



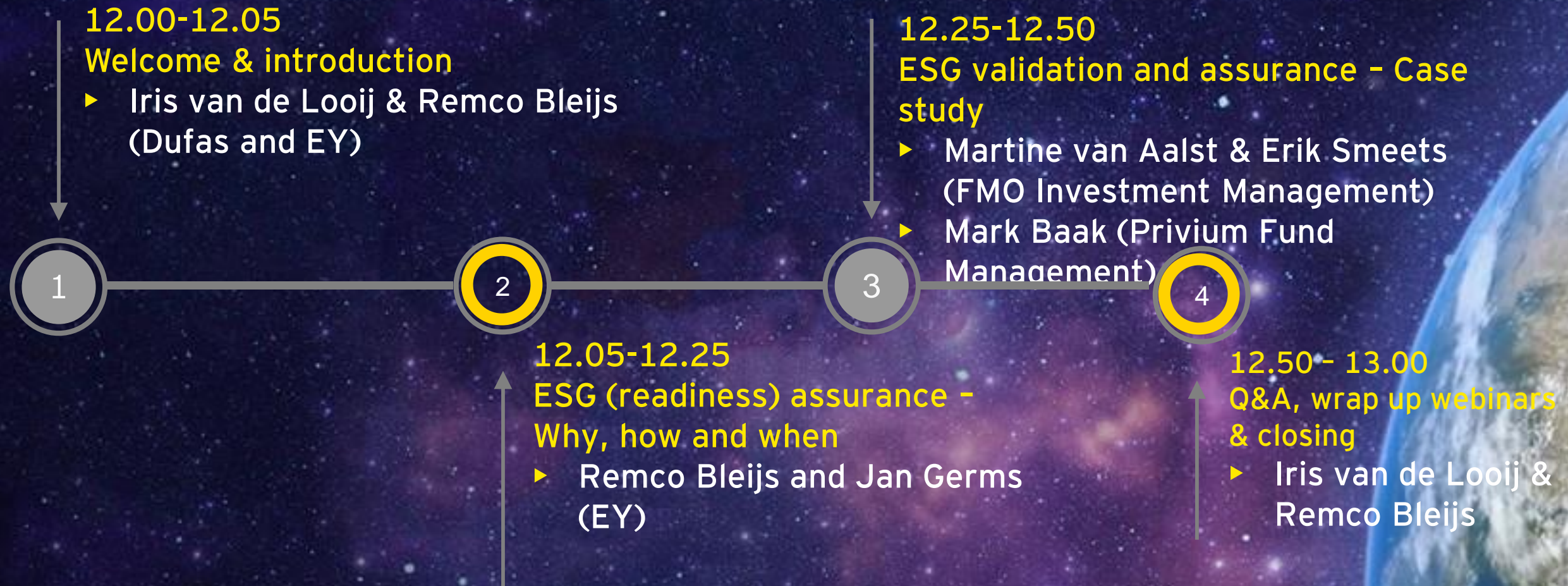
ESG reporting and ESG assurance

*How to prepare for ESG (data)
assurance and lessons learned*

Webinar part 3 (of 3)
September 23, 2020



Program webinar part 3 - 23 september 2020



1. Welcome & introduction

Iris (Dufas) & Remco (EY)



ESG reporting & assurance challenge

Joint EY/ DUFAS webinars 23 September

For: Executives, Sustainable experts, Legal and reporting professionals and Institutional sales of Asset Managers

Sign-up: annette.brandts@nl.ey.com
You will receive an invite with webex link

Wednesday 23 Sept, 12-13h

Validation of your ESG reports

- **ESG assurance** - *Remco Bleijs and Jan Germs, EY*
 - Why, when, what and how?
- **How we do it – Case study of FMO Investment management and Privium Fund Management** - *Martine van Aalst, Erik Smeets of FMO Investment management and Mark Baak of Privium Fund Management*

2. ESG (readiness) assurance – why, when, what and how

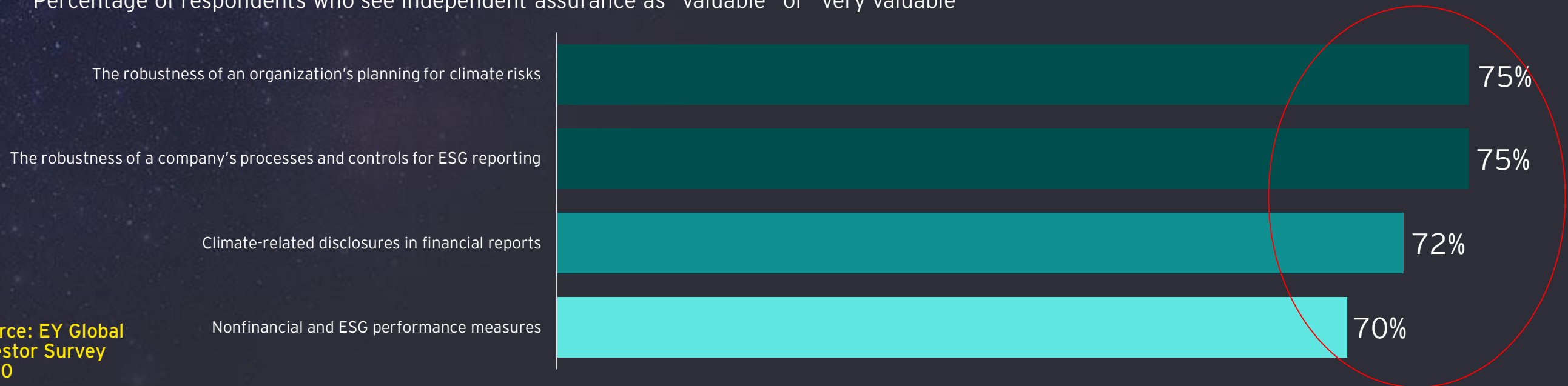
Remco Bleijs & Jan Germs (EY)

WHY? Investors say there is significant value in independent, third-party ESG assurance

- ▶ Strong ESG strategies and frameworks will likely be important for companies recovering from the economic impacts of the COVID-19 global health pandemic and demonstrating their resilience to thrive.
- ▶ For investors to understand the strength of a company's resilience, they should have insight into the ESG risks that companies face and how they intend to manage them:
 - ▶ Credible and trusted ESG disclosures are therefore important, and the research finds significant appetite among investors to build trust in the credibility of ESG disclosures through independent assurance.

From your perspective, how valuable is it to have a third-party firm provide independent assurance of the following data / information?

Percentage of respondents who see independent assurance as "valuable" or "very valuable"



Source: EY Global Investor Survey 2020

WHY is assurance needed?

to address key risks...including GREEN WASHING



Reputational

- Lack of consistency in defining **what constitutes 'green'** has led to increased scrutiny on firms marketed products as ESG aligned;
- Increasing pressure from **changing social expectations** to support the transition to a sustainable world
- Customer disengagement
- Shareholder activism



Financial

- Loan / trading book losses
- **Penalties / fines as a result of breaches**
- Litigation costs
- Competitive disadvantage and loss of market share
- **Physical and transition risks**
- **Regulatory Capital**



Regulatory

- **Increasing regulatory requirements and expectations (EU Sustainable Finance plan (Taxonomy, SFDR) / EU Green Bond Standards)**
- **Loss of competitive advantage** by not aligning to regulatory requirements and benchmarks
- **Conduct Risk**

....and increase transparency to support the flow of capital to green behaviour and green products

WHY? Importance and trends in ESG data validation and assurance

1. Non-financial information is increasingly being used in decision-making by stakeholders including investors
2. Risk reduction leading to a lower cost of capital
3. Balanced assurance level on financial and non-financial information
4. Scope and level of assurance influence rating on ESG benchmarks
5. In-depth assurance findings enable further enhancement of reporting reliability & maturity of disclosures
6. Accelerating change and differentiation with competitors



HOW? EY 5 step approach in ESG reporting and ESG assurance

ESG reporting and ESG assurance at financial institutions

The 5 step plan



Introduction

The world is facing major global challenges. These can be categorized into **Environmental** challenges taking into consideration climate change, loss of biodiversity and reduction of raw materials; **Social** challenges, addressing issues such as human rights violations and pandemics; and challenges with **Governance** matters such as money laundering, corruption and other ethical issues. Actors within financial institutions, such as **investors** and **financiers**, play crucial roles in helping to solve these "ESG" challenges. Together with stakeholders, financial institutions are increasingly making an important contribution to this topic.

