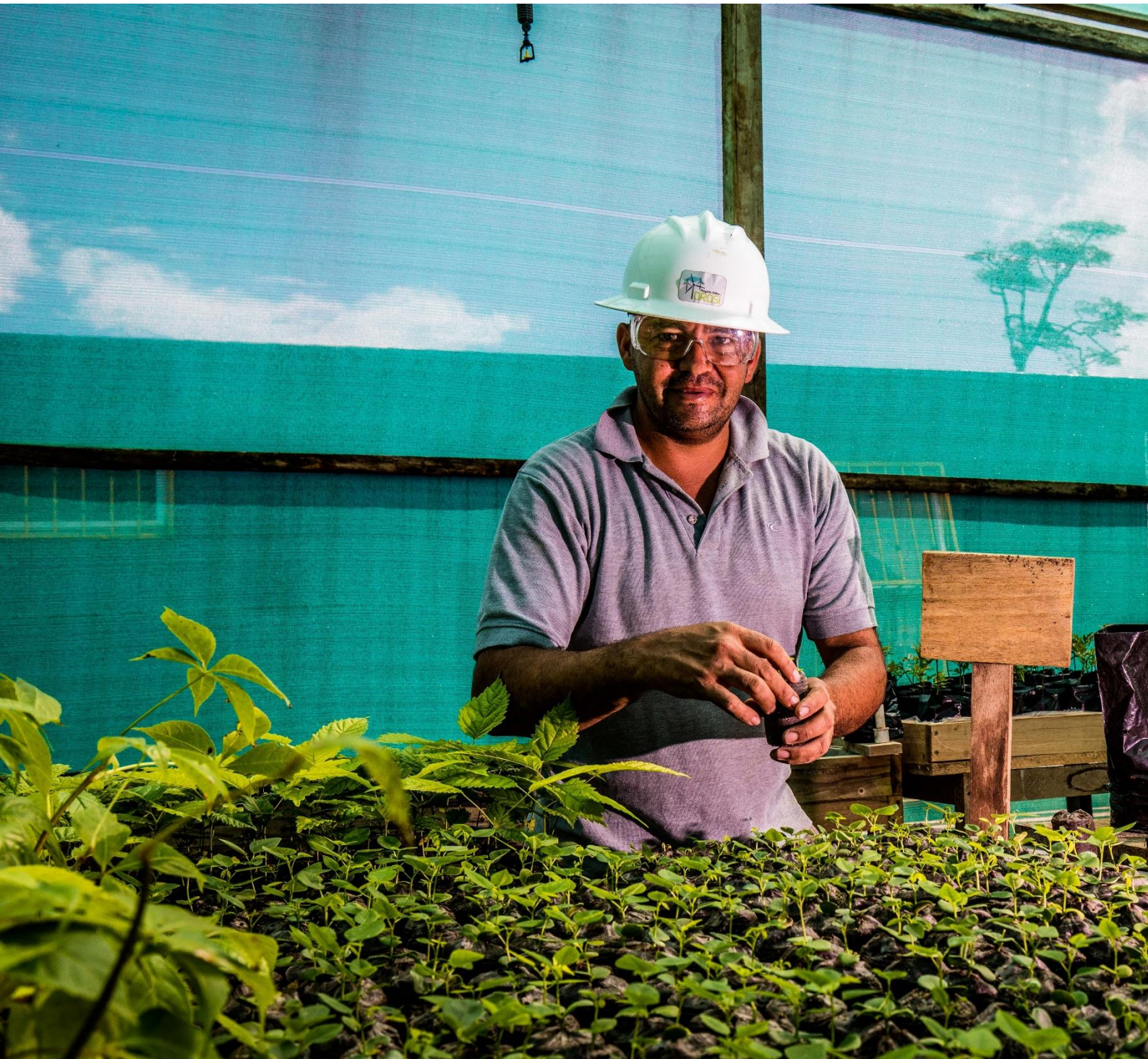
FMO
Entrepreneurial
Development
Bank

FMO’s Green Methodology 2024



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1. INTRODUCTION

Since 1970 we have been a driving force behind investments empowering local entrepreneurs in emerging markets. We believe in a world in which, in 2050, more than 9 billion people live well and within planetary boundaries. We invest with the aim of enhancing local prosperity in emerging markets. And take risks that the commercial banking sector is not willing to take. We focus on the private sector in the following three sectors: Energy, Financial Institutions and Agribusiness, Food & Water. Through our investments in these industries, we empower entrepreneurs to build a better world.

1.1 Our strategy

In 2017, we launched our renewed strategy as part of our endeavors to contribute to a world in which, in 2050, more than 9 billion people live well and within planetary boundaries. Through our 2030 strategy, we aim to maximize our contribution towards the SDGs and to work closely with our partners to achieve this. Through our financing and investments, we enhance our and others' impact and can contribute to a sustainable society on a live-able planet. We support the 17 United Nations Sustainable Development Goals (SDGs) and aim to contribute to their achievement through our mission and activities. In doing so, we focus on three key SDGs: creating decent work and economic growth (SDG 8), reduced inequalities (SDG 10) and taking climate action (SDG 13). For climate action, FMO's ambition is to have an investment portfolio which is aligned with a 1.5° pathway. One way to support this ambition is to grow our "Green" portfolio, which is aimed at reducing greenhouse gas emissions, increasing resource efficiency, preserving and growing natural capital, and supporting climate adaptation. The current "Green methodology" document describes our Green criteria (Chapter 2), eligible investments (Chapter 3) and our internal green label process (Chapter 4). The annex provides a long list of eligible activities and a comparison of our methodology with other Green Taxonomies.

