

European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif on February 19, 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;

- Signatories are solely responsible for the answers to the questions, and should state this in their response.

Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of BlueOrchard. We have been involved in SRI since 2001 and welcome the European SRI Transparency Code. This is our first statement of commitment and covers the period 01.01.2021 to 31.12.2021. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Compliance with the Transparency Code

BlueOrchard is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. BlueOrchard meets the full recommendations of the European SRI Transparency Code.

28.07.2021

Eurosif classification of Sustainable and Responsible Investment¹ strategies

Sustainability Themed Investment: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire

¹ Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances². Investments are often project-specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French *fonds solidaires*.

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1. List of funds covered by the Code

BlueOrchard UCITS Emerging Markets SDG Impact Bond Fund

Name of the fund(s): BlueOrchard UCITS - Emerging Markets SDG Impact Bond Fund					
Dominant/preferred SRI strategy	Asset class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Impact Investing <input checked="" type="checkbox"/> Sustainability Themed	Actively managed <input checked="" type="checkbox"/> International bonds and other debt securities	<input checked="" type="checkbox"/> Other (IFC Exclusion list)	USD 497,864,298	<input checked="" type="checkbox"/> Luxflag Label <input checked="" type="checkbox"/> Towards sustainability	Prospectus and corporate presentation: www.blueorchard.com KIIDs and Annual reports: www.fundinfo.com

2. General information about the fund management company

2.1. Name of the fund management company that manages the applicant fund(s)

BlueOrchard Asset Management (Luxembourg) S.A.
 1, rue Goethe
 L-1637 Luxembourg
 Grand Duchy of Luxembourg
www.blueorchard.com

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Please provide a hyperlink to any of the company's sustainable investment webpages.

BlueOrchard is dedicated to generating lasting positive impact for communities and the environment, while aiming to provide attractive returns to investors. It is our aim to make impact investment solutions accessible to all and to advance the conscious use of capital which benefits society and the environment.

BlueOrchard is a leading global impact investment manager and a member of the Schroders Group. BlueOrchard was founded in 2001, by initiative of the UN, as the world's first commercial manager of microfinance debt investments and manages today the largest microfinance fund in the world. The firm has built a distinct track record in offering premium impact 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.

For more information regarding BlueOrchard and its impact capabilities please refer to BlueOrchard's [website](http://www.blueorchard.com).

2.3. How does the company formalise its sustainable investment process?



A link to BlueOrchard's Impact Management and Environmental, Social and Governance Framework can be found [here](#).

A link to BlueOrchard's voting policy can be found [here](#).

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?³

B.Impact is BlueOrchard's holistic approach on impact & ESG management across asset classes and impact themes. It is based on BlueOrchard's definition of impact that is aligned with the IFC principles, namely:

Impact investments are *"investments made in companies or organizations with the intent to contribute measurable positive social or environmental impact, alongside a financial return"*.

The main pillars of the B. Impact framework include:

- An ESG assessment using a dedicated tool called the SDGs, Practice, Impact Rating & Intelligence Tool ESG Scorecard (hereafter the "SPIRIT ESG Scorecard"). The ESG Scorecard is an evaluation of sustainability risks.
- An impact assessment using a dedicated tool called the SDGs, Practice, Impact Rating & Intelligence Tool Impact Scorecard (hereafter the "SPIRIT Impact Scorecard"). The SPIRIT Impact scorecard assesses the potential impact of each investment and follows the five dimensions of the Impact Management Project.
- Both scorecards are complementary in helping BlueOrchard's investment decisions, in monitoring, engagement decisions and impact at exit.
- Impact KPIs are mapped against the UN's SDGs at both an individual company and overall fund level.

³ Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

With regards to climate change, BlueOrchard is dedicated to fostering inclusive and climate-smart growth in emerging and frontier markets. A number of BlueOrchard’s products have successfully been awarded industry recognized ESG and sustainability labels for its private assets and public assets mandates such as the Luxflag, the Climate LuxFlag and “towards sustainability”.

Finally, following the EU regulation on sustainability-related disclosures in the financial services sector (EU 2019/2088), better known as SFDR, all our products have been classified as Article 9, so-called “dark green”.

2.5. How many employees are directly involved in the company’s sustainable investment activity?

As BlueOrchard is a leading impact investor, all employees are directly involved in generating positive and lasting impact for the environment and society. On top of that, BlueOrchard has an independent Blended Finance and Impact Management (BFIM) Team that is led by Maria Teresa Zappia – Chief Impact & Blended Finance Officer, Deputy CEO.

