

UNEP FI Principles for Responsible Banking

Reporting and self-assessment 2022

In 2020, FMO became a signatory to the UN Principles for Responsible Banking – a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and United Nations Environment’s Finance Initiative. The Principles for Responsible Banking set out the banking industry’s role and responsibility in shaping a sustainable future and in aligning the banking sector with the objectives of the UN Sustainable Development Goals and the 2015 Paris Climate Agreement. Signatory banks are required to report no later than 18 months after signing the Principles, and annually thereafter. To meet this requirement, FMO is publishing its first PRB report and self-assessment in March 2022. This reporting on our progress towards implementing the UNEP FI PRB has not yet obtained third-party assurance.

Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p> | <p>Founded in 1970, FMO is a public-private development bank. The Dutch government is a major shareholder, holding a 51% stake. Other shareholders include large Dutch banks (42%) and employers' associations, trade unions and individual investors (7%). We comply with internationally accepted banking standards and are supervised by the Dutch Central Bank.</p> <p>Our business model</p> <p>FMO has investments in more than 85 countries, offering private sector companies and financial institutions in developing and emerging markets a variety of financial products, as well as expertise and access to its networks.</p> <p>We focus on three key sectors: agribusiness, food & water, energy and financial institutions. We also finance other sectors indirectly through our investments in financial institutions and private equity (PE) funds. We offer long-term financing through loans (including syndicated loans) and equity. Beyond financing, we offer advisory services and technical assistance to support customers in building profitable and sustainable businesses.</p> | <p>FMO Annual Report 2021 – 'At a glance'</p> <p>FMO Annual report 2021 – 'Our value creation model'</p> |

1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Vision, mission and strategy

FMO's vision is to contribute to a world in which, in 2050, nine billion people can live well and within the means of our planet's resources. FMO's mission is to empower entrepreneurs to build a better world.

In line with our vision and mission, we have aligned our strategy with the Sustainable Development Goals (SDGs) with an overarching strategic goal of being 'Your preferred partner to invest in local prosperity'.

We create higher impact by focusing investments on three SDGs across all our sectors: Decent Work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10), and Climate Action (SDG 13). Through our sector-specific strategies, we also contribute to Zero Hunger (SDG 2), Gender Equality (SDG 5), Renewable and Affordable Energy (SDG 7), and Partnerships for the Goals (SDG 17). Meanwhile, we contribute to other SDGs by ensuring our investments comply with international ESG standards and policies.

Paris Agreement and Dutch Climate Accord

Since adopting our 2050 vision in 2013, Climate Action (SDG13) has been central to our strategy. Our Sustainability Policy outlines our commitment to the Paris agreement, as we invest in emerging economies and developing countries where the impact of climate change is most severe.

FMO Annual Report 2021 – 'Our vision, mission and strategy'

FMO Annual Report 2021 – 'Our strategy'

FMO Annual Report 2021 – 'External commitments'

FMO's website: [Profile](#)

FMO website: [Policies and Position Statements](#) – Sustainability policy

FMO website: [Agreement with the Dutch State & Criteria Memorandum](#)

[TCFD Disclosure 2021](#)

Since 2019 we have reported on our approach to climate-related risks and opportunities in line with the Task Force on Climate-Related Financial Disclosures (TCFD). In 2021, we published a separate TCFD report, which includes the disclosure of specific climate-related risk metrics.

FMO has also committed to the Dutch Climate Accord, a major push to achieve the goals of the Paris Agreement. The commitment of the Dutch financial sector to this Accord is a signal that both investors and finance institutions are taking climate action.

In 2022, FMO is expected to report its climate targets for 2030 and related action plan. This will be included FMO's 2030 strategy, which will be finalized in 2022, to align with FMO's development mandate and target markets.

ESG

Environmental, social, human rights and corporate governance (ESG) standards are an integral part of FMO's investment process. FMO's ESG standards are anchored in our Sustainability Policy, which guides our contribution to sustainable development with respect to both development impact and ESG.

