

BLUE LIKE AN ORANGE **Sustainable Capital**

2022 DISCLOSURE STATEMENT

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

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DISCLOSURE

Blue like an Orange Sustainable Capital (Blue like an Orange) is a founding signatory to the Operating Principles for Impact Management.

The following Disclosure Statement covers all assets managed by Blue like an Orange, namely Latin America Fund I (“Sub-Fund I”) and Latin America Fund II (“Sub-Fund II”) or both together (“Sub-Funds”).

All assets under management are aligned with the Impact Principles, with currently covered assets in the Sub-Fund I totaling approximately \$202 million and \$92 million in the Sub-Fund II. The total funds raised for the Sub-Funds are approximately \$400 million, and they will also be managed in accordance with the Impact Principles.

Bertrand Badré
Managing Partner & Founder
Blue like an Orange Sustainable Capital

I. Principle 1: Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Blue like an Orange's investment strategy consists in providing structured credit to companies (1) in three main areas of investing in which we think our investment can have a significant impact (2). This strategy aims at achieving a significant contribution to SDGs (3) and putting social contribution at the heart of any investment decision (4).

Given this strategic impact objective, Latin American Fund I and Latin American Fund II have sustainable investment as its objective as set out in article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

1. Structured Credit: flexible financing to support entrepreneurs

Structured credit allows companies to expand operations without giving up ownership or control, can create a more efficient financial structure and strengthen incentives for entrepreneurs to build and grow their businesses. Blue like an Orange recognized the large and growing demand for more flexible financing in emerging markets - in Latin America and the Caribbean in particular - especially coming from mission-aligned providers of capital and businesses in the region. This prompted Blue like an Orange to focus on filling this financing gap for entrepreneurs by focusing on structured credit for its Sub-Fund I and , Sub-Fund II.

2. Areas of sustainable investing

Latin America Fund I and Latin America Fund II focuses its investments on primarily, but not exclusively, several key sectors where responsible business can affect social change.

a. Sustainable Infrastructure and Technology Enabled Services

Blue like an Orange aims to support the development of sustainable infrastructure and technology enabled services by investing in, among others, high quality information technology, affordable, clean and reliable energy, sanitation, and transport, especially to those who are currently operating with limited or no access, as well as networks infrastructure, including data and voice services providers. These investments will not only develop infrastructure but will also support quality employment for people in the surrounding communities. Tech-enabled services,

such as agri-tech, mobility-tech, health-tech, and edu-tech and other technology-enabled services have the potential to make significant improvement in people's lives by using IT technology to make significant changes in how these services are provided and at more affordable costs

b. Financial Services

Access to safe, transparent, convenient and affordable banking and finance is critical to building a business of any size, and in most developing countries access to capital is extremely limited. Blue like an Orange invests in organizations that meet these standards and seek to provide capital and banking services to unbanked or underbanked customers. Blue like an Orange investees are working to empower their customers by offering equal rights to control their own economic resources in order to reduce poverty.

c. Social Infrastructure (Health and Education) and Agriculture

Education

Providing every child access to education could increase 13 times current GDP and would average out to a 28% higher GDP over the next 80 years in lower-income countries¹. Parents at every socio-economic level in developing countries have demonstrated a willingness to dedicate a significant amount of income to educating their children. Blue like an Orange seeks to support traditional and innovative education models to reach a greater segment of the population, and also puts a strong emphasis on vocational training and workforce readiness.

Health

Investing in health ensures individuals and economies can reach their full productive potential, with healthcare being a rapidly growing sector in Latin America and more broadly. Blue like an Orange seeks to capitalize on companies that have demonstrated consistent improvements to population health and contribute to strengthening health systems in support of achieving Universal Health Coverage. Almost half of all SDG indicators are "health-related", so Blue like an Orange investment impact will be assessed against not only SDG3 but across all of the health-related SDGs.

Agriculture

Ending hunger and ensuring sustainable and secure food production is essential to economic growth, employment and national security. Blue like an Orange seeks to invest in companies that promote improved livelihoods for farm owners and workers, and provide access to more efficient markets, sustainable technology, inputs and processing equipment, and capacity building and technical education.

3. A strategic focus on the SDGs

Tangibly measuring the social progress of the investments is paramount to Blue like an Orange's responsible investment approach.





¹ Schleicher, Andreas (2018), "Why equity in education is so elusive", in World Class: How to Build a 21st-Century School System, OECD Publishing, Paris.

From the start, Blue like an Orange has aimed to contribute to the Sustainable Development Goals by mobilizing private capital. Consequently, the impact of all transactions is assessed against these goals, in both the screening and monitoring process.



In 2019, Blue like an Orange refined its approach to SDG impact assessment and developed an internal rating system to rate each investment against the SDGs. Named “SDG Blue”, the rating system has been in use since Q4 2019 as a key part of the Investment Committee decision making process and has been improved regularly. The latest version from November 2020 is currently being revised.

While each of the above areas of investment can be mapped against the SDGs, at a “firm level”, as part of the review of the approach toward SDG achievement, Blue like an Orange determined that regardless of the sector, country, size of the investment, or other metrics – goals around inclusive job creation, equal treatment of women, the importance of innovation and technology, and climate change and environmental sustainability – were simply too important not to measure. Each borrower is informed of this ex-ante, representing a strong set of core values and principles that guide our origination and investment approach.

	<p>Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>
	<p>Goal 5. Achieve gender equality and empower all women and girls</p>
	<p>Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p>
	<p>Goal 12. Ensure sustainable consumption and production patterns</p>

4. A social contribution as the main objective

According to the European Sustainable Finance Disclosure Regulation, sustainable investment means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a

social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

II. Principle 2: Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

In order to achieve its strategic impact objectives, Blue like an Orange set “Reach targets” at the fund level, i.e. quantitative objectives in terms of beneficiaries (1). During the life of the fund, impact is monitored on a portfolio basis, based on a common set of indicators (2). This assessment of impact on a portfolio basis should lead Blue like an Orange to align staff incentives with the achievement of defined targets: this reflection is currently being conducted internally (3).

1. Setting “Reach Targets” for the Fund

Blue like an Orange originally set “Reach Targets” to manage more specifically the Fund’s contribution to SDGs in three key sectors on a portfolio basis: sustainable infrastructure, access to finance and access to social infrastructure (comprised of healthcare, education and agriculture).

The “Reach Targets” were initially set for a mock portfolio across the Sub-Fund I for a \$600 million fund size originally. In 2019, the Reach Targets were resized for Sub-Fund I, based on a \$200 million fund size and inclusion of “Technology Enabled Services” as a component of the “sustainable infrastructure” sleeve

Key sector	“Reach Targets” based on \$200m Sub-Fund I Size
Access to sustainable infrastructure and technology enabled services	1,000,000 people with access to sustainable infrastructure
Access to finance	153,000 clients (SME and Micro) with access to financial services
Access to social infrastructure (healthcare, education), and agriculture)	350,000 people with access to social infrastructure and agricultural services

2. Monitoring of the Fund’s Impact

Blue like an Orange reviews systematically and documents the progress of each investment in achieving impact against expectations. Decisions and processes are improved based on the achievement of impact and according to the lessons learned. When IDB Invest is in the transaction, they generally lead on “supervision”. When Blue like an Orange is the lead, the investment team oversees the supervision process.

As mentioned under principle 1, all portfolio companies are assessed against SDG Blue rating with 4 mandatory goals assessed for all companies.

In 2021, the list of sustainability indicators used to measure the attainment of the impact and sustainable investment objective has been revised to harmonize impact measurement across portfolio companies (with core indicators that apply to all portfolio companies), to measure reach among targeted beneficiaries relating to specific sectors of investments (sector specific indicators) and to measure company's specific impact (company specific indicators).

