

Nederlandse Financierings-
Maatschappij voor
Ontwikkelingslanden N.V.

FMO

Finance for development



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UNEP-FI

Western European Forum 19 May 2005

*Support to FIs:
Financing Sustainable Development*

Today's topics

- 1 *FMO in a nutshell*
- 2 *FMO's ESMS:
Environmental & Social Policy and Procedures*
- 3 *Support to Client FIs:
Financing Sustainable Development*

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1

FMO in a nutshell

FMO

Netherlands Development Finance Company

- > **Located in The Hague, The Netherlands**
No overseas offices
- > **Working area: world-wide**
- > **Shareholders:**
 - State of The Netherlands (51%) – Triple A rating
 - Dutch Banks (42%)
 - Others (7%)
- > **Largest European Bilateral Development Finance Institution**

Twofold mission

> Development

To have a significant impact on the financial-economic, environmental and social development of **emerging** markets, by providing **private** companies with financial means and know-how.

> Return

Appropriate economic and financial returns are a pre-condition for effective risk partnership and continuity.

FMO's clients

> Private enterprises

> Financial institutions

- Banks (-> SMEs) (including branches of European & US Banks)
- Leasing, insurance, housing finance, trade facilities
- Micro credit banks

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2

*FMO's Environmental & Social Management System:
Environmental & Social Policy and Procedures*

FMO Objectives of environmental and social management

- > Risk assessment
- > Characterize development impact
- > Maximize Added Value:
 - mitigate risks
 - optimize development impact

Maximize risks



FMO Environmental & Social Procedures fully integrated in the credit process: our ESMS

- > 1. General information: Inform client
- > 2. Contact with client: Collect Information
- > 3. Term Sheet
- > 4. Investment decision to proceed: go / no go
- > 5. Appraisal (due diligence) / Advise to Investment Committee / Conditions
- > 6. Management decision
- > 7. Contract clauses: covenants, disbursement conditions
- > 8. Monitoring (credit review)

FMO's Sustainability Policy in practice - DIs

Direct Financing of Companies / Projects

- > Environmental & Social Policy & Management System
- > Responsible person in management
- > Environmental coordinator
- > Comply with environmental, health & safety and social requirements (national law, World Bank Group Policies and Guidelines, ILO Conventions) – E&S Action Plan
- > Annual Environmental & Social Report

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3

*Support to FIs:
Financing Sustainable Development*

FMO's Sustainability Policy in practice - FIs

For Financial Institutions two parts:

1) Consider FI as a company

- > Environmental & social risk to FMO through our client's portfolio (indirect credit risk, reputation risk)
- > Social risk: labor conditions at FI
- > Assessment process similar to direct investments

FMO's Sustainability Policy in practice - FIs

2) Focus on FI portfolio management

- Environmental & Social Policy
- Environmental & Social Management System
- Responsible person in management & coordinator
- Exclusion list
- Annual Environmental & Social Report

To exclude risky business ...



Tool: Sustainability Course for Financial Institutions

- > **4-day FMO Course**
“Financing Sustainable Development”
- > “How financial institutions can manage environmental and social risks and improve the sustainability of their portfolio”
- > Let participants lay foundation for tailor-made system for their own financial institution (Building Blocks)

Day 1 “The meaning of sustainable development for financial institutions”

- > The Strategic Relevance of Sustainable Development
- > Strategic relevance for participating financial Institutions
- > Towards a Vision and Action Plan of Participating FI's
- > Building Block I: Strategy + preparation for own vision and action plan

Day 2 “How to manage environmental and social risk for financial institutions”

- Risk awareness, identification and mitigation
- Group work: Cases on risk in different industry sectors
- Building Block II: Start with development of an Environmental and Social Management System by the participants
- Site-visit

Day 3 “Grasping the opportunities of sustainable development and managing the change”

- Sustainable business opportunities (with special attention for social issues)
- Breakout session for Banks, SME Banks/Leasing Companies and Investment Funds
- Building Block III: Development of specific opportunities by the participants
- Introducing: the UNEP-FI – signatories Regional Task Force

Day 3 (continued)

- > Communication with stakeholders
- > Building Block IV: External communication plan for your FI
- > Management of change
- > Building Block V: Getting commitment from key representatives and co-ordination of activities within your FI
- > Preparation of an Environmental & Social Action Plan
- > Building Block VI: Action Plan

(heavy day ...)

Day 4 “The Sustainability Action Plan for each participating FI”

- > Development of a presentation on the Environmental and Social Action Plan by the Participants
- > Presentation by each participating Financial Institution on their Environmental and Social Action Plan

Only then it all starts...

- > 6 months for preparation – develop policy, system, procedures
- > 6 months for implementation –train staff, implement system
- > FMO provides ongoing support with financial help of a targetted Netherlands' government subsidy program.

We like to share and co-operate

- > Courses jointly with IFC & other IFIs
- > UNEP-FI – Sustainable Management & Reporting Forum
(FMO is a member)
- > UNEP-FI regional task forces
- > Regional branches of European and US banks

- > Always have to keep the benefit to our Client FIs in mind ...



www.fmo.nl