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>2.1 Impact Analysis</p> <p>Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <ol style="list-style-type: none"> Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development | <p>Strategy process</p> <p>FMO's impact ambitions for all its activities are embedded in our 2025 strategy. It is the guiding document for the positive impact FMO wants to achieve. We create higher impact by investing in regions where our impact can be greatest and in sectors that are crucial to economic, environmental and social progress.</p> <p>To arrive at our strategic focus SDGs (8, 10, 13), we conducted an internal analysis that focused on FMOs three core sectors, our core business areas, products and services, and the scale of exposure at the time. Through a scoring exercise we identified the SDGs that we believe we can have the most significant impact on through our investments.</p> <p>FMO is in the process of developing Strategy 2030, which will be an update to the current strategy. This will be based on analyses of the key trends and developments affecting our markets, several stakeholder engagement sessions and an assessment of our internal capabilities to determine the areas through which FMO can create positive and decrease negative impact.</p> | <p>FMO Annual Report 2021 – 'Lessons learned'</p> <p>FMO Annual Report 2021 – 'Stakeholder Engagement and Materiality Assessment'</p> <p>FMO Annual Report 2021 – 'Our value creation model'</p> <p>FMO website: How we measure impact</p> <p>FMO website: Policies and Position Statements</p> <p>FMO website: Reporting Center – Evaluations</p> |

in the countries/regions in which it operates.

- d. Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has:

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

Sustainability Policy and Impact Steering

Our Sustainability Policy guides our contribution to sustainable development and is in line with our vision of a world in 2050 where over 9 billion people can live well and within the limits of our planet. Our Green and Reducing Inequalities labels highlight the way in which individual investments align with certain criteria related to key strategic goals such as SDG 10 and 13. FMO sets itself targets around labels (the share of its portfolio directed towards certain strategic goals) and uses them as a steering metric. We disclose our results via our (semi-) Annual Report.

Materiality assessment

FMO conducts a materiality assessment once a year, which enables us to validate the relevance of our strategic choices and identify shifting topics that affect our work. Next to our regular stakeholder engagement process, the materiality assessment allows us to capture the insights, interests, and perception of our impact performance of our relevant stakeholders. The results are published in the annual report and inform our strategic thinking.

Evaluations

FMO conducts and commissions evaluations to reflect on its strategy, its business model, the effectiveness of its policies and processes, and the impact of its investments. Through these evaluations, we can better understand our

impact in specific sectors and geographies and our actual contribution to the SGDs.

Risks and opportunities

Based on relevant internal and external developments, FMO has identified a number of strategic challenges and the risks and opportunities these present to FMO's ability to create value in the short to medium term. Our response is aligned with our current strategy and represents tactical strategies that we will explore or implement in the short to medium term.

Bank's conclusion statement regarding Impact Analysis

We aim to provide a balanced overview of our positive and negative impacts. We have made progress in disclosing on our negative impacts through reporting financed absolute GHG emissions, emissions through FMO's operations and serious incidents occurring on or nearby any site, plant, equipment or facility belonging to our customers. We have also improved on the disclosure of our ESG dilemmas and salient impacts.

In the coming years, we will introduce climate targets and ambitions towards 2030 that are aligned with our development mandate and our target markets and will report on progress accordingly. Regulations will also increasingly compel companies and banks to disclose positive and negative impacts. FMO welcomes this development.

In addition, we see improvements for FMO in the way that it uses the lessons learned from its engagement with stakeholders and materiality assessment for strategic thinking. We also strive to improve our country coordination to take into account the most relevant challenges and priorities related to sustainable development in the countries and regions in which we invest.

