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POSITION STATEMENT ON RESPONSIBLE TAX

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1. Introduction

FMO is the Dutch entrepreneurial development bank. Since 1970, it has been a driving force behind investments that enable entrepreneurs to increase inclusive and sustainable prosperity in emerging markets and developing countries.

By engaging with underserved markets, FMO invests in some of the world's most challenging business environments and economies, many of which have fragile private sectors, limited job security, and high poverty rates.

2. FMO Vision & Strategy

FMO envisions a world where, by 2050, more than nine billion people live well within planetary boundaries[1].

FMO is committed to promoting inclusive and sustainable economic growth and addressing inequalities in emerging markets and developing countries—both of which are essential for reducing poverty.

FMO strives to create value, opportunities, and development impact[2] through its investments and works closely with customers and financing partners to manage—including avoiding and mitigating, and, where not possible, minimizing—potential and actual negative impacts on people and the environment. It also aims to ensure that this development impact is sustained without compromising resources for future generations.

FMO aims to maximize its development impact and contribution to the United Nations Sustainable Development Goals (SDGs) by focusing on three priorities where it can have greatest impact: SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequalities, and SDG 13: Climate Action.

[1] For further information on FMO's vision and strategy, refer to FMO's Impact webpage.
[2] Development impact is the overall positive impact that FMO's investments and activities have, either primarily or secondarily, on people and environment.

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3. FMO Position Statement on Responsible Tax

The Position Statement on Responsible Tax is an integral part of FMO's Sustainability Policy Universe—a comprehensive policy framework that defines FMO's approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impact[3] across its investment portfolio.

FMO's Position Statements are supplementary to the Sustainability Policy and are not stand-alone policy documents. They provide further context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers' ESG performance.

The Position Statements also underpin FMO's commitment to responsible business conduct by upholding high standards of ethics and integrity—including transparency and accountability in FMO's investment actions and decision-making—which safeguard its assets and reputation.

FMO's approach to sustainability is shaped by many factors and continues to evolve as part of an ongoing process. This process involves monitoring and responding to changes in the broader context in which it operates, continuously engaging with stakeholders, effectively addressing dilemmas and challenges in order to uphold its commitments, and taking appropriate steps based on lessons learned.

Consequently, the Position Statement on Responsible Tax is a living document that is regularly reviewed and updated over time[4].

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[3] FMO has updated the language in the Sustainability Policy Universe to align with the terminology and definitions in the ESRS 2 'double materiality assessment' (DMA) regarding "impact" and "impact materiality." The DMA helps FMO identify which sustainability-related matters are material from an impact and/or financial perspective and therefore need to be included in its reporting under the EU Corporate Sustainability Reporting Directive (CSRD). A sustainability-related matter is considered material from an impact perspective when it relates to FMO's potential or actual—positive or negative—impacts on people or the environment over the short, medium, and long term.
[4] This Position Statement was approved by FMO's Management Board on 23 December 2016. It was last updated in April 2026.

3.1. Responsible Tax

FMO understands that tax contributions to governments are important in all countries and essential for financing public goods and services such as infrastructure, health, and education, thereby contributing to the well-being of the people that live there.

FMO also recognizes that a healthy tax environment relies on compliance and mutual trust among taxpayers, tax authorities, and governments.

3.2. FMO Approach

FMO is committed to complying with applicable national and international tax laws and regulations, does not support investments that facilitate tax evasion, and requires customers to address tax matters responsibly.

FMO is committed to assessing and addressing tax matters for each investment and customer as part of its due diligence and decision-making processes. FMO conducts customer tax assessments as part of its due diligence process and has developed a methodology to evaluate whether customers demonstrate responsible tax behavior.

The principles and standards that primarily guide FMO's approach to responsible tax include:

- EDFI Principles for Responsible Tax in Developing Countries[5]
- OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting
- EU Anti-Tax Avoidance Directive
- EU List of Non-Cooperative Jurisdictions for Tax Purposes
- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

The EDFI Principles for Responsible Tax in Developing Countries addresses the use of intermediary jurisdictions called offshore financial centers (OFCs), which provide stable jurisdictions that can mitigate many of the most concerning investment risks when structuring investments. This is particularly relevant because many target countries do not possess the legal, judicial, regulatory, and financial infrastructure to accommodate the requirements of

[5] EDFI is the Association of European Development Finance Institutions. For further information, refer to EDFI - The Association of European Development Finance Institutions.

institutional investors seeking to invest in the private sector in developing countries.

