

**FMO**

Entrepreneurial  
Development  
Bank

2018

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# Sustainability Bonds Newsletter

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Newsletter **no.9**



**Newsletter No. 9 – April 2018**

The Sustainability Bonds Newsletter is published bi-annually. It reports on the status and disbursements of projects selected for the Sustainability Bonds. It is sent to investors and is made available via [www.fmo.nl/sustainability-bonds](http://www.fmo.nl/sustainability-bonds)

**Cover image:** Farida, 39 years old, taylor since ten years. She works at home, in the Qala-e Fatoh area in Afghanistan. In the last seven years, she received six loans from the First MicroFinance Bank in Afghanistan to buy machines and fabrics. Since then she has expanded her business and has now eight women working for her.

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INTRODUCTION

# Implementing 2025 strategy

In the last edition of our newsletter we introduced our 2025 strategy aimed at creating more focus and impact in our activities aligned with the Sustainable Development Goals (SDGs). Pursuing this strategy means that we steer our investments towards three SDGs.



Since 1970 we invest to create jobs and strengthen local economies in some of the world’s poorest countries. SDG 8 ‘Decent work and economic growth’ is core to our activities and we are ideally placed to clear the way for other financiers.

We will further raise the proportion of our portfolio focused on Reduced Inequalities (SDG 10) and Climate Action (SDG 13). To contribute to SDG 10, we are increasing inclusive (including gender focused) investments and investments in least developed countries. We will contribute to SDG 13 by increasing climate mitigation and adaptation investments and identifying ways to align our strategy with international climate ambitions.

On the project level, we continue to support our clients with the aim of having positive impact on local stakeholders, their communities, and ultimately society at large. During project screening, we therefore ensure that our clients engage with local stakeholders to understand their perspectives, address their concerns, and ensure that they benefit from positive spin-offs from the project concerned and are properly compensated for any negative repercussions that the project may have on them.

**Steering the organization**

To achieve our 2025 goal ‘Your preferred partner to invest in local prosperity’, we will need to further challenge ourselves as an organization. It is one thing to say that we will increase impact going forward. Actually achieving it will require a different way of working.

We have increased the focus of our operations on financing financial institutions, energy and agribusiness, food & water, and downscaled our involvement in infrastructure, manufacturing and services.

On an organizational level, we launched several internal projects to strengthen our efficiency and effectiveness, among them a business process optimization project. This project aims to optimize our processes and systems, so we can better serve our clients.

**Sustainability Bonds outstanding**

The proceeds of the Sustainability Bonds 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.

Up to December 2017, FMO has disbursed EUR 1.5 billion to eligible projects in the period November 2012-December 2017, against a total Sustainability Bond outstanding of EUR 1.8 billion. 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 EUR 158 million as per December 2017.

Yr of Issue	Amount	Tenor	Isin code
2013	EUR 500 mln, 1.25% 13/11/2018	5 year	XS0993154748
2015	EUR 500 mln, 0.125% 20/04/2022	7 year	XS1219963672
2017	EUR 500 mln, 0.125% 01/06/2023	6 year	XS1622394143
2016	SEK 2,700 mln, 0.75% 29/11/2023	7 year	XS1527323411

EY, FMOs external auditor, has performed an assurance engagement with a limited level of assurance on the sustainability information in specific chapters of our 2017 Annual Report. This includes the statement ‘In May 2017, FMO issued its fourth sustainability bond, a 6-year EUR 500 million transaction. Over 50 investors were involved, highlighting the interest in green bonds and FMO’s strong reputation in the green investment community. FMO has disbursed EUR 1.5 billion to eligible projects in the period November 2012 – December 2017’. The scope of the assurance engagement is therefore broader than the mentioned statement and no specific assurance is provided on this statement. Please refer to the combined independent auditor’s and assurance report as included in [FMO 2017 annual report](#).

# FMO Sustainability Bonds



## Industry leading Sustainability Ratings

### Sustainalytics

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 (September 2017).

### Oekom

FMO received a rating from the German rating agency oekom research that classified FMO as Prime with a C+ score (March 2017).