This document describes FMO's Green Methodology applied throughout 2024 and should be read with the Annual Report 2024.

1.2 Green principles

FMO's Green Definition is based on the existing common Principles of Climate Mitigation as defined in the Multilateral Development Banks (IDFC-MDB) report for Climate Finance Tracking. All green-labelled investments should meet FMO's Green Principles, detailed below.

Principle 1: Green-labelled investments contribute to a genuine improvement.

Principle 1 is respected if:

- The improvement goes beyond the local regulatory requirements ("a genuine improvement").
- The improvement is unrelated to local resources stress.
- The improvement is sustainable throughout the value chain of an industry or a business.

Principle 2: Green-labelled investments should not contribute to a long-term lock-in of high carbon infrastructure.

1.3 Scope

The **ex-ante** Green-labelled investments are one of FMO's key performance indicators and disclosed in the (semi-) Annual Report.

The volume of Green-labelled total new investments includes a decrease or increase in an existing commitment for an existing client, a new commitment for an existing client, or a new commitment for a new client.

The volume of Green-labelled new investments includes investments from FMO's own books, funds made available by public parties and direct mobilized funds.

Direct mobilized funds are amounts committed by third parties that are demonstrably mobilized by FMO including guarantees provided by third parties on investments in FMO's existing portfolio. Direct mobilized new investments exclude participations that were on FMO's own books in earlier years and sold on to other investors in the reporting year.

New investments also include the addition of unpaid interest to the outstanding principal amount of a loan ("interest capitalization"). Interest capitalization occurs during a period where interest payments are being deferred due to the borrower's inability to meet its debt service obligation.

FMO also reports on its Green-labelled investments at portfolio level.[1] **Ex-ante** labelling is applied to both the volume of Green-labelled total new investments and the Green-labelled total committed portfolio. Therefore, our criteria, the label process and documentation requirements are only enforced prior to providing a credit facility or making an equity investment.

The deal team is responsible for assessing its investment based on FMO's Green Principles and overall Definition. All Green-labelled investments need to comply with two underlying Green Principles as described above.

FMO has started a label review process enforced by the sixth IFC Operating Principle for Impact Measurement which requires its signatories to monitor the progress of each investment in achieving impact against expectations and respond appropriately.

[1] Nb. The external auditor performed an assurance engagement with a limited level of assurance on the sustainability information in the annual report, including the Green-labelled total committed portfolio.

2. GREEN CRITERIA

2.1 Green categories

FMO defines 6 sub-categories under the Green Definition:

- Climate change mitigation.
- Climate change adaptation.
- Biodiversity.
- Water Security.
- Circular Economy.
- Pollution Prevention.

2.1.1 Climate change mitigation

Climate Mitigation is the act of reducing GHG emissions into the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system by avoiding or reducing GHG emissions or increasing the sequestration of GHG emissions from the atmosphere. If the project or activity relates to Energy efficiency, it should achieve at least 20% reduction in energy consumptions or GHG emissions.

FMO's definition for climate change mitigation is based on and is largely in line with the 2021 IDFC-MDB joint methodology for climate mitigation finance[2]. A full list of potentially eligible climate mitigation activities is provided in Annex 1.

2.1.2 Climate change adaptation

An activity is considered climate change adaptation if the activity or project design is to reduce the vulnerability of human or natural systems to climate change's impacts by increasing adaptive capacity and resilience.

FMO's definition for climate change adaptation is based on and is largely in line with the MDB joint methodology for climate change adaptation[3]. I These investments are context- and location specific and should:

- Have the intended objective to:
  - i) manage physical climate risk and ensure that the project's / companies' intended objectives are realized despite these risks and/or
  - ii) ii) directly reduce physical climate risk and build capacity of the system within which the activity takes place and/ or
  - iii) contribute to reducing the underlying causes of vulnerability to climate change.
- Avoid contributing towards maladaptation. Maladaptation especially refers to adverse impacts on the climate vulnerability of other parties.

The following 3 step approach should be taken in order to substantiate this:

1. Setting out the project's / companies' context of vulnerability to climate change. A description of the context of climate vulnerability of the project / company based on a robust investigation of the vulnerabilities to climate change of the project's geographical area;

2. Making an explicit statement of intent of the project / company to reduce climate change vulnerabilities identified. This should be supported by an analysis of the

The categories of eligible climate adaptation activities are described in Annex 1.

2.1.3 Biodiversity

Biodiversity is "the variability among living organisms from all sources including, inter alia, terrestrial, marine, and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems".

These investments should materially contribute to the restoration, protection and / or development of biodiversity and ecosystems.

[2] Annex C: "Joint Methodology for tracking climate change mitigation finance" of the 2021 Joint report on MDBs climate finance.

[3] Annex B: "Joint Methodology for tracking climate change adaptation finance" of the 2022 Joint report on MDBs climate finance.

These investments or elements of these investments must be designed to intentionally minimize or eliminate one or several of the following key drivers of biodiversity loss: land- and sea-use change, over-exploitation and unsustainable use of nature, and invasive species.

2.1.4 Water security

Water security is securing water supply to all water users that is needed to address their current needs as well as ensuring that their future needs can also be met. It can be achieved through water resource management that involves the process of planning, developing, and managing water resources, in terms of both water quantity and quality, across all water uses.

This category includes those activities that do not directly target climate change mitigation or adaptation yet have a positive impact on the environment including water treatment, waste management and biodiversity conservation.

