

FMO

Entrepreneurial
Development
Bank

13

CLIMATE
ACTION

PIONEER

SCALE

FMO
balance
sheet

Commercial
mobilization

Public
funding

STRATEGY 2030

Pioneer - Develop - Scale

10 REDUCED
INEQUALITIES

DECENT WORK AND
ECONOMIC GROWTH

Employee of Baynouna, Jordan's largest solar power plant

.....

We believe in a world, in which by 2050, more than 9 billion people live well and within planetary boundaries.

.....

Our vision and determination have not changed ...

We focus on three SDGs ...



... covering the following core activities ...

- Financial products, including debt, equity, guarantees and capacity development
- Environmental, social, governance value add (e.g., sector initiatives)
- Opening up new 'markets' (e.g., Venture Capital) and creating new investment vehicles (e.g., DFCD, Nasira) & spin-offs (e.g., CFM, TCX)

... across three sectors...



AGRIBUSINESS,
FOOD & WATER

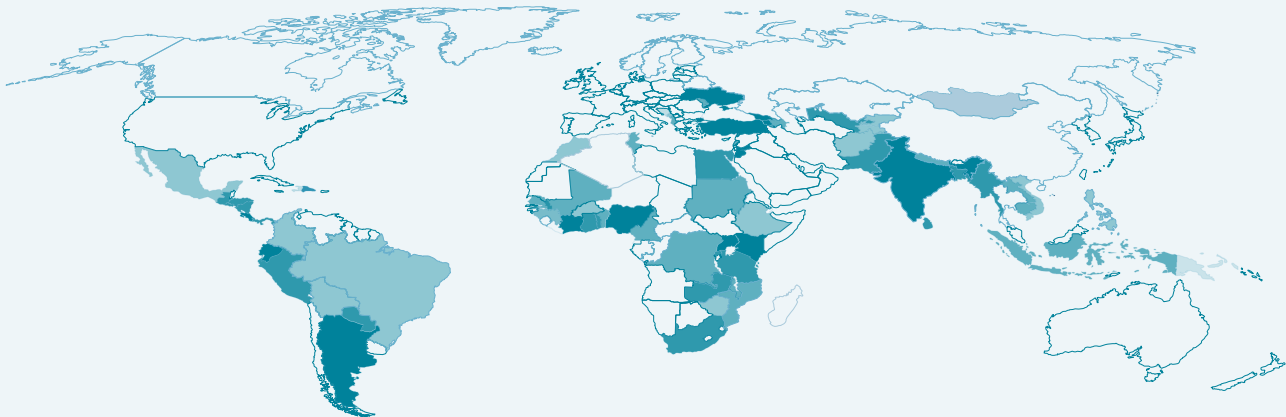


ENERGY



FINANCIAL
INSTITUTIONS

... focusing on Africa, Asia and Latin America and active in the ECA region



TOTAL PORTFOLIO €12.5 billion*	Latin America & The Caribbean	Africa	Eastern Europe & Central Asia	Asia	Non-specific region
No. customers	128	276	87	210	52

*2021 portfolio consists of €8.3 billion for FMO, €1.4 billion for public funds and €2.8 billion for mobilized funds

... but the circumstances in which we operate have - significantly



Global inequality on the rise



Lack of bankable opportunities



Customers require speed and simplicity



Economic growth strongly debt fueled, raising questions on its sustainability; **geopolitical tensions** rising



New technologies create opportunities but also new (ethical) risks



Increased stakeholder expectations



World behind on Paris goals and **adaptation finance**; developing countries are disproportionately affected



More **stringent regulations**

To addresses these and many other challenges, we have raised our impact ambitions ...

We aim to **maximize our impact on the SDGs** by supporting inclusive and sustainable economic growth and reducing inequalities — both of which are conducive to reducing poverty — while being consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.