## Member of the Green Bond Principles (GBP)

### 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, 2017 and 2018\*

- 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

### EY

Use of proceeds (financial perspective)



## National pioneer

First green bond issuer in the Netherlands



## Partnership

Partnership FMO and Climate Bond Initiatives



\* Sustainalytics identified one exception, which relates to the inclusion of biodiversity conservation projects in the aquaculture and fishery sector, being not explicitly included in the FMO Sustainability Bond Framework. Biodiversity conservation is recognized by ICMA's Green Bond Principles (2017) as impactful and is recognized by the FMO's internal guidelines for green investments. In addition, \*Sustainalytics welcomes FMO's commitment to include biodiversity projects in aquaculture and fishery in its Sustainability Bond Framework with the next framework update.





## “All farmers have a right to innovation”



**Victor Gladky**  
CFO of Astarta Holding

**In recent years the agri-industry in Ukraine has made enormous progress. Victor Gladky welcomes the changes. He is the CFO of Astarta, a vertically integrated agro-industrial holding specializing in sugar and agricultural production.**

“This year marks the 25th anniversary of our company. Its development during those years closely mirrors the development of Ukraine: the move from state-owned organizations to privately-owned companies, and the rise of the market economy. In 2006, for instance, Astarta was the first Ukrainian company to be registered on the Warsaw stock exchange. And last but certainly not least, this opened a lot of business opportunities and increased access to the financial market.”

### **Agriculture: an anchor for the economy**

Astarta is a major player in Ukraine. The company employs over 8,000 people on a full-time basis, owns 8 sugar factories and 30,000 milk cows and leases 250,000 ha of land. Astarta is a large producer of sugar and milk, corn and wheat, and has a strong position in the production of soybean milk and oil. Much of its produce is exported. “Agriculture in Ukraine has opened up for investments,” Victor explains.

Of course, there are still challenges. The country has had to shake off the negative image of bureaucracy and corruption that long existed. Also, rising tensions between Ukraine and Russia have not exactly contributed to stability.

Nonetheless Ukraine has grown to become a large agricultural producer. It’s the leading producer of sunflower oil worldwide and in the top three for corn, rapeseed and barley, as well as the top six exporter of grain. Victor: “Over twelve percent of the GDP is derived from primary agriculture and agriculture is responsible for more than forty percent of the export proceeds. It’s an important anchor for the economy and contributes significantly to the stability of our national currency.”

### **Access to sustainable innovation**

Not surprisingly, the demographics of the country reflect the importance of agriculture. “Thirty percent of the population (12 million) lives in rural regions,” Victor explains. “Many of them are dependent on agriculture. So you can imagine that implementing innovations in agricultural technology has enormous impact on the revenues and exports and on the lives of people in rural regions.”

Astarta has played a key role in ensuring that sustainable innovations are available to all its partners – mid-sized and small farmers. Victor: “In the rural regions, 4.4 million people produce

## “Twelve million people live in rural regions and many of them are dependent on agriculture.”

food for themselves or the village market. Together, they account for forty-five percent of agricultural production. There are some 47,000 small farmers and 3,000 medium-to-large sized farmers. Making sure that innovation penetrates all segments is essential if you want to increase food production and improve revenues. Astarta believes that all farmers have a right to innovation.”

### Stability and a positive outlook

Partnering with FMO has helped Astarta create access to finance and innovation. “We started working together in 2008, in the middle of the financial crisis,” says Victor. “FMO’s financial support was vital to us at that moment due to the collapse of the Ukrainian financial system. It offered stability and a positive outlook. We realize that partnering with us probably wasn’t an easy decision to take, in view of Ukraine’s country risk profile and the world financial situation. But FMO did and that laid the basis for much of our future work. We are also proud that Astarta fulfilled its obligation timely and in full.”

### The partnership continues to expand

Over the years the partnership has expanded to include technical advice and support in environmental protection and CSR policy. Victor: “Having a partnership with a global financial institution like FMO creates opportunities for exchanging information with their partners in other parts of the world. We see the added value of this.”

“You know, I see our 25th anniversary as a moment to look ahead to what we want to achieve rather than looking back to the past. And there is a lot to look forward to!

### Financing Astarta’s green capital expenditure program

In 2017 FMO extended a US\$ 25 million loan to Astarta to finance its green capital expenditure program. The program is aimed at improving resource efficiency of the group’s sugar business as well as reducing its environmental impact.

