


SUSTAINABILITY BOND

2016 NEWSLETTER NO. 5



**“AS WE GET MORE
POWER INTO THE POOL,
ELECTRICITY WILL BE
MORE AFFORDABLE
TO THE PEOPLE”**

Charles Mugisha
Project coordinator EMS Africa

NEWSLETTER NO.5
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The Sustainability Bond Newsletter is published bi-annually. It reports on the status and disbursements of projects selected for the Sustainability Bond. It is sent to investors and is made available via www.fmo.nl/susbonds

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INTRODUCTION

On February 3rd 2016, FMO was awarded with a 'First Green Bond - Netherlands' Certificate in the 'National Pioneers' category at the inaugural Green Bond Pioneer Awards held at the London Stock Exchange. The Green Bonds Awards recognize pioneers who, through their actions, have demonstrated the potential of green bonds, energized the market and, by positive example, have called investors, governments and business to action. The Green Bond Awards will raise the profile of green bonds while acknowledging global leadership in the sector.

We recently announced our partnership with the Climate Bonds Initiative. The Climate Bonds Initiative Partners Programme fits well in FMO's long term commitment to green financial development in emerging markets. The programme aims to develop robust global and regional green bond markets that support sustainable low carbon infrastructure and contribute to wider climate finance solutions.

On Monday, 21 March, FMO published its [annual report](#) and accounts of 2015. FMO's strategy is based on a strong conviction that inclusive and green economic growth will lead to a better world. This is a guiding principle in our selection of sectors, countries and products, as well as in our cooperation with clients and investors. Watch the ['Towards a better world'](#) animation to learn more about the inspiring journey we have embarked on.

The proceeds of the Sustainability Bond support the financing of green and inclusive finance projects according to FMO's Sustainability Bond framework, which is aligned with FMO's long term strategy of fostering inclusive and green growth.

So far, FMO has disbursed €759 million to eligible projects in the period November 2012-December 2015, against a total Sustainability Bond outstanding of €1,000 million (ISIN XS0993154748 and XS1219963672). Disbursements in foreign currency are converted into euro at the exchange rate on the date of the respective disbursement. The committed non disbursed eligible project portfolio equals €250 million as per December 2015.

KPMG, FMO's external auditor, has provided limited assurance on our 2015 Report of the Management Board that includes the statement that the proceeds of the Sustainability Bond have been invested in eligible projects as defined by FMO.

KEY FEATURES FMO SUSTAINABILITY BONDS



INDUSTRY LEADING SUSTAINABILITY RATINGS

Sustainalytics:

FMO takes the number one spot, out of 238, within the diversified financials industry in Sustainalytics' Global Platform. FMO is industry leader based on its overall ESG rating as well as its performance in each of the areas of environmental, social, and governance performance.

Oekom:

FMO received a rating from the German rating agency oekom research that classified FMO as "Prime" with a B-score



MEMBER OF THE GREEN BOND PRINCIPLES (GPB)

Reporting:

- Use of Proceeds reporting via Sustainability Bond Newsletter
- FMO joined the International Financial Institutions working group on impact reporting harmonization
- Project disclosure on FMO world map



EXTERNAL ASSURANCE TO ENSURE ALIGNMENT WITH GREEN BOND PRINCIPLES AND INDUSTRY BEST PRACTICES

Sustainalytics' 2nd opinion on FMO Sustainability Framework:

Sustainalytics concludes FMO's Sustainability Bond to be robust, credible and transparent. To read the full report click [here](#).

Sustainalytics' review of eligible projects in 2015 & 2016:

- All of the Climate Change Mitigation projects were assessed and all of them meet the eligibility criteria.
- All of the Inclusive Finance projects were assessed and all of them meet the eligibility criteria

KPMG

Use of proceeds (financial perspective)