Financial institutions are dealing with the ESG aspects of the "EU action plan on Sustainable Finance" of the European Commission. This leads to many obligations in the field of Sustainable Finance and ESG. Some of these are:

- The **EU Taxonomy** that will lead to a classification of economic activities of companies in sustainability categories. This should help investors assess how sustainable financial products are (1st alignment reporting mandatory on the situation as of December 31, 2021);
- The **EU Sustainable Finance Disclosure Regulation (SFDR)** which, among other things, leads to the mandatory publication of sustainability policy and information about integration of sustainability risks and information about sustainability of products (from March 10, 2021);
- Amendments to **UCITS**, **AIFMD** and **Mifid II** guidelines in the field of sustainability (expected application 2021/2022).

In the environmental field, the Dutch financial sector has further committed itself to comply with the **Dutch Climate Agreement**. This means that the financial institutions involved will report on the climate impact of loans and investments for the 2020 financial year. By 2022 at the latest, institutions will publish their action plans, disclosing their contribution to the reduction of CO₂ emissions. The above leads to more reporting and assurance issues.

ESG topics

The topics below play an important role with regard to ESG for financial institutions and their investments and financing activities:

Environmental (E)

- **Climate change:** How are climate risks evaluated for the business and are greenhouse gas reduction targets adequate?
- **Environmental impacts:** Are pollution controls sufficiently robust and e.g. biodiversity impacts mitigated? i.e. nitrogen issue, biodiversity.
- **Water scarcity:** Water is essential to all forms of life and various processes and is heavily impacted by current economic activities.
- **Resource scarcity/efficiency:** Does the issuer's resource management address the right risks?

Social (S)

- **Human / Labor Rights:** Are there breaches to international conventions and is there an effective human capital development strategy?
- **Health and safety / Vitality:** Does the issuer have effective rules in place in order to ensure health and safety? How does the firm look at employee vitality in the long term?
- **Supply chain:** Does the issuer have a comprehensive supplier management system in place and are the suppliers abiding by ESG standards?
- **Other topics:** The current Covid-19 pandemic shifts attention to topics such as resilience, vitality et cetera. The question of paying fair taxes in the countries where companies operate is another prevailing topic.

Governance (G)

- **Board governance:** Are governance structures robust and does the Board exercise effective oversight?
- **Business ethics:** Is there evidence of effective procedures and processes to mitigate business ethics risks (briber, corruption, etc.)?
- **Other ethical topics such as anti-money laundering and corruption:** Does the company have sufficient policies and practices in place against money-laundering, bribery and corruption?

Demand for ESG reporting and ESG assurance

The developments within the financial sector described above entail that, in addition to financial accountability, reporting on ESG information and performance is becoming more and more important. The increased interest from stakeholders for this type of information has led to an enormous increase in the demand for ESG reporting and ESG assurance.

We have designed a 5-step plan for ESG reporting and assurance for ESG information.

EY has developed a 5-step approach for ESG reporting and assurance over ESG information:



HOW? EY 5 step approach – step 5



5) Assurance

5A

Assurance readiness check

The reliability of internal reports increases enormously in value when assurance is provided.

1. The starting point can be to have an **independent assurance readiness assessment performed**, so that better insight is obtained into the **quality and verifiability of data systems, the KPIs and (external) reporting processes**.
2. This also offers the possibility to **critically review the chosen criteria for KPIs and to have the reliability of information pre-verified**.



KPI elements	KPI 1	
	After phase 1 and 2	After phase 3
KPI ownership		
Process design		
Process existence		
Internal controls framework		
IT application and controls		
Definition (suitable criteria)		
Sufficient and appropriate evidence and data availability		

5B

Assurance

When the data systems, KPIs and reporting processes are sufficiently in order, the reported information **can be verified by an external accountant**.

1. During an assurance engagement, points 1 to 4 from the brochure will be included in the assurance procedures. An assurance engagement is aimed at gathering evidence in order to **obtain assurance that the report does not contain any material inaccuracies and demonstrating the reliability of the reporting to stakeholders**.
2. The assurance engagement may be aimed at a **reasonable degree of assurance or a limited degree of assurance**.

HOW? ESG assurance related to standards / norm based

Trending



PCAF



TCFD



SDG's/
SDI's



GIIN/
IMP



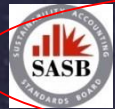
Reporting frameworks



Global Reporting Initiative



IR framework (IIRC)



Sustainability Accounting
Standards Board (SASB)