These investments should materially:

- Increase clean water supply or,
- Increase water use efficiency or,
- Cause a shift to a less stressed water resource,

And;

- These investments should not use a source of water that contributes to depletion of a stressed water resource.

2.1.5 Circular economy

Circular economy is a model of production and consumption which involves maintaining the value of products, materials and resources in the economy for as long as possible and minimizing waste generation.

These investments should:

- Be aimed at retaining the economic value of products as long as possible;
- Contribute to increasing resource efficiency;

And

- Decrease environmental impacts throughout the value chains.

Increasing resource efficiency and decreasing environmental impacts throughout the value chain can be achieved by applying or enabling one or more of the following 9R principles: R1 Refuse, R2 Rethink, R3 Reduce, R4 Re-use, R5 Repair, R6 Refurbish, R7 Remanufacture, R8 repurpose and R9 Recycle.

2.1.6 Pollution prevention

Pollution prevention is the use of materials, processes, or practices to reduce, minimize, or eliminate the generation of waste or pollutants of air, soil or waterbodies.

These investments should:

- Apply the waste hierarchy principle;
- Apply the proximity principle to the waste sourcing and transport system;
- Prevent the long-term lock-in of overcapacities, which would deter or reduce the impact of current or future waste prevention and recovery measures.

Or

- Reduce/prevent emission of air pollutants (e.g. Volatile Organic Compounds, particulate matter etc.) from industrial production processes and transport.

Or

Reduce/prevent contamination of soil and water bodies (e.g. leakages of heavy metal, Persistent Organic Pollutants, reduction of fertilizer/chemical use in agriculture).

2.2 Eligibility and criteria

Based on these Principles, FMO has defined a broad list of pre-approved eligible activities (Annex 1). Some transitional activities, which are not included on this list, may still be found eligible as they meet

the Green Principles. Demonstrating improvements as required per Principle 1 (section 1.2) can include[4]:

- **Upgrade**: If the investment going towards an activity/equipment that is 20% more efficient than what it is replacing, FMO's investment will be labelled 'Green' based on the amount of FMO's investment going towards that specific upgrade.
- **Expansion**: If the investment going towards an activity that is 20% more resource efficient than the company's current practice, FMO's investment will be labelled 'Green' based on the amount of FMO's investment going towards that specific expansion.
- **Greenfield**: If the investment going towards an activity that is 20% more resource efficient than the current business as usual practice, FMO's investment will be labelled as 'Green' based on the amount of FMO's investment going towards that specific greenfield.
- **Best available technology (BAT)**: In the case where collecting information or proving above-mentioned criteria is not possible, green label can also be obtained based on the substantiation that the investment is going towards the best available technique (BAT) - the most resource efficient technology or approach that is widely available and applicable today. This is only possible if the investment complies with FMO's two Green Principles.

[4] This list is non-exhaustive and is pending alignment with the 2021 MDB Common Principles on Climate Mitigation.

3. GREEN-LABELLED INVESTMENTS

3.1 Direct investments

All Green-labelled investments need to comply with the two underlying Green Principles (section 1.2). As a development finance institution our investments can either be directed towards a client or a type of activity.

1. **Green Client**: Investments that are going towards companies that make, distribute, install and/or finance renewable energy projects/products as their core business, companies that have wastewater treatment or recycling as their core business or companies that have FMO's pre-approved certifications. Green categories also include green PE funds and FI Green credit facilities.
2. **Green Activity**: Investments going towards activities of a company that are considered as 'green' by FMO.

FMO disaggregates green activities from non-green financed activities through a reasonable level of data granularity. For example, a project with a total cost of EUR 100 million may have a EUR 10 million component for energy efficiency improvements – only the EUR 10 million should be allocated for the green label.

If the use of funds cannot be specified, as FMO is financing working capital, the green volume may be calculated pro-rata based on the percentage of green activities as a share of the assets or revenues of the client[5] e.g. if an agricultural holding has 30% of its revenues generated from operations certified under a pre-approved FMO certification while the rest are not certified or don't have other underlying green elements then the green label percentage for that investment will be limited to 30%.

3.2 Indirect investments

FMO provides **Green credit lines** to foster Green lending opportunities for financial institutions. A contractual "use of funds" clause obliges our clients to use the funds to finance eligible investments in all regions. These activities are specified in a "Master Green List" or a "bespoke" use of proceeds which are derived from our Green Definition. The FI master Green list is periodically updated as new developments emerge (e.g. new certifications, technologies etc.). This list or "bespoke" use of proceeds should be included in term facility agreements (TFA) to ensure that lending operations of FMO's clients meet the criteria for green lending. In case only a share of the funds will be used for eligible Green activities, the Green label will be applied pro-rata.

For investments in equity funds, the Green Label is assigned in case more than 50% of the fund's expected pipeline or portfolio volume is in activities that FMO considers eligible for the Green label. Hence the Green Label for PE funds is either Green (100%) of the Fund or is not Green (0%). If the investment is going towards a succeeding fund with the same strategy, substantiation can also be provided based on the previous fund's portfolio. Furthermore, the overall mandate and strategy of the fund under assessment for the green label is also taken into account.

3.3 Partner institutions

FMO has identified certain Development Finance Institutions (DFIs) as Expert Partners as it considers their Green approach to be sufficiently robust and in line with the joint MDB climate mitigation and climate adaptation finance tracking methodology. In case of a co-investment, FMO will consider the transaction per definition eligible for a Green Label in case the deal is also labelled as Green (or equivalent) by the Expert Partners. FMO requires the provision of evidence in the form of correspondence from the above-mentioned DFIs articulating the categorization of a specific investment as 'Green' (or equivalent).