NATIONAL PIONEER

First green bond issuer in the Netherlands

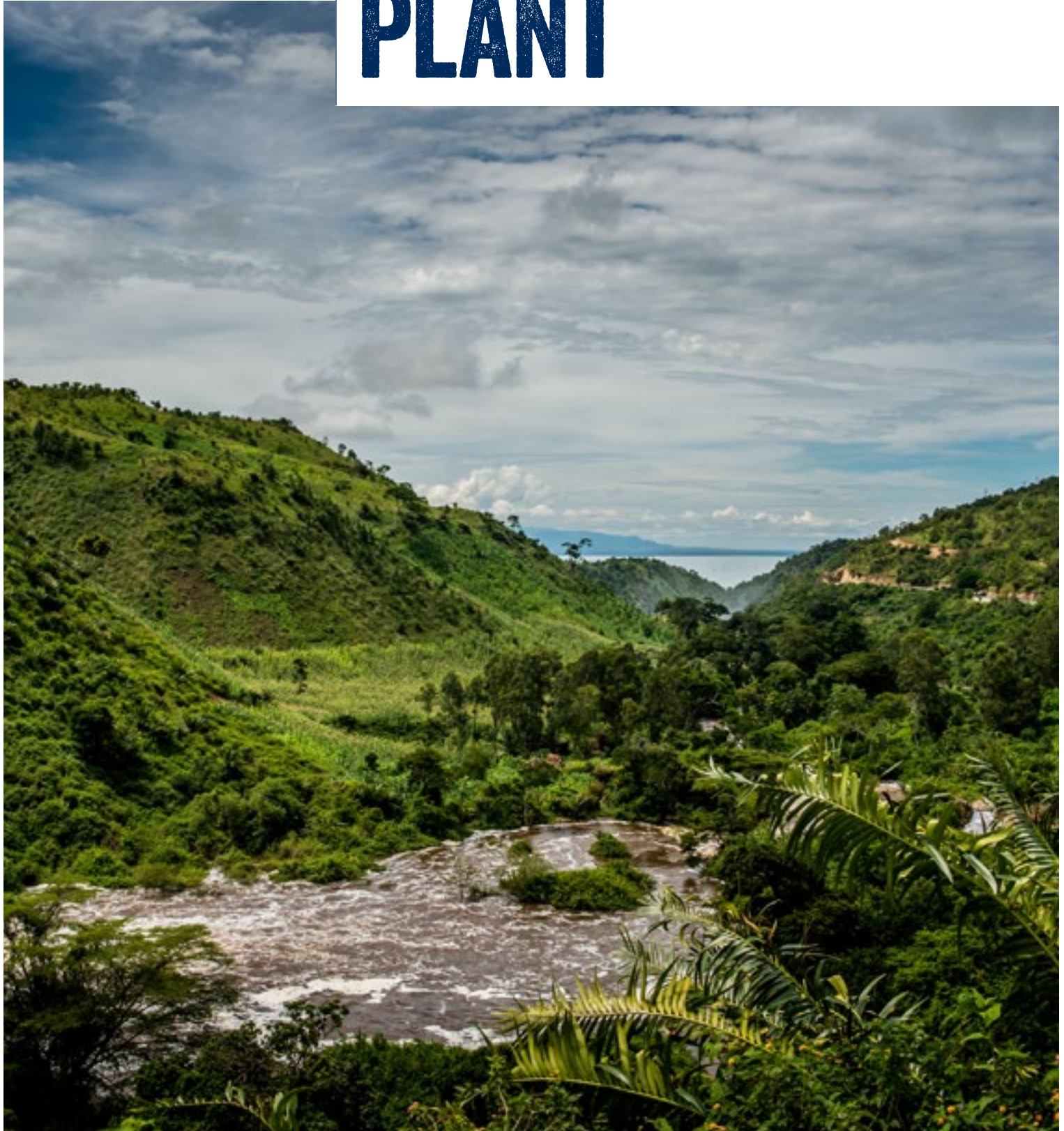


PARTNERSHIP

Partnership FMO and Climate Bond Initiatives



AN EXTRAORDINARY PLANT



FMO provided a US\$ 5.3 mln Senior Loan to the 18MW run-of-river Mpanga project in the West of Uganda, owned and managed by EMS Africa Mpanga Ltd (EMS). The plant has been in operations since 2011 and managed by a qualified team of Ugandan and Sri Lankan staff. EMS' main shareholder is South Asia Energy Management Systems (SAEMS), who successfully developed, constructed and sold a portfolio of 10 run-of-river hydro plants in Sri Lanka.

