BLUE LIKE AN ORANGE
Sustainable Capital

IMPACT & SUSTAINABILITY POLICY

MARCH 2023 **VALIDATED BY THE BOARD**

POLICY UPDATES

Version	Board Approval	Main modification
1	March 31, 2023	- First version

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1. INTRODUCTION

i. Our approach on impact and sustainability

Blue like an Orange Sustainable Capital Fund SICAV SIF SCS ('the Fund') is an innovative fund that seeks to provide investors who are looking for market level financial returns and measurable impact outcomes with the opportunity to invest in projects and enterprises in emerging markets.

Structured credit provided by Blue like an Orange 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. The Fund focuses exclusively on investing in projects and enterprises that can positively affect sustainable development and social change. Blue like an Orange believes in a "no trade-off" principle and seeks to deliver both, strong risk-adjusted market level rates of financial returns and sustainable development impact outcomes in direct support of the Sustainable Development Goals (SDGs).

ii. Our classification according to SFDR

Blue like an Orange has elected to have "Sustainable Investment as an objective" as per new EU Sustainable Finance Disclosure Regulation ('SFDR'), entered into force on March 10, 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.

100% of the Fund's and Sub-Funds' investments have sustainable investment as their objective. More precisely, 100% of the investments have a social objective.

iii. Our definition of sustainable investment

Blue like an Orange defines sustainable investment as a combination of complementary approaches to create social value through its investments:

- Impact investing: Investing in companies and projects which have an intentional, measurable, and additional positive impact on targeted beneficiaries.
- Contribution to the Sustainable Development Goals (SDGs): While doing impact investing, looking for a positive contribution to the achievement, at a systemic level, of the SDGs by 2030.
- Responsible investing or "ESG": Considering material Environmental, Social and Governance (ESG) factors in the investment analysis and decisions, whether they can induce negative impacts on the environment and society ("adverse impacts") or they can affect the performance of portfolio companies ("sustainability risks").
- Appraisal of climate-related and nature-related risks and opportunities: Looking to the future and anticipating sustainability trends that may present financial risk to the global economy in the near-to-long term, especially on climate and biodiversity.

The combination of these four components of sustainable investment with the financial aspects of the investment is reflected in our integrated investment and monitoring processes:

	COMMERCIAL SIDE	IMPACT	SUSTAINABILITY RISKS AND ADVERSE IMPACTS
Preliminary Screening	Fit with criteria: country, sector, potential financial return	Preliminary Impact Thesis	Check of Restriction and Exclusion List
	Preliminary Credit Rating	Preliminary Impact Measurement (SDG Blue Rating)	KYC and Integrity Checks
	Preliminary Structure		Preliminary Risks and Adverse Impacts Analysis
	FIRST INVESTMENT COMMITTEE		
Desk Due Diligence	In-depth analysis of the Business Case		Final Risks and Adverse Impacts Analysis
Field Due Diligence	Team's Visit to the facility	ESG Due Diligence by third-party	
	Market Due Diligence	Final Impact Thesis	Analysis of Risks and Adverse Impacts' Materiality and Mitigants
	Legal Due Diligence	Suggestion of Indicators and Targets	
	Financial Due Diligence		First draft of ESG Action Plan
	FINAL INVESTMENT COMMITTEE		
Structuring and Closing	Final Structure	Final SDG Blue rating	Finalization of ESG Action Plan with the borrower
	Legal Documentation	Finalization of Indicators and Targets with the borrower	
	INVESTMENT		
Monitoring	Quarterly and annual Financial Reporting	Quarterly and annual Impact and ESG Reporting	
	Continuous dialogue on commercial and financial performance	Annual Meetings on Impact Performance	Annual update on ESG Action Plan's implementation
	Annual update of Credit Rating	Annual update of SDG Blue Rating	Annual update of KYC and Integrity Checks
			Annual update of Risks and Adverse Impacts' Analysis

Discussions and Intermediary Investment Committees

iv. The purpose, scope and building blocks of our Impact and Sustainability Policy

Blue like an Orange's Impact & Sustainability Policy aims at highlighting and explaining the Fund's overall approach on sustainable investment and describe our integrated investment process applied for each and every potential investment.

This policy acts as the Due Diligence Policy on Adverse Sustainability Impact and as Policy on Integration of Sustainability Risks, in accordance with SFDR.