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| <p>2.2 Target Setting</p> <p><i>Show</i> that the bank has set and published a minimum of two SMART targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</p> <p><i>Show</i> that these targets are linked to and drive alignment with and greater contribution to appropriate SDGs, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p><i>Show</i> that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p> | <p>Target setting</p> <p>In line with our strategy, we set targets and steer on impact on our three focus SDGs. We set portfolio targets focused on economic growth (SDG 8), reducing inequalities (SDG 10), and climate action (SDG 13) as well as on ESG performance by our customers. Throughout the year, we monitor and report progress on these targets.</p> <p>At the same time, we recognize that the activities we invest in can also have a negative impact. To solve these dilemmas, we ensure our customers comply with ESG standards and work with them to improve performance as described in our Sustainability Policy. We require them to identify and evaluate the environmental and social risks and impact of their activities and adopt a mitigation plan. Furthermore, we require customers to put in place a grievance mechanism and to respond to community concerns.</p> | <p>FMO Annual Report 2021 – ‘2022 Outlook’</p> <p>FMO website: Policies and Position Statements – Sustainability Policy</p> |

Bank's conclusion statement regarding Target Setting

FMO sets targets for each of its strategic pillars and monitors a set of performance metrics. This allows us to define, steer and track success for each objective. In 2022, FMO is expected to report its climate targets for 2030 and related action plan. This will be included in the update of FMO's 2030 strategy that will be finalized in 2022. The strategy 2030 process will allow us to review and define targets for the short, medium and long-term based on developments in the market.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>2.3 Plans for Target Implementation and Monitoring</p> <p><i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets.</i></p> <p>Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p> | <p>Our strategic goals are translated into an annual business plan. The business plan describes the priority actions for the year ahead and operationalizes strategic goals into annual targets.</p> <p>We measure and monitor progress on our corporate targets on a monthly and quarterly basis and report to senior management. We report on performance in our integrated (semi-) annual report.</p> <p>Our targets are underpinned by agreed definitions and methodologies that have been harmonized with industry standards where possible and relevant. Changes to these are disclosed in the annual report.</p> <p>FMO has implemented processes to collect impact data at an investment and/or customer level. This is captured in FMO's Sustainability Information System (SIS).</p> | <p>FMO Annual report 2021 – 'Performance against our strategy'</p> <p>FMO Annual report 2021 – 'Our investment process'</p> |

Bank's conclusion statement regarding plans for Target Implementation and Monitoring

FMO has put in place the policies, systems, and processes to effectively measure, steer and report on its targets. The strategy 2030 process offers opportunities for us to refine our targets and define short-, medium- and long-term ambitions. FMO will furthermore implement an annual review of the Green and Reducing Inequalities (RI) labels on an investment level that help us steer our portfolio towards high impact transactions.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>2.4 Progress on Implementing Targets</p> <p>For each target separately:</p> <p><i>Show</i> that your bank has implemented the actions it had previously defined to meet the set target.</p> <p><i>Or explain</i> why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</p> <p><i>Report</i> on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p> | <p>Our results were impacted by several factors. The pandemic prolonged travel restrictions and affected market conditions well into 2021. Investment volumes were further affected by FMO's decision to prioritize the financial and economic crime enhancement program and limit business activity with new customers. We were, however, able to focus on existing customers, as well as new customers that had advanced through most of the DD process and syndicate transactions arranged by our partners.</p> <p>SDG 8 Decent Work and Economic Growth</p> <p>We measure our contributions toward SDG 8 in terms of total investment volume and number of jobs supported.</p> <p>In 2021, our total committed portfolio in developing and emerging markets amounted to €12.5 billion of which €8.3 billion was on FMO's own books (target: €8.8 billion), €1.4 billion was through public funds (target: €1.3 billion) and €2.8 billion through mobilized funds (target: €2.6 billion).</p> | <p>FMO Annual Report 2021 – 'Performance against our strategy'</p> |

FMO's outstanding portfolio resulted in an estimated 644,119 jobs supported of which 85% were from FMO's own balance sheet and 15% were from public funds.

Mobilized funds

Private sector investments are among the most important sources of financing for the realization of the SDGs and growth in low and middle-income countries. Increasing private mobilized capital is, therefore, important to FMO.

