



SDG Blue Users' manual

June 2023



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01.

OVERALL APPROACH

SDG BLUE OVERVIEW

- ❑ Blue like and Orange (“BlaO”) has developed an internal rating system to rate each investment against SDGs achievement according to its investment strategy, with the rating used as a key part of the Investment Committee process
- ❑ Blue like an Orange first maps each potential opportunity against the SDGs, assigning a Baseline score; if the opportunity becomes a portfolio company, the score is re-evaluated on an annual basis
- ❑ The tool works in a similar way to a credit rating score, taking weighted averages based on different categories and adding up points, to arrive at a letter-based score
- ❑ The SDG Blue tool is a decision-making tool rather than an impact measurement tool:

| Intended Purpose | Does Not Measure |
|---|---|
| <ul style="list-style-type: none">▪ Allows for comparison between two evaluated opportunities, based on the score▪ Allows for assessment of the portfolio’s delivery of the expected impact and for identification of impact risks, supporting the engagement with portfolio companies | <ul style="list-style-type: none">▪ Does not take into account the size of the Company nor the size of the investment▪ Does not measure attribution▪ Does not provide a dollar amount of investment/ impact value |

- ❑ SDG Blue is expected to be updated periodically, based on the team’s experience and the market practices

2023 revision of the 2020 version

The second revision of the SDG Blue methodology operated mid 2023 sets clearly the Fund's level of ambition on each SDG, by affecting the highest scores on each impact theme to the best market practices and the baseline scores to the Fund's minimum expectations to still have a positive impact. It better addresses negative impacts by considering acting on the negative as an opportunity for creating impact : the "strength of the fit" with an SDG includes solving any antagonism to the global sustainability pathway and a Bonus Goal can be granted for solving a material negative externality. Finally, it includes assessing the additionality of the Fund's financing and support. The highest "contribution" score on an SDG implies that the Fund helps the investee scaling or improving even more the impact, and not only grow the activity as it was before. The "strength of the fit" with an SDG is rescored every year, taking into account the actions that the Fund pushes to improve the "fit". It allows hence forward for a unique Bonus Goals. The rating and the weights remain unchanged.

2020 revision of the 2019 version

In 1H, 2020, the SDG Blue methodology has been revised, implementing more rigorous rules for assigning scores to specific Goals/ Targets, which included (i) scoring the Baseline based only on historical figures (except for greenfield projects), (ii) not giving credit if the data is not available at the time of assessment, and (iii) lowering the percentage of contribution of the Bonus Goals to the total score. As a result, the existing portfolio's Baseline scores have been revised down about a letter grade each, due to the updates to the tool, but the scores are expected to improve over time. Additionally, the team has added an additional step in the investment process, in which a Partner, who is not involved in the transaction, reviews the score in an official Committee Review ("CR") meeting, once or twice, if needed, before the Final Investment Committee meeting.





SDG RATING

- SDG Blue is evaluated on a scale 0.0 – 10.0
- An opportunity needs to score a minimum of 6.0 to be considered for investment

| 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 |

Sustainable Investment Grade

SDG BLUE MATRIX : WEIGHTS

| SDG Blue Matrix | | Weights |
|--|--|-------------------|
| Mandatory SDG Targets (Total Weight 45 %) | | |
|  SDG Target 8.5 Creating quality employment | | 15% |
|  SDG Target 5.1 & 5.5 Empowering women in the corporate world | | 10% |
|  SDG Target 9.5 Leveraging private sector's innovation capacities for sustainable development | | 10% |
|  SDG Target 12.6 Fostering the maturity of sustainable business practices in emerging markets | | 10% |
| Core Business Area (Total Weight 40%) | | |
| Objective: Score the main area of business activity Contribution to and fit with any SDG Target from the UN 169 SDG Targets Note: Goals can be repeated from any of the above with a different Target | | 40% |
| Supplemental Business Area (Total Weight 15 %) | | |
| Objective: Score the supplementary contribution to business activity, including across operations Contribution to and fit with any SDG Target from the UN 169 SDG Targets Note: Goals can be repeated from any of the above with a different Target | | 15% |
| Optional Bonus (Total Weight 5%) | | |
| Objective: Give credit for contribution to additional goals not captured above, in particular for any major contribution to solving an adverse impact Contribution to and fit with any SDG Target from the UN 169 SDG Targets Note: Goals can be repeated from any of the above with a different Target | | 5% |
| TOTAL | | 100 - 105% |

“Mandatory goals”:
applicable to all opportunities regardless of type of business

“Business goals”:
main area of business activity, different for each opportunity

“Bonus goal”:
additional impact (optional and exceptional)

202.