Since 2021, Blue like an Orange provides to its portfolio companies access to an online reporting platform, making it easier to consolidate the data on a portfolio basis, as well as on a sector or country basis. The consolidated data on a portfolio basis are published in Blue like an Orange's Annual Report.

3. Aligning staff incentive systems with the achievement of impact, as well as with financial performance targets

To date, Blue like an Orange has not formalized such alignment and is currently analyzing internally the opportunities to do so.

III. Principle 3: Establish the Manager’s contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

The contribution of Blue like an orange concerns mainly social issues and is first achieved through the provided access to credit in countries in which entrepreneurs lack sources of financing (1). Once an investment is made, Blue like an orange engages in a deep relationship with the company to foster its impact (2), especially through the follow-up of the contractual action plan (3).

1. A social contribution through sustainable investment

BLaO has elected to have « SUSTAINABLE INVESTMENT AS AN OBJECTIVE » as per new EU Sustainable Finance Disclosure regulation, entered into force on March 10th, 2021 (“Article 9 products”). This implies that the Fund and Sub-funds seek to invest in economic activities that contribute to a social objective, provided that such investments do not significantly harm any social and environmental objectives and follow good governance practices. BLaO chooses to focus on social objectives as priority areas of impact due to the prevalence of those social issues in LATAM, while pursuing a “no significant harm objective” on environmental issues such as climate change, biodiversity loss, pollution and waste and good governance practices such as respect for human rights, anti-corruption and bribery, data privacy and security. Our investment process fully embeds impact and sustainability analysis, objectives setting and monitoring

BLaO finances entrepreneurs in emerging markets, an underserved market with limited financing options and huge potential for impact

As of December 2021, Sub-Fund I already contributed to a wide range of impact goals with social impact as a priority objective. The key impact indicators are the following:

11,000 employees working with decent conditions	52% of employees and 45% of managers are female	Innovative business models in Tech-enabled services, Sustainable Tourism, Healthcare and Financial services	Sustainability integration into business practices, measurement, and reporting
Access to finance to those who are most in need – 2,117,866 individuals and SMEs	Access to healthcare to 966 patients	Access to quality and affordable education to 6, 469 students	Access to affordable renewable energy for 28,209 individuals and SME’s

2. Commitment for each investment

In addition to the below and to how we address Principle I and given the relevance in the capital structure, the complex and tailored-made nature of the instrument and the long tenure of the transaction, the relationship with portfolio companies go beyond a “traditional” creditor/borrower interface, encompassing several other aspects, some of which formally required by the legal agreements while others are based on a strategic dialogue/role that this type of financing allows us to develop over time.

A formal requirement covered by the legal documentation is related to impact. We are committed to foster the impact agenda at our portfolio companies through a structured approach. During due diligence, based on its current situation, the company will be required to implement an action plan, measure and report on a set of sustainability indicators some with targets, all of which will be systematically monitored and reviewed during the life of the investment against what was agreed upon at the beginning of the transaction. We also maintain frequent contact with portfolio companies in order to provide guidance, search market references, share publications/reports and introduce them to relevant forums related to impact.

3. Environmental and Social Action Plan Follow up

Blue like an Orange (and IDB Invest when they are in the transaction) develop an Environmental and Social Action Plan with the borrower, which is required to comply with it and is a condition for loan signature, and then monitor progress made against each investment’s Environmental and Social Action Plan. Through the E&S Action Plan and reporting requirements, BlaO engage with companies to improve their impact and sustainability practices. BlaO offers access to a dedicated SAS tool for GHG emissions calculations and reporting.

IV. Principle 4: Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.

Since each investment must lead Blue like an Orange to the achievement of the objectives defined at the Fund level and to contribute to the achievement of the SDGs, all potential deals are assessed against SDGs at a very early stage in the investment process (1) and rated using our internal impact scoring methodology, SDG Blue (2).

1. Assessment against the SDGs

The 17 SDGs are defined by the United Nations in a list of 169 SDG Targets. Progress towards these Targets is agreed to be tracked by 231 unique Indicators. The list of Indicators is regularly updated and agreed upon by the United Nations Statistical Commission .

