

Position Statement on Coal Power Generation and Coal Mining

FMO (the Netherlands Development Finance Company) is the Dutch development bank. FMO supports sustainable private sector growth in developing and emerging markets by investing in ambitious entrepreneurs.

Our stakeholder approach is to engage proactively with clients, governments, non-governmental organizations (NGO's) and communities to steer towards a positive impact on some of society's leading global Environmental, Social and Governance (ESG) issues. FMO has long-term experience and builds on a broad and in-depth internal expertise in its engagement with its clients to stimulate the application of the highest ESG standards. This approach also serves to mitigate the potential negative impacts that our investments may contribute to.

This Position Statement is an integral part of a framework of Position Statements related to the FMO Sustainability Policy that steers FMO's activities. The Position Statements explain FMO's choices in relation to major global sustainability issues. They reflect our objective to apply the highest standard of ethics and integrity to our business activities.

Coal Power Generation and Coal Mining

For the purpose of this Position Statement, Coal Power Generation and Coal Mining refers to the design, construction, operation and decommissioning of respectively thermal coal-based power plants and related infrastructure, and associated transmission and distribution facilities worldwide, and thermal coal mines and related infrastructure. This Position Statement does not include Metallurgical Coal, as used for the production of steel.

Significant negative impacts are related to coal-based generation of power and the mining for coal. The main negative impacts include:

- Coal-based power plants are a significant source of greenhouse gas emissions. Until date there are no realistic commercially available solutions for capture and storage of the released greenhouse gas;
- Taking into account all energy needed for mining, processing and transporting coal, power production through thermal coal must be regarded as low-efficiency energy;
- Taking into account all costs related to negative environmental and social impacts caused by mining, processing, transportation and use, coal must be regarded as an expensive

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source of energy; including all costs when calculating economic performance, many countries would show a negative growth for many years.

FMO's choices

FMO recognizes the negative impacts of coal-based energy production and coal mining. FMO believes there is no adequate mitigation for the main negative impacts mentioned above. Furthermore, alternative energy sources are available, also with respect to baseload (e.g. hydro power and gas). FMO will therefore not directly finance any projects on coal-based power generation, and/or coal mining.

With respect to FMO's indirect financing through Financial Institutions and Private Equity Funds, FMO can provide loans to banks and non-bank financial institutions that provide loans to coal-fired power projects, coal mines and dedicated thermal coal transport/infrastructure, to a maximum threshold of 20% of the Financial Intermediary's total balance sheet or total investment portfolio.

Implementation

FMO has excluded coal-based power generation and/or coal mining activities.

Feedback

We welcome feedback on our Position Statements. Please contact us at consultation@fmo.nl.