Blue like an Orange being part of a broader ecosystem, its Impact and Sustainability Policy follows the guidelines and requirements of internationally recognized initiatives and frameworks:

- The creation of positive impact through our investments is guided by the Operating Principles for Impact Management, developed by the International Finance Corporation ('IFC').

- To consider ESG factors in our investment decisions, both as sustainability risks and adverse impacts, we rely on the United Nations' Principles for Responsible Investment (PRI).

- Regarding the appraisal of climate-related and nature-related risks and opportunities, Blue like an Orange supports the Task Force on Climate-Related Financial Disclosures (TCFD) and joined the Taskforce on Nature-related Financial Disclosures (TNFD) forum to learn more about nature-related risk management and disclosure trends and contribute to the development of a common framework.

v. A continuous improvement approach

Blue like an Orange's team believes that its impact and sustainability performance benefits from experience and knowledge acquisition.

We rely on the lessons learnt from the contemplated and closed deals over the past 5 years, and our active memberships in reference organizations and initiatives, to continuously improve our methodology and our investment decision-making processes.

We perform a final review when closing a deal and the end of each investment, to identify successes and failures and improve the methodology and internal processes consequently.

This Impact & Sustainability Policy is the result of this continuous willingness to improve and will be updated at least once a year.

2. ROLES AND RESPONSIBILITIES

Since Blue like an Orange chose to put Impact at the heart of its activity, it built a comprehensive governance system fully dedicated to impact, with both internal and external bodies, in order to evaluate impact from different perspectives and to take informed decisions.

i. Impact and sustainability governance bodies

The **Investment committee** reviews the investment case based on the Investment Committee ('IC') note prepared by the investment team together with the sustainability team, based on the due diligence performed internally and by external hired third parties. The Impact and sustainability lead is a member of the IC. All IC members express their views on the impact and sustainability case. The investment is decided with the positive vote of the IC Chairman and the head of sustainability.

The **Sustainability & ESG advisory committee** reviews the fund's approach and policies and provides recommendations for improvements and modifications. It acts as an independent sounding board for potential issues that arise in investment preparation and portfolio management.

The **Advisory Committee** composed of representatives of LP' meets at the request of the general partner to provide their views and guidance related to the sustainability case of the investment opportunity.

ii. Oversight by the Board of Directors of the Fund

The **Board of Directors of the Fund** oversights impact and sustainability matters.

Once a year, a Board meeting is dedicated to impact and sustainability, with the following agenda:

- Overview of the impact and sustainability performance at portfolio level;
- Information on adverse impacts and Sustainability risks;
- Information on climate-related risks and opportunities and monitoring progress on climate-related metrics and targets (in alignment with TCFD);
- Review of major evolutions in our processes and methodology;
- Validation of the Fund's Impact & Sustainability report, OPIM report and PRI report.

iii. In-house capacity and training

Impact and sustainability are incorporated in investment activities. The members of the investment team implement the impact and sustainability policy and processes throughout our integrated investment and monitoring process. They are supported by a dedicated sustainability team, performing in-depth Impact and ESG research and analysis, and producing dedicated ESG performance dashboards and reports at company and portfolio level. On its end, the compliance team performs the KYC checks and compliance checks relating to the implementation of the impact and sustainability policy and process.

When considered necessary by the IC, a member of the investment team, either a partner or director, not involved in the opportunity analysis performs an independent review of the impact and sustainability case.

An assessment of training needs of all employees is performed annually by the Sustainability team, to plan adequate training sessions, with the help of external experts if needed.

iv. Integration of impact & sustainability criteria in the remuneration

The Remuneration policy aims at the team alignment and a collective focus on the global objectives of the firm.

There is no variable incentive compensation. However, in addition to the basis compensation, some employees are eligible to receive a carried interest percentage which is vested according to an agreed schedule upon condition of presence in the company.

Blue like an Orange is currently working on a methodology to include impact performance in its employee annual performance review.

3. OUR IMPACT INVESTOR PRACTICES

Blue like an Orange's main goal is to have a positive impact on sustainable development and social change through its investments. Therefore, social impact is at the heart of the investment process as well as of the portfolio monitoring.

i. Strategic impact objectives

Blue like an Orange is committed to invest in companies and projects that can positively affect sustainable development and social change and contribute to the achievement of the United Nations' Sustainable Development Goals ('SDGs').

