

Adopted by the Supervisory Board: 14 March 2016

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## **PROFILE OF THE SUPERVISORY BOARD OF NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.**

### Background

FMO is the Dutch development bank, which has invested in the private sector in developing countries and in emerging markets for more than 45 years. FMO's mission is to empower entrepreneurs to build a better world. FMO invests in those sectors where its contribution will have the greatest long-term impact – financial institutions, energy and agribusiness. FMO and its partners invest in the infrastructure, production and services sector. With a total investment portfolio of EUR 8 billion, spread over more than 85 countries, FMO is one of the largest bilateral private-sector development banks in the world.

FMO was incorporated in 1970 and is a public-private development bank; the Dutch State is FMO's largest shareholder and holds 51% of FMO's shares. Other shareholders include other major Dutch banks, employers' organisations, trade unions and individual investors.

FMO complies with internationally accepted banking standards and is regulated by the Dutch Central Bank. FMO invests and finances from two sources – at its own expense (FMO-A) and by means of managed government funds – MASSIF, Infrastructure Development Fund (IDF) and the Access to Energy Fund (AEF), part of the Emerging Markets Facility (FOM) until further order – dedicated to specific sectors in poorer or least developed countries. The bank has been given an AAA rating by Fitch Ratings and Standard & Poor's.

### Board structure/profile sketch

FMO has a so-called two-tier board structure, consisting of a Management Board and Supervisory Board. FMO is governed by the so called "structuurregime" as referred to in Book 2 of the Dutch Civil Code, which means that the General Meeting of Shareholders appoints the Supervisory Board members, following nominations by the Supervisory Board, and the Supervisory Board appoints the Management Board members.

On the basis of Article 10.3 of the Articles of Association of FMO, the Supervisory Board adopts a profile for its size and composition, taking account of the nature of the business, its activities and the required expertise and background of the Supervisory Board members. The Supervisory Board discusses the profile and any amendment thereof at the General Meeting of Shareholders and with the Works Council. The General Meeting of Shareholders determines the number of Supervisory Board members; see Article 10.1 of the Articles of Association.

### Tasks of the Supervisory Board

The role of the Supervisory Board is to supervise the policies of the Management Board and the general affairs of the company and its affiliated enterprise. The Supervisory Board shall assist the Management Board by providing advice, if necessary, and operates as a sparring partner. A second role of the Supervisory Board is to maintain contact with stakeholders to agree on certain topics or for accountability. The Supervisory Board also operates as employer, in the sense that it is responsible for appointing members of the Management Board, appraising their performance and for designing a remuneration policy for the Management Board. Finally, the Supervisory Board monitors compliance with the best practice governance principles.

The composition of the Supervisory Board shall be such that it is able to carry out its duties properly.

The complementarity, independence and diversity of individual members, as well as of a collegial supervision, are an important precondition for the proper performance of the Supervisory Board's duties.

In discharging its role, the Supervisory Board shall be guided by the general interests of the company, its affiliated enterprise and the adopted strategy. It shall perform its supervisory duties in the context of the corporate social responsibility issues that are relevant to the enterprise with a due and balanced regard for the interests of the bank's stakeholders, including customers, shareholders, the Dutch Central Bank as regulator and employees. With regards to the shareholders, the Supervisory Board shall take account of the interests of the largest shareholder, the State, and the interests of the other shareholders.

The Supervisory Board's tasks and powers shall be held by the Board as a collective body and exercised under joint responsibility.

#### General profile of the Board

Members of the Supervisory Board shall possess sound knowledge of the bank's social functions and of the interests of all the bank's stakeholders. The Supervisory Board shall operate as a team in which each member is free to act separately, independently and on equal terms, and to enjoy the trust of colleagues, the Management Board and the shareholders.

Members of the Supervisory Board and especially the Chairperson shall have sufficient time at their disposal and are sufficiently available and accessible to perform their assigned duties properly.

The Supervisory Board as a whole shall be capable of making a proper assessment of the following:

- The general policy, the strategy and the risks associated with the enterprise;
- The organization's risk profile, i.e. its risk appetite, and operational risk management and control systems;
- FMO's creation of development value in the conduct of the business;
- The performance of the company's Management Board both collectively and in terms of the performance of its individual members;
- The enterprise's budget and financial position;
- The organization and the conducted human resources policy, including the remuneration and succession policy;
- The enterprise's compliance with good governance requirements;
- The position of FMO in Dutch society and in the Dutch political landscape.

The general profile of the Supervisory Board shall always be in keeping with and shall reflect an internationally operating financial institution like FMO, which has the object of promoting the sustainable development of the private sector in developing countries. This means that the required high level of expertise, knowledge and experience in finance, administration, economics, banking, development cooperation, international business and international industrial relations, especially in FMO's field of operations, and in company law/corporate governance must be represented on the Supervisory Board, together with the required affinity with government policy.

#### Advisable composition of the Supervisory Board

The Supervisory Board's size and composition also depend on the nature, size and complexity of the organization. The expertise, knowledge, experience and skills shall be such that the Supervisory Board can perform effectively and efficiently as a sounding board for the Management Board and can properly perform its supervisory duties, including in the committees.

