

The FMO Sustainability Policy Universe

Introduction

In 2016, FMO launched the FMO Sustainability Policy Universe. This universe brings together multiple sets of documents and tools that together form the framework that guides FMOs efforts in relation to Environmental, Social and Governance (ESG) issues. FMO has realized a comprehensive and holistic approach to contributing to sustainable development, aligned with the Global Goals for Sustainable Development and in compliance with the many international norms and standards that are aimed to shape corporate responsible behavior.

The FMO Sustainability Policy Universe encompasses:

- 1) The FMO Sustainability Policy
- 2) FMO Position Statements
- 3) Investment Criteria
- 4) Exclusion List
- 5) Goal and Target Setting, including key-performance indicators
- 6) Tracking of Environmental, Social and Governance risk mitigation in the FMO portfolio
- 7) Ex-ante and Portfolio Disclosure
- 8) Accountability and learning
- 9) Stakeholder engagement
- 10) Integrated Reporting
- 11) Complaints Mechanism
- 12) FMO Sustainability Management System
- 13) Dedicated teams

With all these elements FMO has realized a holistic and integrated approach to managing Sustainability in its operations, putting FMO well on track to achieve its mission, vision and ambition.

1. The FMO Sustainability Policy

The FMO Sustainability Policy is the single leading policy document that shapes and guides FMOs efforts towards supporting global sustainable development in an integrated manner. It tackles environmental issues such as climate change and natural resource use, social issues such as poverty alleviation, inclusion and gender, human rights and land rights, and finally environmental, social and governance risk management.

2. FMO Position Statements

FMO Position Statements formulate FMO's choices in relation to a societal issue. These position statements further define what FMO will do, in relation to for example climate change, gender, or human rights. With these Position Statements FMO further clarifies how it approaches its social responsibility

3. Investment Criteria

The investment criteria of FMO frame FMO's investment decisions. These criteria are aligned with the FMO Sustainability Policy and with the FMO Position Statements.

4. Exclusion List

The FMO exclusion list not only forms the basis of what FMO will not invest in. FMO also imposes the exclusion list on its clients by including it in contracts.

5. Goal and Target Setting

To further enhance FMO's performance on ESG issues, FMO formulates aspirational targets, that are part of the performance requirements for FMOs front-office teams. FMO has a target on implementing risk-mitigating measures with clients. FMO has also formulated strategic goals on footprint and impact, that are supported by extensive measurement and modelling instruments. FMO has also formulated volume targets aimed to grow the share of 'green deals'.

6. Tracking of Environmental, Social and Governance risk mitigation in the FMO portfolio

FMO's role in finance goes beyond ensuring solid financial returns. FMO's mission also includes achieving development impact through helping its clients mitigate ESG risks. FMO has systems in place where it tracks its success. The system is supported by a performance target.

7. Ex-ante Disclosure and disclosure of the portfolio.

Through disclosure of transactions that have not yet been closed (ex-ante disclosure). FMO actively seeks input and perspectives from its stakeholders, including on potential environmental and social impacts. The publication of the portfolio leads to the same.

8. Accountability and learning

FMO evaluates its activities in depth for the funds it manages on behalf of the Dutch Government. FMO also evaluates its own sector-based activities. In these studies, the environmental and social impacts are thoroughly investigated. Lessons learned are translated to FMO policies and practices. Evaluation results are public.

9. Stakeholder Engagement

FMO actively seeks out engagement with its main stakeholders, which include Government, NGOs, Investors, and Clients. Through this engagement, FMO aims for a co-creative approach on achieving development impact in socially responsible and accountable manner.

10. Integrated Reporting

FMO produces its annual reports in line with the guidelines of the Integrated Reporting Council and the 4th generation of the Global Reporting Initiative reporting standard.

11. Complaints Mechanism

Finally, as part of the policy universe affected parties have the ability to file a formal complaint in the independent complaints mechanism of FMO. These complaints extend to the social and environmental impacts of FMO's portfolio.

12. FMO Sustainability Management System

FMO maintains a Sustainability Management System compliant with the Dutch Sustainability Performance Ladder, which is in line with ISO 26000.

13. Dedicated teams

FMO employs staff that are particularly tasked with sustainability and sustainability related activities. Next to the Development Impact and Sustainability team (9 FTE), which is part of the FMO Strategy Department, FMO also employs more than 23 ESG specialists in its front office departments. These specialists are part of the deal-teams, ensuring that ESG considerations form an integral part of the transaction. Finally, FMO's internal footprint is managed through facility services which employs staff with expert knowledge on these issues.

FMO's universe visually:

