

A woman wearing a purple headscarf and a green and white striped shirt is leaning over a row of coffee plants in a forest. The plants are in black plastic bags. The background shows tall trees and a hazy landscape.

FMO

Entrepreneurial
Development
Bank

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The **value-add** approach

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Why have FMO as your investor?

FMO believes that integrating sustainability practices helps build quality businesses, resulting in both compelling financial benefits and increased impact creation. That is why we work together with fund managers and investee companies to meet applicable Environmental, Social and Corporate Governance (ESG) requirements and identify value-add opportunities.



ENVIRONMENTAL

Ignoring environmental factors, such as water stress and climate change, in strategy and business decisions could make companies vulnerable and might lead to unpleasant and potentially disruptive surprises, including changes in legislation, client dissatisfaction or scandals and market shocks. Therefore, professional environmental management is a cornerstone of business continuity.



SOCIAL

More than ever, social risk assessment is essential to gain a holistic view of companies. Solely looking at financial indicators limits the view and predictability of successful companies, making it more difficult to assess the investment opportunity. Taking into account company staff, local communities, and other stakeholders close to the company as beneficiaries, has a proven positive effect on the quality of corporate decision-making.



CORPORATE GOVERNANCE

Sound corporate governance makes companies stronger, more efficient and more accountable, allowing them to better mitigate risk, safeguard against mismanagement and so attract outside investment and capital to fuel growth. Good corporate governance practices increase companies' valuation and boost their bottom line.

FMO PROVIDES

- In-depth ESG review
- Benchmark against FMO's experience
- Design and establishment of ESG improvement plans, introduction to external experts, networks, and funding
- Training and support on ESG risk management and value-add

Your benefits

FMO believes that building quality businesses that are grounded and engaged in their communities and stewarding resources responsibly are the best ways to invest and contribute to local prosperity. Structurally addressing ESG offers the potential for substantial cost savings, long-term business opportunities and enhanced value creation.

BENEFITS OF WELL-MANAGED ESG

1

Valuation

Investors value excellent environmental and social practices and sound corporate governance frameworks. Efficiencies created by these practices enhance bottom line results. On top of that, evidence shows that investors are willing to pay a premium if ESG practices exceed their expectations, particularly in countries and sectors with low investor protection.

2

Development Impact

The integration of solid environmental and social management in a company results in fewer environmental risks, motivated employees and happy stakeholders, leading to sustainable, profitable business operations. Strong corporate governance practices allow for robust decision-making.

3

Access to capital

Strong ESG practices improve access to capital.

4

Stability

Well-governed financial institutions and corporates tend to be more successful in the long run, providing stable employment and financing to local communities.



FMO is the Dutch development bank. FMO has been investing in the private sector in developing countries and emerging markets for more than 47 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution will have the largest long-term impact: financial institutions, energy and agribusiness, food & water. www.fmo.nl

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