

Management letter to the corporate evaluation on SDG 8

The Evaluation team at FMO conducts a corporate evaluation into one of FMO's key strategic development impact themes each year. This year, the team assessed FMO's results on SDG 8, which has been one of FMO's three core impact goals since 2017. SDG 8 aims to *promote sustained, inclusive and sustainable economic growth, as well as productive and decent work for all*.

We believe that every transaction contributes to promoting economic growth or supporting jobs in one way or another. As such, SDG 8 applies to all our transactions and is, therefore of great relevance for the entire portfolio. As noted in the evaluation, SDG 8 comes close to capturing the overall mandate and *raison d'être* of FMO. This SDG 8 evaluation is therefore of great strategic value to us, and we highly value the work done by the Evaluation team.

Main findings and recommendations

We are pleased to note that the evaluation concludes that we have made significant impact on various dimensions of SDG 8. Importantly, we were glad to see the finding that our strategic sector focus (on Financial Institutions, Agribusiness, Food & Water and Energy) addresses key bottlenecks to more widespread economic development in our focus markets. Strategy 2030 therefore continues with a focus on these three sectors. We also appreciate the finding that FMO has had a significant effect on supporting jobs in our markets, which we believe is an important enabler for improvements to livelihoods as well as contributions to wider economic growth.

But, as also highlighted in the evaluation, global progress towards SDG 8 is slowing, especially in our focus markets. We want to step up our efforts and increase our contribution towards 2030. The evaluation provided us with valuable options and considerations for how to do so. Particularly, the first recommendation was to develop a more comprehensive strategy on SDG 8 impact, to help increase understanding on what is needed to contribute to SDG 8 impact goals.

We have already started to take this recommendation into account. Strategy 2030 provides more clarity on what SDG 8 means for FMO and what we will particularly focus on. Supporting an increasing number of high quality and decent jobs is the key impact ambition towards 2030. An upcoming project that will review our Impact Management Framework will further consider how to prioritize and how we can operationalize this sharpened ambition further. We will work on strengthening our approach to job decency and quality also.

Strategy 2030 is also designed to leverage the synergies between the SDGs. The recommendation on 'strengthening the focus on resource efficiency' illustrates this, as resource efficiency will be embedded in our strengthened approach to SDG 13. The efficient use of resources can be a key tool for meeting our climate ambitions with our customers. As part of the SDG 13 workstream in Strategy 2030, resource efficiency and the Green Label and options for improvement will be reviewed.

That leaves the recommendation on 'embedding an explicit focus on productivity' (Recommendation 4). We will continue helping our customers increase productivity as requested in Recommendation 4 through the value creation work with them, but have not embedded an explicit focus on productivity in Strategy 2030 at large due to the need to apply sufficient focus and efforts on the other elements in focus for SDG 8.

Finally, in line with the key focus on (decent and quality) jobs for SDG 8, we will also actively consider to also stimulate investments that particularly focus on employing women in their workforce as part of our SDG 10 strategy (Recommendation 5). Gender lens investing is one of the key focus areas for SDG 10 in Strategy 2030. Increasing investments in Least Developed Countries (LDCs) is another focus area. The recommendation on measuring progress towards LDC economic growth (Recommendation 6) will be actively considered in this context as well as the upcoming review of our SDG-10 label (planned for 2023).