In Uganda, only 12 percent of the people in rural areas has access to electricity. There are powerlines available but these are not always tapped because many cannot afford it. A large demand for power, relying on hydro power mainly, makes electricity relatively expensive. To make energy more accessible to the people of Uganda more power is to be generated to lower its prices. Therefore, in 2011, EMS completed its hydropower plant in the Mpanga River, now providing up to three percent of Uganda's power supply.

The Mpanga river valley is stunning and habitat to a variety of animals and plants, including the extraordinary cycad, a plant that is genetically very close to very early forms of plant life and therefore often referred to as a 'living fossil'. The cycad variety in the Mpanga valley is an impressive and critically endangered species only found in this valley. The Mpanga run-of-the-river hydropower project has taken great care in protecting this plant by leaving as many as possible untouched and carefully replanting adult cycads that were present in construction areas. In this way the plants are allowed to continue to thrive, while workers also grow cycad seedling in a nursery and plant them out in the project area. Cycad plants within the project area are being protected, while still under pressure from slash and burn agriculture in surrounding parts of the valley. Communities are educated on the importance of this plant and of the environment and are also involved in other activities around the project.

COUNTRY: UGANDA



INVESTMENT INFORMATION

COMPANY

Mpanga

SECTOR

Renewable Energy

FMO INVESTMENT

US\$ 5.3 mln

REWRITING UNWRITTEN RULES

INSPIRING WOMEN IN BANKING



▶ ⏮ 🔊 2:40 / 2:43

IFMR Capital works in five sectors: micro finance, affordable housing finance, small business finance, vehicle finance and agricultural finance.

According to Kshama Fernandes, CEO of IFMR Capital, financial inclusion and access to finance has to be at the core design of our financial systems.

The purpose of IFMR Capital is therefore to bridge the gap between the capital market and institutions that provide loans to financially excluded people in her home country, India.

With more than half of the people having no or limited access to financial services, there is still a lot to gain for IFMR Capital. Under Fernandes' leadership, it has raised over 2 billion dollars for institutions that provide small loans to small businesses. But also the structuring, arranging, and investing in transactions is part of its work in order to ensure successful loaning. Because in the end 'it is about people, not about numbers', stresses Fernandes.

Especially women, and with them their households, can feel empowered if given a well-structured and secured loan. FMO was one of the earliest debt providers to IFMR Capital, which is continuously expanding its work.

To present IFMR Capital's work and Fernandes' vision, FMO has now made three small videos, focusing mainly on the company's impact on women.

[Watch it here.](#)

COUNTRY: INDIA



INVESTMENT INFORMATION

COMPANY

IFMR Capital

SECTOR

Financial institutions

FMO INVESTMENT

INR 570 mln

YEAR OF INVESTMENT

2013

PRODUCT

Loan

PROGRESS REPORT ON USE OF THE PROCEEDS

MORE PROJECT INFORMATION CAN BE FOUND ON WWW.FMO.NL/PROJECT-LIST

The table below presents the Sustainability Bond allocations to eligible projects where disbursements were made in 2015. **RE** = Renewable Energy, **EE** = Energy Efficiency, **MFI** = Microfinance Institution **AFOLU** = Agriculture, Forestry Other Land Use

FMO estimates the environmental impact of FMO's Sustainability Bond and its €389 million direct green investments (total Sustainability Bond allocation €759 million) will be an avoidance of approximately 399,000 tons of greenhouse gas (GHG).

The estimated GHG reduction is based on the ex-ante estimates of the annual reductions in an operational year of the direct green investments, multiplied by the ratio between the Sustainability Bond allocation and the Project Size. The committed non-disbursed eligible project portfolio equals €250 million as per December 2015.

EXAMPLE PROJECT SAVINGS RELATED TO SUSTAINABILITY BOND ALLOCATION:

- €100 million project
- Project savings of 100,000 tons of CO₂eq per year
- Total FMO financing is €20 million
- Total Sustainability Bond allocation is €10 million (i.e., 10% of total project size)
- Total attribution to the Sustainability bond would be 10,000 tons of CO₂eq per year (i.e., 10% of total GHG savings).

