The information provided on the monitoring and mitigation of negative effects is then complemented by the sixth dimension of SPIRIT, consisting of the **ex post impact assessment**. The aim is to understand whether companies evaluate what will happen when their current investment, project or business activity comes to an end, with a specific focus on social and environmental impact. This dimension considers the consequences and sustainability of a company's investment, project or business activity when the company's involvement is over.

IFC Principle 9

The final dimension considers the **public disclosure and verification of impact results** and **relevant impact and ESG policies** and allows BlueOrchard to evaluate how transparent a company is in terms of its social and environmental practices.

2.2 Bond SPIRIT

The information used to feed SPIRIT as described above is first-hand information gathered during the due diligence of BlueOrchard's local investment teams in the field. This dynamic obviously changes when assessing public companies. For example, access to first-hand information and public disclosure is sometimes limited due to regulatory requirements. BlueOrchard has therefore developed a proprietary bond impact assessment process, including the Bond SPIRIT, to address the specifics of evaluating public companies and provide a clear impact framework for assessing the social and environmental impact of a bond issuer and a bond issuance.

The Bond SPIRIT is an adjustment of SPIRIT, as described in the section above, for public companies issuing bonds. Its format and functions remain aligned with SPIRIT 6.0. BlueOrchard's BFIM team is responsible for social and environmental evaluation and acts independently of the investment team when assessing bond issuers. The first source of information is based on publicly available information. In addition, BlueOrchard leverages its local expertise by involving its local teams, based in emerging and frontier markets, in gathering additional market intelligence.

Figure 6: Sources of information feeding into the Bond SPIRIT

2.3 Green Bonds Impact Assessment Process

In order to assess the impact of green and sustainability bond issuances, BlueOrchard has developed a further assessment process. For this, BlueOrchard relies on the best practice industry standards set by the International Capital Market Association (ICMA), which has produced widely accepted Green Bond Principles (GBPs) and Sustainability Bond Guidelines (SBGs). The ICMAs' Principles spread the social and environmental assessment across four core components as shown in Figure 7.

Each green or sustainability bond issuance is analysed across these four components. What differentiates green bonds from any other bond issuance is the use of proceeds. The use of capital raised through green bonds has to be clearly stated in the legal documentation of the instrument and there must be a direct positive and, ideally, quantifiable link between the investment and its impact on the environment.

The second component refers to the process of project evaluation and selection that is intrinsically linked to the concept of transparency because the issuer is, in this case, requested to communicate on its environmental sustainability objectives, the process developed to determine whether a project is a green project, and relevant eligibility criteria.

The management of proceeds looks at the issuance from an accounting point of view and requires the use of sub-accounts to track any proceeds from the green bond issuance.

Finally, reporting on a regular basis is required in order to keep investors informed about the qualitative and quantitative aspects of the investment.

The impact assessment is mainly based on publicly available information, but also on reliable specialised third party reports. The evaluation across the four components provides an overview of the green bonds' social and environmental impact and allows BlueOrchard to make a comprehensive assessment of the bond issuance.

Figure 7: The four components of the Green Bond Principles

2.4 Climate Insurance Beneficiaries Count

BlueOrchard is the manager of the **InsuResilience Investment Fund (IIF)**[14], which aims to contribute to the adaptation to climate change by improving access to, and use of, insurance in developing countries. The specific objective of the fund is to improve the resilience of poor and vulnerable households as well as micro, small and medium enterprises (MSMEs) – together referred to as beneficiaries – to weather events and natural disasters. To that end, IIF provides financing to qualified investees (insurance and reinsurance companies, plus other companies active in the value chain of insurance and reinsurance) that offer or wish to offer insurance solutions for weather events and natural catastrophes and/or agricultural insurance.

In order to estimate the outreach of this fund and monitor the access to climate insurance provided for the poor and vulnerable, BlueOrchard has developed a process aligned to the *InsuResilience Initiative* methodology to account for the number of beneficiaries reached through IIF's investees. It establishes a standardised approach for counting beneficiaries across different regions and different types of IIF investees (insurance companies, microfinance institutions, brokers, etc.), including criteria such as geographic location and associated risk of extreme climate events, poverty levels, and the size of the land insured, amongst others.

A Private Investor View of Impact
Handelsbanken

Handelsbanken

Established in Stockholm in 1871, Handelsbanken is committed to responsible finance and investing and ensures that sustainability is integral to its strategy and culture as reported in its Sustainability Report 2018.[15]

Selection Process
Handelsbanken prioritises sustainability and social and environmental impact in its investment selection process by basing its investment decisions on both ESG and financial criteria. The bank uses an inclusion, exclusion and engagement selection method to choose which products or companies they invest in.

Green Finance
Handelsbanken's activities in green financing have increased over time. The bank's green portfolio is highly diversified, including green buildings, renewable energy, sustainable transportation, and monitoring of pollution. In 2018, Handelsbanken issued its first green bond, which was clearly intended to reduce CO_2 emissions and promote a climate-sustainable future, supporting its strategy of promoting the development of sustainable solutions.

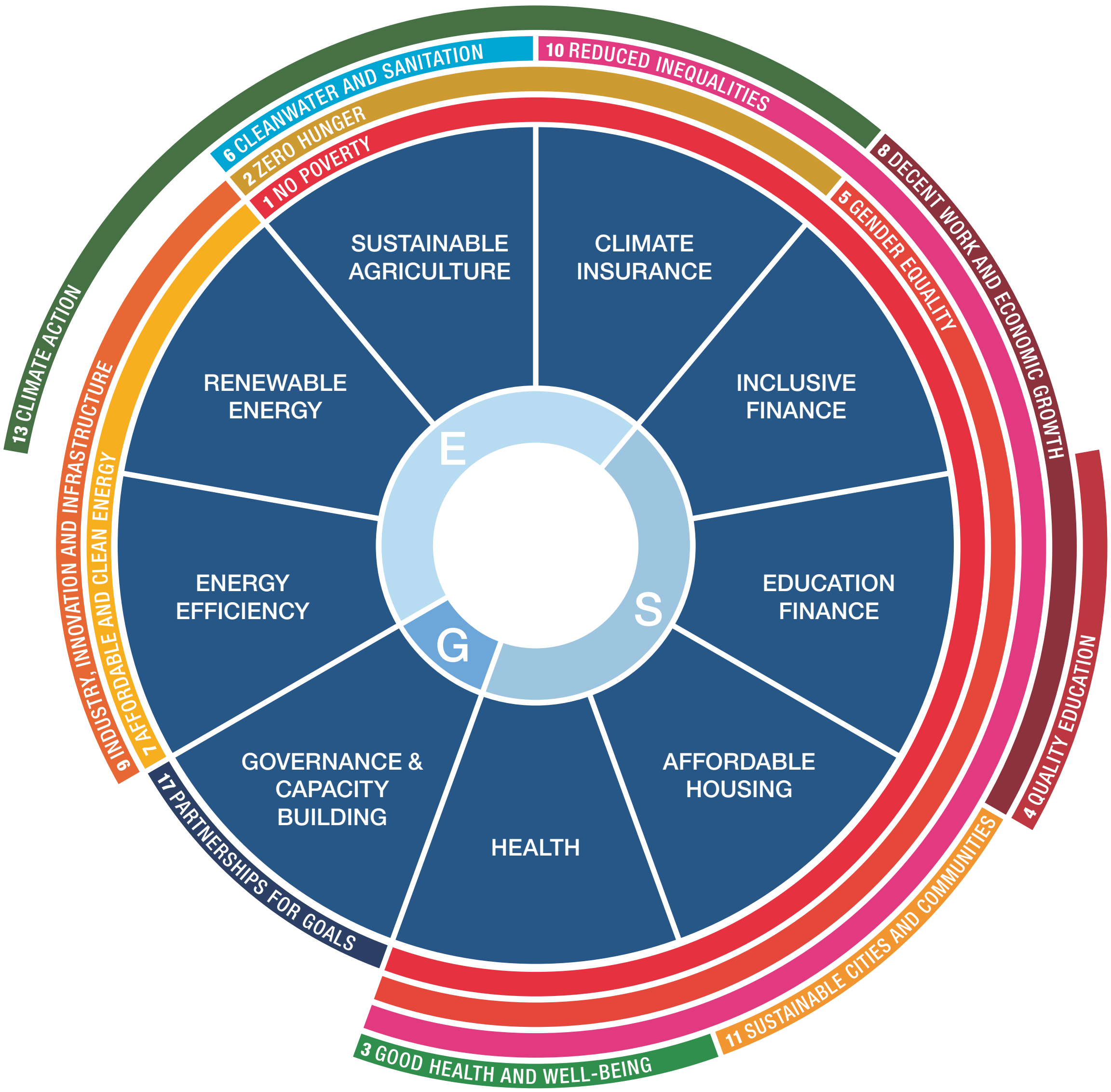
SDGs
Handelsbanken has been strongly supporting the 2030 SDG Agenda. For example, Handelsbanken supports SDG 5 (Gender Equality) by investing in companies that promote gender equality and offer employment opportunities and financial inclusion programmes for women. Additionally, the bank actively works to address gender inequality in access to pensions. To help achieve SDG 13 (Climate Action), the bank has actively managed funds that target sustainable and efficient energy. It also publishes climate reports to disclose the impact of the company's operations on climate change.