As the SDGs were written largely through a “public sector” lens, Blue like an Orange had to “translate” indicators so that they are more appropriate for a private investment approach. In doing so, Blue like an Orange engaged in a dialogue with the United Nations at the highest levels, as well as examined other indicator pools, such as GIIN and their IRIS+ effort.

Each potential loan is mapped by Blue like an Orange to the SDGs at Goal, Target and Indicator level. Blue like an Orange's investment team, at times with the assistance of external consultants if needed, works with the client to determine appropriate indicators, by investment sector.

2. The SDG Blue rating tool

Blue like an Orange has developed an internal rating system, named SDG Blue, to rate each investment against SDGs achievement with the rating used as a key part of the Investment Committee process. SDG Blue has been introduced in 2019, revised in January and November 2020 and is expected to be updated periodically, based on the team's experience. The latest version from November 2020 is currently being revised.

As each potential opportunity is evaluated against the SDGs, it is assigned a score, and a corresponding letter grade. If the opportunity becomes a portfolio company, the score is re-evaluated on annual basis. SDG Blue can have a score 0-10. A minimum threshold of 6.0 is required to invest.





The tool works in a similar way to a credit rating score, taking weighted averages based on different categories and adding up points.

As stated above, SDG Blue uses four “Mandatory Goals” that are applied to all opportunities, and four “Elective Goals”, selected by the investment team that are custom for each opportunity, making the tool clearly defined but flexible.





Blue like an Orange has selected “Mandatory Goals”, which each investment must be measured against regardless of sector – these, amongst the SDGs, are the most important to the impact Blue like an Orange seeks to create through Latin America Fund I : Goal# 8 (Job creation); Goal# 5 (Gender equality); Goal# 9 (Innovation); and Goal# 12 (Sustainability).

Rating Category	SDG Blue Rating	Score
	A+	=>9.50
A	A	=>9.00
	A-	=>8.75
	B+	=>8.50
B	B	=>8.00
	B-	=>7.75
	C+	=>7.50
C	C	=>7.00
	C-	=>6.75
	D+	=>6.50
D	D	=>6.00
	D-	=>5.75
E	E	<5.75








The table below summarizes the scoring used for each mandatory, business and bonus goal.

SDG Blue Matrix		Weights	
Mandatory Goals/ Targets (Total Weight 45%)			
	Goal 8.5 by 2030 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	15%	Mandatory: applicable to all opportunities regardless of type of business
	Goal 5.1 End all forms of discrimination against all women and girls everywhere and Goal 5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	10%	
	Goal 9.5 (...) by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending	10%	
	Goal 12.6 Encourage companies, especially large and trans- national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	10%	
Core Business Goals (Total Weight 40%)			Business: main area of business activity, different for each opportunity
Objective: Score the main area of business activity Goals/ Targets: Any 1 Goal/ Target from the 17 UN Goals		40%	
Supplemental Goals (Total Weight 15%)			Bonus: additional impact (optional and exceptional)
Objective: Score the supplementary contribution to business activity Goals/ Targets: Any 1 Goal/ Target from the 17 UN goals		15%	
Optional 2 Bonus Goals (Total Weight 5%)			
Objective: Give credit for contribution to additional goals not captured above Goals/ Targets: Any 1 or 2 Goal/ Targets from the 17 UN goals		5%	
TOTAL		105%	

Mandatory goals are measured against indicators designed by Blue like an Orange to fit for business activities (listed in the table below in the Blue like an Orange indicators column). These Blue like an Orange indicators can be either quantitative or qualitative.