In 2021, our direct mobilized committed portfolio increased by 4% to €2.8 billion (target €2.6 billion).

SDG 10 | Reduced Inequalities

We invest in the Least Developed Countries (LDCs) to reduce inequality vis-à-vis other countries and in inclusive business to reduce inequality within countries.

In 2021, the RI-labelled committed portfolio increased by 7% to €4 billion (target: €4 billion). This resulted in our customers providing approx. 30 million micro loans and 2.8 million SME loans.

SDG13 | Climate Action

Our results are measured in terms of our Green-labelled investments and greenhouse gas (GHG) emissions.

In 2021, the Green-labelled committed portfolio increased by 6% to €4.1 billion (target: €4.3 billion).

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| <p>ESG</p> <p>We monitor ESG performance of high ESG risk customers or customers that receive support from a Corporate Governance specialist.</p> <p>The 2021 results showed that 92% of risks were managed adequately by our high-risk customers, exceeding our target of 90%.</p> | |
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Bank’s conclusion statement regarding progress on Implementing Targets

In the Annual Report, FMO provides an analysis of the performance against its annual targets. This includes an explanation with respect to why certain targets were not achieved. FMO aims to report on both positive and negative outputs and impact to provide a balanced view of the past year. In the coming years, we will also report on the progress made on the climate targets and action plans that will be published in 2022.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p> | <p>Prevent Financial Economic Crime / Know Your Customer</p> <p>Financial institutions are expected to act as gatekeepers to help prevent financial economic crime (FEC) and preserve the integrity of the financial system. The way FMO safeguards its customer integrity is regulated by the European Commission (EC) and supervised by De Nederlandsche Bank (DNB, the Dutch central bank). We closely monitor high-risk countries, as defined by the EC and the Financial Action Task Force, to ensure customers in these countries undergo adequate due diligence.</p> <p>In 2021, following an extensive Know Your Customer (KYC) file remediation effort, we demonstrated compliance with the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) and Sanctions Law.</p> <p>FMO aligns its KYC files with best practices, and national and international standards related to FEC and KYC processes.</p> <p>ESG</p> <p>FMO's ESG standards are anchored in our Sustainability Policy, which guides our contribution to sustainable</p> | <p>FMO Annual report 2021 – 'Our Investment Process'</p> <p>FMO website: Policies and Position Statements – Sustainability policy</p> |

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| | <p>development with respect to both development impact and ESG. We have adopted the IFC Performance Standards as our operating standard. Furthermore, we are guided by the United Nations Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises, the Equator Principles, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and the Center for Financial Inclusion Customer Protection Principles.</p> | |
| <p>3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p> | <p>ESG Risk Management</p> <p>FMO assesses and categorizes all potential investments from an ESG risk perspective. FMO has 29 ESG specialists, who are embedded in our investment teams. They are involved in all high ESG risk transactions to support due diligence and transaction monitoring. They assess a potential customer’s performance against our ESG standards, identify risks and opportunities for improvement and prepare action plans.</p> <p>Following a positive investment decision, ESG requirements are included in a customer’s contract. FMO closely monitors the follow-up of ESG actions through regular contact and site visits, often supported by independent consultants.</p> | <p>FMO Annual Report 2021 – ‘ESG Risk Management’</p> <p>FMO Annual Report 2021 – ‘Capacity Development’</p> <p>FMO Annual Report 2021 – ‘Performance against our strategy’</p> |