- Grow number of jobs supported
- Increase decency and quality of jobs



- Improve economic inclusion for the B40
- Increase gender lens investments
- Invest more in Least Developed Countries, fragile states



- Net zero portfolio by 2050, through just and inclusive transition
- Support customers' alignment with the Paris goals and customer's resilience
- More investments in mitigation, adaptation, resilience and biodiversity

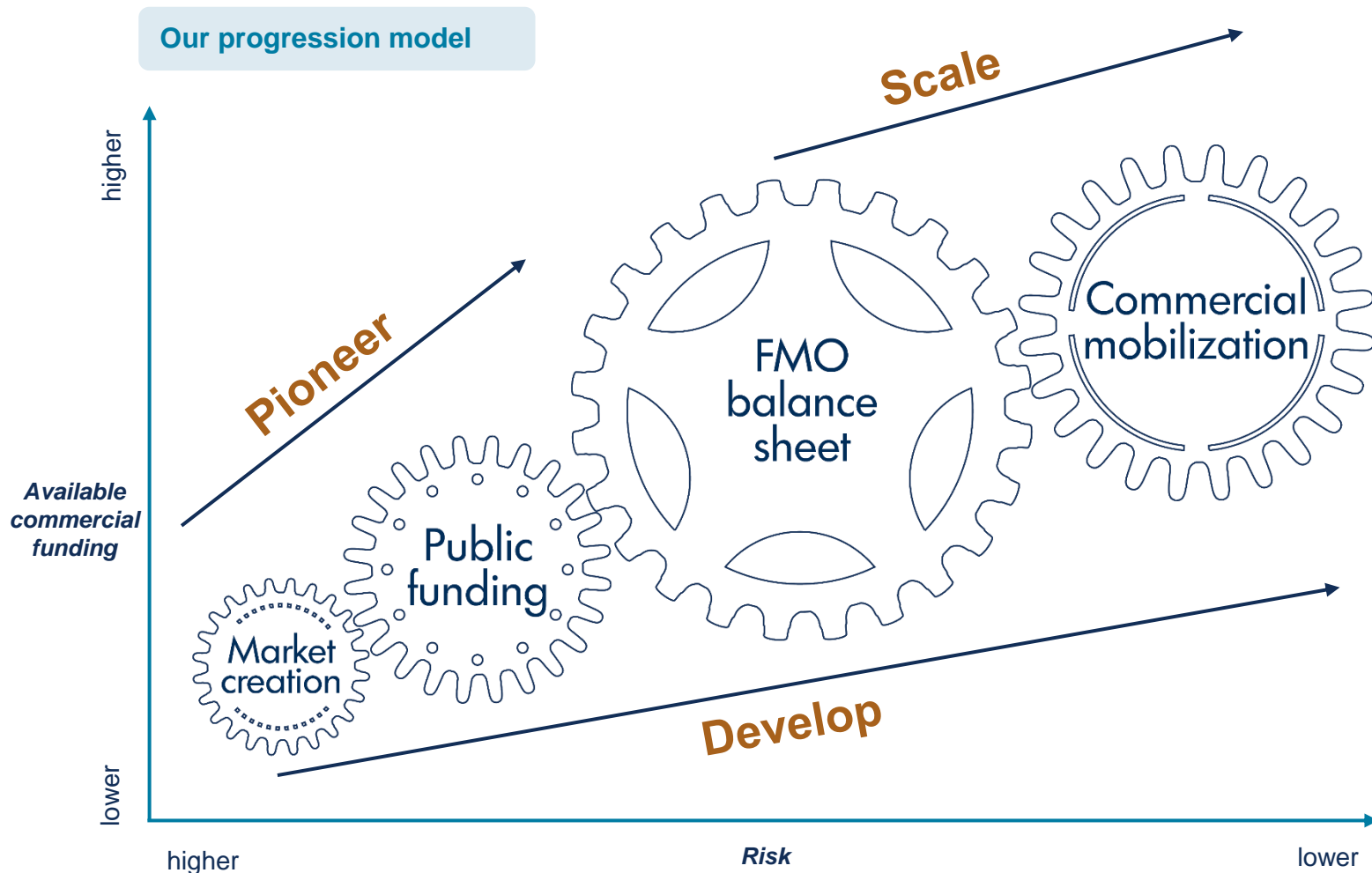
- Intensify role as change agent for environmental, social and governance topics
- Bridge public and commercial partners; doubling our public and mobilizing portfolios
- Make unbankable impact opportunities bankable through market creation
- Improve impact management system

10 billion € invested in SDG 10

10 billion € invested in SDG 13

10 meaningful innovations

... and updated our strategy. Its essence is captured in three words: **Pioneer – Develop – Scale**



We start with **market creation** – developing unbankable opportunities into bankable projects.

We move projects to **public funds**, developing new products & segments and making higher risk investments.

Through **our own balance sheet**, we provide financial support and scale investments.

By **mobilizing commercial partners**, we aim to further scale our impact.

As a **change agent on environmental, social and governance** topics we support development of our customers' capabilities.