**MANDATORY
GOALS**

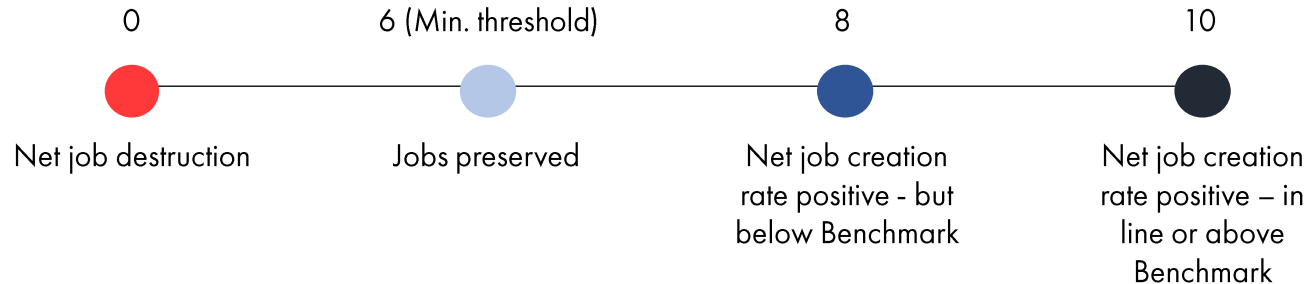
MANDATORY GOAL #1

SDG Target 8.5 Creating quality employment – 15% of overall score

Indicator (1/2): Jobs preserved or created since investment date – 75% of SDG Target sub-score

THE LEAST IMPACT

THE MOST IMPACT



Baseline Score:
Potential for job creation, looking at 3 past years

Portfolio Monitoring Score:
Jobs preserved or created since investment date

Indicator (2/2): Job quality – 25% of SDG Target sub-score

List of the items on which the company can get points if it has a proactive behavior to go beyond legal requirements regarding the following items, when relevant given the local context and regulation (Source: IRIS+) – 10 pts max:

- Wage policy (above minimum wage requirements and considering living wage) – 4 pts
- Health and Dental insurance – 2 pts
- Unemployment insurance – 2 pts
- Disability coverage/insurance – 2 pts
- Life insurance – 2 pts
- Paid time off for maternity/birth parent leave – 2 pts
- Paid time off for paternity/supporting parent leave – 2 pts
- Paid time off for vacation/holiday – 2 pts
- Paid time off for sick leave – 2 pts
- Flexible work arrangements – 2 pts
- Childcare support (on-site, vouchers, or reimbursement) – 2 pts
- Transportation support (provided by company, vouchers, or reimbursement) – 2 pts
- Retirement provisions – 2 pts
- Stock ownership – 2 pts
- Profit sharing – 2 pts
- Any another proactive policy for employees' wellbeing (to describe) – 2 pts

MANDATORY GOAL #2

SDG Target 5.1 & 5.5 Empowering women in the corporate world – 10% of overall score

Indicator (1/5): % of women in total number of **employees** – 20% of SDG Target sub-score

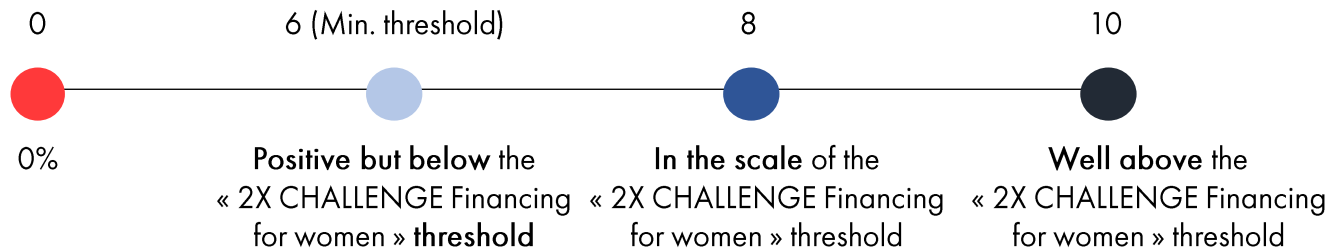
Indicator (2/5): % of women in total number of **managers** – 20% of SDG Target sub-score

Indicator (3/5): % of women at the **Board** – 20% of SDG Target sub-score

Indicator (4/5): % of women in the **Executive Committee** – 20% of SDG Target sub-score

