

**DUE DILIGENCE POLICY ON ADVERSE SUSTAINABILITY IMPACT
POLICY ON INTEGRATION ON SUSTAINABILITY RISKS
REMUNERATION POLICY**

Blue like an Orange set sustainable objectives at the Fund and portfolio level and assess each potential transaction against measurable social and environmental investment standards. Then, we systematically review progress made against these objectives. Our sustainability approach is overviewed by our sustainability committee which brings together renowned international figures.

Internal resources: drawing on the investment team members' experience of Development Finance Institutions

The internal evaluation of the sustainability impacts of the transactions over their life cycle, performed by the investment team, is one of the key components of Blue like an Orange's systematic assessment procedure of every transaction. Thus, the ESG assessment is fully integrated during the whole investment process, from screening to monitoring. This integration guarantees the "no trade-off" principle between market level rates of financial returns and sustainable development outcomes.

The integration of ESG impact assessment within the investment process is facilitated by the fact that the majority of the team, especially the investment team members, can draw on their experience of working for Development Finance Institutions, the International Finance Corporation (IFC), the World Bank in particular and in the cooperative banking sector.

Setting "Reach Targets" for the fund

Blue like an Orange sets "Reach Targets" in order to manage more specifically the Fund's contribution to SDGs in our key sectors: sustainable infrastructure, access to finance and access to social services (comprised of healthcare, education and agriculture).

A systematic sustainable impact evaluation and sustainability risks and adverse impact assessment of the potential deals

Blue like an Orange's investment process includes a parallel track to evaluate the commercial, Environmental, Social, Governance (ESG) and impact aspects of each investment. Both are evaluated by the same investment team to assure a comprehensive and integrated review.

This evaluation includes in most cases reviews by independent parties and is required to meet minimum internal thresholds in order to proceed with the investment. The outcome of this assessment constitutes a specific section of the memorandum prepared for the Investment Committees and discussed among its members.

Sustainable impact evaluation through SDG Blue

Blue like an Orange has an explicit focus on mobilizing private capital to achieve the UN Sustainable Development Goals (SDGs). Therefore, each potential loan is mapped to the SDGs at Goal, Target and Indicator level. Mapping to the SDG Targets and Indicators level may be challenging, as they have been developed with a public sector focus. Therefore, Blue like an Orange's investment team, at times with the assistance of external consultants, works with the client to determine "SDG Shadow Indicators" that align with the SDG Indicators and are relevant for the company and loan proceeds. Each potential opportunity is evaluated against the SDGs with the determination of a score – a minimum is required to invest. Refer to our SDG Blue methodology.

When IDB Invest is a co-investor with Blue like an Orange, each transaction is evaluated by an independent team at IDB Invest and receives a Development Effectiveness Learning Tracking Assessment score (DELTA score between 0 and 10) to assess the social and sustainable impact of the transaction and the additional benefit of the IDB/Blue like an Orange investment.

Sustainability risks and adverse impacts assessment

Integration of sustainability risks

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. Consequently, Blue like an Orange integrates sustainability risks and opportunities into its investment strategy and investment decision-making processes.

Identification and prioritization of principal adverse sustainability impacts and indicators

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.

ESG due diligence policies

As part of its due diligence policies, Blue like an Orange will perform a KYC and ethical check and an Environmental and Social assessment in order identify and prioritize:

- environmental, social and governance events or conditions which, if it occurs, 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 (subject matters include environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters)

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

The methodologies used in the pre-investment phase are summarized in the table below:

	Steps	Method	Based on	Source	Application
1	Impact assessment	SDG Blue: Contribution to Sustainable Development Goals ("SDGs")	United Nations	Internal	<ul style="list-style-type: none"> An internal rating system developed to aid the team in the assessment of the opportunity's contribution to the SDGs. The assessment is performed on each opportunity, during the due diligence process, and carried out annually. A set of impact Indicators (with projections) is developed and measured throughout the investment period.
		DELTA	IDB Invest	Proprietary	<ul style="list-style-type: none"> A proprietary quantitative scoring system developed by IDBi to measure social impact and other benefits provided by the investment. Applicable on projects executed jointly with IDB Invest.
2	Policy on integration of sustainability risks and due diligence on adverse sustainability impacts	Investment restrictions	Prohibited countries and sectors list	Open	<ul style="list-style-type: none"> Each investment is checked against prohibited country and sector list. Each investment receives an E&S assessment, which concludes in an Environmental and Social Action Plan ("ESAP"), with which the company must comply during the investment period. The assessment is performed by third party consultants and their due diligence cover both adverse sustainability impacts and sustainability risks KYC and integrity checks are performed for each potential investment to identify any controversy in term of responsible business conduct
		Environmental and Social Assessment ("E&S")	IFC Performance Standards "PS"		
		KYC and Integrity check	Dow Jones Risk Database	Proprietary	

