

SUMMARY INFORMATION FOR LATIN AMERICA FUND II

Sustainable investment objective of Latin America Fund II

Latin America Fund II (Fund II) has sustainable investment as its 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.

Investment strategy for Fund II with the objective of sustainable investment

Fund II will focus exclusively on investing in projects and enterprises that can positively affect sustainable development and social change and intends to continue working with a multilateral development bank (IDB Invest) through a co-investment agreement to help achieve these goals. Blue like an Orange believes in a “no trade-off” policy between financial returns and sustainable development outcomes. Indeed, the strategy is to deliver both strong risk-adjusted market level financial returns and sustainable development impact outcomes aligned with the Sustainable Development Goals (SDGs). The SDGs include 17 specific goals that have been agreed to by 135 countries to end poverty, protect the planet and ensure prosperity for all as part of a new 2030 sustainable development agenda.

No significant harm to the sustainable investment objective

Information on Fund II principal adverse sustainability impacts and whether Fund II investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights, will be reported for the first time in 2023 (subject to final approval of regulatory technical standard¹).

Proportion of Fund II investments with the objective of sustainable investment

All investments in Fund II shall contribute to the sustainable investment objective and do not significantly harm any of the sustainable investment objectives in accordance with the binding element of the investment strategy and the consideration of principal adverse impacts on sustainability factors.

Methodologies for the sustainable objective

Blue like an Orange is committed to contributing to the achievement of the Sustainable Development Goals by mobilizing private capital. Impact objectives are determined, both at the Fund level and at the portfolio company level, using the SDG Blue tool, an in-house rating tool, with which each potential opportunity is evaluated against the SDGs with the determination of a score - a minimum is required to invest. In top of the goals designed and customized for each investment opportunity in relation with its business area, 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 its Fund: Job creation, Gender equality, Innovation and Sustainability practices. The list of sustainability indicators used to measure the attainment of the sustainable investment objective is described in SDG Blue (link).

Monitoring of the sustainable investment objective

Throughout the lifecycle of the product, the monitoring of the sustainable investment objective will be performed through an annual assessment of SDG Blue rating, the monitoring of the Environmental and Social Action plan and principal adverse sustainability indicators. Environmental and Social Action plan and sustainability and impact performance is discussed with the investee company at least on an annual basis.

¹ supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector with regard to regulatory technical standards specifying the content, methodologies and presentation of information in relation to sustainability indicators and the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, websites and periodic reports

Data sources and processing for the sustainable objective

Data used for impact measurement (SDG Blue rating), monitoring of the Environmental and Social Action Plan and principal adverse sustainability impact statement will mainly be those contractually agreed with each borrower to provide at least annually, which include among other reporting requirements, Impact Indicators, Principal Adverse Sustainability indicators and progress towards the E&S Action Plan.

The Fund will also use data from third party providers to identify any controversy in terms of responsible business conduct (KYC and integrity check).

Limitation to methodologies and data for the sustainable objective

Assessment of attainment of the sustainable objective and adverse sustainability impact is complex and may be based on ESG data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed.

The SDG Blue methodology uses a matrix with categories scored based on the quantitative value of the indicators and a qualitative information. To the extent possible, Blue like an Orange is trying to standardize the process and is developing a pool of Indicators, from which the investment team must draw. Wherever possible, the scoring against an Indicator is benchmarked against industry and/or geographic data – bearing in mind the limited availability of such data in many cases.

Due diligence for the sustainable objective

In order to avoid significant harm to the sustainable objective of Fund II, Blue like an Orange is committed to implement a due diligence policy on adverse sustainability impact that is applied in the investment process and monitoring of the portfolio companies. This includes engagement policies, investment restrictions and due diligence on adverse sustainability impacts in the pre-investment and monitoring phases.

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 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.

If investment proceed, an Environmental and Social Action Plan will be agreed contractually with the investee company, as well as related indicators and indicators for principal adverse impacts on sustainability factors and reported at least on an annual basis.

Further information is provided in the “statement on due diligence policy on adverse sustainability impacts and policy on integration of sustainability risks” on Blue like an Orange website.

Engagement policies for the sustainable objective

As a provider of mezzanine financing, Blue like an Orange does not have a voting right at General Annual meeting of its investee companies. However, as mentioned above 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. Engagement policies and investment restrictions are provided in the “statement on due diligence policy on adverse sustainability impacts and policy on integration of sustainability risks” on Blue like an Orange website.

Attainment of the sustainable investment objective

Fund II has no reference benchmark designated for the purpose of attaining the sustainable investment objective of the financial product.