THE LEAST IMPACT

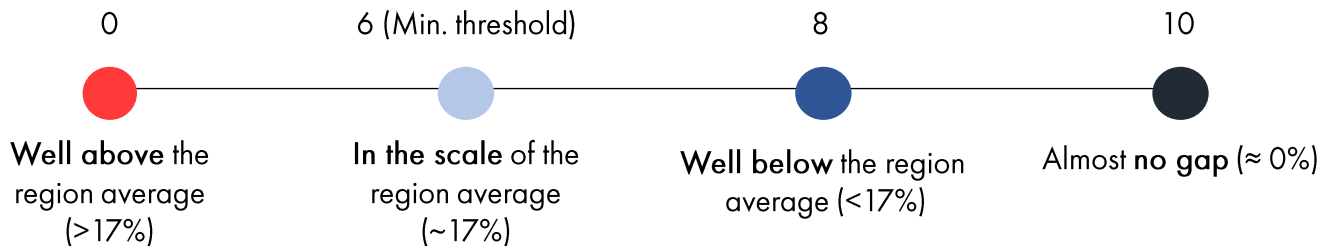
THE MOST IMPACT



Indicator (5/5): Percent of **discrepancy in average wage paid to female employees versus average wage paid to male employees, desegregated by level y-o-y** – 20% of SDG Target sub-score

THE LEAST IMPACT

THE MOST IMPACT



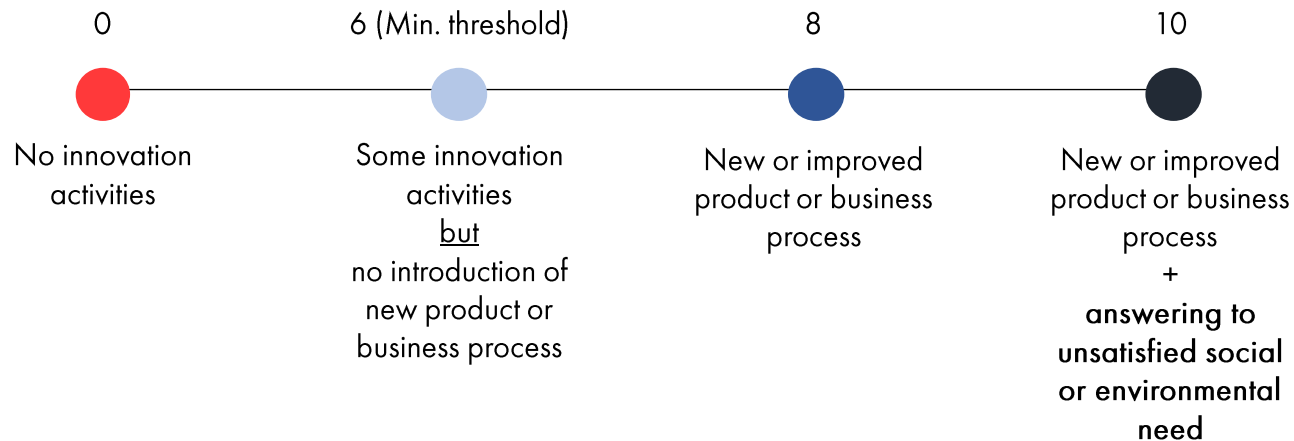
MANDATORY GOAL #3

SDG Target 9.5 Leveraging private sector's innovation capacities for sustainable development – 10% of overall score

Indicator: **Assessment of the innovation activities and their results both for the business and for sustainability** – Based on the "Oslo Manual - Guidelines for Collecting, Reporting and Using Data on Innovation" – 100% of SDG Target sub-score

THE LEAST IMPACT

THE MOST IMPACT



Baseline Score:
innovation activities and results prior to investment
Portfolio Monitoring Score:
innovation activities and results launched or maintained since investment date

MANDATORY GOAL #4

SDG Target 12.6 Fostering the maturity of sustainable business practices in emerging markets – 10% of overall score

Indicator (1/2): **Sustainability maturity** – 50% of SDG Target sub-score

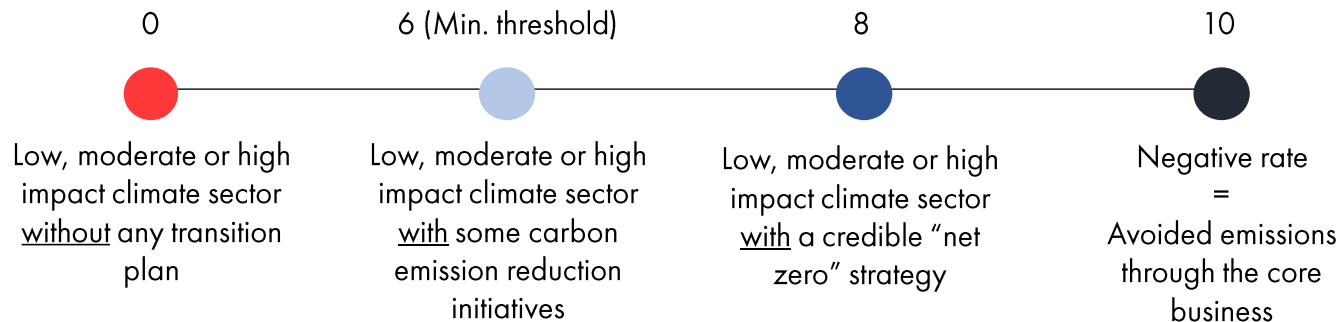
List of the practices on which the company can get points if it has them in place:

- Sustainability Report published – 2 pts
- Employees dedicated to social and environmental performance – 2 pts
- Environmental assessment and management system – 2 pts
- Social assessment and management system – 2 pts
- CSR monitoring of the suppliers – 2 pts

Indicator (2/2): **Net-Zero carbon alignment** – 50% of SDG Target sub-score

THE LEAST IMPACT

THE MOST IMPACT



03.