The BFIM team leads the ESG and impact management practice at BlueOrchard. The team is responsible for developing and maintaining ESG and 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 capabilities.

2.6. Is the company involved in any RI initiatives?

<i>Initiative</i>	<i>Year Joined</i>
Towards Sustainability Accreditation, Belfin	2020
IFC-led Operating Principles for Impact Management	2020
GIIN Member	2015
Swiss Sustainable Finance Member	2014
European Microfinance Platform, Luxembourg	2014
UN PRI	2009
The Smart Campaign	2008
LuxFlag for microfinance funds and more recently for climate finance (certification across a range of BlueOrchard managed funds)	2007
Social Performance TaskForce	2005

2.7. What is the total number of SRI assets under the company's management?

All of BlueOrchard's AuM are classified as sustainable. Total AuM as of 31.12.2020: USD 4.4bn

A list of our impact funds can be found on our [website](#).

3. General information about the SRI fund(s) that come under the scope of the Code

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The fund is expected to finance corporations in frontier and emerging markets that fund or engage directly in impact areas and thus contribute to achieving the UN Sustainable Development Goals (SDGs), with a particular focus on SDGs 1, 7, 8, 9 and 10. It will purchase prudently selected frontier and emerging markets bonds, promissory notes and corresponding instruments of corporations including quasi-sovereigns, predominantly financial institutions, with significant impact activities.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

All types of screening and rating are done internally by the Blended Finance and Impact Management Team. The team consists of eight professionals and is led by Maria Teresa Zappia – Chief Impact & Blended Finance Officer, Deputy CEO.

The BlueOrchard Impact & Environmental, Social and Governance Framework describes our sustainable investment process. To integrate ESG factors, BlueOrchard developed the B.Impact Framework (enhancement of the previous tool SPIRIT) through which ESG risks and opportunities are integrated in the management of all Funds. The Framework is based on three pillars: An ESG assessment, an Impact assessment, and an SDG Mapping & Alignment. The Impact & Environmental, Social and Governance Framework is publicly available on our [website](#).

All ESG and Impact assessments that we perform include the revision of the RepRisk reports on the issuers. RepRisk is a leading research and business intelligence provider, specializing in ESG and business conduct risks. The platform provides a comprehensive analysis and assessment across 28 ESG issues in accordance with the international standards related to ESG themes, such as the Ten Principles of the UN Global Compact, the World Bank Group Environmental, Health, and Safety Guidelines, the IFC Performance Standards, the Equator Principles, the OECD Guidelines for Multinational Enterprises, and the ILO Conventions.

3.3. What ESG criteria are taken into account by the fund(s)?

BlueOrchard believes that sound ESG practices are critical to the long-term success and sustainability of our company, as well as our investees. Following these principles will lead to better financial and impact performance. As such, ESG factors are integrated throughout the entire lifecycle of our investment processes. BlueOrchard's ESG framework has been developed in alignment with the IFC Performance Standards and IFC's Interpretation Note on Financial Intermediaries. All counterparties in BlueOrchard managed and advised funds are thoroughly assessed through a dedicated tool called the SPIRIT ESG Scorecard. The SPIRIT ESG Scorecard

evaluates environmental, social, and governance risks and practices and provides an ESG rating. The SPIRIT ESG Scorecard is filled based on both internal and external sources of information including materials provided by the RepRisk ESG risk database. The ESG rating becomes an input for origination and monitoring of investments and defines the frequency of monitoring and reporting. The SPIRIT ESG Scorecard rating also determines the need for additional monitoring of the investee to ensure that ESG requirements are being adhered to and risks addressed. The approval of the SPIRIT ESG Scorecard is prepared by BlueOrchard's Blended Finance and Impact Management team and is independent from the investment team, and the underwriting process.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?⁴

As part of the ESG Scorecard, each issuer is assessed on its environmental characteristics such as environmental policy, environmental KPIs as well as TCFD reporting and alignment with Science-based targets.

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

In December 2020, an upgrade of an existing tool was launched to accommodate new asset classes. The new impact management and ESG framework called "B.Impact" consists of a holistic approach to manage and measure ESG risks and impact potential across asset classes and impact themes. It includes major enhancements in policies and procedures, as well as at the product and tool levels, such as the upgraded and rebranded SPIRIT into an impact and ESG assessment tool. The main pillars of the B.Impact framework include:

- Enhancement of the SPIRIT tool with dedicated SPIRIT ESG and SPIRIT Impact scorecards. Only bond investments meeting the minimum Bond SPIRIT score (50 out of 100) are considered investable. This ensures that the issuers with the best sustainability performance are selected for the portfolio.
- The ESG Scorecard entails a sustainability risk assessment taking into consideration environmental, social or governance event or condition that could cause an actual or a potential material negative impact on the value of the investment and it guarantees that the company meets certain minimum safeguards standards.
- The SPIRIT Impact scorecard assesses the potential impact of each investment and follows the five dimensions of the Impact Management Project. It combines the investment intent with impact KPIs and information on the end beneficiaries and also assesses the contribution while factoring in the different potential risks that the intended impact may not be achieved. The EU Taxonomy objectives are adapted for environmental investments.