3.4 Pre-approved certifications

FMO conducted an assessment of certain certifications in compliance with the practices/ measures that result in an improvement of positive environmental impacts and/or reduction of negative

[5] companies producing, trading or processing pre-approved certified commodities

environmental impacts. The assessment was based, amongst other factors, on strict measures/principles in place for zero deforestation and biodiversity loss. Some certifications like USDA Organic Standard are excluded from this list because they do not have strict measures/principles in place to prevent deforestation. These certifications can still be eligible for 'Green Label' if the certification can be complemented with internal policies that prevent deforestation.

There are three different 'Green Label' outcomes applicable to investments that involve one of the certifications mentioned below:

1. Certification at company level: If the investment is going towards a client that is certified by one of the certification authorities mentioned below, and this client produces, trades or purchases (1-100%) of this certified commodity and complies with all the Green Principles, it will be labelled as (1 -100%) green.
2. Certification obtained for part of a company's operation: If the investment is going towards a part of the company's operation that has one of the certifications mentioned below, and this part of the companies operation produces, trades or purchases (1-100%) of this certified commodity and complies with all the Green Principles, the 'Green Label' % will be allocated based on i) FMO's investment going towards that specific certified activity and ii) the % of certified commodity produced, traded or purchased.
3. Company with commitment to obtain certification: In the case where the company doesn't have any certification as yet, but plans on obtaining one of the certifications mentioned below and is committed to produce, trade or purchase 1-100 % of this certified commodity as part of an Environmental & Social Action Plan (ESAP), the deal will be labelled as (1 - 100%) 'Green' based on FMO's investment going towards that to-be-certified activity or the certification itself.

List of Pre-approved Certifications:

- Roundtable for Sustainable Palm Oil Next - (RSPO Next)*6
- Roundtable on Sustainable Biomaterials (RSB)
- Roundtable on Responsible Soy (RTRS)
- Better Cotton Initiative
-)
- ProTerra
- Soil Association
- Bonsucro
- ISCC PLUS (Food, Feed, Bio-based products, Energy, Biofuels outside EU)
- Aquaculture Stewardship Council (ASC)
- Aquaculture Stewardship Council Tilapia (ASC Tilapia)
- Marine Stewardship Council (MSC)
- Forest Stewardship Council (FSC)
- Program for the Endorsement of Forest Certification (PEFC)
- Rainforest Alliance Certification
- LEED Gold or Platinum Certification (Green Buildings)
- ISCC EU (only for biofuels)
- IFC EDGE (Green Buildings)

[6] RSPO stand alone, without the voluntary effort (Next), can also be considered as an eligible certification for a 'Green Label' as long as policies and/or efforts towards deforestation can be illustrated.

4. GREEN LABEL PROCESS

4.1 Internal process

All labels are assigned on a facility level.

ASSESS

It is the Deal Team's responsibility to assess the deal initially based on FMO's Green Definition (Principles and Criteria) and identify the eligible green elements of the deal. Deal Team should support its request with adequate substantiation for the green eligibility of the financed activities. There is internal guidance to the Deal Team and to the type of substantiation that is expected. If Deal Team believes an investment may be eligible the Impact Team can be contacted to discuss eligibility and next steps.

SUBMIT

All deals expected to be eligible for a Green Label need to be independently reviewed by Credit. Therefore, all Green Label Requests are submitted via a system specifically designed to measure and capture the impact effects of our investments.

REVIEW

Once a label request is submitted, Credit automatically receives a notification email in the system's Labels inbox. Credit reviews the Green Label Request and the underlying substantiation of Green eligibility. During this review it may request more information from the Deal Team. Credit may consult the Impact team for advice on the decision or request for more information.

DECIDE

Once Credit makes a final decision, it documents its decision in the system. Credit determines the assigned Green-labelled investment a % and documents its reasoning in a dedicated comment box.

ARCHIVE

Credit archives (conditional) label decision. In case of conditional label, once conditions are met (i.e. confirmation of the use of fund clause in contract) the final label decision is archived. The additional documentation (contract) is attached in the system. The Deal Team is notified via email regarding the decision.

4.2 Documentation

The type of evidence that is required to demonstrate that FMO's investments are used for green activities differs per investments.

In general, the following requirements apply:

Investments in **renewable energy projects** receive a green label after a check with the Financing Proposal (FP). Credit checks and documents with underlying contracts that the proceeds will go to projects that meet the definition in the green list. FMO monitors the label conditions as specified in the contract and the label criteria at the time of contracting. This means a client with a contract before 2024 is monitored against the old label criteria, whereas the contracts signed in 2024 are monitored against the 2024 methodology criteria.

- Investments in **green lines** are labelled as green as long as the proceeds are allocated towards activities that captured on the "Master Green List" or the "bespoke" use of proceeds.
- For investments in **agricultural projects** green eligibility is more difficult to assess. Labels can be granted in case the client or the targeted operation has, or intends to have, a pre-approved certification. Alternatively, a label can be granted, provided that the implementation of more sustainable agricultural practices has been verified / validated.
- Investments in **private equity funds** are granted a label based on the pipeline of a fund, its mandate and predecessors' funds where applicable. The Green Label is assigned fully (100%) in case more than 50% of the fund's expected pipeline or portfolio volume supports activities that FMO considers eligible for Green.