SDG	Indicator
	Employees with Written Contracts (Y; Y-1)
	Delta of total employees, y-o-y (%)
	Employees: Hired
	Percentage of Hired Employees
	Employees: Disabilities
	Percentage of Employees with Disabilities
	Employees: Under 25
	Percentage of Employees Under 25
	Turnover
	Absenteeism Rate
	Employees: Female
	Percentage of Women in Total Number of Employees
	Employees: Female Managers
	Managers: Total
	Percentage of Women in Total Number of Managers
	Sustainability report published
	Environmental Management System
	Employees Dedicated to Social and Environmental Performance
	Social and Environmental Performance Management Training
	Innovation level: First version in the world; First version in the country; Improved version of existing product/service; Existing product/service

Business and bonus goals are customized for each opportunity, depending on its sector and company specific business model. The indicators used to assess “company specific” SDGs measure at a minimum the number of beneficiaries.

		Sector Specific SDG	Indicator(s) capturing the targeted beneficiaries of the impact of the company. For example:	
	Financial services	SDG 8.10	Number of clients Number of SMEs clients	Consolidated at sectors' level in : Beneficiaries (i.e. number of people on which we seek an impact)
	Healthcare	SDG 3.8	Number of patients Number of locations	
	Education	SDG 4	Number of students Number of locations	
	Agriculture – Smallholder Agriculture	SDG 2.3	Number of smallholder suppliers	
	Agriculture – Sustainable Agriculture	SDG 2.4	Surface sustainably managed	
	Agriculture – Food Security	SDG 2.1	Number of client individuals	
	Energy	SDG 7.1	Number of people with access to energy Number of SMEs with access to energy	
			SDG 9.c	
	Internet			
	Transportation	SDG 11.2	Number of client individuals	

The list of sustainability indicators used to measure the attainment of the impact and sustainable investment objective has been revised in 2021 to harmonize impact measurement across portfolio companies (with core indicators that apply to all portfolio companies), to measure reach among targeted beneficiaries relating to specific sectors of investments (sector specific indicators) and to measure company's specific impact (company specific indicators).

These sustainability indicators are collected through a dedicated reporting tool (Software as a service), available for all portfolio companies.

As described and shown above, the SDG analysis is applied throughout the investment process in parallel to the “commercial” analysis (the two are, however, intertwined – as SDG elements can often have commercial implications) following these steps:

1. Assess if there is a fit with the SDGs at least at the Goal level
2. Inform the borrower about the SDG fit requirement, and the requirement to measure specific indicators before the investment can be made and throughout the investment period
3. In cooperation with the borrower, develop relevant indicators that can be measured
4. Finalize indicators and cross reference with SDGs, picking the most meaningful beyond the mandatory indicators to use in the SDG Blue matrix; note that there may be more indicators measured on a project than used in the SDG Blue measurement; some of the ‘extra’ indicators may be used for bonus points
5. Re-evaluate SDG Blue score on an annual basis



V. Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Blue like an Orange implements and discloses a policy on integration of sustainability risks and due diligence policy on principal adverse sustainability impacts into its investment decisions (1) implemented through an environmental and social due diligence process (2) .

1. Policy On Integration of Sustainability Risks and adverse sustainability impact into Investment Decisions

In 2021 and the years to come, Blue like an Orange is engaged to pursue its purpose for impact notably in continuing to improve the impact and sustainability approach in the context of the Sustainable Finance Disclosure regulation applicable from March 2021. Under this new regulation, Blue like an Orange has chosen to elect its Fund and each of its sub-funds as article 9 products, meaning that the funds pursue sustainable investment as an objective. Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices. The partners and the team are dedicated to integrating sustainability risks and due diligence on adverse sustainability impact at the core of their investment policy and process.

The policy on integration of sustainability risks and adverse impacts has been updated pursuant to Sustainable Finance Disclosure Regulation and is available on Blue like an Orange's website . This policy has been applied consistently for investments closed after March 10, 2021.

As part of its due diligence policy on principal adverse sustainability impacts, BLAO will report from 1st January 2023 on the statement of principal adverse sustainability impacts. This first reporting will be with reference to the period covering calendar 2022.

For companies in Sub-Fund I portfolio before March 10, 2021, the information relating to the statement of principal adverse impact is requested from portfolio companies on a best effort basis.