We will **push our boundaries** on the following fronts, with the aim to maximize impact towards 2030

PIONEER

Market creation

Innovation

DEVELOP

Reduced Inequalities

Climate Action

ESG management

SCALE

Mobilization

Efficiency*



FMO's client First Capital Bank Malawi is increasingly servicing farmers and smallholders.



They financed Cala Agriculture Company - a macadamia producer.

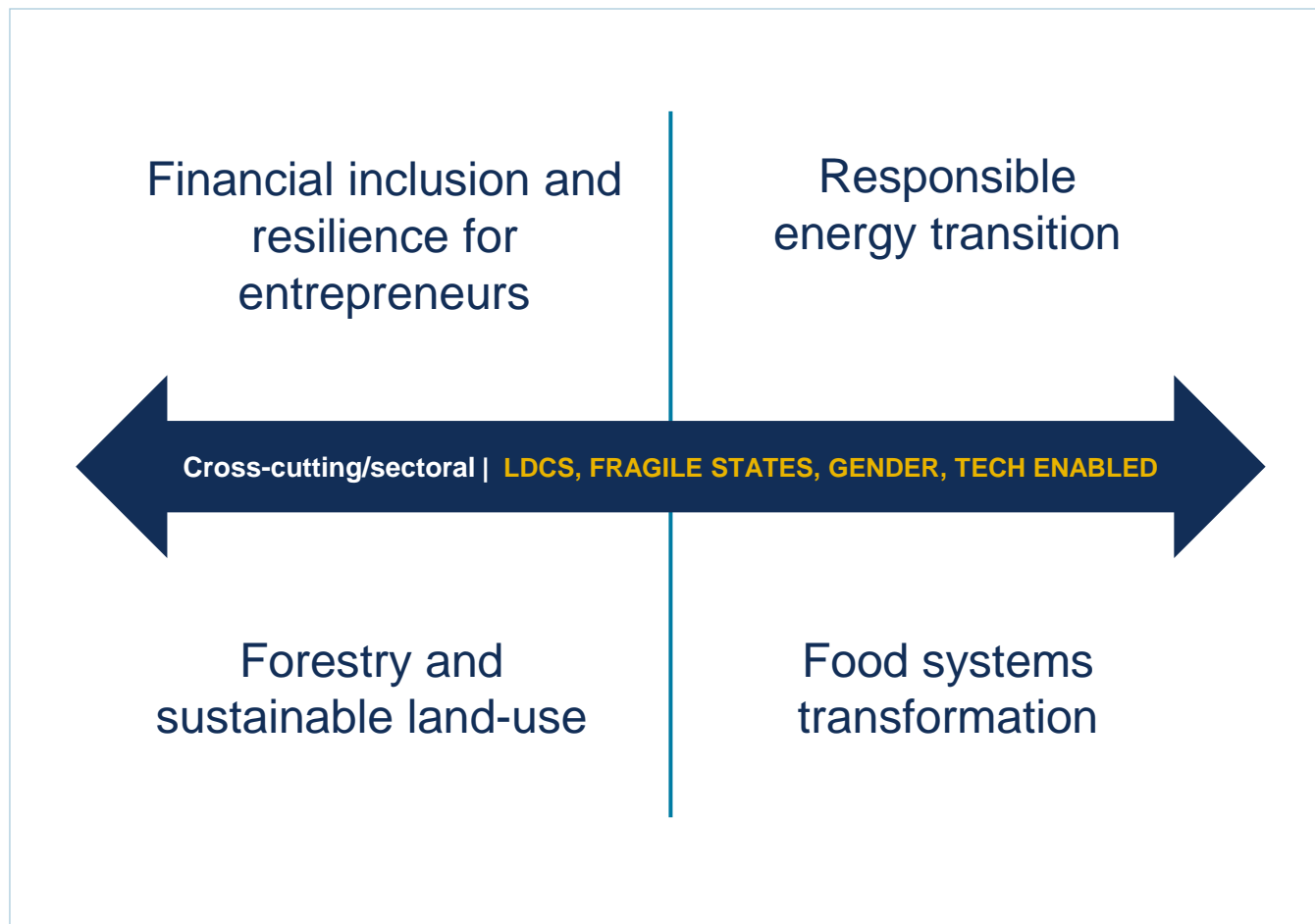


Cala has nurseries, plantations and processing facilities and currently employs 1,100 employees and they support local communities with an out-grower's program and beekeeping courses.

