Agenda Item 3.
Enhancing comparability of sustainability reporting: Selection of core indicators for entity reporting on the contribution towards the attainment of the Sustainable Development Goals

Presented by

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BlueOrchard Finance
Company Overview

BlueOrchard’s Impact Tools for
Private and Public Markets

BlueOrchard and the Guidance on Core Indicators for
Sustainability Reporting

Common Challenges faced by BlueOrchard Investees
related to Sustainable Reporting
1. BlueOrchard – Leader in Emerging Markets Investing and Impact

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<th>Investing for Empowerment</th>
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<th>BlueOrchard at a glance</th>
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<td>Leading EM impact investment manager with a <strong>20-year track record</strong>, founded by the initiative of the United Nations</td>
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<td>Focused on <strong>credit, private equity assets</strong> in <strong>emerging markets</strong></td>
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<td>Experienced international investment team having <strong>disbursed in excess of USD 5bn</strong> since inception, <strong>reaching 35 million people</strong> in <strong>over 80 countries</strong></td>
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<td><strong>Rigorous investment process</strong> with emphasis on <strong>fundamental bottom up analysis</strong> and <strong>social impact due diligence</strong></td>
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<td><strong>Licensed Asset Manager</strong> by FINMA and authorized <strong>UCITS and AIF manager</strong> by CSSF</td>
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1. BlueOrchard has Managed 14 Funds Since Inception. 9 are Blended Finance Funds. Today, 5 out of the 8 Active Funds are Blended Finance Mandates

- **2001**
  - BlueOrchard Microfinance Fund (BOMF) First ever commercial microfinance fund

- **2004**
  - BlueOrchard Microfinance Securities 1 (BOMSI) Senior debt, 6 years

- **2005**
  - Saint-Honoré Microfinance Fund Senior debt, hard currency (merged with BOMF 2011)

- **2006**
  - BBVA Codespa Microfinanzas Senior debt, Latam, some LCY

- **2006**
  - BlueOrchard Loans for Development 2006 (BOLD 2006) CDO Senior debt, 5 years

- **2007**
  - BlueOrchard Loans for Development 2007 (BOLD 2007) CDO Senior debt, 5 years, FT award

- **2009**
  - Microfinance Enhancement Facility (MEF) Sr. Debt “liquidity fund”

- **2010**
  - Microfinance Growth Fund (MiGroF) The “Obama” fund for Latam

- **2013**
  - Microfinance Initiative for Asia (MIFA) – Debt Fund Fund for Asia

- **2014**
  - Regional Education Finance Fund for Africa (REFFA) Fund for Africa

- **2015**
  - InsuResilience Investment Fund (IIF) Debt/Equity Climate fund

- **2016**
  - Japan ASEAN Women Empowerment Fund (JAWEF) Fund for Women in Asia

- **2017**
  - EMF Microfinance Fund First microfinance fund in Liechtenstein

- **2018**
  - Emerging Markets SDG Impact Bond Fund First UCITS compliant EM impact bond fund

- **2019**
  - R20 Subnational Climate Solutions Fund (R20 SnCF)
To systematically assess the social performance of each investee and identify potential for improvement, BlueOrchard has developed a proprietary tool called Social Performance Impact Reporting & Intelligence Tool (SPIRIT).

- SPIRIT assesses 6 key areas of social impact, aligned with the Universal Standards of Social Performance Management, plus a seventh one on environment.
2. Bond SPIRIT defines BlueOrchard concrete action towards the impact assessment of public debt issuers

- **Investment universe**
  - The Bond Team performs an initial screening of Emerging Market bond issuers.
  - Only bond issuers with a potential social impact mission are presented to the Blended Finance Impact Management (BFIM) Team for the following steps.

- **Bond SPIRIT**
  - BFIM Team performs the social impact assessment using the Bond SPIRIT.
  - High involvement of BO local investment team during the Bond SPIRIT assessment.
  - Only bond issuers meeting the minimum social eligibility criteria are considered.

- **Impact Committee**
  - The Impact Committee sets the impact investing strategy and guidelines.
  - It approves or rejects exceptions to guidelines for individual investments.

- **Monitoring and Reporting**
  - Ongoing monitoring of and reporting on bond issuers to investors.
  - Leveraging local investment team market intelligence.
  - In case of reputational risk or a material change in business model, the Bond SPIRIT is performed again.
  - Regular review of Bond SPIRITS.
3. There is an Overlap Between BlueOrchard’s SPIRIT and the GCI

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<th>Economic</th>
<th>Environmental</th>
<th>Social</th>
<th>Institutional</th>
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<td>To what extent does the company meet otherwise underserved clientele by providing a service that is not provided by many other market participants (i.e. Focus on value added; additionality)?</td>
<td>Does the investee define processes and/or implement mechanisms to reduce paper, water, and energy consumption, reduce/treat waste, and/or reduce carbon emissions?</td>
<td>Does the Investee actively follow an anti-discrimination policy in hiring?</td>
<td>Does the institution calculate the difference between the average annual compensation of its top level executives (e.g., CEO/Managing Director, CFO) and its field employees (loan officers)?</td>
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<td>Does the company make donations to community developmental projects?</td>
<td>Does the investee have a written environmental policy?</td>
<td>Does staff receive adequate training?</td>
<td>Are social performance issues discussed during Board Meetings? If yes, are these reported transparently in the Board Minutes?</td>
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4. Common Challenges Faced by Investees Related to Sustainable Reporting

The Guidance on Core Indicators represents an important achievement towards attaining enhanced comparability of sustainability reporting ...

BUT

- The market players are still very fragment across the target markets (i.e. type of investees and data)
- The resources available and capacity to systematically collect this information may not be sufficient
- The MIS at investee level are not always as advanced as one would wish them to be (lack of aggregated information, poor quality and limited amount of data collected, long time lag between collection and reporting, etc.)