Nr	Beneficiary	Sector	Country	Description	Total FMO financing	Sus bond allocation 2015
1	AFRICA EMS MPANGA LIMITED	RE	UGANDA	EMS Africa Mpanga Ltd is a company that owns and operates the 18MW run-of-river Mpanga hydropower plant.	9.8	4.6
2	ALISIOS HOLDINGS S.A.	RE	COSTA RICA	Wind project in Costa Rica	40	9.6
3	AL-WARD AL-JOURY FOR ENERGY	RE	JORDAN	Company to develop, construct and operate a 10MW solar photovoltaic (PV) power plant in Jordan	3.7	2.7
4	AL-ZANBAQ FOR ENERGY GENERATION PSC	RE	JORDAN	Company to develop, construct and operate a 10MW solar photovoltaic (PV) power plant in Jordan	3.7	2.8
5	ASIA ENVIRONMENTAL PARTNERS II L.P.	RE	CHINA	Fund making renewable energy investments in Asia	23.0	9.1
6	APOLLO INVESTMENT PARTNERSHIP II	RE	SOUTH AFRICA	South African focused renewable energy fund managed by African Infrastructure Investment Managers (AIIM)	23.8	0.2
7	ARMSTRONG SE ASIA CLEAN ENERGY LP	RE	ASIA	Private equity fund investing in small-scale renewable energy generation and resource efficiency projects in South East Asia	11.9	7.5
8	BANCO DE LA PRODUCCION S.A.	RE	NICARAGUA	FMO has provided a greenline to finance small-scale renewable energy investments such as the use of agricultural waste for energy generation, water efficient coffee processing equipment or drip irrigation.	13.5	13.5

Nr	Beneficiary	Sector	Country	Description	Total FMO financing	Sus bond allocation 2015
9	BERKELEY ENERGY WIND MAURITIUS	RE	INDIA	Renewable energy fund manager investing in Asian and African emerging markets	21.0	5.1
10	ELGON HYDRO SITL (PVT) LIMITED	RE	UGANDA	Company to finance the construction of the 5 MW Gulpur Hydropower project, a greenfield run of the river hydro	9.9	2.1
11	FALCON MA AN FOR SOLAR ENERGY	RE	JORDAN	Company to develop, construct and operate a 21MW solar photovoltaic (PV) power plant in Jordan	6.9	2.8
12	GENERACION ANDINA S.A.C.	RE	PERU	Company to develop, construct, and operate two greenfield run of river hydro power plants "8 de Agosto" (19MW) and "El Carmen" (8.4MW) in Peru	27.2	8.4
13	GLOBAL CLIMATE PARTNERSHIP FUND SA	RE	EUROPE AND CENTRAL ASIA	The fund provides green lines to banks around the world, including support for implementation and reporting	18.6	13.7
14	GREEN FOR GROWTH FUND, SOUTHEAST	RE	ECA	The first specialized fund to advance energy efficiency and renewable energy in Southeast Europe, including Turkey	19.0	8.9
15	GUL AHMED WIND POWER LIMITED	RE	PAKISTAN	Company developing a 50 MW wind power generation plant in Pakistan	16.7	6.2
16	IEH PENONOME PANAMA S.A.	RE	PANAMA	Project company that will develop, construct and operate the 215 MW Penonome II wind farm in Panama	23.0	1.8
17	INVERSIONES EOLICAS DE OROSI DOS	RE	COSTA RICA	Company to build and operate a 50MW wind power project	22.2	12.6
18	ITEZHI TEZHI POWER CORPORATION	RE	ZAMBIA	Project to develop a 120MW base-load hydro power plant being developed at the site of the existing Itezhi Tezhi dam on the Kafue River in Zambia.	33.1	9.8
19	JORDAN WIND PROJECT COMPANY PSC	RE	JORDAN	Project to construct a wind farm in Jordan	23.4	14.1
20	KHI SOLAR ONE (PTY) LTD	RE	SOUTH AFRICA	First concentrated solar power project in sub-Saharan Africa	21.9	1.3
21	LAKE TURKANA WIND POWER	RE	KENYA	A SPV to develop, construct and operate a 300MW wind farm near Lake Turkana in Kenya	35.0	2.7
22	LEREKO METIER SUSTAINABLE	RE	SOUTH AFRICA	Fund invests in energy efficiency, renewables, water and waste management in South and Southern Africa	4.6	0.5
23	METRO POWER COMPANY LTD	RE	PAKISTAN	Company to develop, construct and operate a greenfield 50MW wind power project in the Jhimpir area, in the Ghoro-Keti Bander-Hyderabad wind corridor zone, in Pakistan	20.7	17.3
24	MIRA POWER LIMITED	RE	PAKISTAN	Project to fund a greenfield run of the river hydro	15.8	3.3
25	NEW FORESTS COMPANY LTD.	AFOLU	UGANDA	Company doing forestry investments in the East African Forestry sector	9.2	8.8
26	NEW FOREST COMPANY (TANZANIA) LTD.	AFOLU	TANZANIA	Company doing forestry investments in the East African Forestry sector	4.6	3.8
27	PALMA GUINEE S.A.	EE	GUINEA	Greenfield energy efficiency project which allows for reduced energy consumption for heating and air conditioning	9.0	4.7
28	PARQUE EOLICO MARCONA S.A.C.	RE	PERU	Project to construct a 32 MW wind farm in Peru	8.3	8.3
29	PARQUE EOLICO TRES HERMANAS S.A.C.	RE	PERU	Project to construct a 97 MW wind farm in Peru	8.9	8.9
30	RENEW WIND ENERGY (RAJASTHAN 3)	RE	INDIA	Company to develop, construct and operate a 100.8MW wind power plant situated in the State of Rajasthan	26.7	6.7
31	RENEWABLE ENERGY ASIA FUND 'A' L.P.	RE	ASIA	Fund that invests in small hydro, wind, geothermal, solar, landfill gas and biomass projects in Asian developing markets	10.0	1.2
32	SEKERBANK T.A.S.	RE	TURKEY	Syndicated loan where FMO's stake will be used by Sekerbank to provide green lines to its clients to lend into energy efficiency and renewable energy projects	26.7	26.7