4.3Assurance

EY, FMO's external auditor, has performed an assurance engagement with a limited level of assurance on the sustainability information in specific chapters of FMO's Annual Report and **limited assurance** on the Green-labelled total new investments since 2019. The Green-labelled total committed portfolio was added as a new indicator in 2020 and was subject to a limited level of assurance.

The limited assurance on Green-labelled total new investments and total committed portfolio are integrated parts of the overall assurance engagement on the sustainability information. Therefore, no specific assurance is provided on these standalone indicators. Please refer to the independent assurance report as included in FMO's annual report.

Under FMO's Sustainability Bond Framework, FMO engages with Sustainalytics each year to review projects funded by the Green \ Social \ Sustainability Bond in order to assess the compliance of projects with the use of proceeds criteria of the bond. Sustainalytics reviews a broad sample of projects from the total allocated projects in order to determine whether or not they meet the use of proceeds criteria defined in the framework and provides a report of the evaluation. In an unlikely event that a project did not meet the use of proceed criteria, FMO would reallocate the bond funds to a different project that is aligned with the criteria.

The tables below present the list of eligible activities for the Green Label. This list is not exclusive and mainly pertains to our climate mitigation and climate adaptation objectives. Over time this list of eligible activities may be updated and expanded to cover our other objectives more elaborately as well.

Sector	Category	Activity
Energy	Renewable energy	Generation of renewable energy with low efficiency with low lifecycle GHG emissions to supply electricity, heating, mechanical energy or cooling from solar, wind, tidal energy, hydropower, geothermal energy and bioenergy
	Renewable energy	Joint use of renewable energy and fossil fuel to supply electricity, heat, mechanical energy or cooling
	Lower-carbon fuel	Production, storage or use of low-carbon hydrogen
	Lower-carbon energy generation	Brownfield displacement of a carbon-intensive fuel with a different, lower carbon fuel to supply electricity, heat, mechanical energy or cooling
	Lower-carbon energy generation	Use of waste gas related to (abandoned or brownfield) fossil fuel production as a feedstock or fuel to supply electricity, heat, mechanical energy or cooling
	Efficient energy generation	Brownfield conversion from production of one type of energy, or from desalination only, to joint generation or delivery for use of electricity, heat, mechanical energy, cooling, or desalination
	Energy efficiency	Brownfield energy efficiency improvement in energy production to supply electricity, heat, mechanical energy or cooling
	GHG-emission reduction	Carbon capture
	Energy storage and network stability	Energy storage or measures to improve network stability that increase consumption of very-low-carbon energy
	Transportation of electricity	Greenfield transmission or distribution of electricity that increases the share of very-low-carbon electricity delivered
	Transportation of heating and cooling energy	Greenfield high efficiency transmission or distribution of heat or cooling energy
	Energy transportation	Brownfield efficiency improvement or reduction of CO2e emissions in transmission or distribution of electricity, heat or gas
	Energy transportation and sale	Commercial and collection loss reduction in distribution of electricity, heat or gas ; or measures aimed at demand-side management such as the installation of advanced metering infrastructure and meters
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
Agriculture, forestry, land use and fisheries	Agriculture: energy efficiency	Reduction in energy consumption in operations (incl crop production, processing and storage)
	Agriculture: carbon sequestration	Agricultural projects that contribute to increasing the carbon stock in the soil or avoiding loss of soil carbon through erosion control measures
	Agriculture: GHG emission reduction	Reduction of non-CO2 GHG emissions from agricultural practices or technologies (f.i. more efficient manure management, drainage management, improved crop breeds and biotechnology and water management paddy rice)
	Livestock: GHG emission reduction	Projects that reduce methane or other GHG emissions from livestock
	Livestock: carbon sequestration	Livestock projects that improve carbon sequestration through rangeland management
	Forestry: GHG emission reduction and carbon sequestration	Forestry or agroforestry projects that sequester carbon through sustainable forest management, avoided deforestation or avoided land degradation
	Marine and other water habitats: GHG emissions reduction	Projects that reduce GHG emissions from the degradation of marine ecosystems or other water-based ecosystems
	Fisheries and aquaculture: GHG-emission reduction	Projects that reduce CO2e intensity in fisheries or aquaculture
	Food and diet: resource use efficiency	Projects that reduce food losses or waste or promote lower-carbon diets
	GHG reduction through biomaterial production	Projects that contribute to reduction of GHG emissions through production of biomaterials/bioenergy from biomass
	GHG Reduction through biofuels production	Projects that contribute to reduction of GHG emissions through production of biofuels (incl biodiesel and bioethanol) from biomass*