Law and regulation



EU-Directive for non-financial
information



EU Sustainable Finance Plan



Richtlijnen voor de
Jaarverslaggeving

Benchmarks



Transparency benchmark



Tax Transparency benchmark

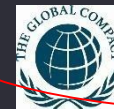


Dow Jones Sustainability
Index & other ESG indices

Guidelines



ISO 26000

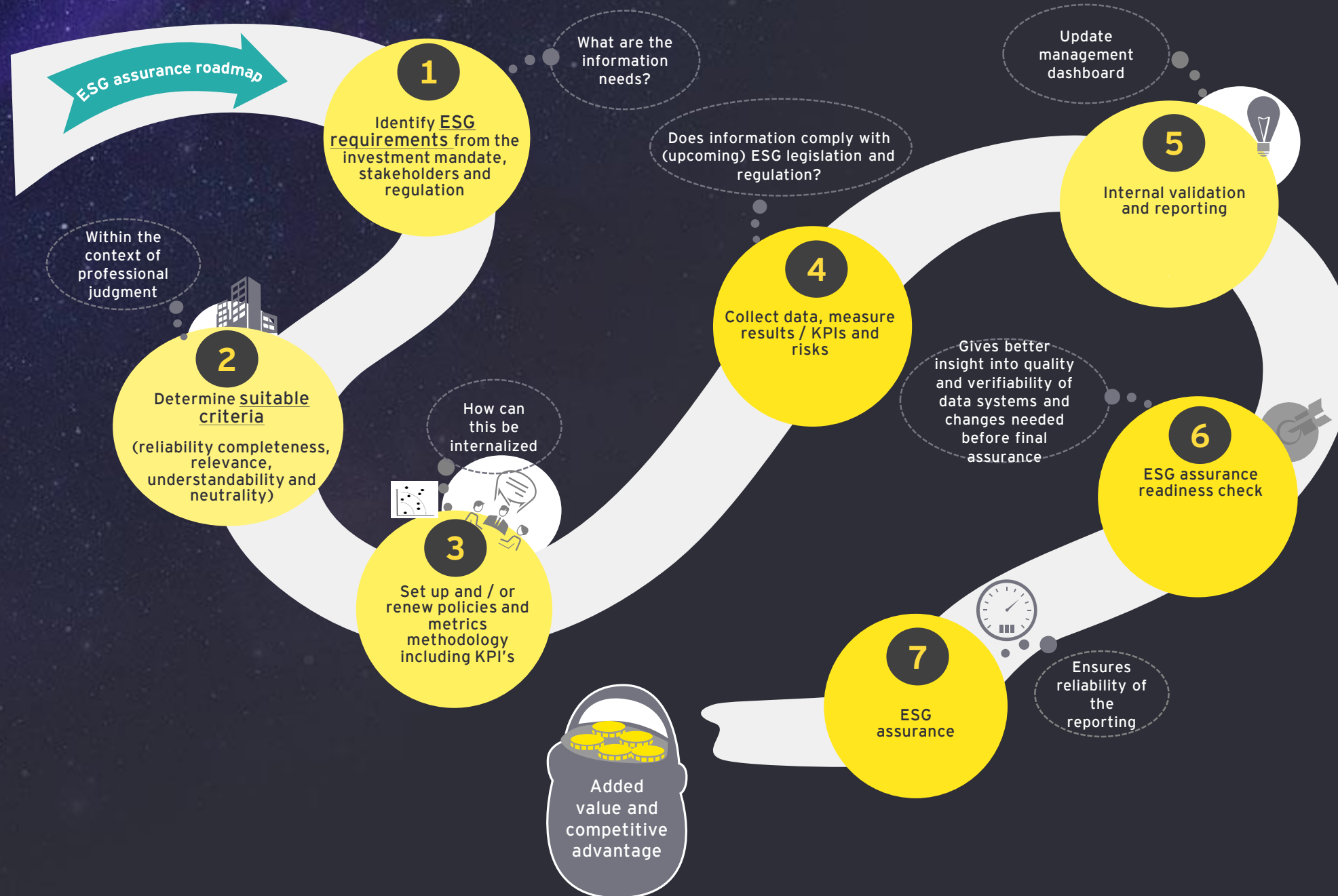


UN Global Compact



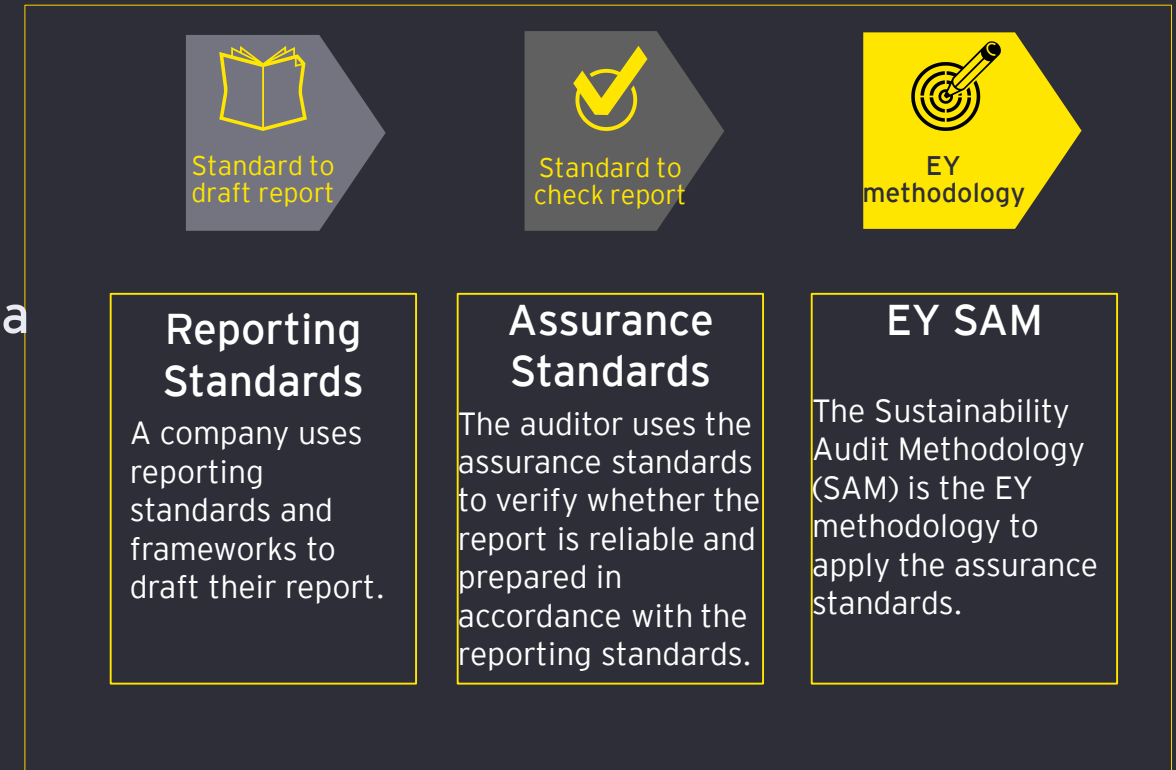
OECD guidelines

HOW AND WHEN? Good ESG assurance roadmap – *HOW to prepare as a client + pitfalls*



WHAT? Types of assurance standards on ESG info

1. **COS 3810N** (assurance on -integrated- societal reports / KPI's)
 - a) Responsible Investment/ESG reports
 - b) (Integrated) Reports with ESG aspects
 - c) ESG KPI's
2. **COS/ISAE3000** (assurance other than audit or review of financial info)
 - a) Green/social impact bonds based on agreed criteria
 - b) TCFD / climate reporting
 - c) EU Taxonomy/SFDR alignment
3. **COS/ISAE 3410** (assurance on emissions)
 - a) Carbon / CO₂ accounting
 - b) PCAF
4. **Other COS/ISAE or review procedures on ESG info**



WHAT? 2 flavors of assurance: Limited versus Reasonable

Limited Assurance	Reasonable Assurance
<p>Objective: to conclude that <i>nothing</i> came to the auditors attention that could lead to the conclusion that the ESG reporting is not materially misstated (negative assurance statement / review</p>	<p>Objective: to conclude that the ESG reporting is free from material misstatement (positive assurance statement)</p>
<p>Procedures: review / little emphasis on effectiveness of internal controls</p>	<p>Procedures: audit / emphasis on design and effectiveness of internal controls and extent of testing data dependent on auditors' risk assessment</p>
<p>Business value:</p> <ol style="list-style-type: none">1. Initial step in enhanced reporting reliability& maturity on sustainability disclosures.2. High-level management letter review findings.3. Keep in par with competitors.	<p>Business value:</p> <ol style="list-style-type: none">1. Balanced assurance level on financial and non-financial information.2. Scope and level of assurance influences rating on e.g. DJSI.3. More in-depth recommendations to enable further enhancement of reporting reliability & maturity of disclosures.4. Accelerating change and differentiation with competitors.