To achieve this strategic impact, Blue like an Orange focuses its investment strategy on four main sustainability issues, that are a baseline for any company to positively affect sustainable development in emerging countries, and on three main investment areas, in which investments can lead to major social change.

On the four main sustainability issues to address by any investee companies, Blue like an Orange indicates the following qualitative objectives and some quantitative reference targets, aligned with the SDGs, while monitoring the impact and sustainability performance of portfolio companies:

1) Create decent work, including for young people and persons with disabilities, and equal pay for work of equal value (SDG 8): The job creation objectives are set according to the company's business plan. An indicative reference target of 3% is set on the percentage of Employees with Disabilities and of 0% is set on the gender pay gap.

2) Empower women leadership in the corporate world (SDG 5): An indicative reference target of 40% is set on board gender diversity and on the share of women in the executive committee.

3) Leverage on the private sector's innovation capacities for sustainable development (SDG 9): No objective is set in that matter. Through our investment strategy, we finance companies providing innovative products or services contributing to sustainable development.

4) Encourage companies in emerging markets to adopt sustainable practices and to integrate sustainability information into their reporting cycle (SDG 12): Our objective is that, during the period of financing, the portfolio companies structure their sustainability approach, and in particular dedicate an employee to Social and Environmental Performance, implement an environmental & social assessment and management system, perform the CSR monitoring of the suppliers and publish a sustainability report.

Furthermore, Blue like an Orange has set qualitative investment objectives in the three areas that are essential for emerging countries' sustainable development, and that can have significant social benefits on local population:

1) Social Infrastructure (education and health) and Agriculture
    a. *Enabling inclusive and equitable quality education*

Providing every child access to education could boost GDP by an average of 28% per year in lower-income countries. 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.

b. *Improving population's health and contribute to the achievement of Universal Health Coverage*

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 companies that have demonstrated consistent improvements to population health and contribute to strengthening health systems in support of achieving Universal Health Coverage.

c. *Improving the economic prospects of a large portion of the population while developing sustainable agriculture and farming practices*

In what refers to Agriculture, countries in the Latin American region have been traditionally strong primary producers of commodities such as sugar cane, coffee, corn, soybeans and coconut, just to name a few. With an increasing population in the region and an international demand for more nutrient rich food, the agriculture sector offers numerous economic opportunities for the region, with primary producers expanding their supply and distribution channels; essentially to become vertically integrated enterprises. By focusing on the agriculture space, Blue like an Orange seeks to improve the economic prospects of a large portion of the population in the region while financing producers or distributors, including wholesalers and exporting companies, committed to adopt sound environmental practices.

2) Supporting the development of sustainable infrastructure

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

3) Promoting financial inclusions for all individuals and businesses

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. Our investees are working to empower their customers by offering equal rights to control their own economic resources in a bid to reduce poverty.

If Blue like an Orange focuses on social change, it also pursues a “no significant harm objective” and manage potential adverse impacts 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.

ii. Assessment of the expected impact of each investment

When deal is contemplated, the investment team and the sustainability team go through an Impact Thesis analysis, to assess the contribution of the company’s activity to a positive environmental or social change, and to the SDGs.

IRIS+

The Impact Thesis Analysis is performed based on a framework established by the GIIN: IRIS+. This framework consists in five sections, enabling Blue like an Orange to define in a standardized way the impact thesis of a deal:

WHAT	• What is the problem observed? • What is it scale? • What are the expected outcomes of the investment?
WHO	• Who are the targeted beneficiaries? • What are their characteristics?
HOW MUCH	• What is the expected scale of the change? • What is the expected depth of the change? • What is the expected duration of the change?

CONTRIBUTION	• What is the company and the investor's contributions compared to what would have happened anyway?
RISK	• What are the risks that the expected outcomes don't happen?

The Impact Thesis Analysis is supported by a documentary review, at a macro-economic level. Data and research from acknowledged organizations such as the World Bank, the OECD, the World Benchmarking Alliance, the United Nations' agencies, enable Blue like an Orange to seize the problems the company is aiming to solve, as well as the relevance of the solution proposed. Other sources are used depending on the sector and the country. The desk review performed internally to assess the impact is based on various sources to ensure data reliance and quality. The Investment Committee is provided with the information sources, with a transparency purpose.