Without prejudice to the above, the Supervisory Board shall consist of at least six members in accordance with the following guiding principles:

- At least one member shall have the required high level of economic knowledge, expertise and experience in the field of development cooperation, especially in the business sector in FMO's field of operations and shall have an affinity with and a good network of contacts in the relevant authorities;
- Several members shall have a high level of financial and economic expertise, in-depth knowledge of the financial-technical aspects of risk management, financial reporting, internal control and audit or the requisite experience that facilitates thorough assessment and supervision, acquired in one or more large listed companies or in one or more other large legal entities;
- At least one member shall have a high level of relevant banking expertise, knowledge and experience in the field of financing through global, regional and/or national development banks;
- At least one member shall have a high level of expertise, knowledge and experience in the field of national/international industrial relations, social aspects of sustainability and international law, especially in FMO's field of operations;
- At least one member shall have a high level of expertise, knowledge and experience in the field of corporate social responsibility and sustainability in the context of FMO's field of operations;
- At least one member shall have a high level of expertise, knowledge and experience in the business sector in the Netherlands.

All the members shall match the aforementioned general profile.

Each Supervisory Board member shall be capable of assessing the broad outlines of the bank's overall policy and of forming a considered and independent opinion of the basic risks associated with that policy. Supervisory Board members who do not possess the required basic financial expertise or experience at the time of their appointment shall complete an educational program.

Lifelong Learning in line with what is deemed appropriate in the financial sector for institutions of this kind shall also form part of the activities of the Supervisory Board as a whole or of its individual members. All members of the Supervisory Board shall have the specific expertise required for fulfilling their individual roles on the Supervisory Board.

In practice, it will not always be possible to assign the above summary of required areas of expertise, knowledge and experience and/or affinity clearly to the Supervisory Board on a member by member basis. One individual may represent several profiles, or several members may share a profile. It is important to ensure that the above qualities are represented sufficiently in the Supervisory Board as a collective body.

The Supervisory Board shall appoint two committees from its members, namely an Audit and Risk Committee concerned with risk management and control systems and a Selection, Appointment and Remuneration Committee concerned with the selection, appointment and remuneration of members of the statutory Management Board ("statutaire directie") and members of the Supervisory Board, the latter following nomination to the General Meeting of Shareholders.

Each committee shall consist of at least three members for which the selection criteria shall include comprehensive knowledge and experience of the specific supervisory domain.

For example, some members of the Audit and Risk Committee shall have comprehensive knowledge of the financial aspects of risk management or shall have the experience required to enable a sound assessment of risks and some committee members shall have sound knowledge of financial reporting, internal control and auditing or the necessary experience to enable thorough supervision of such matters. The Selection, Appointment and Remuneration Committee shall have expertise in the area of a controlled, balanced and sustainable remuneration policy. These two committees may not be chaired by the Chairperson of the Supervisory Board.

The Supervisory Board shall aim for a diverse composition in terms of gender, education, experience and age. The Supervisory Board strives for women to account for at least 30% of its members and for at least 30% of its members to be men. Membership of the Supervisory Board shall not be subject to a maximum age.

Members of the Supervisory Board shall only be reappointed after careful consideration and shall not be reappointed automatically. Particularly in the case of the second and final reappointment, the recommendation of the Selection, Appointment and Remuneration Committee shall state the reasons why it deems the reappointment of an existing member of the Supervisory Board preferable to the possible appointment of a new member. Discussions on the nomination of a sitting member of the Supervisory Board shall be held in the absence of the member concerned. The discussions must be conducted on the basis of a report prepared by the Chairperson of the Supervisory Board following an interview with the member concerned and on the basis of the relevant recommendations of the Selection, Appointment and Remuneration Committee. If the reappointment concerns the Chairperson, the Deputy Chairperson shall conduct the aforementioned procedure.

#### Appointment in the case of vacancies

When vacancies are filled, the Supervisory Board receives advice from the Selection, Appointment and Remuneration Committee and shall ensure that the required expertise, knowledge, experience and skills are represented sufficiently on the Supervisory Board as a whole.

When a vacancy arises on the Supervisory Board, a profile in keeping with the profile for the Supervisory Board as a whole shall be drawn up for the new member to be recruited.

In the case of filling the vacancy for the post of Chairperson of the Supervisory Board, the individual profile to be drawn up shall also consider the bank's required level of expertise and experience in the financial sector and familiarity with the socio-economic and political culture and social environment of the main markets in which FMO operates.

Before nomination by the General Meeting of Shareholders, candidates for membership of the Supervisory Board shall be subject to the usual investigations by the Dutch Central Bank (De Nederlandsche Bank) relating to trustworthiness and suitability. During the appointment process, there is contact with the largest shareholder of FMO, the State, in the context of the Policy on Government Participations (Nota Deelnemingenbeleid Rijksoverheid 2013). The Supervisory Board is certainly open to consultations with the other shareholders, although this should take place in practical and efficient manner.

The Works Council has an enhanced right of recommendation for one third of the number of places on the Supervisory Board, which is set out in more detail in the Articles of Association of FMO.