WHAT? 2 flavors of assurance: Limited versus Reasonable

Procedure	Limited Assurance	Reasonable Assurance
Information / data supplied by third parties	External information is deemed sufficient as long as the auditor can gain an understanding of the data and that there is a conflict of interest between third parties and the company.	External information is not deemed sufficient without actually establishing that the process of the supplier data is reliable. There needs to be a conflict of interest regarding the data delivered, i.e. a monetary incentive is present to deliver accurate data (for example a payment structure based on relevant activity).
IT environment	Gain an understanding of the relevant IT processes and perform procedures aimed at assessing the plausibility of the information derived from IT systems.	Gain an understanding of the IT systems, test the IT General controls and the relevant IT-dependent manual and application controls relating to the reported data which is derived from IT systems.
Estimates and assumptions	The auditor shall evaluate whether the company has appropriately applied the requirements of the applicable criteria relevant to estimates and whether the methods for making estimates are appropriate and have been applied consistently and, if any, in changes in reported estimates or in the method for making them from the prior period are appropriate in the circumstances.	<p>In addition to the procedures for a limited assurance engagement, one or more of the following procedures:</p> <ul style="list-style-type: none">(a) Test how the entity made the estimate and the data on which it is based.(b) Test the operating effectiveness of the controls over how the entity made the estimate, together with other appropriate procedures.(c) Develop a point estimate or a range to evaluate the estimate.(d) Perform back-testing procedures to establish the reliability of the estimate in prior year.
Internal audit	Not necessary for achieving limited assurance, but will save time and costs of external auditor when they can rely on work performed by IA.	Reliance on internal audit procedures is highly recommended for performance of an effective and efficient reasonable assurance engagement.

3. ESG validation and assurance – Case study

- ▶ Martine van Aalst & Erik Smeets (FMO Investment management)
- ▶ Mark Baak (Privium Fund Management)

A ROAD TO IMPACT

Measurement & Reporting





We contribute to SDG 8, decent work and growth, by:

- Supporting economic growth and jobs in our markets
- Ensuring working conditions at clients are decent
- Steered through volume and catalyzing, sector and geographic allocation, instead of a label



We contribute to SDG 10, reduced inequalities, by:

- Investing in the very poorest countries
- Investing in inclusive businesses

REDUCING INEQUALITIES LABEL

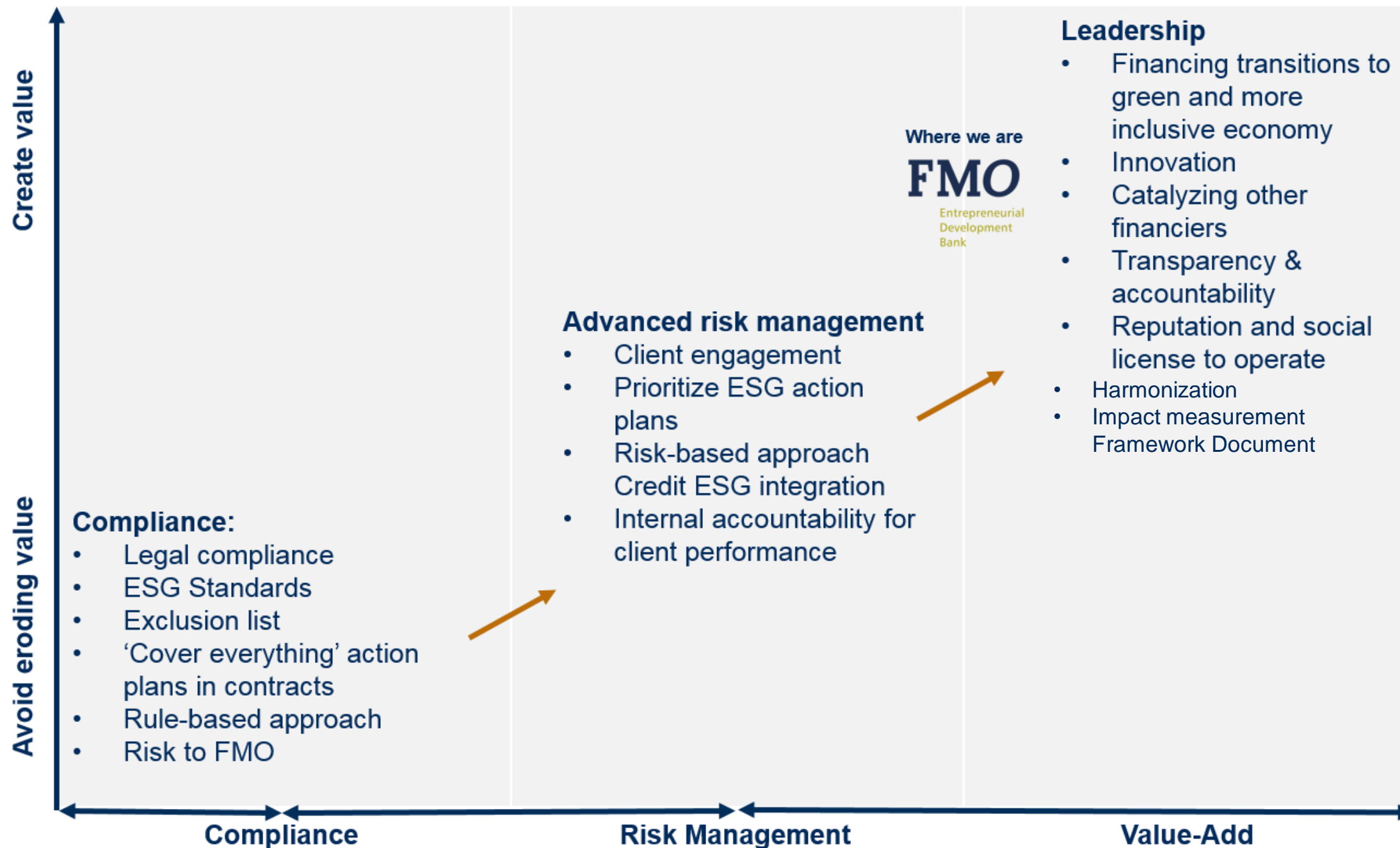


We contribute to SDG 13, climate action, by:

- Targeting GHG avoidance
- Investing in climate mitigation and adaptation

GREEN LABEL





A photograph of three women in a tea plantation. The woman in the foreground is smiling and wearing a colorful checkered shirt and a patterned shawl. She has a basket on her back. Two other women are visible in the background, also working in the tea field. The background shows a lush green landscape with hills and a body of water.

FMO Privium
**IMPACT
FUND**

FMO Privium Impact Fund

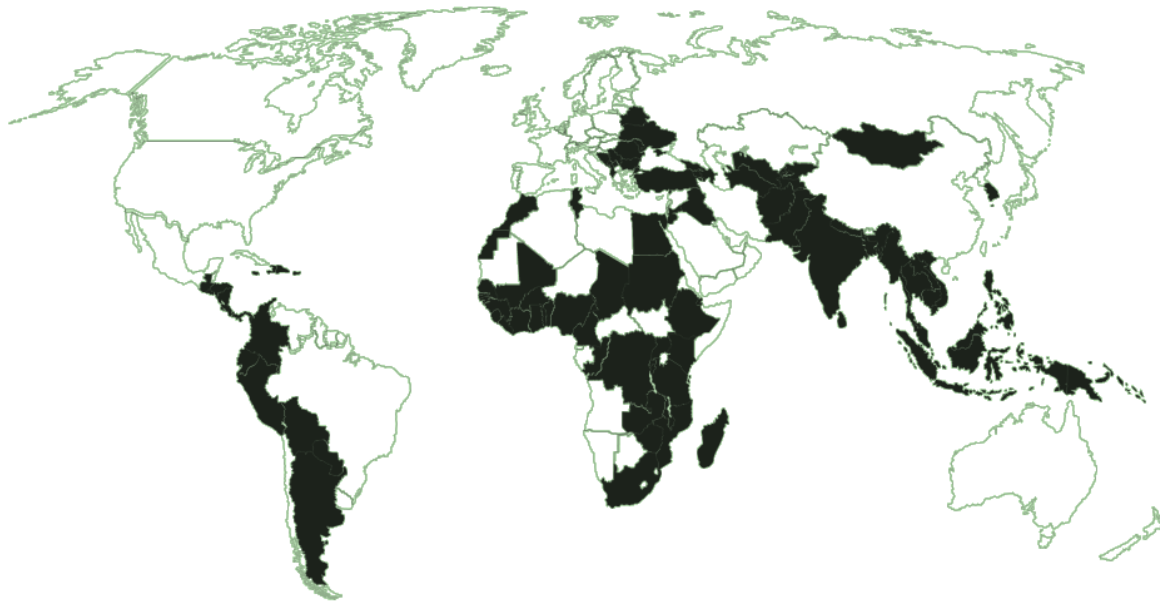
Invest for impact & return

Don't take any
unnecessary risks.