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| <p>Capacity Development</p> <p>FMO provides Development Contributions, including Technical Assistance (TA), to strengthen the organizational capabilities of our customers, investees, and prospects.</p> <p>Sector initiatives</p> <p>Sector initiatives are projects that target and address systemic ESG and impact issues in a given sector or geography. Sector initiatives leverage FMO's ability to bring together multiple perspectives and stakeholders to create positive change. During 2021, several sector initiatives were ongoing, and others were started.</p> | |
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Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p> | <p>We have a broad group of stakeholders with whom we hold frequent stakeholder dialogues, including customers, our employees, government entities and public investment partners, investors, shareholders, regulators/supervisors, NGOs/civil society, think tanks/academia.</p> <p>Materiality Assessment</p> <p>We carry out a materiality assessment annually to identify topics that may affect our business and/or our stakeholders. This informs our strategy, targets and reporting.</p> <p>Customer Satisfaction Survey</p> <p>Each year, we carry out a customer satisfaction survey to gauge how customers perceive our products and how we can better support them in carrying out their business activities.</p> <p>Employee Engagement</p> <p>On an annual basis we conduct an employee engagement survey to get a global picture of the satisfaction and engagement level of our staff.</p> | <p>FMO Annual Report 2021 – 'Materiality Assessment & Stakeholder Engagement'</p> <p>FMO Annual report 2021 – 'Performance against our strategy'</p> |

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p> | <p>The Impact Committee advises FMO's Supervisory Board (SB) on its decision-making on Impact and ESG. The SB oversees both the Management Board (MB) and general developments at FMO, and the business connected with it.</p> <p>The daily management of our bank lies with the MB. The responsibilities are further delegated to the following teams within FMO:</p> <ul style="list-style-type: none">➤ Our corporate strategy and goals are cascaded down to the different investment teams through the development of annual business plans. For each investment, investment teams identify opportunities to optimize development impact.➤ Impact and ESG team which is tasked with the thought leadership as well as policy development on these topics, informing impact strategy goals and targets and supporting investment teams in developing and managing impact and ESG on a deal-by-deal basis.➤ Stakeholders, Strategy and Knowledge Management team, which is responsible for setting the impact strategy, stakeholder engagement and conducting multi-year impact evaluations. | <p>FMO Annual Report 2021 – 'Corporate Governance'</p> |

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| | <ul style="list-style-type: none"> ➤ Impact Measurement and Integrated Reporting, which is responsible for operationalizing and harmonizing methodologies and periodic reporting. ➤ Credit team, which is responsible for reviewing and approving impact labels and ESG performance assessments at the transaction level. | |
| <p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p> | <p>Company policies</p> <p>One of FMO’s core values is integrity. FMO has embedded integrity into its policies, products and procedures. The KYC Framework, the Anti Bribery & Corruption Policy as well as the Gifts, Entertainment & Hospitality Policy address the minimum standards our stakeholders, including our employees, should adhere to.</p> <p>In addition, in 2020, FMO published a diversity and inclusion statement in which we express our commitment to a society in which everyone feels valued, respected and included.</p> <p>Training</p> <p>FMO has developed trainings and modules on various sustainability, compliance, and KYC-related topics. Part of these trainings were directly related to the role of the employee and were compulsory.</p> <p>In 2021, all new FMO employees were required to complete the Compliance e-learning that addresses personal integrity topics such as bribery and corruption. In addition, new investment staff were also required to</p> | <p>FMO Annual Report 2021 – ‘Performance against our strategy’</p> <p><u>FMO Diversity & Inclusion statement</u></p> |

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| | <p>complete the KYC e-learning as part of their onboarding. All new investment staff were also required to undertake additional training related to the FEC program and remediation project.</p> <p>Culture</p> <p>In 2021, FMO employees were required to attend several culture conversations on Diversity & Inclusion, Workplace Behavior, Unconscious Bias, and Feedback and Appreciation.</p> <p>In line with the value of 'Making the Difference', in 2021 FMO organized an Impact School focused specifically on Climate Action.</p> | |
| <p>5.3 Governance Structure for Implementation of the Principles</p> <p><i>Show that your bank has a governance structure in place for the implementation of the PRB, including:</i></p> <ul style="list-style-type: none"> a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected. | <p>Governance for implementation of the principles</p> <p>Operational impact measurement and management is embedded in various divisions across the organization. Overall, accountability for the implementation of the principles lies with the Director Impact and ESG, who reports to the Chief Investment Officer.</p> <p>FMO has chosen to share the responsibility for overseeing FMO's overall impact management, in line with the IFC Operating Principles for Impact Management, with line management across different functions: Strategy, Impact & ESG (policy), Impact Measurement and Integrated Reporting and Evaluations.</p> <p>The Management Board is responsible for setting targets in line with FMO's strategy, including respective impact</p> | <p>FMO Annual Report 2021 – 'Corporate Governance'</p> |