The loan proceeds are supporting the implementation of efficiency improvements and modernization of the group’s existing sugar plants. Astarta is upgrading its equipment to best-in-class machinery. These improvements will lead to lower operation and energy costs as well as an increase in their productivity and efficiency. The group is also using the financing for the construction of a wastewater treatment plant that will bring significant water savings ranging from approx. 50% with a minimum of 22% and a maximum of 82%. Through its capacity development program, which FMO manages on behalf of the Dutch government, FMO supports Astarta with a feasibility study of the wastewater treatment plant.

Astarta is a long-term partner of FMO and this is the third joint transaction since 2008. FMO is committed to support high-performing agricultural companies that strengthen local economies and create decent jobs. Astarta provides jobs for over 8,000 people mainly in rural areas and contributes positively to the export of agricultural products from Ukraine.

# Supporting the growth of women-owned businesses worldwide

Globally, women-owned small and medium-sized enterprises (WSMEs) face a lack of access to finance as they are often unable to secure loans from formal lenders.



**Photo caption:** FMO designed the Female Leadership Journey to unleash the potential of female leaders of the future, by bringing them together from across the globe and providing them with the opportunity to improve skills that will provide equal chances in leadership at all levels of decision-making in political, economic and public life. [Click here to watch the video of the Female Leadership Journey.](#)

Finance for the women's market offers enormous opportunities for financial institutions and banks worldwide. Yet, development of this market segment proceeds at a slow pace, as many formal financial providers are still unable – or unwilling – to apply alternative risk assessments.

## Women Entrepreneurs Debt Fund

FMO has invested US\$30 million in the Women Entrepreneurs Debt Fund, managed by IFC Asset Management Company. The fund is part of the overall Women Entrepreneurs Opportunity Facility that was launched in March 2014 by IFC and Goldman Sachs Foundation. This transaction offers FMO the opportunity to participate in the first of its kind debt fund and act as strategic partner and anchor investor, while being represented on the advisory board of the fund.

The Fund provides senior loans to local financial institutions globally across emerging markets, to be on-lent to women

owned SMEs (WSMEs). There is a set of defined "Impact Indicators" which need to be met when selecting potential investments by the fund ensuring that development impact and truly reaching WSMEs in the markets where it is most needed is secured.

## Optimizing knowledge

Through its investment in the Women Entrepreneurs Debt Fund (WEF), FMO is able to offer finance focused products to its clients while improving its relationship with globally renowned players such as the Global Banking Alliance for Women (GBA), IFC, and the Goldman Sachs Foundation. Simultaneously, FMO supports wider advisory projects on women's market financing, including academic sessions for FMO clients. FMO creates opportunities for learning – not only for them, but also from them. In this way FMO aims to build something more meaningful than just a relationship based on financial transactions.



# Progress report on use of the proceeds

More project information can be found on <https://www.fmo.nl/worldmap>

The table below presents the Sustainability Bond allocations to eligible projects where disbursements were made in 2017 (EUR 421 million). The total available amount represents the total eligible project amount available for Sustainability Bond financing. The total available amount per project is the sum of all disbursements made and the future disbursements to be made to the respective project.

(**AFOLU** = Agriculture, Forestry and Other Land Uses, **RE** = Renewable Energy, **EE** = Energy Efficiency, **FI** = Financing Instruments, **MFI** = Microfinance Institution, **WASTE** = Waste management).

The eligible projects funded by Sustainability Bonds until December 2017 can be found by clicking on the [List of eligible green and inclusive projects](#).

FMO has disbursed EUR 1.5 billion to eligible projects as per December 2017, against a total Sustainability Bonds outstanding of EUR 1.8 billion. We measure our impact on employment and

environment, through jobs supported and avoided greenhouse gas emissions (GHG). More information on impact methodologies can be found on <https://www.fmo.nl/impact/how-we-measure-impact>.

FMO estimates the environmental impact of FMO's Sustainability Bond and its EUR 750 million direct green investments (total Sustainability Bond allocation to green EUR 1.2 billion) will be an avoidance of approximately 572,000 tons of GHG (SDG13).

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 EUR 158 million as per Dec 2017.

The estimated number of (in)direct jobs supported with our sustainability bond allocations will be cumulative approximately 375,000 (SDG8).