Read the Key Investor
Information Document.

THIS IS A MANDATORY ANNOUNCEMENT

- ✓ - Co-financing with FMO
- ✓ - Diversification across 3 sectors and 4 regions
- ✓ - USD / EUR denominated loans
- ✓ - Senior loans – amortizing with floating interest mostly



Financial Institutions



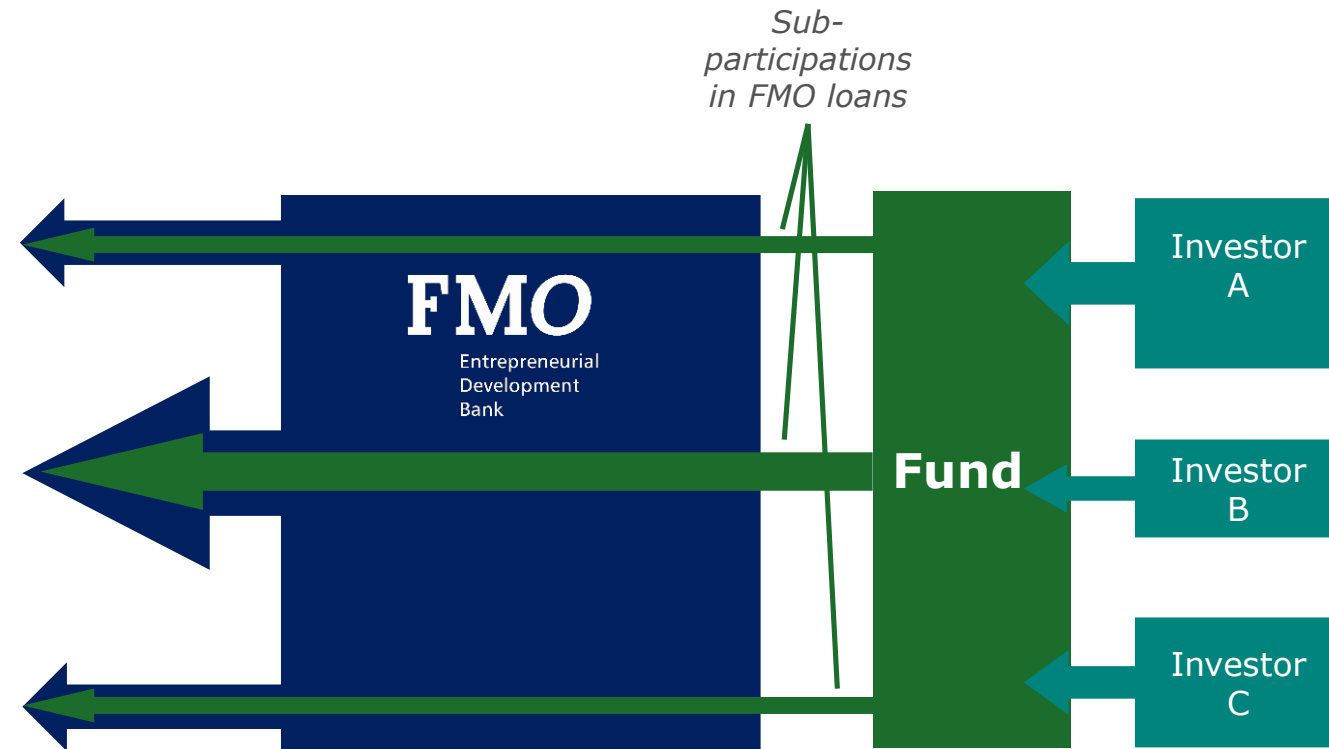
Agribusiness, Food & Water



Renewable Energy



Fund flow



Co-investing with FMO through fund structures is easy

How we reported: cumulative

Quarterly Report



Fondsontwikkelingen

Gedurende de maand september hebben we weer een nieuwe investering mogen toevoegen aan het fonds.

Dit keer betreft het een participatie van USD 3 miljoen in een lening aan Banco Promerica S.A. in El Salvador. Banco Promerica El Salvador is een dochter binnen de grotere Promerica Group die actief is in maar liefst negen landen in Midden-Amerika. De lening, met een totale waarde van USD 20 miljoen, heeft een dual oomgork voor financiering van zowel midden- en kleinbedrijven als groene financieringen zoals investeringen in duurzame energiesystemen. Dit is alweer de vierde financiering met dergelijke strategisch oogmerk voor een dochteronderneming van de Promerica Group.

De Banco Promerica S.A. in El Salvador werd in 1996 opgericht en is een middelgrote financiële instelling. Het behoort tot de grotere en snelst groeiende financiële instellingen van El Salvador met 55 servicepunten verspreid over het land.

Hoewel het een lening betreft in een reeds goed vertegenwoordigd deel van de portefeuille, namelijk de financiële sector in Latijns Amerika, is het risico-, rendements- en impactprofiel van deze lening dusdanig aantrekkelijk dat er door de Investment Committee is besloten de beschikbare middelen van het fonds in deze lening te investeren. Volledigheidshalve is het goed te melden dat dit pas de tweede investering is in El Salvador.

Overzicht

Fondsnaam (NAV) in USD

Aantal participaties in uitstaande leningen

Gemiddelde uitstaande bedrag per participatie (in USD)

Gemiddelde looptijd van de leningen in jaren

Gemiddelde rente marge van de portefeuille (bps)

Aantal landen

Totale aantal participaties sinds de start van het fonds

Uitstaand bedrag in FMO leningen

Voortleeningen op uitstaande leningen

Percentage van uitstaande leningen in USD

Rendement (inclusief dividend waar van toepassing)

Klasse FX Waarde per participatie Maand rendement Jaar tot heden 12 maanden Vanaf de start

A USD 113,14 -0,02% 3,22% 4,01% 13,14%

B EUR 99,16 -0,26% 0,90% 0,92% 5,20%

F EUR 103,96 -0,26% 0,90% 0,93% 3,96%

I-A EUR 100,65 -0,27% 0,82% 0,82% 0,85%

I-D EUR 98,64 -0,27% 0,82% 0,81% 0,84%

U-A USD 102,18 -0,04% 2,18% n.v.t. 2,18%

U-I USD 101,15 -0,04% 2,17% n.v.t. 2,17%

Maandbrief september 2019

Run-of-the-river in Ecuador

Dit kwartaal brengen we de investering in Hidronorm S.A. onder de aandacht. Dit type 'run-of-the-river' du energiecentrale zit in de portefeuille sinds januari 2016. Het is een prima voorbeeld van een relatief kleine installatie met minimale impact op zijn omgeving, waartop, zowel de projectontwikkelaar als de lokale gemeenschap, tevreden zijn met de behaalde resultaten. Hidronorm is een gemeenschapsgedreven project dat tot lagere kosten van stroomvoorziening zal bijdragen aan de algehele ontwikkeling van het land (en wellicht helpen om onrusten als de huidige, die andere het gevolg zijn van bezuinigingen op energie te verminderen).