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| targets. Remedial actions fall upon the Investment Directors who steer their activities toward achieving year-end targets. | |
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Bank's conclusion statement regarding Governance Structure for Implementation of the Principles

Responsible banking practices have and will continue to be fundamental for FMO. FMO has embedded impact and ESG within its Governance structure at the Supervisory Board, Management Board, Director and manager level. The current structure, roles and responsibilities are, however, still relatively new, which means it will take time for this to be fully embedded within its day-to-day operations.

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

| Reporting and Self-Assessment Requirements | High-level summary of bank's response | Reference(s)/Link(s) |
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| <p>6.1 Progress on Implementing the Principles</p> <p><i>Show</i> that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p><i>Show</i> that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</p> <p><i>Show</i> that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging</p> | <p>Review of international best practice</p> <p>As explained under Principle 3.1, our investments are guided by international policies and best practice to ensure that integrity, development impact and ESG adheres to high ethical standards. We aim to continuously improve where possible.</p> <p>In 2021, we decided to adjust our disclosure policy regarding the disclosure length of proposed investments and to make it easier for local communities to access ESG information. FMO also participated in various EDFI harmonization work streams. Furthermore, we published a Position Statement on Fossil Fuels in Direct Investments. This Position Statement sets out FMO's firm commitment to phase out fossil fuels in direct investments from its portfolio except in exceptional circumstances with clear criteria consistent with the goals of the Paris Agreement.</p> <p>Taskforce on Climate-related Financial Disclosures (TCFD)</p> <p>Following our 2020 TCFD disclosure, in 2021, we have set up a project structure to implement the expectations of the ECB guide on climate-related and environmental risks. The implementation of ECB expectations will also be in line with</p> | <p>FMO Annual report 2021 – 'Our investment process'</p> <p>FMO website: Policies and Position Statements – Sustainability policy; Position statement on Fossil Fuels.</p> <p>FMO Annual report 2021 – 'Our strategy'</p> <p>FMO Annual report 2021 – 'External commitments'</p> |

international/regional good practices and has made progress on its implementation of these Principles.

TCFD's recommendations as we see a significant overlap between the two.

Partnership for Carbon Accounting Financials (PCAF)

FMO is one of the early adopters of PCAF, an industry-led global partnership to develop and implement a harmonized approach to assess and disclose GHG emissions of loans and investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.

Bank's conclusion statement regarding Progress on Implementing the Principles for Responsible Banking

FMO conducts and commissions evaluations to reflect on its strategy, its business model, and the effectiveness of its policies and processes and the impact of its investments. This helps us achieve more impact and develop a continuous learning culture. We strive to be as transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Transparency Benchmark

This is demonstrated by our results on the Dutch Transparency Benchmark that was published in 2021. Out of 500 Dutch companies that were reviewed, FMO moved from the 14th to the 5th position. Being a responsible, transparent and accountable bank is important to our stakeholders. For FMO, the Transparency Benchmark provides an important gauge on how we are seen to perform in this area and how we compare to others in the industry.

The panel complemented FMO on the way it demonstrates how it creates value through real life case studies, providing a balanced picture of the opportunities and risks facing FMO and how dialogue with stakeholders influences FMO's strategy and policies. By reporting on financed absolute GHG emissions, serious incidents as well as E&S management gaps in our portfolio further demonstrates that we are able and willing to present a balanced view of our positive and negative impacts. The areas of improvement mentioned were to include more transparency on the impacts in the supply chain, describing specific dilemmas FMO is facing and the lack of conciseness of the report.