

# FMO environmental and social risk management

**FMO is considered a leader among peer Development Finance Institutions (DFIs) on environmental and social (E&S) risk management.** Its well-resourced in-house E&S capacity enables ambitious E&S work with investees, including supporting clients directly to achieve E&S action plans and applying an incremental approach to supporting clients whose businesses carry higher E&S risk but also higher impact potential.

For all DFIs there are still some significant challenges in identifying and mitigating the E&S risks that are inherent to achieving their impact mandate. For FMO, greater focus is needed on a portfolio-level view of E&S and a sector-based approach, combined with greater engagement and transparency in the local context.

## Strengths of FMO's approach



Aligned with IFC Performance Standards



Ambitious, direct support to investees to achieve E&S Action Plans



Incremental approach, engaging with challenging cases to make improvements



Sees E&S performance as central to the commercial success of the companies they invest in



Set up an Independent Complaints Mechanism (ICM)

## Comparison with peers



One of the best resourced in-house E&S capacity



High willingness to take on and address E&S risk

Intentionally similar approach to peers as per EDFI harmonisation efforts



Relatively strong emphasis on human rights

## Going forward



Engage locally with partners, NGOs and civil society on E&S risks



Expand the use of sector initiatives for E&S risk management



Develop a portfolio-level view of E&S risk



Increase transparent self-reflection on past performance



Publicise widely the ICM and changes made in response to complaints



Continue to lead on DFI E&S risk management