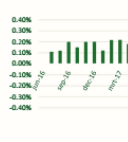
Overzicht van de portefeuille

Historische waardeontwikkeling

B klasse (EUR) - inclusief dividend



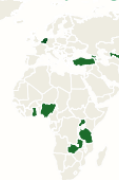
Maandelijkse Rendementen



Top 5 landen



Landenspreiding



Regio



Sector



Credit rating



10 grootste investeringen

Naam bedrijf	Sector	Land
1. Hidronormandia	Duurzame energie	Ecuador
2. Tiryaki	Landbouw	Turkije
3. Irrawaddy Towers Asset Holding PTE	Telecom-infrastructuur	Myanmar
4. INT Towers Ltd - Nigeria	Telecom-infrastructuur	Nigeria
5. IHS Rwanda Ltd	Telecom-infrastructuur	Rwanda
6. Ameria Bank	Financiële dienstverlening	Armenie
7. Amret Company Ltd	Landbouw	Cambodja
8. BAC San Jose	Financiële dienstverlening	Costa Rica
9. Banco Bolivariano	Financiële dienstverlening	Ecuador
10. TBC Bank	Financiële dienstverlening	Georgië

*Credit rating is gebaseerd op FMO's - door Moody's gevalideerde - methodologie.

Impactrapportage

Cijfers bijgewerkt tot en met Q2 2018

Als investeerder in het FMO Privium Impact Fund belegt u zowel voor rendement als voor een positieve impact die bijdraagt aan de duurzame ontwikkelingsdoelen. Deze impactcijfers worden door FMO berekend aan de hand van haar uitgebreide impactmodel¹ dat o.a. gebruik maakt van diverse (inter)nationale databases meestal in combinatie met financiële gegevens van het onderliggende project of bedrijf. De impactcijfers zijn een verwachting en worden berekend ten tijde van contractering door FMO. Voor het fonds wordt alleen over het fondsdeel aan u gerapporteerd. De onderstaande cijfers zijn cumulatief en daarmee over de gehele looptijd van het fonds berekend. Zo ziet u wat de totale impact van het fonds is.

¹ Voor een uitgebreidere toelichting op het impactmodel en de indicatoren kunt u terecht op de website van FMO: www.fmo.nl/impact/how-we-measure-impact



14.715 Aantal ondersteunde banen

Deze indicator bestaat uit twee componenten. Deel één zijn het aantal medewerkers in "fulltime equivalent" werkzaam bij het bedrijf, een cijfer dat relatief eenvoudig te achterhalen is op basis van jaarverlagen. Het tweede deel zijn de indirecte banen. Dit betreft een schatting waarvoor FMO in samenwerking met een gerenommeerde consultant het FMO Impact Model heeft ontwikkeld. Dit is een input-output model waarin de verwachte invloed van de investering in de keten wordt gemodelleerd. Tenzamen vormen deze factoren de uitkomst voor het aantal ondersteunde banen.



9.705 Vermeden CO₂ uitstoot

De vermeden CO₂ uitstoot wordt berekend als de verwachte CO₂ emissies van het bedrijf of project afgezet tegen het meest waarschijnlijke alternatief. De benodigde data is afkomstig uit onafhankelijk geleverde documentatie.



572 Aantal bereikte MKBs

Het aantal MKBs wordt berekend bij investeringen in de financiële sector. Hiervoor wordt het aantal uitstaande MKB-leningen per jaareinde gebruikt. Dat is overigens niet perse hetzelfde als het aantal bereikte MKBs. Een klant zou meerdere kleine leningen kunnen hebben en daarmee boven de MKB-norm kunnen komen. Het is tevens een momentopname van het aantal uitstaande MKB-leningen op het moment van participatie door het fonds, geen som van het aantal leningen gefinancierd gedurende de looptijd van de investering.



22,48 Elektriciteitsproductie in GWh

De energieproductie is verbonden aan projecten in de energiesector. Voor het FMO Privium Impact Fund geldt dat het uitsluitend gaat om duurzame vormen van energieopwekking. De opgewekte en geleverde elektriciteit laat zich uitdrukken in GWh (Gigawatt per uur) per jaar. Het hier gerapporteerde cijfer representeert de geleverde jaarproductie gebaseerd op de periode van het laatste financiële jaar per project. Wanneer projecten in portefeuille nog in aanbouw zijn, ziet u een cursief gedrukt tweede getal dat de verwachte jaarproductie weergeeft.



30.266 Het aantal bereikte personen

Het aantal mensen dat bereikt wordt is bij benadering bepaald door de (verwachte) elektriciteitsproductie van het project te delen door het gemiddelde elektriciteitsverbruik per hoofd van de bevolking met een elektriciteitsaansluiting in het betreffende land. De energieprojecten waarin het fonds investeert, leveren elektriciteit in principe aan het net. Het is daardoor niet mogelijk om een exact aantal te tellen. Het is een benadering van het aantal personen dat volledig bediend zou kunnen worden.

Annual Report

Key Figures

Totals for the Fund		2019	2018	2017	2016
Net Asset Value at 31 December	USD	156,575,599	130,883,698	76,342,756	44,296,69
Number of outstanding units at 31 December		1,410,025.719	1,163,926.97	656,701.20	426,100.00
Investment result					
Direct result	USD	7,389,470	5,623,079	8,002,912	-911,262
Revaluation	USD	-5,814,769	-5,094,980	-3,169	73,693
Costs	USD	-1,854,401	-1,567,968	-986,904	-305,993
Total investment result for the period	USD	-279,700	-1,039,869	7,012,839	-1,143,562

Investment result per unit²

Direct result	USD	5.24	4.83	12.19	-2.14
Revaluation	USD	-4.12	-4.38	-0.01	0.17
Costs	USD	-1.31	-1.34	-1.5	-0.71
Total investment result per unit	USD	-0.20	-0.89	10.68	-2.68

Total for the Fund – Impact

Number of jobs supported	27,198	22,953	12,324	6,705
Greenhouse gas avoided (tCO ₂ eq)	20,600	16,040	8,855	1,320
Number of SME loans	1,548	707	457	293
GWh electricity produced per annum	50.77	41.36	16.31	8.24
People served	64,171	41,946	17,522	8,057

General overview at 31 December

Number of loans on the portfolio	70	56	32	18
Average exposure per loan (in USD)	1,909,292	2,247,459	2,104,475	2,243,401
Average maturity of the loans (years)	5.41	5.75	8.02	7.68
Average interest margin of the portfolio (bps)	485	486	480	515
Number of countries	31	26	21	15
Total number of loans in the portfolio, since launch	75	59	33	18
Total exposure in FMO loans	143,196,905	117,660,765	68,160,424	39,360,043
Total provision on the loans in the portfolio	4,250,000	1,250,000	n/a	n/a
Percentage of loans in the portfolio, denominated in USD	100%	100%	100%	100%

1: The results cover the period from commencement of operations of the Fund at 20 June 2016 through 31 December 2016.

2: The result per unit is calculated using the total number of outstanding unit as per the end of the period.

5

How we report now: portfolio status

Quarterly Report



Fund developments

During the second quarter of 2020 no new investments were made. It is in this quarter that the pandemic spread even further also to many countries the coronavirus had not reached before. Looking at the latest trend analysis we see that Latin-America, South-Asia and Africa are still moving on an upward trend in confirmed cases. While lockdown measures are being eased in many emerging markets, this upward trend will mostly likely continue into the near future.