BUSINESS AND BONUS GOALS

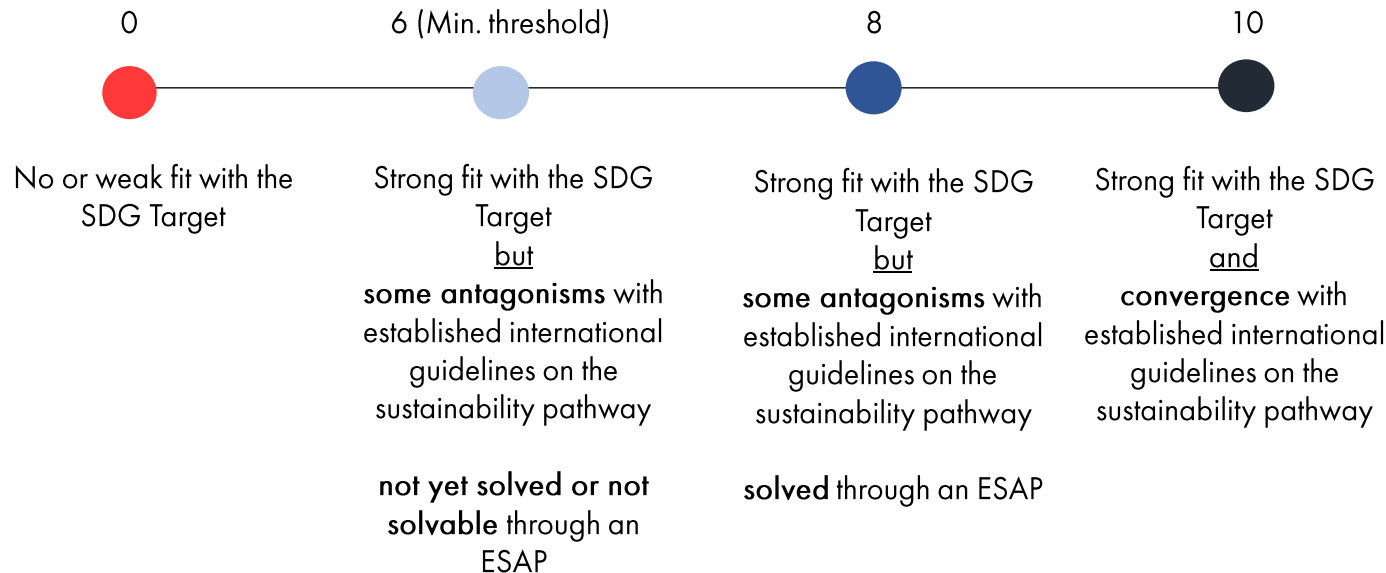
BUSINESS GOALS 1 & 2 + BONUS GOAL

40%, 15% & 5% of overall score

Indicator (1/2): Strength of the fit with the SDG target – 50% of sub-score

THE LEAST IMPACT

THE MOST IMPACT



Baseline & Portfolio Monitoring Score

Our objective as an impact investor: Ensure that the investees create explicit benefits for the people and planet (i.e., “in direct contribution of the SDGs”), that can be influenced to increase over the course of our investment.

BUSINESS GOALS 1 & 2 + BONUS GOAL

40%, 15% & 5% of overall score

Indicator (2/2): Contribution to the SDG Target – 50% of sub-score

THE LEAST IMPACT

THE MOST IMPACT

0

6 (Min. threshold)

8

10



Investment not needed to achieve the impact targets

At activity level -
Investment helpful to achieve the impact targets but the impact is either short-term, shallow or reversible for the beneficiaries OR the targeted population is already well-served

At activity level -
Investment helpful to achieve the impact targets and the impact is deep & long-term AND targeting currently under-served beneficiaries

At investor level -
Additional value of the investor to help the investee move the needle and make a difference either by scaling or improving even more the impact

Baseline Score

Impact KPI declining

Impact KPI stable

Impact KPI growing below impact targets

Impact KPI growing in line or above impact targets

Portfolio Monitoring Score
→ **Targets need to be reset in case of company's restructuring**

Our objective as an impact investor: Reach the investee's full impact potential over the course of our investment

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