	Resilient agrifood systems	An activity to ensure that agrifood systems are resilient to the current and projected future impacts of climate change, so that the provision, availability and affordability of food and related products, and food security, are not adversely affected by such impacts
Manufacturing	Energy efficiency	Brownfield industrial energy-efficiency improvement
	Efficient energy generation	Brownfield conversion from production of one type of energy to joint generation, or delivery for use of electricity, heat, mechanical energy, cooling, or desalination
	Energy and resource efficiency	Highly efficient or low carbon greenfield manufacturing facilities or greenfield supplementary equipment or production lines at an existing manufacturing facility
	Electrification	Brownfield replacement of equipment or processes based on fossil fuels with electrical equipment or processes components
	GHG-emission reduction	Carbon capture linked to industrial processes or hard to abate industrial sectors
	CO2e-emission reduction	Retrofit of existing industrial infrastructure, resulting in avoidance of industrial GHGs, a switch to industrial GHGs with lower global warming potential, or implementation of technologies or practices that minimise leakages
	Resource demand management	Improvements to existing industrial processes, new processes, or advanced manufacturing technology leading to (energy) efficiency improvements or replacement of primary resources with secondary or alternative resources
	Energy storage	Energy storage or smart industrial-scale solutions to increase integration of very-low-carbon energy or use of previously waste energy
	Support for low carbon development	Projects that support production of components, equipment or infrastructure dedicated exclusively to utilization in the renewable energy, energy efficiency improvement, or other low-carbon technologies
	Lower-carbon fuel	Production or use of low carbon hydrogen
	Lower-carbon energy generation	Use of waste gas as a feedstock or as a fuel to supply electricity, heat, mechanical energy or cooling
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
	Resilient industry and commerce	An activity to ensure that industrial and commercial operations are resilient to the projected and future impacts of climate change so that their economic output, operational safety, affordability of products and services and [/or] the provision of employment are not adversely affected by such impacts
Water supply and wastewater	Energy efficiency	Brownfield industrial energy-efficiency improvement
	Efficient energy generation	Brownfield conversion from production of one type of energy to joint generation, or delivery for use of electricity, heat, mechanical energy, cooling, or desalination
	Energy efficiency and demand management in water supply	Greenfield water supply projects meeting high energy efficiency standard or making use of demand management
	Energy and resource efficiency and GHG emission reduction in water supply and wastewater management	Greenfield and brownfield projects that promote improved operation and maintenance to reduce water losses, promote energy savings, or meet or exceed wastewater treatment targets, such as training programs, improved maintenance or energy efficiency
	GHG-emission reduction in wastewater management	Greenfield projects that reduce methane or nitrous oxide emissions through wastewater, fecal sludge or septage collection and treatment
	Energy efficiency and GHG-emission reduction in wastewater management	Brownfield projects for wastewater that reduce emissions through energy efficiency improvements or improved treatment targets
	GHG-emission reduction in wastewater collection	Greenfield or brownfield projects that improve latrines or collection of wastewaters, fecal sludge or septage

	Efficient use of wastewater	Wastewater reuse such as greywater and blackwater reuse at the building or local level, treated wastewater reuse for irrigation and treated sludge as a fertiliser replacement
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
	Resilient nature and biodiversity	An activity to ensure that natural ecosystems including their intrinsic biodiversity, natural capital, ecosystems services and cultural significance are not adversely affected by current or future climate change impacts
	Resilient societies	An activity to strengthen systems and services for building societal resilience to current and projected future climate change impacts and to ensure that these systems and services are themselves climate resilient, so that populations, communities, households and individuals are better prepared for and able to cope with climate change impacts.
	Resilient cities	An activity to ensure that cities and other human settlements are resilient to the current and projected impacts of climate change, from the micro level (e.g. buildings) to the macro level (e.g. urban planning) so that the health, safety, security, livelihoods and economic potential of their inhabitants is not adversely affected by such impacts, and that these benefits are extended to climate vulnerable populations.
Solid waste management	Waste collection and transport	Separate collection and transport of source-segregated waste fractions
	Waste storage and transfer	Temporary storage, bulking, or transfer of separately collected source-segregated waste fractions
	Product reuse	Design, Repair, Refurbish, repurpose and reconditioning of products or product components to enable their reuse
	Material recovery from solid waste	Material recovery from separately collected waste involving mechanical processes
	Material recovery from solid waste	Material recovery from separately collected or presorted waste involving processes other than mechanical processes
	Recovery and valorisation of bio-waste	Anaerobic digestion of separately collected biowaste
	Recovery and valorization of bio-waste	Composting of separately collected biowaste
	Recovery and valorisation of bio-waste	Other types of recovery and valorization of bio-waste
	Treatment of mixed residual waste	Mechanical or biological treatment of mixed residual waste
	Treatment of mixed residual waste	Waste incineration with energy recovery (waste-to-energy) from mixed residual waste (MSW), refuse derived fuel (RDF) or solid recovered fuel (SRF)
	Landfill gas capture, abatement and utilization	Landfill gas capture, abatement or utilization as part of closure of old landfills, landfill cells or dumpsites
	Landfill gas capture, abatement and utilization	Landfill gas capture, abatement or utilization in new sanitary landfills or landfill cells
	Energy efficiency	Brownfield projects aimed at improving energy efficiency in waste management facilities
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
	Resilient cities	An activity to ensure that cities and other human settlements are resilient to the current and projected impacts of climate change, from the micro level (e.g. buildings) to the macro level (e.g. urban planning) so that the health, safety, security, livelihoods and economic potential of their inhabitants is not adversely affected by such impacts, and that these benefits are extended to climate vulnerable populations.