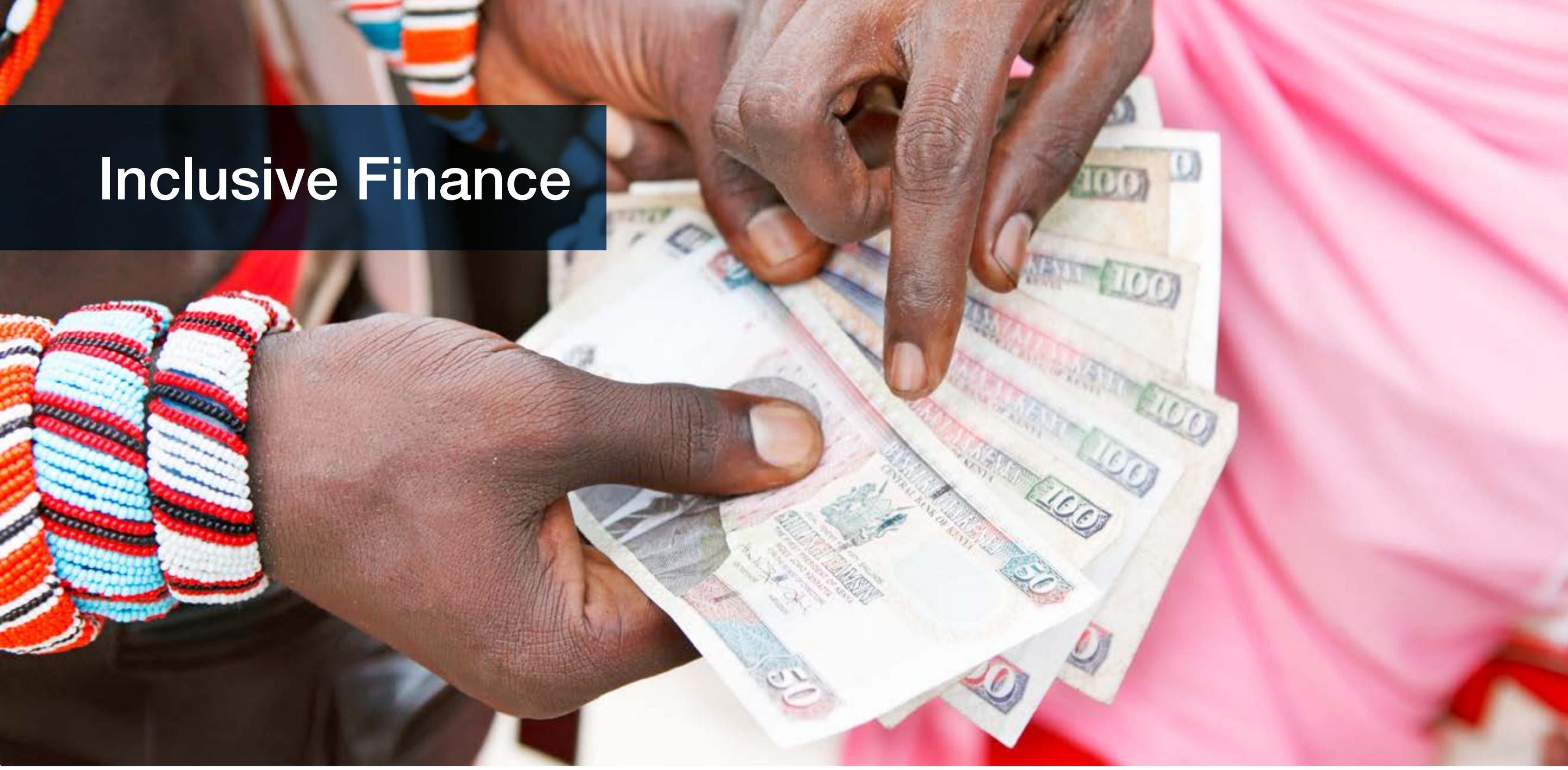
3. Our Impact across ESG, Impact Themes and SDGs

BlueOrchard contributes with its activities to 13 SDGs across nine different impact themes over all three ESG criteria. Figure 8 illustrates the close connections between these three aspects and depicts how BlueOrchard's investment portfolio addresses them. The figure can be read from the centre outwards: the first level shows the ESG dimensions, the second level depicts BlueOrchard's impact themes, and the third maps BlueOrchard's contribution to the SDGs. For example, looking at the social dimension of the ESG criteria, the figure shows how BlueOrchard contributes through its engagement in inclusive finance, education finance, affordable housing and health to the achievement of seven SDGs.

The subsequent sections present BlueOrchard's impact themes in detail, dividing them into core and broader impact areas, and explaining what impact BlueOrchard's investments have in each respective theme.

Figure 8: BlueOrchard's Impact across ESG, Impact Themes and SDGs





Inclusive Finance

3.1 Core Impact Areas

3.1.1 Inclusive Finance

Financial inclusion is crucial for sustainable development and the achievement of the SDGs. However, according to the latest available data, 1.7 billion adults across the globe have no access to a bank account, 56% of them are women, and 59% of these women do not participate in their country's labour force.[16] Globally, unbanked adults of both genders are generally among the poorer and younger sectors of the population. Supporting a sound, sustainable and inclusive financial sector in frontier and emerging markets is therefore of the utmost importance. BlueOrchard's engagement in the area of financial inclusion focuses on job creation and poverty alleviation, as well as gender lens investing (discussed in detail below).

INCLUSIVE FINANCE

E **S** G DIMENSION

	Inception	Regional Focus	Asset Class	TA
BOMF Blueorchard Microfinance Fund	1998	Global	Private Debt	
MEF Microfinance Enhancement Facility	2009	Global	Private Debt	
MIFA Microfinance Initiative for Asia	2012	Asia	Private Debt	✓
JAWEF Japan ASEAN Women Empowerment Fund	2016	Asia	Private Debt	
IBF Emerging Markets SDG Impact Bond Fund	2018	Global	Bonds	

37mn
MICRO-ENTREPRENEURS SERVED BY OUR INSTITUTIONS

45%
END CLIENTS IN RURAL AREAS

58%
FEMALE END CLIENTS

Job Creation and Poverty Alleviation

Over the past two decades BlueOrchard has participated in the development of an inclusive finance sector in emerging and frontier markets. During this period BlueOrchard has expanded from the financing of traditional microfinance institutions to a broader range of financial intermediaries. The concept of financial inclusion has grown from the provision of small business loans for micro-entrepreneurs and micro businesses to funding a wide range of investees that cater for the financing needs of small and medium sized enterprises. Since 2001, BlueOrchard has invested in excess of USD 6 billion in more than 475 institutions, contributing significantly to the creation of an inclusive financial sector, as well as to economic and social growth through employment creation. As of April 2019, BlueOrchard provided access to financial and related services for more than 37 million entrepreneurs across 60 emerging and frontier markets, creating a tangible social impact.

The **BlueOrchard Microfinance Fund (BOMF)**[17] is BlueOrchard's flagship fund and is today the largest financing vehicle of inclusive finance initiatives targeting micro-entrepreneurs and SMEs in emerging and frontier markets. One of its investees is the **Microcredit Company EKI** (**MCC EKI**). MCC EKI was established in 2013 and is based in Bosnia and Herzegovina. MCC EKI works to reduce the economic causes of poverty in the country and is the second largest microfinance provider. Its mission is to assist the poor by specifically targeting client demographics including low-income households, women and veterans of the 1990s civil war, and aims to create new business opportunities that could eventually offer permanent and temporary jobs. MCC EKI offers microcredits to several sectors of the market and includes refinancing, agricultural, household and housing loans, as well as loans for small to medium enterprises. MCC EKI also operates an advisory centre that assists its clients with financial literacy and debt management. As of December 2018, 35% of its clients were women and 68% were located in rural areas.[18]

Gender Lens Investing

Within the context of inclusive finance, gender lens investing has a multiplying effect because the economic empowerment of women has significant positive effects on their families, communities and society at large. BlueOrchard therefore actively works to finance female entrepreneurs and promote gender equality through its funds under management, gender-lens investment strategies, and capacity-building technical assistance (TA) programmes. Across all of BlueOrchard's funds, the proportion of female end clients is around 60% (as of December 2018). However, BlueOrchard also promotes the inclusion of women through a dedicated fund, the investment strategy of which seeks to intentionally and measurably address gender disparities. The **Japan ASEAN Women's Empowerment Fund (JAWEF)**[19], established in 2016, uniquely targets gender equality and women's economic empowerment, generating impact by empowering female entrepreneurs in Asia, with a particular focus on the member states of ASEAN, the Association of Southeast Asian Nations. Empowering women is vital for improving their socioeconomic and political status, in addition to their personal health and well-being. In fact, economic empowerment improves not only the quality of life for female entrepreneurs, but for their families, communities and society as a whole. Furthermore, if the gender labour gap could be closed in the ASEAN region, this would add an average of USD 89 billion every year to the regional economy.[20] To achieve its objectives of empowering women entrepreneurs in the ASEAN region, JAWEF set two main targets: (i) at least 30% of all investees have to serve more than 75% female clients, and (ii) all of the fund's investees must have a minimum client base of 60% women and/or the investees must have a specific product offering aimed at empowering women. As of December 2018, 92% of JAWEF end clients were female.

