

FMO Investment Management B.V. (“FMOIM”)  
Chamber of Commerce Haaglanden registry nr: 62649108  
LEI: 7245007VKWPSD6V65863  
2024

## Integration of sustainability risks

Art 3 SFDR Regulation (EU) 2019/2088

### Introduction

The Sustainable Finance Disclosure Regulation (EU/2019/2088) (SFDR) prescribes that FMO Investment Management B.V. (FMO-IM) provides disclosure on sustainability to its investors. This includes disclosure on the integration of sustainability risk related to the instruments covered by the regulated investment advice of FMO-IM.

FMO-IM defines a sustainability risk as an environmental, social or governance event or condition that, if it occurs, could potentially or actually cause a material negative impact on the value of investments. As the identification, assessment, and monitoring of sustainability risks is an ongoing exercise that requires collaboration and communication across the company and relevant stakeholders, we apply a consistent framework to integrate sustainability risk analysis into the core of our activities.

### Integration of sustainability risk

At FMO-IM, we believe that all investments have an impact on the world and that events and circumstances in the world could have impact on the value of all investments. As this is also applied when it comes to sustainability risks, we have implemented sustainability risks in the FMO-IM Risk Policy. We consider sustainability risk to be an integral part and thus is an [important] element of the FMO-IM’s risk management as well as the investment advice process.

Identifying a sustainability risk therefore always also entails a financial impact assessment. Note that this is something different than striving for a sustainable investment.

FMO-IM considers the applicable investment risks versus the fund’s strategy in its investment advice. When FMO-IM identifies such risks, FMO-IM records a description of the risk, the control measures taken e.g. at investee level and the monitoring of the control measures. This methodology is set out in FMO-IM’s Risk Policy. We require regarding all the financial and non-financial instruments advised on by us that the sustainability risks of the investments are identified, assessed, and analyzed on the potential impact on the investment’s value and record the considerations.

To decide which (type of) sustainability risks needs to be focused on in the analysis of the instruments, we apply the concept of materiality also considering the fund strategy for which the advice is provided. Sustainability risks are deemed material if they are likely to have a significant impact on an investment’s value. The relevance of sustainability risks can differ per type of investment, sector and region. For this we need reliable information and data from trustworthy sources.

## **Information and Data; collection, monitoring and reporting**

The majority of FMO-IM activities concern investment advising on non-financial instruments, namely on FMO loans. It should be noted that these are non-financial instruments and thus fall out of scope if the SFDR. For these investments FMO-IM relies primarily on FMO NV's work including its policies, procedures and systems. FMO is the primary contact with the investee for each of these investments. How FMO approaches impact and sustainability is further explained in the box below / side bar.

Information and data collection for the investment advice on financial instruments forms a part of the activities FMO-IM may perform and for which it has one client. This particular investment advice activity will be based on a preselected set of bonds issuers with green bond frameworks in place. These bonds will be compared using elements such as publicly available second party opinions and the green bond principles as defined by the ICMA. The advice will consist of pros and cons per investable opportunity, leaving the investment decision to the fund manager in question.

## Statement on principal adverse impacts of investment advice on sustainability factors

Art 4 SFDR Regulation (EU) 2019/2088  
*Reference period 2023*

### **No consideration of the Principal Adverse Impacts on sustainability factors at the level of FMO-IM**

FMO-IM has no financial instruments under management and it therefore cannot report or consider the PAI at an aggregated level for the whole company. Furthermore, the majority of FMO-IM's activities concern advice on non-financial instruments for fund managers. These advisory activities do not fall in scope of the PAI reporting of the SFDR.

### **Policy for assessing the most important adverse effects on sustainability**

Investments may have a negative impact on sustainability factors (i.e. environmental, social and governance factors). For example, investments can have a negative impact on climate change, or not fully respect international labor rights yet. This also applies to investments covered and those not covered by FMO-IM's regulated investment advice activities. FMO-IM therefore does pay attention to such negative impacts when providing investment advice in general. When analyzing investments, FMO-IM assesses whether the investment may have a negative impact on sustainability factors and presents such information to the fund manager. However, the method in which this is done differs between the non-financial instruments and the financial instruments on which it may provide investment advice. Investment advice on non-financial instruments form the bulk of the work of FMO-IM and are outside of scope of the SFDR.

#### *Financial instruments and PAIs*

FMO-IM is allowed to provide investment advice on financial instruments. The client in scope for investment advice upon request, is adding these investments as cash equivalent solution. The client has requested FMO-IM to consider in the investment advice the spirit of the fund's strategy. It is not requiring PAI consideration for these investments, nor PAI data to be available. To the extent FMO-IM receives a request from a client to consider PAI, FMO-IM will make an assessment towards consideration thereof.

Concluding that there are no activities for which PAI consideration is required, FMO-IM does not consider the principal adverse impacts as described by SFDR for any of its activities.