More generally, most of the investments relating to Sub-Fund I are small and medium-sized companies and do not all have legal requirements to publish a non-financial report as per local regulation. Therefore, Blao and the companies will do their best effort to collect and publish the information relating to the statement of principal adverse impact in 2023 and improve the scope and the quality of the information overtime. BLAO believes it is part of its contribution to impact to accompany its portfolio companies to improve their reporting on environmental and social matters.

2. E&S Due Diligence

To avoid significant harm to environmental and social objectives, Blue like an Orange implements a due diligence policy that is applied in the investment process and monitoring of the portfolio companies. This includes engagement policies, investment restrictions and due diligence on sustainability risks and principal adverse sustainability impacts in the pre-investment and monitoring phases.

As part of its due diligence policies, Blue like an Orange performs a KYC and ethical check and an Environmental and Social (“E&S”) assessment to identify:

- environmental, social and governance events or conditions which, if they occur, could cause a material negative impact on the value of the investment; or/and
- activities of the investment that could have negative effects on sustainability factors.

The E&S due diligence is based on the Performance Standards (“PS”) developed by the International Finance Corporation (IFC) in 2012.

When IDB Invest is a co-investor, they conduct this initial assessment on behalf of both themselves and Blue like an Orange with their internal experts, and which are independent from the investment team, using their Environmental and Social Safeguard Assessment. The standards included in their Environmental and Social Safeguard Assessment consist of the IFC Performance Standards, IDB Environment and Safeguards Compliance Policy, other IDB safeguard policies and sector guidelines and the World Bank Group/IFC Environmental Health and Safety (“EHS”) Guidelines (including both General EHS guidelines and Industry Sector EHS Guidelines) .

If an investment proceeds, an Environmental and Social Action Plan is agreed contractually with the investee company, depending on gaps identified with IFC Performance Standards, potential sustainability risks and adverse impacts identified and their severity

VI. Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.

During the loan's life, Blue like an Orange reviews systematically and documents the progress of the company in achieving impact against expectations. These assessments are made through the follow-up of contractual action plans (1), the update of the DELTA score when IDBi is involved in the transaction (2), and the rescoring of SDG Blue and the impact monitoring performed by Blue like an orange on a quarterly and annual basis (3).

Decisions and processes are improved based on the achievement of impact and according to the lessons learned. When IDB Invest is in the transaction, they generally lead on "supervision". When Blue like an Orange is the lead, the investment team oversees the supervision process.

1. Environmental and Social Action Plan Follow up

Blue like an Orange (and IDB Invest when they are in the transaction) monitor progress made against each investment's Environmental and Social Action Plan. The action plan is designed on the basis of the E&S due diligence.

2. DELTA Score and IDB monitoring

IDB Invest has contractual rights to perform an evaluation of each company's DELTA Score as well as other indicators on an annual basis, when they are in the transaction. As agreed, Blue like an Orange receives updates from IDB Invest regarding these evaluations, on at least an annual basis.

3. Impact monitoring

a. SDG Blue Annual Review

Blue like an Orange rates investments in its portfolio annually based on the SDG Blue rating system. These re-scoring enable Blue like an Orange to follow the progress of each company in terms of impact, compared to the baseline score at investment date.

b. Annual Impact assessment at indicator level

The impact and sustainability indicators used to measure the attainment of the sustainable and do no significant harm objectives are collected through a dedicated reporting tool (Software as a service), available for all portfolio companies. Each company has its own private access to the tool, which

enables it to report both the indicators collected for all the portfolio companies, and the ones specifically chosen with the company. The main reporting campaign on the tool takes place every year in March, and a lighter one, concerning only few indicators, takes place on a quarterly basis specifically chosen with the company

c. Bi-annual check-in meetings with the management

The objective of these meetings is to assure that the company is on track to achieve its impact goals, as agreed in the contractual action plan, and to make sure that the company does not engage in any behavior that may pose social or environmental risks to the Sub-Funds.

Blue like an Orange monitors and shares the companies' progress against the SDG Goals and indicators on at least an annual basis with investors.