Watch the full story on our YouTube channel [First Capital Bank Malawi | Supporting agri smallholder famers](#)

Through market creation, we will develop unbankable opportunities into bankable projects

- We will focus on themes with highest impact opportunity and on cross-cutting/sectoral topics.
- We will differentiate between business development (3-5y horizon) and ecosystem development (5-10y).
- We will work closely together with many different local partners such as Civil Society Organizations (incl. NGOs), incubators, accelerators, business networks, and universities.



Innovation will be imperative for achieving SDG impact ambitions – aiming for 10 meaningful innovations by 2030

Some of the past innovations that we want to do more of

2020		A publicly available model for quantifying indirect jobs, value added, GHG emissions related to FI investments
2019		A pioneering partnership of NGOs and financiers aiming to help developing countries build climate resilient economies
2018		An innovative financial program promoting inclusive growth and, this way, tackling some root causes of irregular migration
2015		Uses blended finance structuring to invest in climate mitigating and adaptation in emerging economies
2007		Offers solutions to manage currency risk in developing and frontier markets

- We are convinced that innovation is required for FMO to remain relevant both as a DFI and as an organization.
- We will pioneer e.g., new approaches, business models and products with the potential to be more impactful and scalable.
- We aim for transformational innovation as opposed to incremental innovation. In practice this means we aim for substantial innovations which have a significant impact and make a real difference in our industry.

Supporting equality between and within countries – aiming for €10 billion in SDG10 portfolio investments by 2030

The income gap between the poorest and the richest countries is widening further exacerbated by the COVID-19 pandemic. Since 2020 over half of the world's poor live in fragile states.

We contribute to reducing inequalities within and between countries. Inequality between countries is targeted by focusing on Least Developed Countries (LDCs) and fragile states, within countries by focusing on supporting inclusive businesses.

- We will **scale inclusive business solutions** benefitting underserved and bottom 40% of income distribution, directly and indirectly (via financial institutions & funds)
- We will **advance gender equality** through increased gender lens investments and intensify our engagement with the 2x Collaborative.
- We will invest more in **Least Developed Countries** and develop a proof of concept for successfully investing in **fragile states** cooperating closely with local stakeholders.
- We will **blend private and public funds** to enable local companies and banks to venture out to (high-risk) underserved segments.

Reinforcing **climate action** through a **just and inclusive transition** – aiming for € 10 billion in **SDG 13** portfolio investments by 2030

- We are committed to the goals of the Paris Agreement and to reach net-zero by 2050 through a **just and inclusive transition**.
- We support **customers' alignment** with the Paris goals.
- We strive to align new transactions and portfolio with 1.5°C pathway.
- We will build up a portfolio that supports **mitigation, adaptation, resilience, biodiversity-positive contributions**, and build markets for **carbon removals**, including forestry.
- We will improve **data collection**, also at customer level.
- We will implement a **climate risk framework** to manage for both physical and transition climate risk.



In **Ghana and Sierra Leone** Miro Forestry & Timber Products produces FSC certified timber whilst providing environmental, social, and economic benefits to local communities.



Strengthening our role as a **change agent** on environmental, social and governance topics through enhanced ESG management

“FMO is leading in the DFI-industry; allocating more capacity to ESG due diligence, monitoring and value creation than peers” *

What we do

- Supporting customers in improving on ESG topics in their operations according to (enhanced) international standards
- Limiting negative impacts especially for local communities
- Promoting responsible business practices through sector-wide initiatives, via partnerships with local communities and civil society

Where we will improve

- Enhance investment process in cooperation with local partners and communities
- Implement recommendations from our 2022 disclosure and transparency initiative
- Sharpen position statements on the various ESG aspects
- Review mandate and effectiveness of the Independent Complaint Mechanism
- Monitor performance and incorporating lessons learned

Upscaling mobilization of private capital to accelerate our impact by aiming to double this portfolio by 2030

Closing the SDG financing gap requires the private sector to participate at a larger scale than is currently the case.

- 1 Upscaling mobilization of commercial capital by making use of the existing organizational platform, strong FMO balance sheet, and blending finance:
 - Climate fund propositions for large scale mobilization, following just & inclusive transition approach
 - Blend public and commercial funding for high-impact propositions in LDCs
 - Exploring possibilities for equity mobilization

- 2 Strengthening syndication efforts by increasing sourcing capacity of transactions, and by expanding and diversifying our investor base



FMO was the lead-arranger of a syndicated facility for **Khan bank in Mongolia** contributing to the bank's stability and financing the green activities of the bank's clients.