3.3. FMO Implementation

FMO is indirectly exposed to customers' tax matters through its investments and proactively engages with them on these issues.

At a minimum, FMO requires customers to comply with applicable tax laws and regulations in both their home and host countries and to demonstrate responsible tax behavior in line with FMO's approach.

FMO evaluates customers for tax avoidance structures against the relevant items in the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting and the EU Anti-Tax Avoidance Directive. The items include, but are not limited to, hybrid instruments; harmful tax practices; limitations on interest deductions; prevention of tax treaty abuse; and transfer pricing.

FMO mitigates potential aggressive tax avoidance structures by requiring customers to maintain transfer pricing documentation, thereby enhancing transparency towards tax authorities.

FMO also mitigates potential tax avoidance structures by requiring customers with consolidated revenues exceeding €750 million to report in accordance with the Country-by-Country (CbC) reporting requirements under the OECD BEPS Action 13 standard.

Additionally, corporate structures must be explained based on their functionality. Corporate structures operating in jurisdictions listed in Annex I of the EU List of Non-Cooperative Jurisdictions for Tax Purposes are either considered unacceptable or subject to tax avoidance risk mitigation. Mitigation measures are acceptable if supported by evidence that income has been taxed, or if it can be demonstrated that, even when operating in a jurisdiction with potentially concerning tax practices, the revenues did not benefit from a harmful preferential tax regime as identified by the EU.

In alignment with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, customers are expected to obtain tax rulings that are based on published national tax incentive policies and regulations. Additionally, tax holidays or incentives are considered acceptable provided that they are explicitly stipulated in local tax legislation.

If FMO identifies an unbalanced tax situation[6], it takes appropriate steps to support customer alignment with FMO's approach to responsible tax. FMO is committed to helping potential customers identify and implement appropriate mitigation measures. If mitigation measures cannot be identified or implemented, or if progress is deemed insufficient, FMO may decide not to invest and/or explore options for a responsible exit.

FMO's tax department provides expert advice on customers' tax matters and performance, and it is incorporated, with or without conditions, into the credit team's input for the investment approval process.

4. Stakeholder Feedback

FMO considers stakeholder feedback an integral part of policy development and strives to ensure that its policies are ambitious, relevant, realistic, and enforceable; contribute to societal needs; and underpin its license to operate.

FMO welcomes feedback on its position statements, which can be submitted by email to consultation@fmo.nl.

[6]Unbalanced tax situations include cases where FMO identifies potential tax avoidance, base erosion by the taxpayer, or, conversely unfair tax treatment toward the taxpayer.

Appendix I: FMO's Sustainability Policy Universe

The Sustainability Policy Universe is a comprehensive policy framework that defines FMO's approach to financing development impact and addresses environmental, social, and governance (ESG) and human rights impacts across its investment portfolio.

The Sustainability Policy Universe consists of the following documents:

- Sustainability Policy;
- Exclusion List; and
- Position Statements
  - Combined Position Statement on Fossil Fuels
  - Position Statement on ESG Impact and Financial Intermediaries
  - Position Statement on Human Rights
  - Position Statement on Gender Equality
  - Position Statement on Land Governance
  - Position Statement on Hydropower
  - Position Statement on Responsible Tax
  - Position Statement on Animal Welfare

The Sustainability Policy defines FMO's commitment to achieving development impact and serves as a guide for its investment decisions and actions.

The Exclusion List is an EDFI-harmonized document that defines activities that FMO will not finance or support, directly or indirectly.

The Position Statements are an integral part of the Sustainability Policy Universe and are supplementary to the Sustainability Policy. They are not stand-alone policy documents; however, they provide additional context on FMO's sustainability choices, as well as additional policy requirements in relation to major global sustainability issues, specific themes, and investment sectors. Additionally, they outline how FMO selects investments, works with customers and other stakeholders, and monitors customers' ESG performance.