



CASE STUDY

Schroders—BlueOrchard



*Schroder ISF BlueOrchard Emerging Markets Climate Bond Fund*

Year established	2021
Fund domicile	Luxembourg
Strategy-level AUM (USD) <sup>73</sup>	USD \$126M
Target market	Emerging markets
Primary investments	Labeled green and sustainability corporate bonds, sovereign bonds, and supranational bonds
Management team	4 portfolio managers, 2 dedicated impact professionals
Aligned standard(s) & regulation	SFDR Article 9; OPIM, UNPRI

Strategy overview

BlueOrchard, a member of the Schroders group, has been a prominent manager in impact investing within emerging markets for over two decades. Drawing on its experience in deploying the largest microfinance fund globally, BlueOrchard’s Emerging Markets Climate Bond Fund’s objective is to support the transition to net zero by providing capital to corporations, governments, and communities. The Fund addresses climate finance needs within

emerging markets, which are disproportionately affected by climate change.

The Fund’s impact management approach centers on a comprehensive framework that aligns investments to climate-focused SDGs and establishes clear impact objectives, as supported by third-party verification and transparent disclosure processes. The investment strategy focuses on high-quality fixed income instru-

73. As of March 2025

ments in emerging markets—both from climate action issuers (i.e., those with business models addressing climate change, such as renewable energy producers) and bonds from other issuers with a targeted purpose (such as green and sustainability bonds issued by corporations). Each investment within the portfolio must meet strict criteria for both financial returns and positive impact potential—enabling the Fund to generate attractive financial performance while driving meaningful environmental outcomes across areas such as renewable energy, sustainable infrastructure, and biodiversity.

The Emerging Markets Climate Bond Fund targets environmental and climate action within emerging markets through a defined impact strategy underpinned by the B.Impact™ Framework, with a focus on evaluation based on ESG, Impact, and SDG mapping. BlueOrchard also emphasizes transparency and monitoring—both of impact performance within the portfolio and of BlueOrchard's own engagement and value-add activities.

## Core characteristics

### Focus

*The investor selects securities based on their stated UoPs<sup>2</sup> or revenues' contribution to specific impact themes.*

The Fund has an impact strategy focused on sustainability and decarbonization—with BlueOrchard defining an investment universe comprised of bonds issued by companies with business models addressing climate change, as well as green and sustainability bonds issued by others to fund climate-related projects. BlueOrchard selects securities by evaluating their alignment against its proprietary B.Impact™ Framework and impact focuses, which encompass a broad range of sustainability themes, including renewable energy and energy efficiency, sustainable infrastructure, and waste manage-

### Responsibility

*The investor assesses an issuer's ESG performance and ethical footprint (e.g., reputational checks, thematic exclusions).*

ESG assessment is integrated within BlueOrchard's B.Impact Framework and is assessed and monitored alongside impact assessment. Each investment is evaluated using an ESG scorecard, which assesses sustainability risks at an enterprise level and incorporates metrics such as SFDR PAI indicators. To complete the scorecard, BlueOrchard draws on information provided by the company—such as sustainability reports and policies—as well as information from third-party providers, such as RepRisk and MSCI.

### Completeness

*The investor takes a holistic approach to impact assessment—considering UoPs/revenue, the issuer’s practices, and securities’ structure, while also calibrating assessment to the theme and sub-asset class at hand.*

BlueOrchard’s investment process is informed by the B.Impact™ Framework—in particular its underlying ESG scorecard, impact scorecard, and SDG mapping. The ESG scorecard ensures that investees meet minimum safeguards and account for ESG risks, while the impact scorecard (aligned to Impact Frontiers’ Five Dimensions) assesses potential impact on stakeholders and identifies potential KPIs. SDG mapping maps the security to aligned SDGs and associated quantifiable targets. These three areas together provide a cohesive picture of a security’s impact potential and an issuer’s broader sustainability approach.