This analysis can either lead to the conclusion that the impact thesis is confirmed, or that it remains to be confirmed. Furthermore, this analysis, and especially the first section – What – enables the teams to assess whether the company contributes to one or more SDG Targets.

iii. Management of the strategic impact on a portfolio basis

A crucial step in Blue like an Orange's investment process is the scoring of each opportunity's impact and the annual monitoring of our portfolio's impact, using the SDG Blue methodology, available on our website: https://bluelikeanorangecapital.com/methodology.

SDG Blue is an internally developed tool that scores our investments against the contribution to SDGs. The tool works in a similar way to a credit rating score, taking weighted averages based on different categories and adding up points, to get to a letter-based score.

SDG Blue uses six to eight SDG Goals and associated SDG Targets, including:

- four "Mandatory Goals" that are applied to all opportunities,
- two to four "Elective Goals" that are custom for each opportunity.

For each SDG Goals and associated SDG Targets, the investment is scored using specific indicators, either quantitative or qualitative.

The following "Mandatory Goals" reflect the Fund's strategy on employment, gender equality, innovation and corporate sustainability practices:

SDG 8 – Target 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.

SDG 5 – Target 5.1 End all forms of discrimination against women and girls everywhere.

SDG 5 – Target 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.

SDG 9 – Target 9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, 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.

SDG 12 – Target 12.6 Encourage companies, especially large and trans- national companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Additional “Business goals” (and, if applicable, “Bonus goals”) reflects company-specific contribution to the SDGs through their core business as well as advanced internal sustainability practices and initiatives. These goals are determined for each company, based on the Fund’s strategic objectives in our three areas of focus (see above). The Fund defines with the companies several quantitative targets on these goals, that reflects the company-specific impact over the period of investment.

The SDG Blue score informs the investment decisions and the portfolio monitoring:

- For an investment to be approved by the Investment Committee, it needs to obtain a minimum SDG Blue score of 6/10.
- Annually, an update of the SDG Blue score of the portfolio companies enables to assess and measure the evolution of their contribution to the SDGs and identify opportunities for further contribution in the context of their business environment.

Blue like an Orange’s team is currently working on updating the SDG Blue methodology in order 1) to consider “sustainability risks” and “adverse impacts” as part of the score and 2) to enable a more precise consolidation of the score at a portfolio level and better reflect the whole portfolio’s contribution to the SDGs over the investment period.

iv. Evaluation of the Fund’s contribution to the achievement of impact.

The Fund contributes to the achievement of impact through the specificity of its financing and its engagement with portfolio companies.

The Fund’s additionality first relies on the flexible financing brought to companies in emerging markets (structured credit), which fills a financing gap. The use of proceeds is also carefully analyzed during the investment process to ensure that Blue like an Orange’s financing contributes to increase the social impact of the investee company.

Furthermore, and besides its financing, the Fund engages with portfolio companies during the whole period of investment to deliver additional impact. Impact and sustainability issues are integrated in the quarterly and annual portfolio monitoring, which includes notably a discussion on the environmental and social action plan and on the company’s performance, based on qualitative and quantitative indicators, both agreed on in the loan agreement. The Fund’s active dialogue with the company also includes technical support and linking. More information about non-financial contribution can be found in section *5. Our engagement with and monitoring of portfolio companies.*