Engagement policies and investment restrictions

As a provider of mezzanine financing, Blue like an Orange does not have a voting right at General Annual meeting of its investee companies.

As part of its due diligence process, Blue like an Orange will use commercially reasonable efforts to ascertain that, up to its knowledge, the Fund's investment decisions do not constitute what it considers, in its sole discretion, to be a socially irresponsible and unethical investment, which will notably include, as a minimum, the following:

- a. investing in any company, the core business of which is directly engaged in activities resulting in severe and/or systematic breaches of conventions, norms or protocols to which France is a signatory and which are internationally recognized, where such severe and/or systematic breaches have been evidenced by a decision of a court or another official source such as the UN, the OECD or governments;

- b. investing in any company that engages in material and/or systematic corruption where such material and/or systematic corruption has been evidenced by a decision of a court or another official source such as the UN, the OECD or governments;
- c. investing in any company that deliberately and repeatedly violates the law laid down by the national/governmental authorities in the markets in which such company or corporation operates, where such violation has been evidenced by a decision of a court or another official source such as the UN, the OECD or governments;
- d. investing in any company that is directly involved in the activity of prostitution or procuring of prostitutes; or
- e. investing in any company, the core business of which is directly engaged in coal-based activities, including, but not limited to, coal extraction and/or coal power generation and/or electricity via a coal powered plant and/or coal mining activities.

In addition, each potential deal is screened against (i) the APSA exclusion list, listing activities that the fund could not engage in and (ii) the country restriction list and the country monitoring list, listing non-cooperative countries.

Independent ESG evaluation according to the IFC performance standards

For potential deal, Blue like an Orange first carries a full Environmental, Social, and Governance review according to the IFC Performance Standards using both internal and external assessment. The 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 external consultants hired by Blue like an Orange.

Following the assessment of the potential investment against these standards, 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 required to comply with it and is a condition for loan signature.

Systematic monitoring of each investment’s progress against expectations

Blue like an Orange (and IDB Invest when it is a co-investor) systematically monitors progress made against each investment’s Environmental and Social Action Plan. For each transaction, this Action Plan includes monitoring the annual evolution of the fixed set of “Shadow SDG indicators” which measures the company’s contribution to SDG progress at Goal, Target and Indicator level, as stated in the loan agreement. This will enable to monitor and share the Fund’s progress against the “Reach Targets” with investors. Furthermore, for each company that IDB Invest invests in, it has contractual rights to perform an evaluation of each company’s DELTA Score as well as other indicators on an annual basis. As agreed, Blue like an Orange will obtain updates from IDB Invest regarding these evaluations. Decisions and processes are improved based on the achievement of impact and according to the lessons learned.

Assistance provided to the companies through training programs to help them reach their sustainability targets

The partnership with IDB Invest enables all companies that IDB Invest and Blue like an Orange and IDB Invest invested in, to benefit from continuous support from IDB Invest to help them achieve the expected sustainability impacts. This support consists in training programs provided by IDB Invest which are aimed at specifically helping each company reach their Environmental and Sustainable Action Plan. It also includes the possibility to attend sustainability conferences and workshops organized by IDB Invest.

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

Without being subject to the AIFM law of 12/07/2013, the compensation policy implemented since the creation of Blue like an Orange is consistent with and promote sound and effective risk management and do not encourage risk taking which is inconsistent with the risk profiles, management regulations or instruments of incorporation of the fund.

To meet these two objectives, the remuneration consists of:

- a fixed salary which amount depends on level of responsibilities (associates, director, managing director, partner)
- all employees are eligible for the Carried (or a contractually fixed bonus depending on the level and responsibilities when not eligible to the Carried) after two years of presence within the company. This condition of presence is not required for the founding partners of Blue like an Orange.