Sonata Finance,[21] an Indian microfinance institution, exemplifies the success of BlueOrchard's specific gender lens investing work with JAWEF. A JAWEF investee since 2014, Sonata Finance has worked to promote and efficiently deliver microfinance services to underserved and excluded women across India since its foundation in 2005. In India, women contribute to the national gross domestic product (GDP) at a rate of 17% – significantly lower than the global average of 37%. They are often excluded from the formal financial system. As of 2017, 60% of women in India had limited or no valuable assets, and approximately half did not have access to a personal bank account.[22] Sonata endeavours to reduce poverty by providing women in remote rural locations with group loans, with a specific focus on income generating loans. Sonata's loan sizes range from small (INR 5,000 or USD 70) to medium (INR 60,000 or USD 857). Sonata's portfolio shows that, in many cases, loans for income generating activities allow women to increase their incomes at a rate of 20% per annum. As of December 2018, Sonata had approximately 550,000 active borrowers, all of whom were women.[23]

Among BlueOrchard's funds under management, BOMF and the **Microfinance Initiative for Asia (MIFA)**[24] further exemplify how BlueOrchard empowers women and promotes financial inclusion. As of December 2018, investees in BOMF, provided financing to more than 25 million end clients, 53% of whom were female micro-entrepreneurs managing small businesses. The MIFA investees' portfolio provided financial services to over 12.8 million micro-entrepreneurs, 76% of them female clients. In addition, MIFA's Technical Assistance (TA)[25] programmes analyse end client and investee data to improve impact in the area of gender equality. LOLC Myanmar, for example, a current MIFA investee received TA support to update its HR policies and incorporate the goal of promoting a female-majority workforce, with women making up 75% of all employees. The TA funding was used to co-draft an HR policy that includes principles guiding gender equality, equal recruiting opportunities, parental leave and maternity benefits, wage equity, provisions to protect female employees from sexual harassment, and professional development opportunities intended specifically for women.

Education Finance

3.1.2 Education Finance

According to the UN International Children's Emergency Fund (UNICEF), 264 million children are out of school[26], and it is estimated that a further 617 million are attending school but learning little.[27] At the same time, the share of official development assistance spent on education declined by about a quarter between 2002 and 2016 according to the Education Commission's landmark 2015 report.[28] The report estimates that total spending on education will need to increase from USD 1.2 trillion per year in 2016 to USD 3 trillion by 2030 across all low- and middle-income countries in order to improve school systems and meet the SDGs education target.[29] Sub-Saharan Africa is a region particularly at risk: more than half the children who are not enrolled in schools globally live in Sub-Saharan Africa. Therefore, the BlueOrchard managed **Regional Education Finance Fund for Africa (REFFA)**[30] particularly targets this region. REFFA's sponsors (KfW, the German Ministry for Economic Cooperation and Development (BMZ), and CDC Group) aim to increase access to primary, secondary and higher education across Africa while ensuring that private education is of acceptable quality and affordable for low income families. In order to achieve the second objective, the fund's Technical Assistance Facility supports investees in fine-tuning their education client analysis to ensure that their financing supports private schools that meet minimum education quality requirements, but still remains affordable for its final target group.

One of REFFA's investees, **Bayport Ghana**, began operations as a non-banking financial institution in 2003 focusing on payroll deduction lending to public workers. It has since become one of Ghana's leading credit providers, expanding its branch network to all ten of the country's provinces and completing its outreach with a growing pool of sales agents. Since 2016, it has prioritised diversifying its portfolio with products oriented towards the MSME sectors. These products include vehicle leasing, SME loans and education loans. With the latter, the

EDUCATION FINANCE

E S G DIMENSION

	Inception	Regional Focus	Asset Class	TA
REEFA Regional Education Finance Fund for Africa	2014	Africa	Private Debt	✓

USD 165mn TOTAL EDUCATION PORTFOLIO

191,000 STUDENTS & LEARNERS REACHED

585 EDUCATION PROVIDERS

institution provides financing for school fees for its clients or their children. Bayport Ghana has been working with REFFA's TA consultants to develop new loan products for students and evaluate the possibility of directly financing schools. Additionally, Bayport Ghana complements its education financing activities with a range of social initiatives; for example, it has co-pioneered programmes to support teaching ideas and practices that could improve the Ghanaian education system.[31]

The Foundation View of Impact
Jacobs Foundation

JACOBS FOUNDATION

The Jacobs Foundation's mission is to invest in and develop innovative and equitable education opportunities to help young people achieve their full potential and become responsible and productive members of society. It develops innovative and equitable education opportunities such as the TRECC project (Transforming Education in Cocoa Communities). TRECC focuses on sustainably ensuring access to quality education for cocoa farmers and their children in Ivory Coast, and aspires to promote a better quality of life for young people by 2022. The Jacobs Foundation is an investor in the REFFA fund as well as a donor to the accompanying TA.

Interview with Lise Birikundavyi
Impact Investment Manager

Lise, how does the Jacobs Foundation's investment in REFFA contribute to the TRECC programme's objectives?

"Since REFFA helps to foster the dynamism of the private sector through quality education, it is clearly contributing to the TRECC programme's objectives. In addition to financing MFIs that improve school infrastructure, REFFA supports the quality of education and its affordability through its work with MFIs by assessing the relevant parameters before providing loans, supporting low-cost private schools, and driving the private sector to provide access to both. Overall, REFFA finances and improves low cost private schools, helping vulnerable families to protect their children from dropping out of school due to economic constraints and off-season cash crunches, thereby potentially lowering child labour rates. Therefore, investing in REFFA and in its capacity building facility was complementary to the Jacobs Foundation's activities in Ivory Coast."

Climate Finance

3.1.3 Climate Finance

Developing countries are the most vulnerable to the consequences of climate change because they are not only located in geographical areas that are more susceptible to negative climate-related events, but also have limited resources to deal with them (see Figures 9 and 10). Emerging markets suffer eight times more than developed countries in terms of the average proportion of the population affected, and five times more in terms of direct damage as a share of GDP.[32] The number of climate-related catastrophes, such as droughts, floods and extreme heat, has doubled in low- and middle-income countries since 1990.[33] This development is particularly alarming due to the high dependence of developing countries on agriculture. In Africa, for instance, more than 50% of workers are employed in the agricultural sector.[34] However, the negative consequences of climate change on agriculture will not only affect the income of people living in those countries, but also their health as a result of, for example, reduced food availability. Furthermore, the countries most vulnerable to climate change are also the poorest since they have the fewest resources to adapt to and cope with its consequences. Poor people are therefore at a higher risk of resorting to desperate coping strategies such as removing their children from school, reducing food consumption, or even migration. If no immediate action is taken, it is estimated that, by 2030, climate change could push more than 100 million additional people into poverty.[35]

CLIMATE FINANCE

E S G DIMENSION

	Inception	Regional Focus	Asset Class	TA
MIFA Microfinance Initiative for Asia	2012	Asia	Private Debt	✓
IIF InsuResilience Investment Fund	2016	Global	Private Debt Private Equity	✓

11,028,245 KWh ENERGY SAVED

15mn INSURANCE BENEFICIARIES

3,846 tons of CO_2 EMISSION REDUCED

Climate Insurance

Not only are the poorest countries more vulnerable to negative climate related events; they are also less protected. Insurance can mitigate the effects of weather volatility by sharing and mitigating risk over time. However, emerging economies account for only about 16% of the USD 4.6 trillion global insurance market.[36] Due to lack of insurance, economic setbacks caused

Figure 9: Share of population living under the poverty line

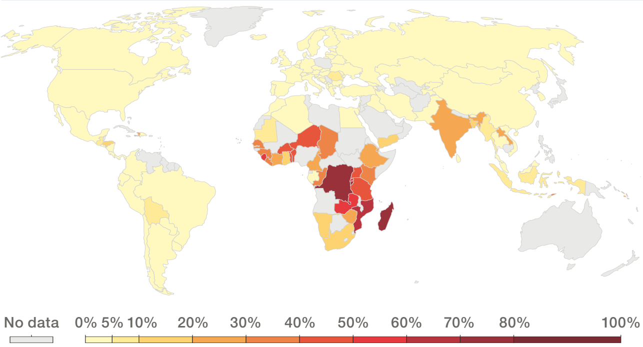
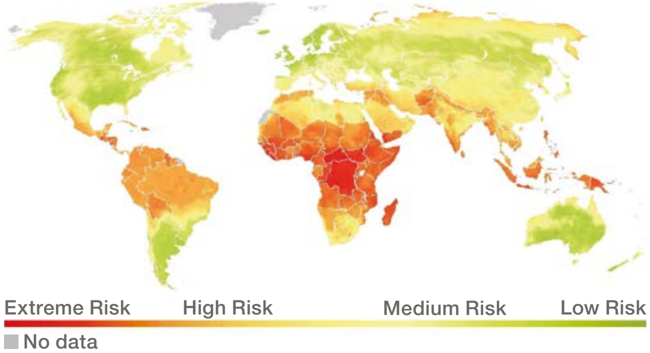