FMO's client WayCool is linking up 40,000 farmers with professional off-takers through a physical and digital platform.



This way, they eliminate redundant touch points, reduce contamination, food waste and improve efficiency.







As a result, farmers receive a higher income and the market a reliable and safe food product.



Watch the full story on our YouTube channel [WayCool | Agri-Tech benefits small scale farmers](#)

Our sectors and equity investments will each accelerate our contribution to the SDGs

Financial Institutions 	Energy 	Agribusiness, Food & Water 	Private Equity 
<p>Creating inclusive, resilient and sustainable financial sectors</p>	<p>Driving and supporting sustainable energy transition & access</p>	<p>Accelerating sustainable & resilient agricultural supply chains to increase food security</p>	<p>Strengthening focus to be more value adding</p>
<ul style="list-style-type: none"> • Supporting local FIs to become change agents for inclusion and sustainability • Leveraging technology by financing fintechs and supporting customers' digitalization • Increased sharing of end-client's credit risk and increased engagement in fragile states • Guiding customers towards Paris alignment and broadening our impact through sector-wide initiatives 	<ul style="list-style-type: none"> • Increasing clean energy investments • Supporting energy access solutions for the Bottom 40% and rural populations • Scaling technologies and solutions to accelerate the sustainable energy transition such as transmission and distribution, energy storage and commercial and industrial solutions 	<ul style="list-style-type: none"> • Strengthen local agri and food supply chains • Engaging with select clients to strengthen sustainable practices and resilience • Working with customers towards Paris goals by supporting a just and inclusive transition • Investing in sustainable land-use, forestry, ecosystem protection and restoration 	<ul style="list-style-type: none"> • Providing early-stage/growth capital through fund investments, co-investments and direct investments • Aligning equity investments further with our focus sectors/SDGs • Actively engaging with investees to add value and raise their capacity (e.g., sustainable E&S practices, governance, alignment with Paris goals)

Portfolio growth and strong partnerships will support the achievement of our ambitions

Portfolio growth

Scale enhances our impact, while supporting our long-term financial sustainability.

- Growth up to ~€22 bln portfolio by 2030 is assumed (CAGR 7%) through careful balancing of impact, risks and return to our portfolio
- Through increased growth and expansion of partnerships, aiming to double our public and commercial portfolios by 2030
- Aiming for an average return on equity of 4% and maintaining a total capital ratio of at least 20%

Partnerships

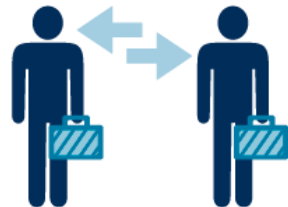
FMO works with a wide range of partners and will increase its local presence to realize impact, manage risk and connect with local communities.

- Customers as change agents for sustainable development
- The Dutch government as a strong partner especially in developing market creation
- Local communities as invaluable partners in the impact development process
- NGOs/CSOs as sources of knowledge on local community needs, and potential contributors in market creation efforts
- Peers and mobilizing partners to scale projects and collaborate on key topics
- Regulators & supervisors to ensure prudential, FEC, ESG and climate risk management
- Other partners like Invest International and knowledge institutions

We will enhance our role as gatekeeper to the financial sector

- Integrity will become even more important in our way of working incorporating regulations reg. Financial Economic Crime, climate risk and ESG/ sustainability
- We strongly believe that it is in our mandate as a DFI to keep fulfilling our role of gatekeeper in preventing money laundering (AML) and terrorist financing
- It is vital that we know with whom we are conducting our business. We remain focused on strengthening our due diligence and monitoring of business relationships

Potential and existing customers / partners



Risk assessment

Mitigate financial, AML, ESG and integrity risks to acceptable levels



Business relationships with customers / partners



Maximize impact



To deliver on our strategic ambitions we will need to further build and strengthen our **core capabilities** ...

We have identified 8 cross-cutting themes where we need to take action.

- | | | | |
|---|--------------------------------|---|--------------------------------|
| 1 | Efficiency | 5 | Fund operating model |
| 2 | People & needed skillsets | 6 | Partner ecosystem |
| 3 | Data capabilities | 7 | Fit-for-purpose technology |
| 4 | Impact management & monitoring | 8 | Change management & innovation |

...while managing key financial & non-financial as well as strategy execution risks

A | Risks embedded in risk appetite framework (taxonomy)

- Key financial and non-financial risks are embedded in FMO's risk appetite framework.