On to the Fund's portfolio: So far, no clients have experienced immediate liquidity shortage or other issues due to the COVID-19 pandemic. As the current environment is highly uncertain, quantifying risk or making a reliable forecast remains difficult.

We have had to take a provision unrelated to COVID-19. In this case the 15% provision captures the inability of an energy project in Africa to fulfil its payment obligations as its primary client (a government entity) has not been honoring its obligations. Of course, steps are being taken towards a solution, but as this is taking longer than anticipated, a provision needed to be taken.

New impact reporting

The world of impact measurement and reporting is very much a world in constant development. At FMO, much is being done to improve and align methodologies among peers and others.

Overview

Fund Net Asset Value (NAV) in USD

Number of loans on the portfolio

Average exposure per loan (in USD)

Average maturity of the loans (years)

Average interest margin of the portfolio (bps)

Number of countries

Total number of loans in the portfolio, since launch

Total exposure in FMO loans

Total provision on the loans in the portfolio

Percentage of loans in the portfolio denominated in USD

Return (including dividend payments, where applicable)

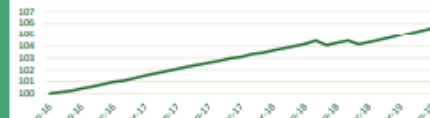
Class	FX	NAV per participation	Monthly return	Year to date return	12 month return	Return since inception	Average yearly return
A	USD	111.36	0.05%	0.05%	0.54%	13.26%	3.02%
B - A	EUR	98.40	-0.05%	-0.06%	N/A	-1.60%	N/A
B - D	EUR	95.82	-0.05%	-0.06%	-1.74%	3.82%	0.94%
F	EUR	102.48	-0.05%	-0.06%	-1.77%	2.48%	0.74%
I - A	EUR	99.10	-0.06%	-0.04%	-1.91%	-0.90%	-0.47%
I - D	EUR	95.19	-0.06%	-0.04%	-1.89%	-0.80%	-0.45%
U - A	USD	102.09	0.03%	-0.08%	0.29%	2.09%	1.56%
U - D	USD	99.06	0.03%	-0.08%	0.30%	2.09%	1.57%

Quarterly update, Q2 2020

Portfolio overview

Historical financial performance

8 class (EUR) - including dividends



Top 5 countries



Region



10 largest investments

Company name	Sector	Land
1 Access Bank Plc	Financial Services	Nigeria
2 ECOM	Agri-Business	Global
3 Fedecredito	Financial Services	El Salvador
4 Monobank	Financial Services	Uzbekistan
5 Kac Bank	Financial Services	Georgia
6 TBC Bank	Financial Services	Tanzania
7 Ecom Bank Tanzania Limited	Financial Services	Tanzania
8 Zephyr Power	Renewable Energy	Pakistan
9 Tiryaki	Agri-Business	Turkey
10 OFCU Bank	Financial Services	Uganda

*Credit rating is based on FMO's methodology, which has been validated by Moody's.

Impact report

Below is an overview of the contribution the current Fund portfolio is expected to make with the current portfolio. The results are always calculated by taking into account the ratio between the funding from the FMO Privium Impact Fund and the total value of the company or project. Only the share attributable to the Fund is reported. For a more detailed description we refer to the website of FMO unless otherwise stated.

www.fmo.nl/impact/home-impact-overview-impact



100%

Private business activity, investment and innovation are major drivers of productivity. Include economic growth and job creation. SDG 8 calls for promoting economic growth that is a) sustained, b) inclusive and c) sustainable, and employment that is a) full, b) productive and c) decent. All investments in our portfolio are considered to contribute to SDG 8. Impact is measured e.g. via the jobs supported indicator as stated below.



39.0%

Investments which contribute to SDG 10 have received a Reducing Inequalities label. This label is applied via two tracks: 1) financing inclusive business that reduce inequalities within countries (e.g. investments made specifically in support of gender equality or smallholders) by expanding access to goods, services and/or increase livelihood opportunities on a commercially viable basis to people at the Base of the Pyramid by making them part of the companies' value chain of suppliers, distributors, retailers or customers; and 2) all investments made in low income countries.



30.0%

Investments which receive a Green label contribute positively towards SDG 13. This includes finance to projects that reduce greenhouse gas emissions, increase resource efficiency, preserve and grow natural capital, support climate mitigation and climate adaptation. Impact data is presented as avoided GHG emissions in eq of tons CO₂ and emissions scope 3.



49,850

Number of Supported Jobs

This indicator comprises two components:

- 1) The number of employees (FTEs) working at the company - a figure that's relatively easy to come by via the annual reports;
- 2) Indirect jobs created - this is based on an estimate based on the outcome of FMO's Joint Impact Model (JIM).

This is an input-output model in which the estimated impact of the investment on the chain is modelled. Together, these components form the outcome of the number of jobs supported.



172,071

Avoided CO₂ emissions

The greenhouse gas emissions avoided are calculated as the company's or project's anticipated CO₂ emissions compared against the most likely alternative. The required data is taken from independently verified documentation and is calculated as tons of CO₂ equivalents per year.

Scope 3: financed emissions

This number indicates the green house gas emissions equivalent of tCO₂ measured for all investments in our portfolio according to the methodologies of the Partnership for Carbon Accounting Financials (PCAF).

538,119

(Semi) Annual Report

Key figures

Total for the Fund	30-06-2020	2019	2018
Net Asset Value at reporting date	USD 156,727,505	156,575,599	130,883,698
Number of outstanding units at reporting date	1,421,081.171	1,410,025.717	1,163,926.969
Investment result			
Direct result	USD 896,941	7,389,470	5,623,079
Revaluation	USD 1,188,454	-5,814,769	-5,094,980
Costs	USD -3,031,859	-1,854,401	-1,567,968
Total investment result for the period	USD -946,464	-279,700	-1,039,869

Investment result per unit ¹	30-06-2020	2019	2018
Direct result	USD 0.63	5.24	4.83
Revaluation	USD 0.84	-4.12	-4.38
Costs	USD -2.13	-1.31	-1.34
Total investment result per unit	USD -0.67	-0.20	-0.89

Total for the Fund - Impact	30-06-2020	2019	2018
Number of jobs supported	49,850	n/a	n/a
Greenhouse gas avoided (tCO ₂ eq)	172,071	n/a	n/a
Financed emission	538,119	n/a	n/a

General overview at reporting date	30-06-2020	2019	2018
Number of loans on the portfolio	72	70	56
Average exposure per loan (in USD)	1,965,403	1,909,292	2,247,459
Average maturity of the loans (years)	5.10	5.41	5.75
Average interest margin of the portfolio (bps)	474	485	486
Number of countries	31	31	26
Total number of loans in the portfolio, since launch	81	75	59
Total exposure in FMO loans	141,509,049	143,196,905	117,660,765
Total provision on the loans in the portfolio	8,737,830	4,250,000	1,250,000
Percentage of loans in the portfolio, denominated in USD	100%	100%	100%

¹ The result per unit is calculated using the total number of outstanding unit as per the end of the period.

Lessons learned from assurance procedures on our impact figures in our annual report

Development impact indicators

The Fund Manager reports on a quarterly and annual basis on the impact development of the Fund on the basis of its five impact indicators. Two of these indicators – “number of jobs supported” and “greenhouse gas emissions avoided” – are indicators which FMO also uses in its audited financial statements for impact reporting on its portfolio. The other three indicators – “number of SMEs financed”, “Gigawatt-hours of energy generated” and “Equivalent number of people served via power generation” – serve to further illustrate the development goals and impact of the Fund.