Figure 10: Climate Vulnerability Index 2017



by climate events tend to have a lasting effect, in turn reducing willingness to invest and hence limiting growth. To increase accessibility and protection, suitable insurance products need to be developed, tailored and distributed effectively.[37] This is where the BlueOrchard managed IIF comes into play. IIF was set up in December 2013 by KfW on behalf of BMZ to provide insurance for the poor and vulnerable against extreme weather events and natural catastrophes. IIF's mandate is to:

- Facilitate adaptation to climate change by improving access to, and use of, climate insurance solutions in developing countries.
- Improve the resilience of poor and vulnerable households as well as MSMEs to weather events.
- Finance qualified companies along the insurance value chain (e.g. insurers, brokers, aggregators) with main operations in Official Development Assistance (ODA) recipient countries.

The case of Mrs. Khursheed Bibi exemplifies how the protection offered by climate insurance products benefits poor and vulnerable people in developing countries. Mrs. Bibi is an end client of the Pakistani **Kashf Foundation**, an IIF investee since 2018. Like most people in her region, Mrs. Bibi is in the dairy business. She has been selling milk for over 10 years. She started her business by forming a partnership with another villager to buy a cow. She earns Rs. 9,000 (USD 67) per month from selling milk. Figure 11 describes in detail how climate insurance has supported Mrs. Bibi.

"In the beginning, I was unwilling to take out animal insurance but, after an insurance payout helped me to recover from a loss, I feel that the price of animal insurance is worth paying for. Some incidents are not under our control and the insurance coverage provides some relief."

Figure 11: Micro insurance end beneficiary example

LOAN	INSURANCE	CLIMATE EVENT	INSURANCE CLAIM
Mrs. Bibi took **her first loan of Rs. 70,000 (USD 500),** payable in twelve months from Kashf Foundation to get ownership of one cow and in order to make a living.	Mrs. Bibi took a **livestock insurance of 80 % of the loan amount.** The insurance was mandatory to take the loan. The **premium she paid was Rs. 1,680 (USD 12.6).**	In July 2018, seven months after taking her loan, a **contagious animal disease driven by an extreme cold weather event killed her cow.** Mrs. Bibi not only lost her cow, but also had to spend around Rs. 4,000 (USD 30) for medical care. She lost three months of income from not selling milk.	**Mrs. Bibi was able to claim RS 56,000 (USD 418, full insured amount).** The claim received has allowed Mrs. Bibi to pay her remaining loan instalments on time and to buy a new cow (with the help of a new loan from Kashf Foundation).

Sustainable Agriculture

Agriculture not only produces essential food crops to feed the growing world population, but also provides significant employment opportunities, especially for rural populations and to a great extent in developing countries. According to the UN, agriculture is the largest employer in the world, providing job opportunities for 40% of the global population.[38] However, traditional farming methods have serious harmful effects with regard to soil degradation, water scarcity, biodiversity loss, emissions, deforestation etc. and agriculture does not only contribute to climate change; it is also highly affected by climate change and natural disasters. Smallholder farmers based in vulnerable coastal areas or on land without direct access to water struggle with their traditional farming methods when unexpectedly strong rainfall and increased flooding or droughts occur. This is particularly worrying because most of the 500 million small farmers worldwide, providing up to 80% of food consumed in a large part of the developing world, are still heavily dependent on rainfall.[39] In order to protect the environment, meet the needs of a growing worldwide population, and deal with the consequences of climate change, agriculture must be transformed to become more productive, inclusive, and environmentally sustainable and resilient.

One of the objectives of the BlueOrchard managed IIF is therefore to support smallholder farmers in becoming more resilient and manage better risks related to negative weather events by providing them with tailored agricultural insurance solutions for extreme weather events and natural catastrophes. To this end, IIF provides financing and technical assistance for its investees, co-developing crop insurance products targeting smallholder farmers. In some cases, the crop insurance covers the whole cycle from planting to harvesting. In addition, some IIF investees also provide agronomic advice to their client farmers on the best crops, methods to increase productivity, and ways to best integrate vital geographical and climate data. For example, the African and Asian Resilience in Disaster Insurance Scheme (ARDIS), jointly launched by IIF, VisionFund and Global Parametrics in January 2018, will increase access to finance and provide post disaster recovery lending to rural families and smallholder farmers who live on or below the poverty line and participate in VisionFund's microfinance network.[40] By using climate data, VisionFund affiliates and other financial institutions will be able to make better lending decisions, and farmers better farming decisions, by decreasing uncertainties linked to changes in weather patterns and climate volatility.

One of the IIF investees offering agriculture insurance loans is **VisionFund Tanzania**. VisionFund Tanzania has a programme called Bima Maono-Insure Vision. This was launched in 2017 and helps to transform agriculture through a holistic support system that includes climate insurance and other forms of micro insurance, microfinance and agriculture development. Crop insurance was first piloted in Tanzania to help VisionFund clients to grow their way out of poverty. To date almost 6,000 financially excluded smallholder farmers in Tanzania have ben-

An Insurance Specialist View of Impact
VisionFund

VisionFund International

VisionFund International (VFI) provides microfinancing services for impoverished communities to alleviate poverty, create jobs, and ensure promising futures for children. It works to promote resilience in communities affected by natural disasters and to improve the health and wellbeing of its clients.

Interview with Kevin Huttly
VisionFund Financial Disaster Risk Specialist

Kevin, how do climate insurance products improve the resilience of VFIs' clients?

"Our lending activities are largely directed at the rural and agricultural sectors. Many of these clients are operating with the poorest soils and affected by ever worsening climatic conditions. Therefore, protection from climate events is vital and innovative solutions to this issue are necessary. Since 2013, VFI's work in Asia, Africa and Latin America during droughts, floods, windstorms and earthquakes has demonstrated that recovery lending programmes reduce clients' negative coping mechanisms, including reducing food consumption, keeping children out of school, not accessing health services, selling of assets, and migration. Because credit is extended to clients immediately post disaster, they can revitalise their farming or business directly. This simultaneously stimulates the local economy, to the extent that clients are able to repay outstanding and new loans and begin restoring their livelihoods. Such a programme has the added benefit of stabilising microfinance institutions during a potentially calamitous time, enabling them to continue serving their customers."

efited from the programme, which offers both insurance and loans that, together, have had a positive impact on more than 35,000 lives. Today this programme also operates in Kenya and Malawi. 69% of the clients benefitting from micro insurance are women.[41] From the funds received from IIF, VisionFund provides the loans for the farmers to purchase the recommended seeds and also pay for the insurance coverage. As well as covering the farmer throughout the growing cycle, the insurance includes health insurance for the farmer. With IIF's technical assistance, VisionFund is able to develop products with local insurance companies, local risk surveyors and reinsurance companies and also sign contracts with commercial buyers who agree not only on the price for each harvest but guarantee collection at the end of the growing season.

Energy Efficiency and Renewable Energy

One of the major contributors to climate change, as measured by the total amount of greenhouse gas emissions, is the increasing global level of mass energy consumption. This trend will continue because energy is the building block of all human activities today – cooking, agriculture, industry, transportation, infrastructure, etc. However, the share of energy sourced from sustainable resources is still too insignificant: according to the latest World Bank data, only 18% of total energy consumption came from renewable sources in 2015.[42]

A separate renewable energy and energy efficiency (RE/EE) window in the BlueOrchard managed MIFA aims at investing in RE/EE projects. The fund's TA works with companies to further develop their energy efficiency portfolio.