Transport	Urban and rural transport	Urban and rural public transport projects
	Urban and rural transport	Non-motorized transport (NMT) or schemes for sharing bicycles
	Low-carbon interurban transport	Inter-urban railway projects for freight or passengers (existing lines or construction of new lines)
	Low-carbon interurban transport	Bus or coach public passenger transport
	Low-carbon mode and efficiency improvement in maritime transport	Water transport projects for freight or passengers, or efficiency improvement (improvement of existing infrastructure or construction of new infrastructure)
	Low-carbon vehicles and associated infrastructure	Passenger or freight or associated infrastructure with zero or low direct emissions like electric, hydrogen, hybrid, and plug-in hybrid fleets and associated infrastructure but excluding low carbon aviation
	Low-carbon fuels for transport	Transport operations using biofuels or synthetic fuels with low lifecycle GHG emissions
	Transport demand management policy and systems	Transport demand management policy or associated intelligent transport systems (ITS)
	Low-carbon fuels for transport	Use of waste gas as a transportation fuel
	Air Traffic management	Efficient air traffic management
	Efficiency and renewable energy in aviation	Efficient airport system operations or on-site renewable energy generation
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
Buildings, public installations and end-use energy efficiency	Energy efficiency, on-site renewable energy, CO2e emission reduction, and carbon sinks in buildings	Measures that reduce net energy consumption, resource consumption or CO2e emissions, or increase plant-based carbon sinks in greenfield and brownfield buildings and associated grounds (i.e. for "non green buildings")
	Energy efficiency, renewable energy, CO2e emission reduction, and carbon sinks in green buildings	Measures that reduce net energy consumption, resource consumption or CO2e emissions, or measures that increase plant-based carbon sinks in new or retrofitted buildings and associated grounds, enabling certification standards to be met
	Energy efficiency, on-site renewable energy, CO2eemission reduction, and carbon sinks in public areas and installations	Measures that reduce net energy consumption, resource consumption or CO2e emissions, or increase plant-based carbon sinks in public areas or installations
	End-use energy efficiency	Brownfield stand-alone end-use energy efficiency improvement or CO2e emission reduction in existing appliances or equipment
	End-use energy efficiency	New or replacement standalone energy efficient appliances or equipment
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
Information and communication technology (ICT) and digital technologies	Energy efficiency, renewable energy and CO2e-emission reduction	Energy Efficiency improvement, renewable energy deployment, or CO2e emission reduction in existing data centres
	Energy efficiency and renewable energy	Greenfield data centres that meet best international practices for energy efficiency or that are supplied largely by on-site renewable energy generation
	Energy efficiency	Telecommunications networks with energy efficiency levels that meet best international practices
	Resilient agrifood systems	An activity to ensure that agrifood systems are resilient to the current and projected future impacts of climate change, so that the provision, availability and affordability

		of food and related products, and food security, are not adversely affected by such impacts
	Resilient nature and biodiversity	An activity to ensure that natural ecosystems including their intrinsic biodiversity, natural capital, ecosystems services and cultural significance are not adversely affected by current or future climate change impacts
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
	Resilient industry and commerce	An activity to ensure that industrial and commercial operations are resilient to the projected and future impacts of climate change so that their economic output, operational safety, affordability of products and services and [/or] the provision of employment are not adversely affected by such impacts.
	Resilient cities	An activity to ensure that cities and other human settlements are resilient to the current and projected impacts of climate change, from the micro level (e.g. buildings) to the macro level (e.g. urban planning) so that the health, safety, security, livelihoods and economic potential of their inhabitants is not adversely affected by such impacts, and that these benefits are extended to climate vulnerable populations.
	Resilient societies	An activity to strengthen systems and services for building societal resilience to current and projected future climate change impacts and to ensure that these systems and services are themselves climate resilient, so that populations, communities, households and individuals are better prepared for and able to cope with climate change impacts.
	Resilient health	An activity to ensure that the adverse impacts of climate change on human health are minimized to the extent possible, by ensuring that the provision of health-care services and facilities is resilient to current and future climate change impacts and able to respond to emerging human health priorities that are driven by climate change impacts issues
Cross-sectoral activities	Energy and resource use efficiency	An activity that enables a reduction in energy or material use across a supply chain through efficiency improvements in the existing supply chain, a shift to a less carbon-intensive supply chain, or by implementing circular economy systems
	Demand reduction	An activity aimed at demand side management
	Electronic service delivery	Digitization of service delivery or internal operations, leading to a substantial reduction in travel or material use
	Energy transition	Direct financing, policy actions, programs, or technical assistance to support closure of fossil fuel plants or other activities involving fossil fuel extraction, processing or transport, incl support to workers or communities affected
	GHG-emission reduction	Transport, use, or permanent storage of captured CO2
	Policy support and technical assistance for climate change mitigation	National, subnational or territorial cross-sectoral policy actions that aim to lead to climate change mitigation actions or technical support for such actions
	Policy support and technical assistance for energy or resource-use efficiency	Policy actions, programs, or technical assistance for establishing more stringent energy or resource-use efficiency standards or more stringent enforcement of efficiency standards
	Monitoring	Systems or transparency tools for monitoring GHG emissions
	Energy efficiency and renewable energy	Energy audits aimed at identifying scope for increasing energy fficiency or on-site renewable energy generation
	Policy support and technical assistance for low-carbon development	Policy actions, programs, or technical assistance for establishing fiscal incentives for scaling up investments in or deployment of low-carbon technologies and measures
	Policy support and technical assistance for carbon pricing	Policy actions, programs, or technical assistance that target carbon prices or other payments that have the equivalent effects
	Policy support and technical assistance for lower-carbon urban development	Policy actions, programs, or technical assistance for reducing unplanned low density urban development or promoting densification, leading to avoidance of a long-term lock-in of a higher carbon-built environment