⁴ Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):

<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

- Both scorecards are complementary in helping BlueOrchard’s investment decisions.
- Evaluation of impact over time, including notions such as expected impact and growth/projection, provide more information about the impact achieved by a loan.
- For the public asset investment universe, each investment will be attributed to an impact category to clarify the impact intent by highlighting who is the main end beneficiary of the bond investment. It is divided into the broad impact action level of “Planet” and “People” and contains several impact categories.
- Finally, the impact KPIs are mapped against the UN’s SDGs at both an individual company and overall fund level. The B.Impact Investment universe is defined by the scoring interaction between the SPIRIT Impact and the SPIRIT ESG Tool. It includes areas that are not in scope, areas where engagement by BlueOrchard is required in order to consider the investment, and areas that are fully in scope.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The ESG and impact scorecards are updated on a yearly basis subject to the availability of relevant data. While not taking into account the principal adverse impacts on sustainability factors, the process of assessing each issuer and asset through the BlueOrchard proprietary impact assessment framework is rooted not only in evaluating the potentially useful outcomes of an asset in advancing SDG criteria but also in reviewing the potential negative contributions of an issuer to the environment, to the industry in which they operate and the communities in which they conduct business. These potentially negative impacts of issuer conduct are the primary driver of rejections when issuers/assets are raised for inclusion in the Fund investment universe and are monitored on a regular basis by the B.Impact team. The impact assessment, through the updating of the impact KPIs, guarantees the achievement and progress of positive impact of the investment.

If a major negative ESG/impact event takes place (e.g. fraud, corruption, environmental violation, missed impact reporting, etc.) an ad-hoc impact committee (IMCO) is conveyed. This either results in a direct divestment request to the portfolio manager or the assessments are performed again based on the new information.

4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

Every position in the portfolio universe must be approved from an ESG & Impact perspective by the Blended Finance & Impact Management (BFIM) Team at BlueOrchard before any investment is deemed possible. The ESG and the impact scorecards have a mandatory eligibility score that must be met in order to be included in the investment universe.

The BFIM team works independently from the portfolio managers. ESG research is therefore an integral part of the investment universe construction.

BlueOrchard’s investment universe consists of organizations that have low or medium risk ESG ratings. ESG risks and opportunities in investees in BlueOrchard managed and advised funds are thoroughly assessed through a dedicated scorecard called the SPIRIT ESG Scorecard. Disbursements into “high ESG risk” are possible but require an Impact Committee approval and might require additional engagement with the investee, or additional monitoring. “Very high ESG risk” organizations are excluded from BlueOrchard’s investment universe.



4.2. How are the criteria specific to climate change integrated into portfolio construction?

BlueOrchard is dedicated to fostering inclusive and climate-smart growth in emerging and frontier markets and has implemented a number of initiatives to combat climate change. As an example, BlueOrchard has worked with a leading climate solutions developer, South Pole, to achieve certification as a climate-neutral company.

In addition, as part of the ESG Scorecard, each issuer is assessed on its environmental characteristics. These include: an environmental policy, environmental KPIs, as well as TCFD reporting and alignment with science-based targets.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All issuers within the portfolio are subject to ESG and Impact analysis.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

BlueOrchard is dedicated to always align its ESG and Impact measurement tools to market best practices. In 2020 a major enhancement took place where we aligned our previous Social Performance Impact Reporting and Intelligence Tool (SPIRIT) to the Impact Management Project. The new B.Impact Framework helps to assess an investment on two separate levels, the ESG level (issuer) and the impact level (investment). This allows us to gain an even deeper insight than with our previous tools on the potential and actual impact that we can create. In 2020, BlueOrchard developed the B.Impact Framework. The B.Impact framework is an enhancement of the previous tool the Social Performance Impact Reporting and Intelligence Tool (SPIRIT) through which ESG risks and opportunities are integrated in the management of all Funds. The new Framework is based on three pillars: An ESG assessment, an Impact assessment and an SDG Mapping & Alignment.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

BlueOrchard is an impact investment manager, therefore, all our mandates have strong environmental and/or social investment objectives.