### Engagement

*The investor leverages impact data to optimize their portfolio and engages with issuers to improve their impact.*

BlueOrchard formalized its engagement approach in 2023. Its public debt practice leverages Schroders ActivelQ, a proprietary tool to systematically track forward-looking engagement through an analytics portal and to chart progress against key milestones. Milestones include the identification and initiation of engagement activities, company or issuer acknowledgement, the creation of a plan to address issues (typically by sharing actionable suggestions and best practices with issuers), and a resultant change or completed objective. At a field level, BlueOrchard’s participates in industry bodies and field-building initiatives to advance its commitment to impact management and to drive transparency within the impact investing sector. For example, BlueOrchard actively engages in the Impact Disclosure Taskforce and contributed to the Sustainable Development Impact Disclosure (SDID) guidance—enabling it to meet its needs while influencing the broader landscape across various asset classes.

### Transparency

*The investor collects, aggregates, and transparently reports on the impact of its investments.*

BlueOrchard reports quarterly and annually on impact metrics. As part of a public-facing annual report for the Fund, BlueOrchard includes aggregated fund-level indicators tracking impact outcomes and fund allocations by SDG and issuer, as well as providing case studies highlighting the Fund’s impact. BlueOrchard aggregates several metrics to the portfolio-level, including tons CO2e avoided, clean energy capacity, and water savings. While data collection and coverage can be a challenge within emerging markets context, the quality of impact reporting—particularly among labeled bonds—is improving over time—supporting principled measurement and reporting.

**Featured practice: *Impact framework***

BlueOrchard's impact management approach is underpinned by its B.Impact™ Framework, which has been implemented across a range of asset classes in addition to fixed income. The framework is managed by a dedicated impact team, which oversees impact across BlueOrchard's various mandates, conducts impact and ESG diligence, and retains the power to divest when impact performance falls below certain thresholds, where necessary.

The key principles behind the B. Impact Framework are a clear impact strategy (as articulated through a theory of change), an independent governance structure (i.e., the dedicated impact team), a standardized measurement approach (comprised of ESG and Impact scorecards), post-investment impact and ESG monitoring, and robust and transparent reporting. Within fixed income, BlueOrchard's assessment emphasizes the impact intent of a bond, project scale, end beneficiaries, and stakeholder impacts. Monitoring focuses on the collection of specific impact KPIs (aligned whenever possible to industry standards, such as IRIS+) and classifying investments within impact themes, along with detailed SDG mapping, which enables portfolio-level impact measurement and aggregation. The B.Impact™ Framework is also aligned to industry standards, including OPIM and the IMP 5 dimensions. In applying the B.Impact™ Framework to fixed income, BlueOrchard demonstrates the level of impact rigor and granularity possible within the asset class.

**Highlighted transaction: *NatWest Group, Social Bond***

BlueOrchard invested in BTG Pactual's Green Bond in 2023. BTG Pactual, Latin America's largest investment bank, is known not only for its traditional banking services, but also for its emphasis on sustainability and environmental considerations, as well as on social causes, such as an expansion of its services for small and medium-sized companies. BlueOrchard's investment in the BTG Pactual Green Bond is particularly noteworthy for its substantial allocation toward clean water infrastructure (nearly 40 percent of the proceeds) — a less common focus in emerging markets — which has provided access to clean drinking water for 82,982 people in Brazil through two major infrastructure projects. Additional proceeds financed six diverse renewable energy projects spanning wind, solar, hydropower, and biofuels. In addition to the prospective impact of the projects financed through the Green Bond, BlueOrchard chose to invest due to the security's strong impact reporting and alignment with multiple SDGs through a balanced approach to both climate mitigation and water resource protection.

**Investor spotlight:  
*NS Partners***

NS Partners chose to invest in BlueOrchard's EM Climate Bond Fund as part of their commitment to aligning their investments with their ESG values. This commitment,

undertaken in 2020, followed the launch of NS Impact in 2017. NS Partners has since worked to progressively integrate ESG into all stages of the investment process. Throughout this endeavor, NS Partners has found it critical to work with partners, such as BlueOrchard, with an engrained impact focus. In particular, the EM Climate Bond Fund appealed to NS Partners for its ability to deliver transparent and meaningful impact and financial performance while reducing the risks of emerging markets investing. NS Partners' investment in BlueOrchard supports its goals of strengthening communities through reduced inequalities and tackling the challenges of climate change within emerging markets, with the hope of reducing climate impacts globally and creating sustainable and investible environments within emerging markets.