Nr	Beneficiary	Sector	Country	Description	Total Available amount	Sus bond allocation 2017
1	<a href="#">AFRICA EMS NYAMWAMBA LTD.</a>	RE	Uganda	EMS Africa Nyamwamba Ltd is a company that aims to develop, own and operate a 9.2MW run-of-river Nyamwamba hydropower plant	7.2	3.0
2	<a href="#">ALISIOS HOLDINGS S.A.</a>	RE	Costa Rica	Project to develop, construct, and operate 4 20MW wind projects in Costa Rica	39.7	5.3
3	<a href="#">AL SHARIKA AL MAHALIYA LI AAMAL AL</a>	RE	Jordan	A company established for the development, construction and operations of a 50MW solar photovoltaic (PV) power plant	18.6	15.1
4	<a href="#">AL-WARD AL-JOURY FOR ENERGY</a>	RE	Jordan	Company to develop, construct and operate a 10MW solar photovoltaic (PV) power plant in Jordan	3.5	0.2
5	<a href="#">AL-ZANBAQ FOR ENERGY GENERATION PSC</a>	RE	Jordan	Company to develop, construct and operate a 10MW solar photovoltaic (PV) power plant in Jordan	3.5	0.2
6	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	18.7	3.0
7	<a href="#">AZURE POWER INDIA PRIVATE LIMITED</a>	RE	India	AZI is a leading developer, constructor and operator of utility scale ground-based and rooftop solar projects in India	24.6	24.6
8	<a href="#">BANCO BAC SAN JOSE S.A.</a>	FI	Costa Rica	Green Line to on-lend to renewable energy and energy efficiency project	17.2	12.8
9	<a href="#">BANCO DAVIVIENDA SALVADOREÑO S.A.</a>	FI	El Salvador	100% of the USD 60mln syndicated facility will be used for 'green' financing projects, with the majority in renewable energy projects (solar, wind, hydro, biomass). In addition, funds can be used to finance energy efficiency projects, i.e. through building upgrades, replacements of equipment, lighting etc.	25.2	12.7



Nr	Beneficiary	Sector	Country	Description	Total Available amount	Sus bond allocation 2017
10	<a href="#">BANCO DE LA PRODUCCION S.A.</a>	FI	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.	5.1	-8.5*
11	<a href="#">BANCO DE LA PRODUCCION S.A. PRODUBANCO</a>	FI	Ecuador	Green Line to on-lend to renewable energy and energy efficiency projects	2.4	-5.6*
12	<a href="#">BANCO PROMERICA S.A. (EL SALVADOR)</a>	FI	El Salvador	FMO provided a greenline to be on-lent to green projects and clients	4.4	4.4
13	<a href="#">BANCO PROMERICA S.A. (GUATEMALA)</a>	FI	Guatemala	FMO provides a greenline and technical support to achieve Promerica GT a pioneer among Guatemalan banks in the provision of finance to green projects.	4.2	4.2
14	<a href="#">BERKELEY ENERGY NETHERLANDS HOLDING</a>	RE	Philippines	A platform company that will invest in hydro energy assets in the Philippines	2.9	0.5
15	<a href="#">BOSFORO LTDA DE C.V.</a>	RE	El Salvador	It plans to develop, construct, and operate 10 small PV Solar plants in three phases with a combined capacity of 100 MW in several locations in El	16.7	2.2
16	<a href="#">ECO-BUSINESS FUND S.A., SICAV-SIF</a>	FI	Latin America	Debt fund to promote business practices contributing to the sustainable use of natural resources and biodiversity conservation in the LAC region	16.7	16.7
17	<a href="#">ELGON HYDRO SITI (PVT) LIMITED</a>	RE	Uganda	Company to finance the construction of the 5 MW Gulpur Hydropower project, a greenfield run of the river hydro	4.8	0.6
18	<a href="#">ELZ SAGLIK YATIRIM A.S.</a>	RE	Turkey	Financing of a green hospital	20.0	8.9
19	<a href="#">FALCON MA AN FOR SOLAR ENERGY</a>	RE	Jordan	Company to develop, construct and operate a 21MW solar photovoltaic (PV) power plant in Jordan	6.7	0.7
20	<a href="#">FINANS FINANSAL KIRALAMA A.S.</a>	FI	Turkey	Green line to mainly finance renewable energy and energy efficiency projects.	32.5	32.5
21	<a href="#">FRV ANDHRA PRADESH SOLAR FARM-I PRIVATE LIMITED</a>	RE	India	The objective of FMO's financing is to fund the development and construction of two 50MW solar PV plants	12.2	1.9
22	<a href="#">FRV SOLAR HOLDINGS IX B.V./ JORDAN</a>	RE	Jordan	Company established for the development, construction and operations of a 50MW solar photovoltaic (PV) power plan.	10.2	5.7
23	<a href="#">GENERACION RENOVABLE DE HONDURAS S.</a>	RE	Honduras	Company (GENERSA) that is developing, constructing and later operating a 25MW PV solar power project	14.3	6.2
24	<a href="#">GLOBAL CLIMATE PARTNERSHIP FUND SA</a>	RE	Europe and Central Asia	The fund provides green lines to banks around the world, including support for implementation and reporting	37.0	18.8
25	<a href="#">GOBIND SUGAR MILLS LIMITED</a>	RE	India	Gobind will use FMOs financing for their ongoing expansion program, which includes a bagasse-based co-generation facility to produce green power and a distillery facility for the production of ethanol (biofuel) from molasses.	13.6	11.9
26	<a href="#">GREEN FOR GROWTH FUND, SOUTHEAST</a>	RE	Eca	The first specialized fund to advance energy efficiency and renewable energy in Southeast Europe, including Turkey	43.2	-0.3*
27	<a href="#">LAKE TURKANA WIND POWER</a>	RE	Kenya	A SPV to develop, construct and operate a 300MW wind farm near Lake Turkana in Kenya	35.0	8.2
28	<a href="#">LATAM LOGISTIC PER PROPCO LURIN 1 S</a>	RE	Peru		11.7	4.3