One of MIFA's investees is the Indian MFI **Saija Finance Private Limited** (Saija). Saija began its operations in 2007 and follows the Grameen model of microfinance lending. It launched its work in the state of Bihar, one of the poorest areas of India, and now works throughout socio-economically underserved regions in Northern and Eastern India. While Saija offers different types of financial products, including joint liability group loans exclusively for women, it also prioritises ensuring access to clean energy products for its clients. Saija believes that providing accessible clean energy products for its client base will help them to improve their quality of life, as well as accelerate economic and social development. Subsequently, this MFI created an energy lending programme that provides clients with basic and sustainable lighting (e.g. solar lamps and other solar products) while offering a specific type of loan, the Saija Urja Rin, to ensure that these products are affordable for its client base. At the end of 2017, Saija's work provided clean energy to over 530,000 families, representing 25% of its client base.[43]

An NGO View of Impact
myclimate

myclimate
shape our future

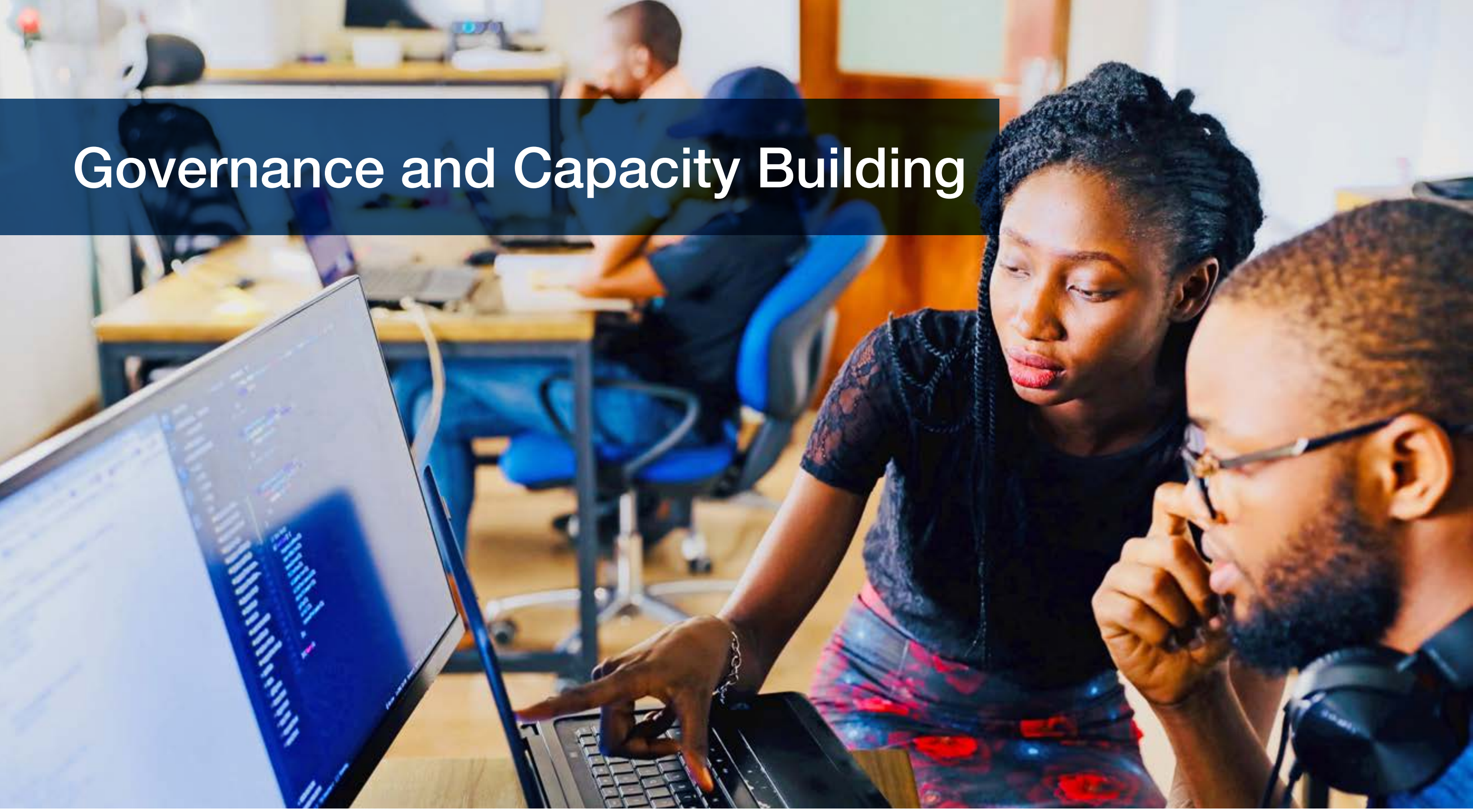
myclimate is a Swiss non-profit organisation enabling climate protection by raising awareness, training, consulting and offering solutions for everybody as a one-stop shop. It is also a partner of MIFA via its dedicated online platform named smart3.

Interview with Franziska Heidenreich
Department Head of Climate Mitigation

Franziska, what is the unique value proposition of your smart3 platform?

"smart3 is a web-based platform for the management of sustainability data. In essence, myclimate uses smart3 to track the project's contribution to the SDGs. The web-based platform can either be used for standardised reporting on the carbon footprint of companies, for example, or it can be customised for specific impact measurements and tracking. It is a dynamic tool that collects, consolidates, evaluates and reports relevant data for ongoing projects. It also offers an interesting feature consisting of benchmarking for different projects in the database, allowing the user to make a comparative analysis. As smart3 is very adaptable, we were able to set up a reporting dashboard specifically for the MIFA fund."

Governance and Capacity Building



3.1.4 Governance and Capacity Building

BlueOrchard's impact in the areas of governance and capacity building is twofold: first, through its efforts in the context of its Technical Assistance Facilities (TAF), and second, as part of its private equity practice. Both approaches are presented in the subsequent sections in more detail.

Technical Assistance Support

Currently, three BlueOrchard funds have dedicated TA Facilities to pursue their investment strategy and objectives and support their investees in capacity building and governance enhancement: MIFA, REFFA and IIF. These TA Facilities are donor funded and typically include a component of cost-sharing contributed by the investee receiving TA services. Investees are able to tap into a wide range of tailored capacity building measures which are designed to meet the needs and preferences of the investees and thereby leverage the investments provided by the respective funds. The customised TA funds are deployed in parallel with the funding and aim to catalyse the impact of these investments. Tailored TA services are designed to complement funding with the knowledge and skills required for offering new or adapted products. In addition, TA services can precede the investment by providing market intelligence through country studies or the creation of relevant datasets and reporting tools. A wide range of services is offered to support institutional strengthening, such as the quality

GOVERNANCE & CAPACITY BUILDING

17 PARTNERSHIPS FOR THE GOALS

E S **G** DIMENSION

	Inception	Regional Focus	Asset Class	TA
MIFA Microfinance Initiative for Asia	2012	Asia	Private Debt	✓
REEFA Regional Education Finance Fund for Africa	2014	Africa	Private Debt	✓
IIF InsuResilience Investment Fund	2016	Global	Private Debt Private Equity	✓

USD 7.8mn
TA BUDGET

57
TA PROJECTS

of the credit process, risk management and internal audit, strategic and business planning, operational efficiency, social performance management, marketing and product rollout, and training of the investees' employees on several topics.

TA Support in Practice

Often, business clients of investees 'hide' the annual school expenses for their children in a standard business loan or an overdraft, which is then diverted to paying the school fees at the start of an academic year. The TA supports REFFA investees with dedicated loan products that are offered to parents who wish to pre-finance the school fees. Thereby, the loan purpose becomes transparent and parents can save costs. Typically, loan products for parents with a salary or business income are differentiated.

Private Equity Value Creation

As part of its duties as a shareholder in partner companies, BlueOrchard contributes to capacity building and governance enhancement in these companies. This so-called 'value creation' is an integral part of BlueOrchard's private equity practice. Its private equity team deploys seven value levers across the three key pillars of governance enhancement, operational improvements, and financial efficiency (displayed in Figure 12). For each of the seven value levers, a comprehensive set of actionable measures has been defined, resulting in a powerful toolkit for value creation. By working closely alongside its investees, BlueOrchard seeks to

- Pursue the impact objectives of its mandate by cooperating with its partner companies
- Define and foster its partners' environmental and social mission and support the pursuit thereof
- Assist the measurement and reporting of progress towards these objectives

These concrete objectives and BlueOrchard's contribution vary according to the initiative and partner company. In one instance, BlueOrchard took a leading role in fully reshaping the governance, management and business plan of the partner company. In another instance, the private equity team is assisting the execution of selected initiatives, while independent experts are employed to drive technical developments. To ensure maximum environmental, social and financial impact, BlueOrchard works systematically with its partners throughout the investment process. Most importantly, its private equity team develops a view of concrete initiatives prior to investment, ensuring strong alignment and fast execution in collaboration with its portfolio companies. This enables BlueOrchard to help its investees to grow their business and enhance their social and environmental outreach right from the start of the investment.