Nr	Beneficiary	Sector	Country	Description	Total FMO financing	Sus bond allocation 2015
33	SHAMSUNA POWER COMPANY LLC	RE	JORDAN	Company to develop the construction and operation of a 10MW solar photovoltaic (PV) power plant project located in the Aqaba Special Economic Zone in Jordan	3.3	3.2
34	SINDICATUM RENEWABLE ENERGY COMPANY	EE	ASIA	Company that develops, owns and operates clean energy projects in South and South-East Asia.	24.8	4.3
35	SOLEQ HOLDINGS	RE	ASIA	Fund that will invest in solar assets in Thailand, Malaysia, Indonesia, Vietnam and the Philippines	15.8	6.1
36	TAKORADI INTERNATIONAL COMPANY	EE	GHANA	Expansion of an existing power plant with a turbine powered by the steam heated by the exhaust heat of the existing turbines	40	2.5
37	THE LEREKO METIER REIPPP FUND TRUST	RE	AFRICA	Fund investing in solar and wind	7.6	0.2
38	TSEMEX HOTELS AND BUSINESS PLC	EE	ETHIOPIA	THB is considered a Greenfield energy efficiency project as the efficient architectural design exceeds available standards and complies with high energy efficiency certification or rating schemes	8.7	4.2
39	VIENTOS DE ELECTROTECNIA SA DE CV	RE	HONDURAS	Company developing a wind farm in San Marcos de Colon	17.5	7.1
40	ZAH RAT AL-SALAM FOR ENERGY	RE	JORDAN	Company to develop, construct and operate a 10MW solar photovoltaic (PV) power plant in Jordan	3.7	2.5
GREEN TOTAL					673.2	259.8
41	AMRET CO. LTD	MFI	CAMBODIA	Deposit-taking microfinance institution in Cambodia with a focus on agriculture and poor women in rural areas	9.3	8.7
42	BAI TUSHUM BANK CJSC	MFI	KYRGYZYSTAN	Company that primarily funds (M)SMEs, mainly involved in agricultural and trading activities, in rural and urban areas (38% of the borrowers are females).	9.2	6.4
43	BANCO SOLIDARIO S.A. BANCOSOL	MFI	BOLIVIA	One of the two largest Bolivian Microfinance institutions	19.9	16.6
44	CJSC MDO IMON INTERNATIONAL	MFI	TAJIKISTAN	Microfinance institution (MFI) with a leading position	6.9	0.4
45	LOLC (CAMBODIA) PLC	MFI	CAMBODIA	Microfinance institution (MFI) with a strong focus on serving low-income women in rural Cambodia, being the first MFI in Cambodia to obtain the official Smart Campaign CPP license	13.7	13.7
INCLUSIVE TOTAL					59.0	45.8
GRAND TOTAL					732.2	305.8