\*Negative Sustainability Bonds allocation, refers to FMO exposure in the respective project being sold to syndicated partners (Banco de la Produccion, Green for Growth Fund, UEP Penonome)

Nr	Beneficiary	Sector	Country	Description	Total Available amount	Sus bond allocation 2017
29	<u>LISI FO LLC</u>	EE	Georgia	Project to construct more resource efficient apartments for the middle class in Tbilisi	8.7	5.5
30	<u>LLC TSUKORAGROPROM</u>	AFO- LU	Ukraine	The FMO facility will be used for working capital, among other investments in crops in the fields, crop processing and financing inventories to enable sale after harvest season	21.1	12.8
31	<u>LUBILIA KAWEMBE HYDRO LIMITED</u>	RE	Uganda	Company to develop, construct and operate a 5.4MW run-of-river hydro plant Uganda	4.5	1.9
32	<u>MABANI SEVEN COMPANY LIMITED</u>	EE	Ghana	Mabani Seven Company Ltd and develops a mixed-use real estate project with the name "The Exchange" in Accra, the capital city of Ghana	37.4	6.7
33	<u>MIRA POWER LIMITED</u>	RE	Pakistan	Project to fund a greenfield run of the river hydro	15.0	2.2
34	<u>NEPAL HOSPITALITY AND HOTEL PVT LTD</u>	IMS	Nepal	The Project 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	2.5	2.5
35	<u>ODEABANK A.S.</u>	FI	Turkey	FMO financing will be used to finance renewable energy projects, which is a strategic growth area for the bank	52.6	19.1
36	<u>PACIFIC SOLAR ENERGY S.A. DE C.V.</u>	RE	Honduras	Pacific Solar Energy is a PV Solar project in two phases which will reduce Honduras's dependency on imported fossil fuel.	5.2	5.2
37	<u>SEKERBANK T.A.S.</u>	FI	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	69.1	42.3
38	<u>SOLU HYDROPOWER PRIVATE LIMITED</u>	RE	Nepal	Essel Clean Solu Hydropwer Private Limited, a company established for the development, construction and operations of the Lower Solu Hydropower Project	20.8	10.1
39	<u>TORORO SOLAR NORTH LIMITED</u>	RE	Uganda	Company to develop, construct, operate and maintain a 10MW PV Solar Plant in the East of Uganda	6.7	5.2
40	<u>UEP PENONOME II S.A.</u>	RE	Panama	Project company that will develop, construct and operate the 215 MW Penonome II wind farm in Panama	-2.3	-2.3*
41	<u>VIENTOS DE ELECTROTECNIA SA DE CV</u>	RE	Honduras	Company developing a wind farm in San Marcos de Colon	1.6	1.6
42	<u>ZHRAT AL-SALAM FOR ENERGY</u>	RE	Jordan	Company to develop, construct and operate a 10MW solar photovoltaic (PV) power plant in Jordan	3.5	0.2
43	<u>ZEPHYR POWER (PVT) LTD.</u>	RE	Pakistan	Zephyr Power (PVT) Limited is a company incorporated in Pakistan which is developing a 50 MW wind park near Karachi	13.1	3.1
<b>GREEN TOTAL</b>					<b>711.3</b>	<b>323.0</b>
1	<u>AMRET CO. LTD</u>	MFI	Cambodia	Deposit-taking microfinance institution in Cambodia with a focus on agriculture and poor women in rural areas	27.6	9.6
2	<u>AU FINANCIERS (INDIA) LTD.</u>	SME	India	The investment from FMO will go towards helping the company grow in new business segments such as lending to small- and medium-sized enterprises (SMEs) and affordable housing finance	12.1	12.1
3	<u>BANCO INTERNACIONAL S.A (ECUADOR)</u>	MFI	Ecuador	Microfinance institution in Ecuador	23.8	23.8