Figure 12: Value creation pillars and levers

Value Creation Pillars	Objective	Key Value Levers
Governance Enhancement	Assure effective governance and management	Governance & Mgmt.
Operational Improvements	Enhance growth and productivity of the business	Strategy; Product Capabilities; Distribution; Processes & Efficiency; Control & Transparency
Financial Efficiency	Optimize capital structure and costs of capital	Capital Structure

Value Creation in Practice

Founded in 2003, **Skymet,** an investee of the BlueOrchard managed IIF since 2017, has grown into the foremost provider of innovative weather and agriculture risk solutions, as well as weather forecasting, in India. It is currently working to help over two million farmers in India cope with the effects of climate change. It provides weather and crop related data products and services to banks, governments, insurance companies and finance institutions to further these parties' respective work in rural areas in India. It utilises insurance and credit technologies to mitigate weather-related agriculture and livelihood risks for its end clients. To provide weather and crop related information to the insurance sector, Skymet notably operates a network of over 6,500 automatic weather stations across India. It additionally uses satellite remote sensing and a fleet of 15 unmanned aerial vehicles to produce images used for crop insurance work.[44]

Figure 13: Value creation in practice

Company	skymetweather.com		
Toolkit	Initiative	Lever	Role
	Improvement of the decision-making process at board level	Governance & Mgmt.	Assist
	Enhancement of budget process and material, measurement and reporting of impact	Control & Transparency	Assist
	Introduction of prospective banking clients	Distribution	Assist
	TA-funded gap analysis and proposals to improve IT infrastructure	Processes & Efficiency	Assist
	TA-funded branding and marketing analysis and new strategy roll out for core product	Product capabilities	Manage
	Introduction to international impact lenders to reduce costs and diversify funding	Capital structure	Assist

3.2 Broader Impact Areas

3.2.1 Affordable Housing

In a world where human migration and urbanisation progress rapidly, ensuring affordable housing and decent living standards for all has become a paramount concern. The flow of people from rural to urban areas, or from developing to developed regions, is striking and is not expected to slow down in the coming decades. Currently, 3.5 billion people live in cities worldwide; however, the projections indicate that this number is expected to rise to 5 billion by 2030 and 95% of this increase will occur in emerging and frontier countries.[45] This rapid expansion of urbanised areas puts pressure on both public and private institutions whose responsibility is to guarantee the provision of basic needs and conditions for all inhabitants. Due to the high pace of migration and urbanisation, poorer populations have started to settle in temporary housing such as slums or informal settlements on the outskirts of cities. Unfortunately, over time, many such 'temporary' housing solutions became quasi-permanent. According to the UNPRI, 1.6 billion people are still inadequately housed, with approximately one billion individuals living in suboptimal conditions.[46]

Microfinance institutions have consequently been developing new lines of business dedicated to the provision of mortgages for affordable housing in emerging and frontier markets. For example, the **Cooperativa Nacional de Educadores** (COOPENAE), a BOMF investee since 2012, was established in Costa Rica in 1966 as a credit union for teachers and individuals working in the public education sector. Since then, it has developed to become one of the largest credit unions in Costa Rica, expanding its offerings to include personal, housing and MSME loans. [47] As of 2018, the Costa Rican government estimated a USD 4.4 billion annual financing gap in the provision of affordable housing.[48] COOPENAE's loan and credit processes address exactly this gap. In September 2018, the second largest share of COOPENAE's portfolio was allocated to affordable housing. It currently has programmes promoting accessible credit and efficient loans for housing. As of October 2018, COOPENAE began offering housing bonds to families with collective monthly incomes of around CRC 1.5 million – approximately USD 2,500.[49]

BlueOrchard's **Emerging Markets SDG Impact Bond Fund (IBF)**[50] is also supporting the development of the affordable housing market in emerging and frontier countries. One example in the IBF's portfolio is **Cagamas.** Cagamas is a national mortgage corporation based in Malaysia and active for more than 30 years. Its mission is to increase home ownership and the growth of the secondary mortgage market in the country via corporate and sukuk bonds[51] to refinance its purchase of housing loans. Cagamas also implements sustainable practices through its Corporate Social Responsibility (CSR) efforts. Positive social and environmental practices are embedded in its operations. For example, it regularly supports education initiatives targeting underserved populations in Malaysia and aims to empower local communities and share important expertise in sectors such as finance, new technologies or entrepreneurship. In 2017, Cagamas hosted its first meeting on the sustainable development of affordable housing, bringing together national and international industry experts to develop a set of recommendations for the fast growing housing market in Malaysia.[52]

AFFORDABLE HOUSING

1 NO POVERTY · 5 GENDER EQUALITY · 10 REDUCED INEQUALITIES · 11 SUSTAINABLE CITIES AND COMMUNITIES

E [S] G DIMENSION

	Inception	Regional Focus	Asset Class	TA
BOMF Blueorchard Microfinance Fund	1998	Global	Private Debt	
IBF Emerging Markets SDG Impact Bond Fund	2018	Global	Bonds	

1.3mn
MORTGAGES & HOUSING LOANS IN BO INVESTEES PORTFOLIO

AMOUNTING TO A TOTAL OF
USD 4.9bn

3.2.2 Health

In recent decades, the general health status has been improving globally, with better access to basic medicine in the poorest areas as well as a higher quality of healthcare worldwide. Healthcare has also become more affordable, leading to a global increase in life expectancy.[53] Despite this positive trend, certain problems persist, such as premature deaths (mostly in Sub-Saharan Africa and Southern Asia), lack of basic health insurance coverage or biases due to gender, level of education, or available income. The results of a World Health Organization (WHO) study on the costs of reaching the health related SDGs by 2030 shows that there is great need for higher levels of investment. The most conservative scenario indicates that this increase should steadily achieve between USD 104 billion and USD 274 billion annually by 2030, in order to significantly reduce premature deaths, increase employment in the health sector and provide more and better health facilities, including hospitals and health centres.[54]

HEALTH

E **S** G DIMENSION

	Inception	Regional Focus	Asset Class	TA
BOMF Blueorchard Microfinance Fund	1998	Global	Private Debt	
IBF Emerging Markets SDG Impact Bond Fund	2018	Global	Bonds	

854,000
HEALTH & EDUCATION LOANS IN BO INVESTEES PORTFOLIO

AMOUNTING TO A TOTAL OF
USD 1.06bn

In this context, financial institutions in emerging and frontier markets have started expanding their product offerings to include health related products for their client base. The international development organisation PACT, a BOMF investee, began its microfinance work in Myanmar in 1997 through a partnership with the United Nations Development Program (UNDP). This partnership developed to become an independent MFI, **PACT Global Microfinance Fund (PGMF)** in 2012, and has since grown into Myanmar's largest MFI. PGMF specifically focuses its microfinancing services on women located in rural areas. As of December 2018, 99% of its client base was female (representing nearly 920,000 individuals), 84% of whom lived in rural areas. PGMF has been promoting financial inclusion services, good health care and quality of life among women in Myanmar via three programmes. The first is the Beneficiary Welfare Fund (BWF). As most PGMF clients do not have access to traditional insurance, the BWF addresses this issue by making cash payouts and writing off loans to clients who, for example, give birth. In addition, PGMF gives new mothers cash payouts to

facilitate access to necessary healthcare. In 2018, it disbursed over USD 2 million in childbirth benefits to 54,000 clients. The second programme is its health loan initiative, which gives access to a loan up to USD 70 for clients needing emergency healthcare or medical treatment. Clients can apply for this type of loan over the phone and receive the amount while they are in the hospital, with a year-long repayment period and a favourable interest rate. The third programme is PGMF's savings withdrawal policy. This policy allows clients to withdraw 75% of their savings in case of emergencies.[55]

Finally, **Hikma** is a Jordanian pharmaceutical enterprise and is one of the bond issuers in the IBF portfolio. Founded over 40 years ago, it ensures that affordable medicine is accessible to the people who need it most. Hikma provides over 650 different pharmaceutical products across three different business segments, namely injectable, generic and branded products. The company aims to ensure access to medicine in any situation: in 2017 it donated 340,000 units of medicine to communities in need and as response to humanitarian crises. Through various initiatives, Hikma actively contributes to 5 SDGs:

SDGs	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
How does Hikma contribute to each SDG?	By regularly launching innovative and affordable medicines as well as special medical units.	By strongly supporting numerous education programs and schools targeting both children and adults including Hikma employees. Financing also includes renovations and improvements of school facilities.	By implementing gender equality policies within the company and promoting programmes designed for women entrepreneurs.	By operating following a sustainable and ethical business model while offering new and attractive employment opportunities in the sector.	By fostering innovation through its Hikma Venture entity, which is active in the digital health space, as well as through a combination of its R&D, strategic partnerships and acquisition activities.

Source: Hikma Annual Report 2017[55] and Hikma and the UN Sustainable Development Goals[56]

4. Impact Management: The Way Forward

As the impact investing industry grows rapidly, with multiple actors joining the ranks, there is a fundamental need for coordination to avoid duplication of work and to find a common language for measuring, reporting and comparing impact figures. Speaking with a common language is particularly important for the industry in achieving its targets and thereby fully contributing to the achievement of the SDGs. The improvement, professionalisation and standardisation of the industry's impact management helps to prove the effectiveness and relevance of impact investments in achieving the SDGs. High level discussions involving leading public and private sector representatives focus increasingly on leveraging best impact management practices by capitalising on success stories and lessons learned.

Based on its long-standing track-record in fund and impact management, BlueOrchard has identified eight key recommendations for achieving consolidation across practitioners while developing effective and successful impact management practices. These recommendations reflect BlueOrchard's own impact credo and its experience of investors' expectations on the one hand, and investees' capabilities in emerging and frontier markets on the other. The way forward in impact management needs inclusive thinking and a pragmatic approach that takes past experience, best practices and the expectations and capabilities of all stakeholders into consideration.