The values of the impact indicators are the outcome of calculations from FMO's impact model – a model that FMO specifically developed (together with consultant Steward Redqueen) to implement its strategy to become the leading impact investor in 2020. The model is designed to paint a picture as accurately as possible of the expected impact; its calculation makes use of macro-economic and greenhouse gas databases. This allows the model to look beyond the impact at the level of the direct underlying investment; it also looks at the impact through the local value chain. The results are always calculated by taking into account the ratio between the funding from the FMO Primum Impact Fund and the total value of the company or project. Only the share attributable to the Fund is reported. To enable you as an investor in the FMO Primum Impact Fund to interpret the impact figures, there is a short explanation of each indicator below. The overview below also reports the impact attributed to all new investments made by the Fund year on year on a cumulative basis towards its five impact indicators. Certain indicators may be (partially) based on projections and expectations. We do not decrease the impact figures because of (early) repayment of a loan as the impact is expected to remain in place and remains (partially) attributable to the Fund's investments.

Since the second half of 2017 we started experimenting with calculating the expected impact per million USD invested in relevant sectors. The purpose was to create further insight into which investments were expected to achieve more impact per million USD invested than others. As this calculation was intended to support us in our search for investments that combine risk, return and impact in the best way, creating the impact where it matters most, we intended to use the figure in the decision-making process. In practice though, comparing the expected impact per million USD was usually not that simple and more like comparing apples to oranges. We have found that we have often taken a more comprehensive look at comparing potential investments and slowly but surely abandoned this practice of using the impact per invested USD million as a metric. As the effect on the decision-making process is in practice absent, we will no longer show a figure per invested USD million. This obviously does not mean that we do not consider the impact for each and for every potential investment.

Number of jobs supported

This indicator comprises two components: 1) The number of employees (FTEs) working at the company – a figure that is relatively easy to come by via the annual reports; 2) Indirect jobs created – this is based on the outcome of FMO's Impact Model. This is an input-output model in which the expected impact of the investment on the chain is modelled. Together, these components form the outcome of the number of jobs supported.

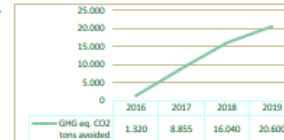
Applicable sectors: Financial Institutions, Renewable Energy, Agribusiness, Telecom Infrastructure



Greenhouse gas emissions avoided

The greenhouse gas emissions avoided are calculated as the company's or project's anticipated CO₂ emissions compared against the most likely alternative. The required data is taken from independently verified documentation and is calculated as tons of CO₂ equivalents per year.

Applicable sectors: Financial Institutions (e.g. when a green line is provided), Renewable Energy



For more information on the impact model and methodologies visit [www.fmo.nl/impact](#)

Greenhouse Gas (GHG, measured in CO₂ equivalent) is the most frequently used environmental sustainability indicator, which has a global reporting standard [GHG Protocol](#).



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Number of SME loans

This number is measured for investments in the financial sector, by taking the number of outstanding SME loans at year end. This is not per se the same as the number of SMEs reached – a client could have multiple loans, but has proven to be a reliable proxy. It is a snapshot of the number of outstanding SME loans, not a sum of the number of loans funded during the term of the investment. Loans are considered an SME loan if the outstanding value lies between USD 10,000 and USD 1,000,000.

Applicable sector: Financial Institutions

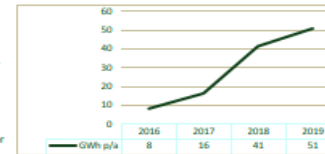


GWh electricity produced

Energy production in the case of the FMO Primum Impact Fund only relates to renewable forms of energy. The electricity generated and supplied is expressed in GWh (Gigawatt hours) per year. A project has a certain amount of Wattage installed and therewith a maximum capacity. This is not the same as the reported figure as a project will never be able to use its installed capacity to 100% of its potential due to internal and external circumstances. This applies to any form of energy project, be it renewable or not. The figure reported here represents the actual annual production of electricity, based on the period of the last financial year per project.

So far there are no projects in the portfolio that are still under construction.

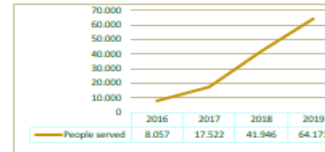
Applicable sector: Renewable Energy



People served

The number of people served via power generation projects is estimated by dividing the annual amount of electric energy delivered to off takers during the reporting period by the power consumption per connected capita. The power consumption per connected capita is calculated as the electric power consumption per capita divided by the electrification rate (source: World Bank / IEA data).

Applicable sector: Renewable Energy



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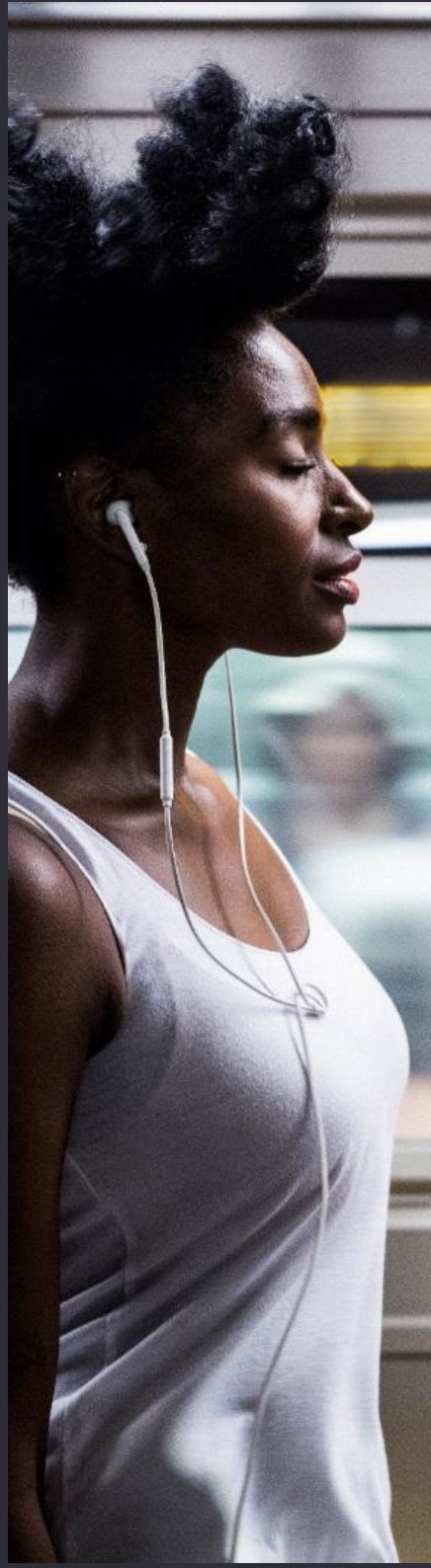
4. Q&A, wrap up webinars and closing

Iris & Remco

Call for action based on our 3 ESG webinars / key takeaways

1. Start today with the impact assessment of EU Sustainable Finance plan (SFDR, EU Taxonomy + Mifid II/AIFMD/Ucits) – see also AFM letter July 3, 2020
2. Apply the 5 step approach for ESG reporting and ESG assurance
3. Be patient for the upcoming harmonization of ESG / NFI reporting standards and start now/continue your journey. Many good examples available
4. Prepare for ESG assurance: 50 shades of Green versus 2 flavors of assurance
5. Be aware and careful for Greenwashing

Happy to support!



Thanks for joining!

Dufas and EY