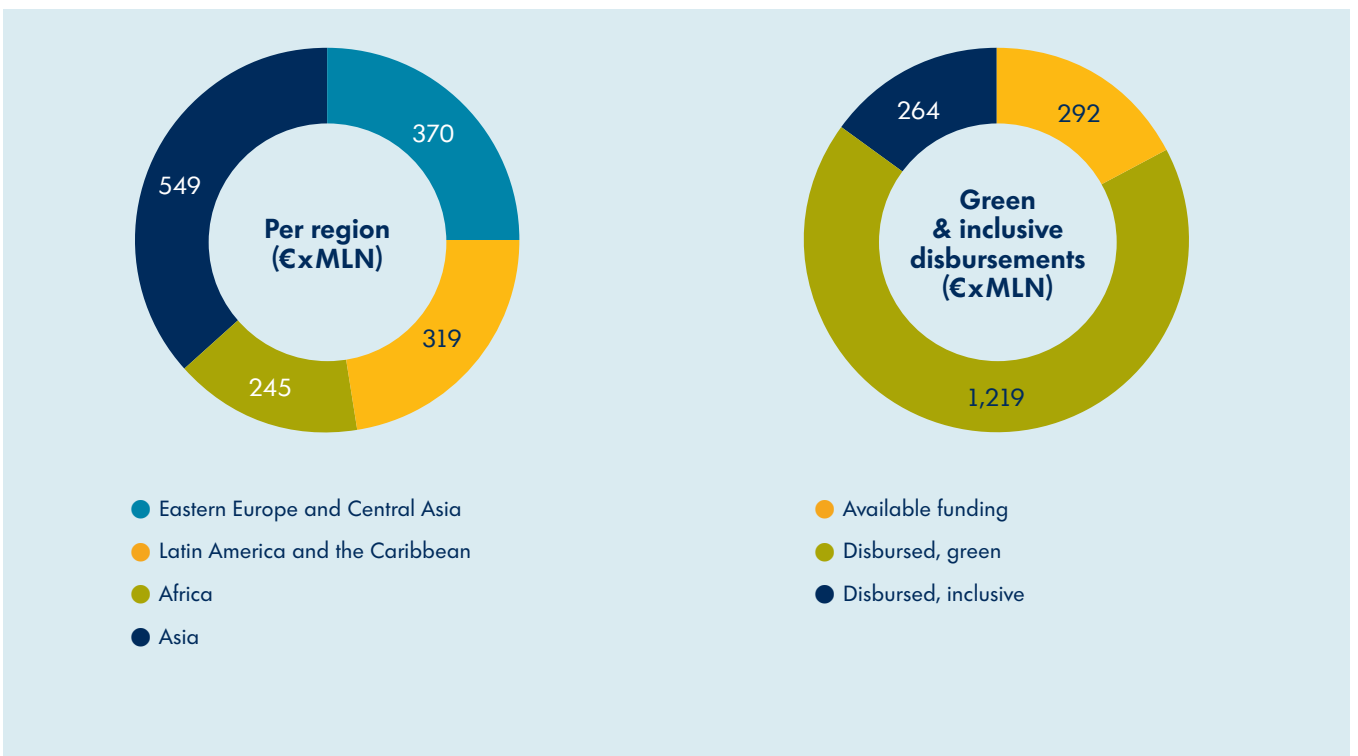
\*Negative Sustainability Bonds allocation, refers to FMO exposure in the respective project being sold to syndicated partners (Banco de la Produccion, Green for Growth Fund, UEP Penonome)