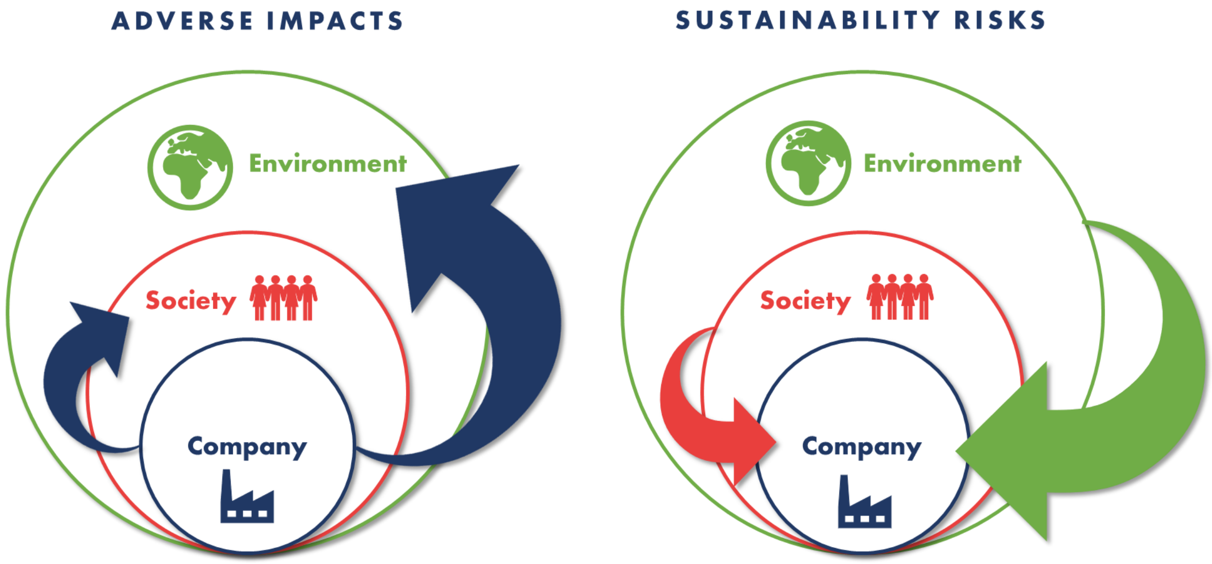
Blue like an Orange’s team is currently looking to adopt best-practice methods to assess its investments’ additional contribution to the achievement of impact.

4. OUR RESPONSIBLE INVESTOR’S PRACTICES.

Blue like an Orange’s team is convinced that positive impacts on any sustainability factor must be generated, as much as possible, without impacting negatively or even less harming any other of these factors.

Our responsible investor’s practices embed the double-materiality principle and consider together:

- the impacts of the business on environment and society (“outside-in” impacts), called by SFDR “adverse sustainability impacts” or “significant harm”;
- the impacts of the business on environment and society (“inside-out” impacts), called by SFDR “sustainability risks”.



In order to avoid significant harm of investment decisions on sustainability factors, Blue like an Orange is committed to implement a due diligence policy on adverse sustainability impacts that includes, among others, engagement policies and investment restrictions applicable in the investment process and monitoring of the portfolio companies.

In addition, Blue like an Orange considers that sustainability risks could potentially or actually cause a material negative impact on the value of a Fund's investment and are relevant to the returns of the sub-funds. The Fund integrates sustainability risks and opportunities into its investment strategy and investment decision-making processes.

i. Initial screening on the contemplated deal

a- Restriction and Exclusion List

Each contemplated deal is assessed against Blue like an Orange's Restrictions and Exclusions List. Beyond activities which are deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, Blue like an Orange established a list of activities in which the fund shall not invest, to avoid significant harm to people and the environment, or significant governance issues. The complete restrictions and exclusions list may evolve according to market practices and investors' requirements, and there may be specificities for each sub-fund. It is available on demand.

b- KYC and Integrity Checks

Blue like an Orange has a comprehensive Know-Your-Customer ("KYC") policy to check for data that may reveal unresponsible practices in the contemplated company and pose a reputational risk to the Fund. The research is conducted by the compliance team, using the Dow Jones Risk Database, and an online lookup tool for ad-hoc KYC searches, which includes access to the Factiva Database as well. Additionally, the investment team conducts character checks and industry standing checks through their personal networks. The first checks are performed early in the process so the team can evaluate whether there are any risks, and if so if the risks can be managed or mitigated, and to prevent the Fund from engaging with companies and or individuals which are involved in activities crime, money laundering, corruption, bribery, fraud and controversies on the environment and social and human rights.

Additional checks are performed throughout the diligence process as information becomes available, and advanced checks are performed before the final IC meeting: the investment team provides the compliance team with detailed information on ownership structure until the ultimate Beneficial Owner, Management

Team, Board Members, and affiliated entities. In cases when the team needs additional clarification about some findings, a third-party provider is retained to investigate these issues and provide additional assurance.

ii. Identification of potential adverse impacts and sustainability risks

As part of its desk due diligence, Blue like an Orange performs early in the process (before the first investment committee) an Environmental, Social and Governance assessment to identify activities of the investment that could have negative effects on sustainability factors (subject matters include environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters), as well as any sustainability risk that could affect the potential investee company's activity.