The DFI View of Impact

IFC

As a member of the World Bank Group, the IFC has over 6 decades of experience mobilising private capital to end poverty and promote sustainable prosperity across the globe.

Interview with Neil Gregory

IFC Chief Thought Leadership Officer,
Economics and Private Sector Development

Neil, what was the rationale for, and process behind, the creation of the IFC Operating Principles, and why now?

"IFC has seen a big change in impact investing. With larger investors entering this market, the industry has the potential to attract significantly more funding and to scale up its activities. In this context, the concerns regarding impact washing become even more relevant. IFC has seen this as an opportunity to clarify the issue and has decided to capitalise on its more than 60 years' experience as an impact investor by sharing key elements of its impact system with a coalition of impact investors. IFC has reached out to as many as 1,000 investors and decided to lead a process of standardisation of good impact management practices. IFC aims to define and standardise impact management work by developing a set of principles that allow various players to integrate them into their own impact processes. As ICMA becomes the standard for green bonds, we envisage the IFC's Operating Principles being adopted as the standard by impact investors across the board."

Recommendations for achieving consolidation in impact management:

Promote standardisation rather than multiplication: A number of leading institutions are sharing their impact management systems with the intention of creating a more standardised language of measurement and management techniques for impact investments, companies or projects. The IMP, the IFC Operating Principles for Impact Management and the GIIN Impact Reporting and Investment Standards (IRIS+) are among the latest initiatives to promote this standardisation process. Asset managers have the responsibility of aligning their internal impact processes with industry standards and thus reinforcing market harmonisation and transparency.

Use simple and versatile impact management systems: Advocate for a clear and flexible impact management system and for its implementation across different asset classes and impact themes. Measuring and managing impact should become as streamlined as producing the financial results of a company.

Advocate for mandatory reporting requirements for impact: Policy makers and regulatory bodies play a fundamental role in guiding the impact investing industry to systematically disclose impact data. The ultimate goal is to create an industry in which impact goals and returns are measured and reported in the same way financial data is reported and analysed through accounting principles.

Maintain client-centred and pragmatic focus: Setting ambitious, unrealistic impact goals is counterproductive. It is important to consider the resources and skills available at the investee level when planning a set of impact objectives for an investment. This results in a more streamlined approach to the project targets and reporting requirements. Inputs provided upfront should be oriented to the impact management system design, ensuring a smooth implementation and tracking effort.

Support investees' capabilities: Strengthening the skills, systems, and capabilities of the investees through tailored technical assistance and capacity building can accelerate the achievement of the desired impact goals. Capacity building can catalyse efforts in many areas (e.g. product innovation) as well as support the conceptualisation and implementation of more effective impact practices and tools.

Be clear about why you are collecting impact data: Impact data should be collected mainly to evaluate past performance and inform and support future business decisions. Impact data is an integral part of the decision-making process of any company that strives to improve its impact practices. The ability to regularly collect, analyse and communicate impact results demonstrates the transparency and achievements of investees, enhancing their financial attractiveness.

Avoid 'impact washing': Enhanced and transparent communication of impact results is important to avoid anecdotal evidence being taken out of context. When collecting beneficiaries' stories and presenting information about a small sample of case studies, it is important that the communication does not distort reality. Lack of transparency in impact communication can be counterproductive for the parties involved and for the industry overall.

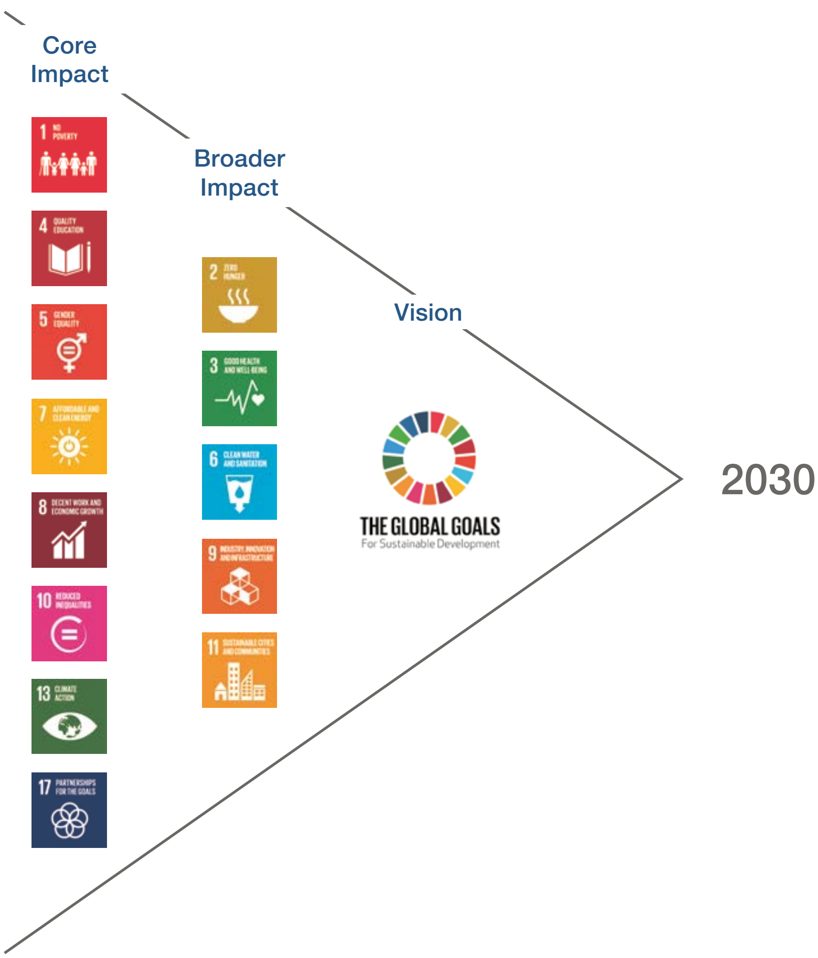
Focus on the big picture: It is important that today's practitioners follow the SDG agenda and increase awareness by encouraging sustainable business activities and practices on a larger scale, rather than pursuing unrealistic impact goals.

5. Conclusion

The focus on social and environmental impact has moved from being disregarded, through being passively targeted by selected companies (i.e., avoiding financial contribution to harmful activities), to becoming a crucial element of companies' businesses and investment decisions. This trend has been mirrored in decision-making processes, where purely financially driven decisions have, over time, integrated ESG criteria and, more recently, focused on impact and SDG based investments.

This report attests and substantiates BlueOrchard's commitment to the achievement of the SDGs since the company's inception. The company's product offerings have been extended to new asset classes and impact themes, demonstrating BlueOrchard's engagement in expanding its outreach and deepening its contribution to the achievement of the SDGs.

Figure 14: BlueOrchard's core impact, broader impact and vision



BlueOrchard's impact footprint can be mapped along the three levels of the impact value chain; namely, ESG, impact themes and SDGs. The mapping illustrates how BlueOrchard's engagement spans all three ESG dimensions, providing financing to nine key impact themes and contributing to as many as 13 SDGs.

BlueOrchard's impact themes are split into *core impact* areas, *broader impact* areas and *vision* (see Figure 14). The core impact areas reflect the company's current strategic impact target. This is indicated by the company presently providing the largest share of funding in these areas in emerging and frontier markets. The broader impact category illustrates the SDGs' projected to gain more importance within BlueOrchard's impact investment activities. For example, with the launch of new funds or the extension of the investment goals of current funds. In terms of its vision, BlueOrchard's commitment remains the achievement of all the SDGs as the company strives to actively contribute to their fulfilment, both directly and indirectly.

In order to track its impact achievements, BlueOrchard has developed internal tools and processes in line with impact industry standards and best practices. This report has presented a comprehensive overview of the main impact management tools, highlighting the company's recent work in aligning its main impact management tool (SPIRIT) with the newly released, benchmark setting IFC Operating Principles for Impact Management. Furthermore, based on its long track-record and sound experience of setting up and steering effective impact management systems, BlueOrchard has identified and shared eight key recommendations for achieving consolidated impact management. These are fully integrated in BlueOrchard's policies, processes and operations and reflect the company's impact credo.

BlueOrchard will continue to increase market awareness and focus its efforts on attracting new capital for impact investment strategies, striving to launch new and relevant products while consistently considering both its investors' expectations and investees' needs and capabilities. Moreover, it will measure its impact and share its expertise to demonstrate that 'impact lens investing' is a compelling and tangible investment opportunity, open to all types of investors.

Acknowledgments

As expressed throughout this report, we believe that having an impact is the result of the concerted efforts of all stakeholders and every contribution can make a difference. Keeping this in mind, we would like to thank all contributors to this report for sharing their wisdom, experience and passion for impact. In particular, we want to acknowledge the contributions from our clients, investors and investees, whose testimonials have given a 'face' to our impact efforts.