B | Execution risks connected to the strategy

- Managing execution risks related to implementation of the strategy requires close management of organizational changes.

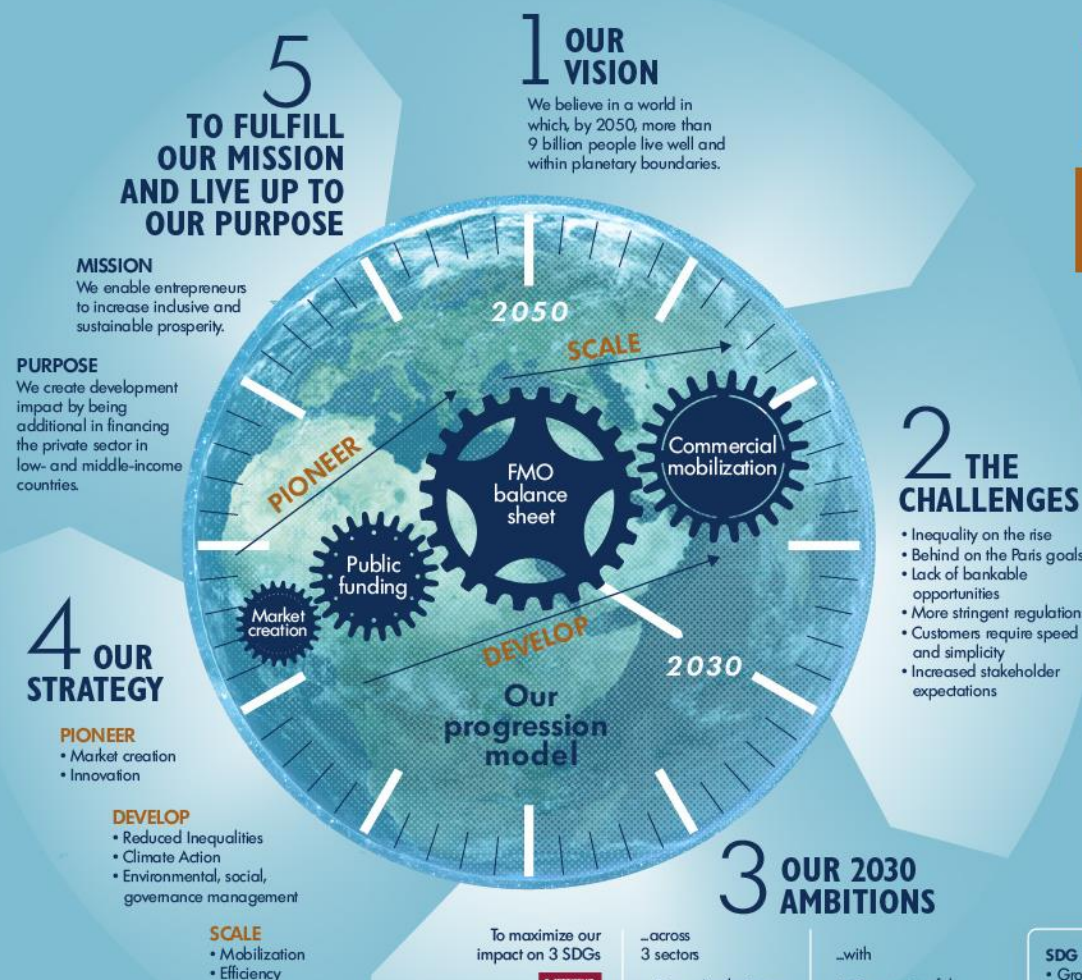


Husk replaces faltering diesel generators in **rural India** with mini power grids. These off-grid utilities work on a hybrid power system which is powered by solar cells by day and by biomass by night. The installation is used by small businesses and households.



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PIONEER DEVELOP SCALE

SDG 8

- Grow jobs supported
- Increase decency and quality of jobs

SDG 10

- Improve economic inclusion for the B40
- Increase gender lens investments
- Invest more in LDCs / fragile states

SDG 13

- 'Net zero' portfolio by 2050 through just and inclusive transition
- Support customer alignment with Paris goals and customer resilience
- More investments in mitigation, adaptation, resilience, biodiversity



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Baynouna, solar power
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