	Capacity building and information dissemination	Education, training, capacity building or awareness-raising focused on climate change mitigation
	CO2e-emission reduction	Programs or systems that provide incentives or tools to units or teams within entities to manage and minimize GHG emissions and contribute to the entity's decarbonization goals
	Information dissemination	Articulation of entity-level climate action or decarbonization plans
	Support for climate change mitigation	Technical services required to develop or implement climate change mitigation finance projects
	Support for climate change mitigation	Carbon trading or financial services or instruments
	Resilient agrifood systems	An activity to ensure that agrifood systems are resilient to the current and projected future impacts of climate change, so that the provision, availability and affordability of food and related products, and food security, are not adversely affected by such impacts
	Resilient nature and biodiversity	An activity to ensure that natural ecosystems including their intrinsic biodiversity, natural capital, ecosystems services and cultural significance are not adversely affected by current or future climate change impacts
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
	Resilient industry and commerce	An activity to ensure that industrial and commercial operations are resilient to the projected and future impacts of climate change so that their economic output, operational safety, affordability of products and services and [/or] the provision of employment are not adversely affected by such impacts.
	Resilient cities	An activity to ensure that cities and other human settlements are resilient to the current and projected impacts of climate change, from the micro level (e.g. buildings) to the macro level (e.g. urban planning) so that the health, safety, security, livelihoods and economic potential of their inhabitants is not adversely affected by such impacts, and that these benefits are extended to climate vulnerable populations.
	Resilient societies	An activity to strengthen systems and services for building societal resilience to current and projected future climate change impacts and to ensure that these systems and services are themselves climate resilient, so that populations, communities, households and individuals are better prepared for and able to cope with climate change impacts.
	Resilient health	An activity to ensure that the adverse impacts of climate change on human health are minimized to the extent possible, by ensuring that the provision of health-care services and facilities is resilient to current and future climate change impacts and able to respond to emerging human health priorities that are driven by climate change impacts issues
Mining and metal production for climate action	Mining for climate action	Projects that support mining of minerals and metal ores prevalently used in or critical for renewable energy, technologies that increase energy efficiency, other low-carbon technologies, or materials and products with low embedded GHG emissions
	Metal production for climate action	Projects that support production of metals or alloys prevalently used in or critical for renewable energy, technologies that increase energy efficiency, other low-carbon technologies, or materials and products with low embedded GHG emissions
Research, development and innovation	Research, development and innovation	Research on or development of renewable energy, energy efficiency improvement, low-carbon technologies, or other technologies instrumental to achieving full decarbonization
	Resilient agrifood systems	An activity to ensure that agrifood systems are resilient to the current and projected future impacts of climate change, so that the provision, availability and affordability of food and related products, and food security, are not adversely affected by such impacts
	Resilient nature and biodiversity	An activity to ensure that natural ecosystems including their intrinsic biodiversity, natural capital, ecosystems services and cultural significance are not adversely affected by current or future climate change impacts
	Resilient infrastructure	An activity to ensure that the provision of essential infrastructure services (water/wastewater, transportation, ICT and electricity) is resilient to the current and

		future impacts of climate change, so that the reliability, safety, access and affordability of these services are not adversely affected by such impacts
	Resilient industry and commerce	An activity to ensure that industrial and commercial operations are resilient to the projected and future impacts of climate change so that their economic output, operational safety, affordability of products and services and [/or] the provision of employment are not adversely affected by such impacts.
	Resilient cities	An activity to ensure that cities and other human settlements are resilient to the current and projected impacts of climate change, from the micro level (e.g. buildings) to the macro level (e.g. urban planning) so that the health, safety, security, livelihoods and economic potential of their inhabitants is not adversely affected by such impacts, and that these benefits are extended to climate vulnerable populations.
	Resilient societies	An activity to strengthen systems and services for building societal resilience to current and projected future climate change impacts and to ensure that these systems and services are themselves climate resilient, so that populations, communities, households and individuals are better prepared for and able to cope with climate change impacts.
	Resilient health	An activity to ensure that the adverse impacts of climate change on human health are minimized to the extent possible, by ensuring that the provision of health-care services and facilities is resilient to current and future climate change impacts and able to respond to emerging human health priorities that are driven by climate change impacts issues
Financial Intermediaries	Financing Instruments	Greenline financing for purely renewable energy and/or water/material/pollution/energy efficiency >20% improvement (re)-financed through a financial intermediary (FI Master Green List)
	Financing Instruments	Greenline financing for green eligible activities that have the ex-ante potential to contribute to climate mitigation, climate adaptation, biodiversity, water security, circular economy or pollution prevention (y (""bespoke use of proceeds"")

ANNEX 2: GREEN TAXONOMIES

A.1 IDFC-MDB joint methodology

All Green-labelled investments should meet FMO's two Green Principles, namely that Green-labelled investments contribute to a genuine improvement, and should not contribute to a long-term lock-in of high carbon infrastructure. For the activities for climate adaptation and mitigation, the criteria are based and largely in line with the IDFC-MDB joint methodology.

FMO's definition of Green is broader than that of the IDFC-MDB joint methodology for climate mitigation and climate adaptation, by tailoring the methodology for FMO specific activities and activities contributing to biodiversity, water security, circular economy and pollution prevention. This includes the following example:

FMO's green definition includes pre-approved green Agri certifications - these certifications have been assessed on certain criteria before being included in the green definitions. The IDFC-MDB climate mitigation and adaptation activities in the agriculture sector does not explicitly mention certifications, but the principles underlying these certifications.

A.2 FMO's Sustainability Bond Framework

Under FMO's Sustainability Bond Framework (SBF), FMO issues Green Bonds which are senior unsecured bonds, ranking *pari passu* with bonds issued under FMO's Debt Issuance Program aimed at financing green projects. Over and above the process for the internal Green label, FMO has a separate process to earmark those assets that are eligible and described under the SBF.

A.3 EU Taxonomy

In 2020, the European Commission introduced a taxonomy for sustainable activities. This is a classification system for determining whether an economic activity is environmentally sustainable. This is the third year FMO is disclosing in line with the EU Taxonomy. For more information, please refer to the 2023 Annual Report.