

## Frequently Asked Questions

### FMO's disclosures and early disclosures of potential investments

Since 2012, FMO publishes a summary of contracted investments on its website, its so-called 'disclosures'. To give stakeholders the opportunity to provide input to FMO's decision making process on its investments, FMO expanded its disclosure process with the disclosure of information prior to contracting. A pilot took place from July to December 2016 for a selected group of projects. Since 2017, in principle, FMO discloses potential investments at an early stage if transactions fall within A and B+ categories of the IFC Performance Standards.

#### Background

##### **What is disclosure?**

FMO discloses information on its investments on the FMO website. Since 2017, we also early disclose information on potential investments, this takes place prior to contracting, for a period of 30 days.

##### **What does FMO want to achieve with disclosure?**

FMO believes that transparency and accountability are essential to achieving its mission to empower entrepreneurs to build a better world. Through early disclosure of potential investments, FMO gives stakeholders the opportunity to provide input on investments. Next to many other steps in our processes, early disclosure is a way to ensure that we do not overlook any possible negative impact of intended project or investment. Through the sharing of information, FMO aims to strengthen public trust in FMO and its clients.

##### **For whom does FMO disclose its information?**

FMO discloses information to everyone who considers him or herself interested, impacted, or influenced by FMO's (potential) investments. Through these stakeholders, such as NGO's, think tanks, or individuals, we seek to gain knowledge on the impacts of its potential investments. Therefore, anyone is free to provide input when potential investments are disclosed.

##### **What is the rationale behind disclosure?**

FMO often operates in vulnerable countries where the environment or stakeholder rights may not always be well protected. We strongly believe that we have an obligation to finance in a most sustainable way. Through the sharing of information about potential

investments prior to contracting we commit to transparency and accountability and aim to reveal potential harms or concerns.

## Process

### **Which transactions will be disclosed?**

In principle, FMO discloses all its transactions after contracting. Additionally, since 1 January 2017, FMO also early discloses potential debt, equity and guarantee transactions in Environmental and Social (E&S) categories A and B+. This also includes Government Funds, when FMO is in the lead, and if we follow a partner lender. If the client refuses to disclose, FMO will not finance. In case of market sensitive information, specific information may be exempted from early disclosure or disclosure may be delayed for approval from FMO's Management Board. Capacity Development grant transactions are excluded from early disclosures of potential investments; neither are transactions with listed companies.

Per 1 January 2018, FMO aims to early disclose all its potential investments, including information on projects within E&S category B or C, with the exception of Capacity Development grant transactions and transactions with listed companies.

### **What does FMO disclose about its (potential) investment projects?**

FMO discloses the following information:

- Who is our client
- FMO's funding objective
- Why we fund this potential project
- E&S categorization and rationale: Which IFC Performance Standards (PS) are triggered (descriptive). For the PS's that are not triggered, an explanation is included on the reason(s) why not.

### **What is the timing of disclosure?**

Within two weeks after contracting, FMO discloses information on its investments. Potential investments are temporarily disclosed after internal approval and before contracting. Information will be disclosed online for a period of 30 calendar days before contracting. Exceptions may exist if potential investments still need approval from FMO's Management Board.

## What are project categories?

FMO distinguishes the following E&S risk-categories (following the IFC's Environmental and Social Risk Categorization Framework):

<b>Direct investments</b>	
Category A	Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.
Category B+	Business activities with potential adverse environmental or social risks and/or impacts that are generally beyond the site boundaries, largely irreversible and can be addressed through relevant mitigation measures.
Category B	Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site specific, largely reversible, and readily addressed through mitigation measures.
Category C	Business activities with minimal or no adverse environmental or social risks and/or impacts.

<b>Financial Intermediaries</b>	
Category FI-A	FIs with an existing or proposed portfolio that includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
Category FI-B	FIs with an existing or proposed portfolio that includes, or is expected to include, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.
Category FI-C	FIs with an existing or proposed portfolio that includes and is expected to include business activities that predominantly have minimal or no adverse environmental or social impacts.

<b>Private Equity Funds</b>	
Category A	Private Equity Funds which (intend to) invest >15% of its portfolio in high risk (e.g. Category A or B+ as defined above for Direct Investments).
Category B	Private Equity Funds which (intend to) invest <=15% of its portfolio in high risk (e.g. Category A or B+ as defined above for Direct Investments).

### **What does FMO do to reach out to potentially affected communities?**

Affected communities are considered key stakeholders. We require our clients to consult with these communities in a systemic way as part of managing environmental and social risks and impacts for the potential investment. FMO performs a due diligence and analyses the environmental and social categories for all its potential clients. When higher level environmental and social risks are identified, our sustainability policy is leading. All this should be done as early as possible in the process, well before the early disclosure of potential investments. Part of this process is to reveal whether or not 'Free prior and informed consent' (FPIC) applies.

#### Input from stakeholders

### **Where can I find FMO's (early) disclosures?**

On the FMO website, in its world map. Early disclosures of potential investments (proposed investments) are disclosed on the world map as well.

### **How can I provide input to FMO?**

In case of questions or remarks, interested parties can contact FMO by sending an email to [disclosure@fmo.nl](mailto:disclosure@fmo.nl)

### **What is done with comments and questions? Will these (plus the answers to these) be made public as well?**

Generic questions on our processes and procedures will be published online within this list of FAQ, which will be updated frequently. FMO discusses comments and questions raised with its potential client. Project specific questions and answers will not be made publicly available. After discussion with the client we get back to the stakeholder who provided the question. We will disclose in line with the confidentiality agreement that we have agreed upon with our clients.



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### **Could you provide more information about the independent consultants you work with and their assessments?**

FMO and other lenders often engage an independent environmental and social consultant who reviews our potential projects, benchmarking the IFC PS.

### **What if I am not satisfied with the response I received to a request for disclosure of information?**

FMO strives to achieve positive sustainable development outcomes through its investments and has high standards when it comes to good provision of services, transparency and accountability. In case you are not satisfied with the response received, we would appreciate your letting us know. FMO has a complaints mechanism in place that offers several possibilities to inform us about the issue.

### **How do I report complaints regarding social or environmental outcomes of a project or client financed by FMO?**

Most inquiries about FMO's projects are requests for disclosure of information, to which FMO responds directly. If you believe that you are negatively affected by an FMO project, you can, as last resort, submit your complaint to the Independent Complaints Mechanism, which enables alternative and pre-emptive resolution of disputes between stakeholders and FMO as financier of projects involved.

### **Anything to add?**

FMO invests with the goal of having broad economic, social, environmental and governance impact in our clients' countries. We work with companies that commit to meeting specific performance standards, even if conditions are challenging.

As development bank, it is our objective to offer capital and knowledge to companies and financial institutions in developing countries. We have done so since 1970. In those years, we have gained much experience on how to best support our clients, both the ones that are frontrunners in sustainable business, as well as the ones that might need some extra push in order to improve their impact. We see this as a continuous process and aim to constantly improve our own and our clients' processes, activities and output to make this world a better place.