Nr	Beneficiary	Sector	Country	Description	Total Available amount	Sus bond allocation 2017
4	BANCO SOLIDARIO S.A. BANCOSOL	MFI	Bolivia	One of the two largest Bolivian Microfinance institutions	21.8	2.6
5	FONDI BESA JSC	MFI	Albania	Largest microfinance institution of Albania	5.0	5.0
6	KOMPANION BANK CJSC	MFI	Krygzstan	Local currency loan to MFI focusing on rural areas	7.1	0.9
7	PARTNER MIKROKREDITNA FONDACIJA	MFI	Bosnia & Herzegovina	Leading MFI in Bosnia focusing on the agricultural sector	5.0	5.0
8	PT MITRA BISNIS KELUARGA VENTURA	MFI	Cambodia	The funds will be utilized to finance the growth of the microfinance portfolio in rural areas of Java	13.4	13.4
9	WOMEN ENTREPRENEURS DEBT FUND LP	FI	Global	This Fund is providing financing via targeted financial institutions to women owned or controlled SME's in emerging markets.	32.0	25.3
INCLUSIVE TOTAL					147.8	97.7
GRAND TOTAL					859.1	420.7

The total Sustainability Bond proceeds allocated to eligible green and inclusive projects in the period November 2012 – December 2017: EUR 1,5 billion

GREEN TOTAL	1,218.5
INCLUSIVE TOTAL	264.5
GRAND TOTAL	1,483.0

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



# Use of proceeds criteria

## Green investments

FMO looks for investments in the following two “Green” categories:

- **Climate Change Mitigation:** An activity is mitigating climate change if it contributes to either reducing GHG emissions into the atmosphere, or sequester GHG emissions from the atmosphere. If the project or activity relates to Energy efficiency, it should achieve at least 20% reduction in energy consumptions or GHG emissions
- **Climate Change Adaptation:** An activity is considered as climate change adaptation if the intention of the activity or project design is to reduce the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience

FMOs green eligibility criteria are aligned with the Common Principles for Climate Mitigation Finance and the Common Principles for Climate Adaptation Finance

Eligible projects may include:

- Renewable energy projects such as solar, wind, ocean, geothermal power and hydro
- Energy efficiency projects, such as improvements in existing buildings, upgrade heating controls, IFC EDGE certified building projects
- Waste management
- Agriculture, forestry and other land use

## Inclusive finance investments

Inclusive finance focuses on expanding access to affordable and responsible financial products and services to the poor and vulnerable populations. This includes microfinance as well as directly financing organizations that are often unable to gain access to financial products and services such as small- and medium-sized 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 financing of micro, small- and medium-sized enterprises (MSMEs) through financial intermediaries in developing and emerging markets in which FMO operates. To be eligible for the use of proceeds, financial institutions should:

- Specifically target one or more of the following populations: females; rural populations who are focusing on agricultural production and agricultural value chains; economically excluded individuals; and low-income populations who earn less than USD 8 per day; and
- be identified as an SME, as defined by the International Finance Corporation (IFC), as outlined in below table.

Projects are classified as microfinance if they meet the following criteria:

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

Projects are classified as SMEs if they meet the following criteria:

- The end-client should meet two of three criteria to be eligible for the Sustainability Bond (see below table): 1) 10 < number of employees < 300; 2) USD 100,000 < turnover < USD 15,000,000; 3) total assets < USD 100,000; or
- If data mentioned in point ‘a’ is not available, then the SME average loan size should be between USD 10,000 or more, but less than USD 1,000,000 (10,000 < USD < 1,000,000)



# 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, approximately 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 sustainability team

### 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.

**YES**

## 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](http://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.