For this, we developed a repository registering the main portfolio-wide adverse impacts and sustainability risks at sub-sector and country level.

For all activities in which Blue like an Orange may invest (sub-sector level), we determined the issues that should be considered systematically, including:

- the potential adverse impacts on the environment, using the tool Exploring Natural Capital Opportunities, Risks and Exposure ('ENCORE') developed by the Natural Capital Finance Alliance;
- the potential adverse impacts on human rights, using the Human Rights Guidance Tool developed by the United Nations' Environment Program ('UNEP') as well as an internally developed Human Rights framework based on the UN Guiding Principles on Business and Human Rights;
- the sustainability risks that should be considered systematically, using the Sustainability Accounting Standard Board ('SASB') framework.

For any country belonging to Blue like an Orange's targeted regions, we selected several contextualizing information coming from various sources (The World Bank, the International Labor Organization, the Organization for Economic Cooperation and Development…) and reflecting the level of numerous sustainability risks in the country regarding specific issues such as climate change, working conditions or corruption, among others.

Since these impacts and risks are meant to evolve, the adverse impact and sustainability risks repository per sub-sector and per country is updated annually.

iii. Assessment of potential adverse impacts and sustainability risks

For each deal, the adverse impacts and sustainability risks identified are scored jointly by the investment and sustainability team.

The adverse impacts are scored from 1 - Low severity, to 3 - High severity, considering, among others, the following factors:

- the probability that the adverse impact or risk happens,
- the seriousness of potential consequences on stakeholders (people or the environment),
- the possibility to remediate these consequences.

The sustainability risks are scored from 1- Low materiality, to 3 - High materiality, considering, among others, the following factors:

- potential financial losses through an impact on costs or revenues,
- potential reputational damages,
- potential increased employee turnover,
- potential loss of customers.

Each sustainability risk is then classified as strategic, financial, operational, regulatory and/or reputational.

A preliminary adverse impacts and sustainability risks analysis before the first investment committee. It is updated during the desk due diligence phase, based on the documents collected from and answers on preliminary questions provided by the company.

To assess how the target company manages the above-mentioned potential adverse impacts and sustainability risks, Blue like an Orange performs a field due diligence together with external consultants.

Based on Performance Standards ('PS') developed by the International Finance Corporation ('IFC'), this due diligence process is performed using both internal and external resources. External assessment is provided either by a team of IDB experts that is independent from IDB investment team, when IDB is a co-investor, or by local external consultants hired by Blue like an Orange. The Due Diligence report must cover all the adverse impacts and sustainability risks identified during the previous phase, as well as any other that would not have been identified previously.

iv. Mitigation and implementation of a risk response

Following the due diligence phase, the preliminary adverse impact and sustainability risks analysis is updated. For each adverse impact or risk that had been identified in the previous phase, the corresponding mitigating activities in place revealed by the due diligence is documented and scored, from 1 - Robust and effective to 4 - Absent or insufficient. For each adverse impact and risk, Blue like an Orange is then able to score the residual risk from 1- Low to 3- High, by combining the initial rating of the adverse impact or risk and the one of the mitigating activities in place.

Following the identification, assessment and scoring of potential adverse impacts, sustainability risks, and mitigating activities in place during due diligence, leading to the identification of gaps, Blue like an Orange (and IDB Invest when it is a co-investor) develops an environmental and social Action Plan with the borrower, which is a condition for loan signature and which the borrower must comply with. For each potential adverse impact obtaining a high residual risk (i.e., high preliminary risk and insufficient mitigant), a remediating action is included in the action plan. Just as the Due Diligence process, the Action Plan is based on IFC PS, and suggests some mitigating actions with an implementation deadline for each gap previously identified.

For all the adverse impacts and sustainability risks identified in its repository, Blue like an Orange listed the associated mitigants that should be part of the environmental and social Action Plan.

V. OUR ENGAGEMENT WITH AND MONITORING OF PORTFOLIO COMPANIES

At the heart of Blue like an Orange Sustainable Capital's strategy is the active engagement with portfolio companies. Through quarterly reporting and annual meetings specifically dedicated to impact, responsible practices, and risks, Blue like an Orange aims at helping its investee companies to improve their impact and sustainability performance all along the loan's life.

i. In-person engagement with the portfolio companies' management

One of the key contributions to impact of Blue like an Orange is through an active dialogue with the companies to ensure alignment between Blue like an Orange's sustainable transformation strategy and that of the borrowers. The dialogue starts when the investment team initially engages with the company, continues through the investment process until a loan agreement is negotiated in which are incorporated an environmental and social action plan and reporting requirements, and continues during loan life with impact and sustainability monitoring.