VII.Principle 7: Conduct exits considering the effect on sustained impact.

When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Since Blue like an Orang provides mainly private credit to date, the traditional concept of an “exit” does not apply well given this investment instrument.

If each investment is “self-liquidating” at the outset, Blue like an Orange may utilize equity-like investments (e.g. warrants, convertible options) as part of its capital provision where appropriate. However, these represent a very small percentage of the deployed capital, and when the options are exercised, Blue like an Orange will take into account the potential environmental and social impacts when making exit decisions.

In addition, Blue like an Orange is seeking to reinforce impact practices within portfolio companies through legal documentation, ongoing dialogue with the investee, etc. Credits granted to the portfolio companies can be called early in some cases if the obligor is not adhering to the intentions of Blue like an Orange’s in targeting an impact.

Regarding how the company’s activities would be affected post-exit, and considering that the issue is relevant for an equity investment when an exit could take place earlier than anticipated, although both in the case of equity and for debt the issue remains when either there is an exit or the loan is repaid even in line with the original plan, Blue like an Orange is considering how to address the issue post-repayment of the loan although the key is to establish approaches during the life of the loan that would remain in place post-repayment.

VIII. Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Blue like an Orange developed several means to improve the decision-making process : the use of external resources for ESG assessment (1), as well as the support of the Sustainability Committee (2) and of the investors (3) make the decisions better documented and bring independent points of view. The documentation of impact all along the investment process is constantly being improved in order to give the Investment Committee all relevant information needed for final decision (4).

1. External resources for ESG and Sustainability management

The systematic use of external evaluation during the pre-investment process, both in the ESG assessment phase— through the work with IDB Invest’s independent experts or with consultants — and during the DELTA pre-investment evaluation, ensures a degree of independence in the evaluation process.

2. Independent Sustainability and ESG advisory Committee

The Sustainability and ESG advisory Committee reviews Blue like an Orange’s approach and policies as well as provides recommendations for improvements and modifications. The Committee acts as an independent sounding Board for potential issues that arise during investment preparation and portfolio management.

In addition to including all of Blue like an Orange’s Founding Partners, “independent” members are:

Jamie Cooper - President, Big Win Philanthropy

Gabriel Jaramillo - Former President, Santander Brazil; former Chairman and CEO, Sovereign Bank; former General Manager, Global Fund to Fight AIDS, TB and Malaria

Joy Phumaphi - Executive Secretary, African Malaria Alliance (ALMA)

Paul Polman - Former CEO of Unilever

Ambassador (ret.) John Simon - Managing Partner, Total Impact Capital

The sustainability Committee is currently being renewed to welcome new prominent members.

3. Sharing of Impact Performance with investors

In addition to recurrent review of the portfolio over the course of the year, in Q2/Q3 of each year, Blue like an Orange provides its investors with an Annual Sustainability and Impact Report, which includes a section outlining portfolio and investment performance, both at portfolio level and at investment level with impact highlights.

Improvements and underperformance are both mentioned, with the latter requiring an explanation of what steps are being taken to improve the declines.

This information shared with investors enables them to share feedback on the impact performance and processes and to guide us towards improvement.

4. An ongoing improvement of the decision process

The 4-year experience of Blue like an Orange led the investment and sustainability teams to structure and improve the impact assessment and monitoring processes, using the lessons learnt from the contemplated and closed deals. These improvements are reflected in this report.

Blue like an Orange keeps improving its investment decisions and management processes by deepening more and more the risks and impact analysis from the beginning to the closing and by upgrading the information transmitted to the Investment Committee to feed their decision.

IX. Principle 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

As a Founding Signatory to the Operating Principles for Impact Management, Blue like an Orange Sustainable Capital is committed to an independent verification of the alignment if its process and procedures with the Impact Principles on a regular basis.

To this end, Blue like an Orange commissioned **KKS Advisors in 2020**, to carry out the independent review. The confirmation of the alignment has being disclosed publicly.

The next independent verification will by conducted in 2022.