The total Sustainability Bond proceeds allocated to eligible green and inclusive projects in the period November 2012 - December 2015: 759

GREEN TOTAL	625.6
INCLUSIVE TOTAL	133.3
GRAND TOTAL	758.9

Click on the following [link](#) to retrieve the total list of eligible projects

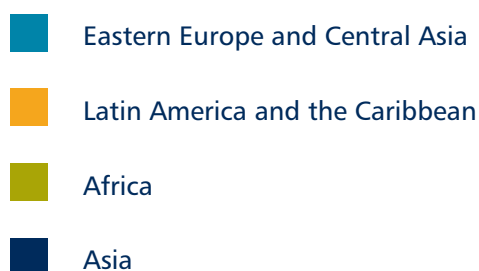
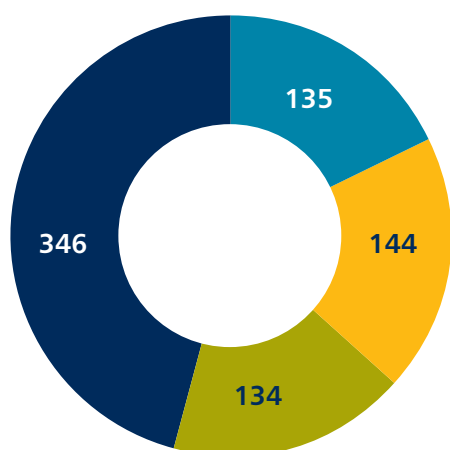
Note:

Sustainalytics advised us to withdraw the new financing to Compagnie Ivoirienne de Production (allocation reported in Newsletter No.4) from the eligible project portfolio

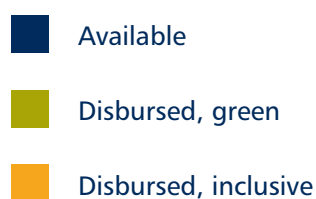
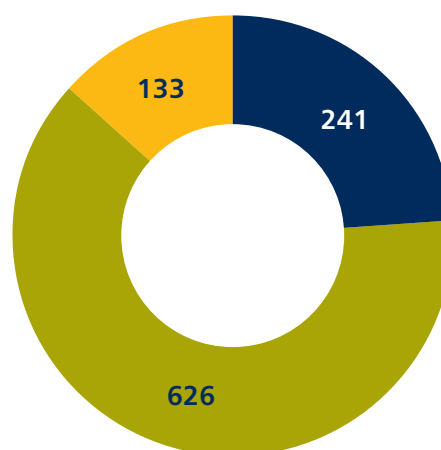
USE OF PROCEEDS

The pie charts illustrate the allocation of the €1,000 million FMO Sustainability Bonds per region and green and inclusive assets.

PER REGION (€ MLN)



GREEN AND INCLUSIVE DISBURSEMENTS



Total disbursed 76%

GREEN BOND PRINCIPLES

FMO is a member of the Green Bond Principles (GBP) - voluntary guidelines which encourage transparency, disclosure and integrity in the green bond segment. The principles were published by 13 international banks on 13 January 2014.

The publication followed a broad market consultation involving investors, environmental groups and issuers, including FMO. The GBP represent an attempt to standardize the green bond market, providing a reference best practice for any market participant.

ANNEXES:

USE OF PROCEEDS CRITERIA

Sustainability Bonds are senior unsecured bonds issued under FMO's Debt Issuance Program aimed at financing green and inclusive finance projects. FMO applies strict investment criteria and follows a thorough due diligence process and an integrated environmental, social and governance (ESG) approach. Eligible projects may be financed directly or indirectly, including through financial intermediaries.