The sustainability team schedules annual check-in meetings with the management of the investee companies. The objective of these meetings is to assure that the company is on track to achieve its impact goals and mitigate risks and adverse impacts, 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 Fund. These meetings enable Blue like an Orange to understand the impact stories of the investee companies behind the reported KPIs, and to explore new paths for impact with them.

Following the end-of-year meeting, the SDG Blue score is updated to reflect the evolution of social and environmental impact generated by investee companies.

ii. Follow-up on the environmental and social Action Plan

As mentioned above, the signature of a contractual environmental and social Action Plan with the investee company is a condition to any investment. This Action Plan is established according to the risks and potential adverse impacts identified and to the findings of the due diligence regarding mitigants. On a bi-annual basis, the company is required to communicate updates on its advancement regarding the implementation of the action plan, to be discussed during the impact meetings mentioned in next section. These meetings represent opportunities for the company to ask for guidance on any item of the action plan they would struggle to implement.

iii. Monitoring of impact, risks and adverse impacts

During the whole life of a loan, the investee company is required to report on an at least annual basis on a set of indicators, on which the fund and the company agree before the closing of the transaction, and which are included in the legal documentation.

This set of indicators is composed of three different categories:

- The **common indicators**, on which any company of the portfolio must report, whatever its sector of activity. These include the mandatory Principal Adverse Sustainability Impacts ('PASI') and two additional ones, as well as a number of indicators related to employment, gender, governance, environmental practices and carbon footprint. These indicators are consolidated annually at the scale of the Fund and Sub-Funds.
- The **"Beneficiaries" indicators**, corresponding to the number of beneficiaries the company is able to reach within its impact area. These indicators can be consolidated annually at the scale of each sector of activity.
- The **company specific indicators**, chosen specifically to reflect the impact, adverse impact and sustainability risks of each company.

Beneficiaries and company specific indicators are chosen in the IRIS indicators database or other acknowledged standards.

Most of these indicators must be filled on an annual basis, and some must be reported every quarter. The quarterly and annual reporting are made through an online dedicated platform to ease the process for investee companies.

a- Reporting on Principal Adverse Sustainability Impacts ('PASI')

As of 1st January 2023 (for the period covering calendar 2022), all investee companies have to report on the data needed by Blue like an Orange to report on a set of mandatory PASI, as well as for the two additional ones selected by Blue like an Orange:

- Rate of work accidents: Blue like an Orange invests in companies in emerging countries where working conditions are less regulated than in developed countries. Additionally, some of the targeted sectors, such as infrastructure and agriculture, can be particularly exposed to work accidents. For these reasons, we decided to monitor systematically the rate of accidents.

- Energy performance: Blue like an Orange is aware that energy transition will be one of the major challenges for companies in the coming decades. Therefore, we consider the energy performance of its investee companies both as a risk and as an opportunity. That's why we chose to monitor closely the energy performance of each portfolio company.

Alignment of contemplated investments with OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights is assessed during the due diligence phase. Investments involved in violations of OECD guidelines and human rights are excluded as per investment exclusions. For investments on which the Sub-Fund decides to proceed, any gap relating to OECD guidelines and UN guiding Principles are included in the ESG action plan mentioned above. As part of the mandatory indicators, portfolio companies need to report on an annual basis on *"Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises" and "Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises".*

b- Reporting on Carbon Footprint

In the mandatory annual indicators are included data aiming at computing portfolio companies' carbon footprint (scopes 1 and 2, scope 3 from 1rst January 2023). This evaluation, the result of which is shared with portfolio companies, enables them to follow the evolution of their carbon footprint, to take relevant measures to mitigate their impact and to communicate with their own stakeholders regarding this matter.