We would also like to thank the BlueOrchard's Board of Directors as well as the Executive Management Team for their continuous support and important advocacy efforts to promote best practice in impact management. We are also grateful to our BlueOrchard colleagues in various teams who have provided valuable input for this report. Since this report refers to our new tools and impact management practices, it is important for us to acknowledge the strong support given by the BlueOrchard investment team and the key role they play in the implementation phase. Special thanks go to Tahmina Theis for her tireless professional editorial support that has shaped this report in all its parts and details till the end. Big thanks go also to Alicia Boissonnas who has never stopped to surprise us with her creativity in design and layouts. Without the careful guidance of both of them this paper would have never have reached its final form. Our final word goes to Patrick Scheurle: our CEO. Patrick has supported from its inception the Blended Finance and Impact Management team. He has nurtured our aspiration and ambition to be game changers in impact management, confirming the company's conviction and commitment to achieving an impact.

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Abbreviations

ARDIS	African and Asian Resilience in Disaster Insurance Scheme
AuM	Assets under Management
ASEAN	Association of Southeast Asian Nations
BFIM	Blended Finance Impact Management
BMZ	German Federal Ministry for Economic Cooperation and Development
BOMF	BlueOrchard Microfinance Fund
BWF	Beneficiary Welfare Fund
CDC	CDC Group: the UK's Development Finance Institution
CSR	Corporate Social Responsibility
DFI	Development Finance Institution
ESG	Environmental Social Governance
GBPs	Green Bond Principles
GDP	Gross Domestic Product
GIIN	Global Impact Investing Network
IBF	Impact Bond Fund
IRIS	Impact Reporting and Investment Standards
JAWEF	Japan ASEAN Women Empowerment Fund
KfW	German Federal Development Bank
ICMA	International Capital Market Association
IFC	International Finance Corporation
IIF	InsuResilience Investment Fund
IMP	Impact Management Project
MCC EKI	Microcredit Company EKI
MEF	Microfinance Enhancement Facility
MFI	Microfinance Institution
MIFA	Microfinance Initiative for Asia Debt Fund
MSME	Micro Small and Medium Enterprise
ODA	Official Development Assistance
PGMF	PACT Global Microfinance Fund
REFFA	Regional Education Finance Fund for Africa
RE/EE	Renewable Energy and Energy Efficiency
SBGs	Sustainability Bond Guidelines
SDGs	Sustainable Development Goals
SME	Small and Medium Enterprise
SPIRIT	Social Performance Impact Reporting and Intelligence Tool
SRI	Socially Responsible Investments
TA	Technical Assistance
TAF	Technical Assistance Facility
TRECC	Transforming Education in Cocoa Communities
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations International Children's Emergency Fund
UNPRI	UN Principles for Responsible Investment
UN SDGs	United Nations Sustainable Development Goals
VFI	VisionFund International
WHO	World Health Organization

Figures

BlueOrchard Partners for the Goals

17 PARTNERSHIPS FOR THE GOALS

The ambitious targets contained in the SDGs require cooperative action across multiple stakeholders worldwide. BlueOrchard is proud to work with many excellent partners in the private and public sectors to take joint action in addressing key social and environmental challenges. We participate to a number of industry events and conferences to share our expertise. We also hold breakfast meetings bi-annually to inform our partners about industry developments and organise field trips each year, to allow investors to gain first hand insights by meeting our investees. We also initiated the *BlueOrchard Impact Summit* to provide a platform for global leaders, key decision makers from the private and the public sphere, and academics to come together and find ways to unlock the resources required to meet the SDGs.

One Planet Summit
Kenya, March 2019

Asia Financial Institution Forum
Thailand, January 2019

Sustainable Impact Hub at the WEF
Switzerland, January 2019

OECD Private Finance for Sustainable Development
France, December 2018

European Microfinance Week
Luxembourg, November 2018

Asia-Pacific Microfinance Forum
Singapore, October 2018

World Investment Forum
Switzerland, October 2018

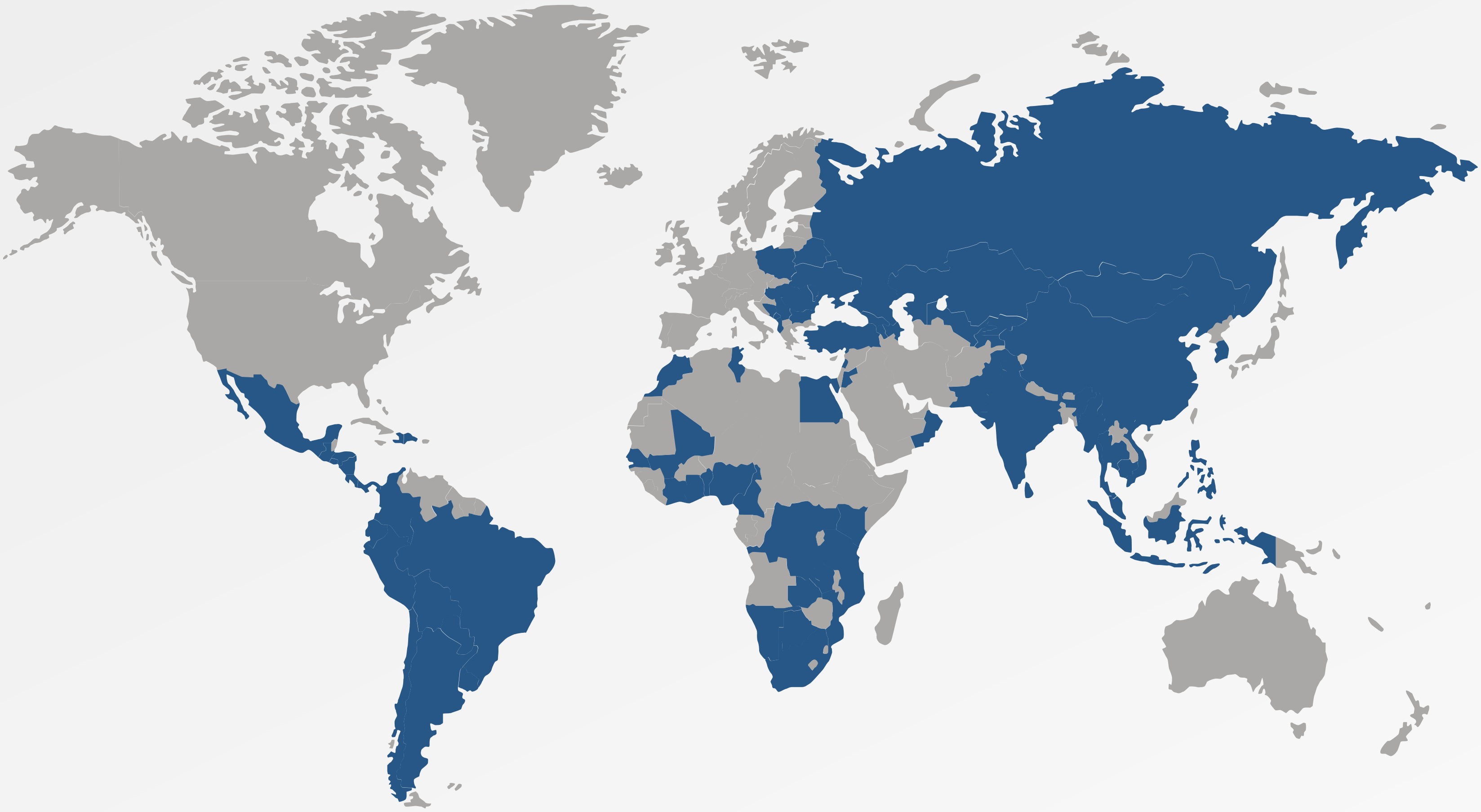
Austrian World Summit
Austria, June 2018

ALASA Congress
Peru, May 2018

BlueOrchard Impact Summit
Switzerland, October 2018

BlueOrchard Field Trip
Tanzania, June 2018

BlueOrchard Breakfast Event
Switzerland, March 2018



BlueOrchard investments by country
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About BlueOrchard Finance Ltd
BlueOrchard *is a leading global impact investment manager. The firm is dedicated to fostering inclusive and climate-smart growth, while providing attractive returns for investors. BlueOrchard was founded in 2001, by initiative of the UN, as the world's first commercial manager of microfinance debt investments. Today, BlueOrchard provides investors around the world with premium investment solutions, including credit, private equity, and sustainable infrastructure. Being an expert in innovative blended finance mandates, the firm is a trusted partner of leading global development finance institutions. With a major global presence and offices on four continents, BlueOrchard has invested to date more than USD 6bn across 80 emerging and frontier markets, enabling tangible social and environmental impact. BlueOrchard is a licensed Swiss asset manager of collective investment schemes authorized by FINMA. Its Luxembourg entity, BlueOrchard Asset Management S.A., is a licensed UCITS management company as well as a licensed alternative investment fund manager (AIFM) authorized by CSSF. For additional information, please visit: www.blueorchard.com.*