GREEN INVESTMENTS

FMO's green eligibility criteria are aligned with the Multilateral Development Banks (MDBs) framework on climate change mitigation and adaptation finance. The eligible projects may include:

- Renewable energy projects such as solar, wind, ocean, geothermal power and hydro;
- Energy efficiency projects in buildings, transportation and industrial.

INCLUSIVE INVESTMENTS

Inclusive finance includes but is not limited to microfinance. It focuses on expanding access to affordable and responsible financial products and services to low income and vulnerable populations. This also includes organizations that are often unable to gain access to financial products and services such as micro- and small-enterprises.

A wide range of financial products and services are incorporated within the remit of inclusive finance including savings, credit, insurance, remittances, and payments (*source: UNPRI*).

Eligible projects include microfinance institutions (MFI), and the financing of micro, small- and medium-sized enterprises (MSMEs) through financial intermediaries in developing and emerging markets. Thus far, FMO has only included microfinance projects. Projects are classified as microfinance if they meet the following criteria:

1. End-client should meet two of the three criteria to qualify: the number of employees < 10; turnover < US\$ 100,000; total assets < US\$ 100,000;
2. If above-mentioned data under bullet 1 is not available, the end-client average loan size should be less than US\$ 10,000. (source: IFC)

ENVIRONMENTAL AND SOCIAL REQUIREMENTS

FMO strives to apply core minimum environmental and social requirements to all of its debt and equity financing activities, including all activities which are financed with the proceeds of the Sustainability Bond.

FMO implements additional environmental and social requirements based on its assessment of the risks faced by individual borrowers and/or financing transactions.

MANAGEMENT OF PROCEEDS

The net proceeds of the Sustainability Bonds are allocated within FMO's Treasury to a special sub-portfolio that is linked to FMO's lending operations in the fields of green finance and inclusive finance. So long as the Sustainability Bonds are outstanding, the balance of the sub-portfolio will be reduced by amounts matching disbursements in respect of eligible projects. Pending such disbursement, the net proceeds of the Sustainability Bonds will be held in FMO's liquidity portfolio and may temporarily be used for different purposes in case of liquidity stress situations.

Besides being active as an issuer of Sustainability Bonds, FMO is also keen to make environmentally

and socially responsible investments in its liquidity portfolio. The socially responsible objectives are integrated in FMO's investment policy, both positive and negative screening. FMO bought its first green bond in 2011. Currently, 30% of FMO's long-term liquidity portfolio is invested in sustainable bonds, in line with the target.

ELIGIBLE PROJECTS INCLUDE:

- Projects committed after the issuance of the Sustainability Bond;
- Projects committed before the issuance of the Bond but funded (disbursed) after the issuance of the Sustainability Bond;
- Projects funded (disbursed) within 12 months before the issuance of the Bond.



PROCESS TO DEFINE GREEN TRANSACTIONS

All transactions that apply for the Green Transaction label (except straightforward) are discussed with FMO's Green team of climate specialists.



POTENTIALLY GREEN PROJECTS

- ✓ Deal team and client underpin green benefits
- ✓ Strategic deal with replication potential
- ✓ FMO's green panel determines eligibility
- ✓ Final approval by FMO's STR Director

YES



STRAIGHTFORWARD GREEN PROJECTS

- Renewable energy*
- REDD
- Manufacture of clean tech components



FOLLOWING PARTNERS

Multilateral Development Bank (MDB) partner counts transaction as green and provides documentation to underpin.

GREEN PROJECTS

*Geothermal power projects follow the 'potentially green' process, as project GHG emissions may in some regions be significant, causing no net GHG emission reduction. In this case they will not be classified as green.

LEGAL NOTICE

Nothing in this report constitutes an offer to sell securities. Persons who offer, sell or recommend investments in securities issued by FMO must act in accordance with the laws and regulations applicable to them, which may restrict such actions.

This report has been issued pursuant to the terms of certain Sustainability Bonds issued under FMO's debt issuance programme. Further information on this programme can be found at www.fmo.nl/investor-relations.

The information contained in this report has been summarized and should not be considered definitive. FMO has no obligation to update the information contained in this report.