IV. OUR REPORTING AND TRANSPARENCY REGARDING IMPACT AND SUSTAINABILITY

For the stake of transparency, Blue like an Orange shares with its investors the two following information and documents, reflecting both its impact improvements and under-performance:

- An annual Sustainability Report, detailing the impact performance, the progress and the mitigation of risks and adverse impacts, at the Fund's and portfolio companies' level during the past year, using both quantitative and qualitative data.
- A quarterly report including updates about impact performance at the scale of each investee company, combining a qualitative and a quantitative approach.

As a signatory of the Principles for Responsible Investing ('PRI'), and of the Operating Principles for Impact Management ('OPIM'), Blue like an Orange publishes on an annual basis its reports regarding both of these commitments. Both are reviewed and signed off by the Fund's governance bodies. Furthermore, Blue like an Orange is committed to an independent verification of the alignment of its processes and procedures with the OPIM every two years.

Additionaly, on Blue like an Orange's website can be found:

- The pre-contractual disclosures for each fund, in compliance with SFDR regulation;
- The website disclosures for each fund, in compliance with SFDR regulation;
- The complete SDG Blue Methodology.

V. APPENDIX

i. Content mapping with SFDR Website Disclosures

SFDR Website Disclosure contents	Impact & Sustainability Policy contents
No significant harm to the sustainable investment objective	III. Our Responsible Investor's practices IV. 3) Monitoring of impact, risks and adverse impacts
Sustainable investment objective of the financial product	Introduction – 1) Our approach on impact and sustainability
Investment strategy	Introduction – 1) Our approach on impact and sustainability III. 1) a- Restriction and Exclusion List III. 1) b- KYC and Integrity Checks
Proportion of investments	Introduction – 1) Our approach on impact and sustainability
Monitoring of sustainable investment objective	IV. 3) Monitoring of impact, risks and adverse impacts IV. 1) In-person engagement with the portfolio companies' management
Methodologies	II. 3) Management of the strategic impact on a portfolio basis
Data sources and processing	II. 2) Assessment of the expected impact of each investment III. 3) Assessment of potential adverse impacts and sustainability risks IV. 3) Monitoring of impact, risks and adverse impacts
Limitations to methodologies and data	Not covered here
Due diligence	III. 2) Identification of potential adverse impacts and sustainability risks III. 3) Assessment of potential adverse impacts and sustainability risks
Engagement policies	IV. 1) In-person engagement with the portfolio companies' management IV. 2) Follow-up on the environmental and social Action Plan

Attainment of the sustainable investment objective	N/A

ii. Content mapping with the Operating Principles of Impact Management

Operating Principle for Impact Management	Impact & ESG Policy contents
Define strategic impact objective(s), consistent with the investment strategy.	II. 1) Strategic impact objectives
Manage strategic impact on a portfolio basis.	II. 3) Management of the strategic impact on a portfolio basis
Establish the Manager's contribution to the achievement of impact.	II. 4) Evaluation of the Fund's contribution to the achievement of impact
Assess the expected impact of each investment, based on a systematic approach.	II. 2) Assessment of the expected impact of each investment
Assess, address, monitor, and manage potential negative impacts of each investment.	III. Our Responsible Investor's practices
Monitor the progress of each investment in achieving impact against expectations and respond appropriately.	IV. Our engagement with and monitoring of portfolio companies
Conduct exits considering the effect on sustained impact.	Under progress
Review, document, and improve decision and processes based on the achievement of impact and lessons learned.	Introduction – 5) A continuous improvement approach
Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.	V. Our reporting and transparency regarding impact and sustainability

iii. Content mapping with PRI "Investment & Stewardship Policy" module

Section of the PRI "Investment & Stewardship Policy" module		Impact & ESG Policy contents
Responsible Investment Policy & Governance	Responsible Investment policy	Introduction – 4) The purpose, scope and building blocks of our Impact and Sustainability Policy
	Governance	I. Roles and Responsibilities

	People and Capabilities	I. Roles and Responsibilities
Climate Change	Public support	Introduction – 4) The purpose, scope and building blocks of our Impact and Sustainability Policy
	Governance	I. Roles and Responsibilities
	Strategy	III. Our responsible investor's practices
Sustainability Outcomes	Identify Sustainability Outcomes	II. 1) Strategic impact objectives
Transparency & Confidence-building measures	Information disclosed	V. Our reporting and transparency regarding impact and sustainability
	Client reporting	V. Our reporting and transparency regarding impact and sustainability
	Confidence-building measures	Under progress