4.6. Does (do) the fund(s) engage in securities lending activities?

No.

4.7. Does (do) the fund(s) use derivative instruments?

We use treasury futures and FX forwards for interest duration hedging purposes only as the fund does not take on any FX risk. There is no impact on the SRI nature of the fund because of the use of derivatives.

4.8. Does (do) the fund(s) invest in mutual funds?

If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?

The fund invests in money market funds for liquidity management purposes.

We do not have more than 10% in other UCITS funds, and we are limited to

- i) One single money market can only be up to 7.5% of fund NAV
- ii) One single money market cannot represent more than 10% of NAV of the respective MM fund

As long as the above limits are respected, there is no limit as such regarding how many mutual funds can be held. An ESG/Impact assessment is not done for the money market funds.

5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?⁵

BlueOrchard's independent Blended Finance and Impact Management (BFIM) Team is in charge of sustainability analysis at the fund level. A re-assessment of portfolio positions is done on a yearly basis. If deemed necessary, the BFIM team can withdraw their approval which would trigger a de-investment by the portfolio managers.

BlueOrchard's Impact Committee is responsible for approving ESG and impact guidance and procedures proposed by the impact management team. In addition to it, it is conveyed on an ad hoc basis to discuss bond issuers, issuances or frameworks not matching the minimum

⁵ Reference to Article 173 of the French TECV Act

impact eligibility criteria but presenting good reasons why they should still be considered for approval in the bond investment universe. The Impact Committee members consist of:

- A representative of the IM Team (mandatory and with voting rights)
- A representative of the RLC team (mandatory and with voting rights)
- A representative of the relevant regional investment team bringing local expertise (with voting rights but not mandatory for the quorum)
- A representative of the INSL team (optional, observer role without voting rights)

The IMCO can take place either offline (by email) or by phone. Individual voting members may request an in-person (phone) meeting if an offline proposal has been submitted. Decisions are taken unanimously when there are two voting members and by a simple majority when there are three voting members.

6. *Impact measures and ESG reporting*

6.1. How is the ESG quality of the fund(s) assessed?

BlueOrchard's independent Blended Finance and Impact Management (BFIM) Team assesses the ESG quality of every fund. A re-assessment of portfolio positions is done on a yearly basis. The fund is measured against the contribution to the SDGs, specifically SDG 1, 7, 8, 9 and 10. For more information regarding the methodology used to measure the ESG quality of the fund, please see our [ESG and Impact framework](#).

6.2. What ESG indicators are used by the fund(s)?⁶

The fund measures its contribution to the different SDGs as well as the distribution of the investments over several impact categories.

Given the social objective and the broad range of issuers in the portfolio, there are currently no overall portfolio KPIs defined. Based on our new B.Impact Framework, we are currently evaluating options to define KPIs on the portfolio level.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

BlueOrchard's ESG and Impact Policy has been published on the BlueOrchard website. In addition, BlueOrchard is committed to being transparent towards its investors. Therefore, the company prepares regular updates to stakeholders on material Impact & ESG parameters of the managed funds. These include but are not limited to:

- Bi-annual [company impact report](#) across asset classes, products and impact themes
- [Fund's monthly/quarterly investors' updates](#) (i.e. factsheets), including Impact KPIs and a statement on Material Negative Impacts
- Investees specific Impact & ESG evaluation studies
- Ad-hoc impact & ESG reporting

⁶ Reference to Article 173 of the French TECV Act

6.4. Does the fund management company publish the results of its voting and engagement policies?⁷

BlueOrchard encourages and requires investees to follow best ESG practices and BlueOrchard managed and advised funds reserve the right to perform follow on diligence of these and other practices of every investee in our portfolios. Engagement activities will vary depending on the business activity and asset class. Possible engagement activities include but are not limited to:

- In person meetings or email exchanges with senior management; and
- Capacity building offering to improve ESG practices; and
- Organization of training for staff on specific ESG topics of interest; and
- Becoming a member of an investee Board of Directors (in case of a private equity investment)
- 1-to-1 investor with the opportunity to challenge issuers regarding ESG and Impact related questions identified during our analysis.

In case a Material Negative Impact is identified, concrete mitigation measures need to be in place, or the company must actively engage with investees to put in place operational safeguards that can effectively ensure a low level of expected Material Negative Impact. Specific guidelines are developed in the separate public asset and/or private asset Impact & ESG procedures.

⁷ Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE