RESPONSIBILTY AND IMPACT REPORT 2018

ACTIAM-FMO SME Finance Fund I

Content

1. ABOUT 3

ACTIAM N.V 3

FMO Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. 3

2. MANAGEMENT NOTE 4

3. PORTFOLIO HIGHLIGHTS 6

4. IMPACT CASE STUDY | INVESTING WITH IMPACT 7

5. CLOSING THE FINANCE GAP FOR SMES 8

5.1 OVERCOMING BARRIERS TO SME GROWTH 8

5.2 DEDICATION TO SME FINANCING AND A STRATEGIC INTENTION TO GROW IN THIS SEGMENT 10

6. SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE INVESTMENTS 12

6.1 ENVIRONMENTAL AND SOCIAL PROFILE OF THE PORTFOLIO 12

6.2 ADDING VALUE ON E&S 12

6.3 CLIENT PROTECTION 12

7. ENCLOSURE – RESPONSIBILITY & IMPACT GUIDELINES OF THE FUND 14

8. DISCLAIMER 15

ACTIAM-FMO SME FINANCE FUND I

Closed-end fund for joint account

1. About

Fund Manager	Investment manager
ACTIAM N.V.	**FMO Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.**
Graadt van Roggenweg 250 3531 AH Utrecht P.O. Box 679 3500 AR Utrecht The Netherlands	Anna van Saksenlaan 71 2593 HW The Hague P.O. Box 93060 2509 AB The Hague The Netherlands

ACTIAM N.V.

ACTIAM is the responsible asset manager for over one million Dutch people. We first introduced our responsible investment policy in 1990 and have been running our engagement program since 1995. With over 100 staff we manage €56.1 billion (ultimo December 2018) for insurance companies, pension funds, banks and intermediaries. We offer a comprehensive range of investment solutions: from index strategies to impact investing and from mandates to tailored ESG advice. ACTIAM imposes strict criteria on its investments and follows a robust selection process without making concessions to financial returns. ACTIAM uses its responsible investment policy to contribute to a liveable world, now and in the future. In addition to our basic investment policy we focus on three themes: climate, water and land. We make our investments measurable and work towards concrete goals. Moreover, ACTIAM has developed a unique approach to impact investing. A specialised team of eight professionals with an average of 16 years' experience in the industry manages approximately €300 million for institutional clients.

FMO NEDERLANDSE FINANCIERINGS-MAATSCHAPPIJ VOOR ONTWIKKELINGSLANDEN N.V.

FMO is the Investment Manager of the ACTIAM-FMO SME Finance Fund. FMO is the Dutch development bank and provides investments in the private sector in developing countries and emerging markets for almost 50 years. FMO's mission is to empower entrepreneurs to build a better world. FMO invests in sectors where it believes its contribution can have the highest long-term impact: financial institutions, energy and agribusiness. With a committed investment portfolio of €9.6 billion spanning more than 85 countries, FMO is one of the larger bilateral private sector development banks globally.

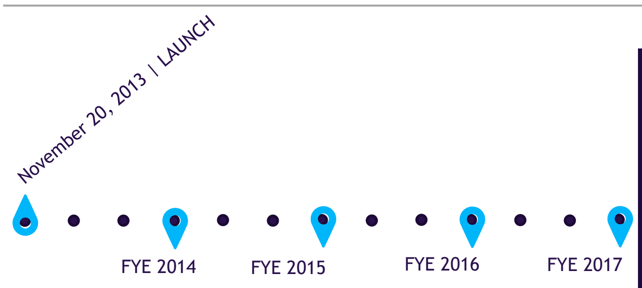
Some of FMO's investment management activities for the Fund are performed by FMO Investment Management B.V. (FMO IM). FMO IM is an investment firm that creates access for investors to invest in FMO's deal flow of sustainable emerging market investments. FMO IM matches investor appetite with FMO's expertise. The resulting fund propositions in private debt have the size and institutional quality required by professional investors. The portfolios FMO IM advises on or manages aim to generate an attractive financial return and meaningful development impact. FMO's profitable track record to date proves that these two can go hand in hand.

2. Management Note

We have the pleasure to present the fifth Responsibility and Impact Report of the ACTIAM-FMO SME Finance Fund (the Fund) to our investors. The first year that the Fund started fully drawn down and as such the first year where the focus has been entirely on reinvestment of incoming cash flow. The Fund realized a 3.0% net return in Euro and a net return of 3.3% versus 3m Euribor. From an impact perspective 2018 marks another year with growing SME portfolios at the financial institutions invested in, in line with the impact strategy of the Fund.

The Fund invested € 284 million over the lifetime of the Fund till year-end 2018 and was invested in 29[1] countries and 48[2] financial institutions at year-end 2018. These institutions together finance over 349,000 small and medium sized enterprises (SMEs). The aggregate outstanding portfolio of SME loans at the financial institutions invested in, amounts to € 15.9 billion (up € 0,7 billion from 2017), representing on average 40% of their loan portfolios. In 2018, the Fund has provided access to finance to an estimated additional 1,031 SMEs, resulting in a cumulative Fund outreach of close to 6,100 SMEs. At the same time, the Fund supports over 19,000 jobs with the new participations over the past year and nearly 50,000 since 2015.

The Fund (re-)invested a higher amount more than the year before and significantly increased exposure to African financial institutions during 2018, tapping into a region facing severe financing constraints for SMEs. This is also reflected in the number of jobs supported by the Fund, which doubled in 2018 when compared to the year before.



2017 results ***(1-1 / 31-12)***

Number of countries	24
Number of financial institutions	40
Number of SMEs supported by the institutions	339,098
Aggregate SME portfolio	€ 15.2 billion
SMEFF investments	€ 57 million
SME share in the SME Bank's portfolios	41%
Fund's estimated outreach	1,034
Jobs supported	8,643

During 2018, the aggregate SME portfolio of the financial institutions invested in, grew by 4%. Over the lifetime of the Fund, this amounts to a 21% increase. This growth enables local SME companies to attract suitable finance to support the development of their business. Furthermore, all investments comply with applicable internationally accepted social and environmental standards as mentioned in the terms and conditions of the Fund and adhere to the funding condition of implementing an Environmental & Social Action Plan to improve Environmental & Social (E&S) management, if required.

This year's report highlights Ecobank Transnational Incorporated (ETI), a Togo based holding company of the Ecobank group, operating in 36 Sub-Saharan African countries. ETI provides wholesale, retail, investment and transaction banking to financial institutions, multinationals, governments, local corporates, SMEs and individuals to more than 14 million customers. ETI is an interesting case to consider from diverse perspectives considering, a) the perspective of a financial institutions holding company operating in multiple countries facing severe financing constraints for, amongst others, the SME market, b) being an early adopter of a range of fintech solutions and c) exploring the procedures, management systems, practices already implemented and scheduled further improvements to manage relatively high environmental and social risks.

In 2017 and 2018, ACTIAM actively participated in the PRI Market Map by integrating the lessons learned of this Fund. The Market Map was published in Q2 2018, offering a resource for investors to identify companies that, through their products and services, generate impact in one or more of ten thematic environmental and social areas. The tool thereby offers guidance for new and existing investors to align their investments with market standards, aimed at advancing further development of the theme.

[1] Please note that two entities in the Fund have regional exposure hence indirectly the Fund is invested in more than 29 countries.
[2] Please note that Chase Bank is not included in any of the calculations in the report as this entity is valued at 0.

We look forward to building on the results achieved so far by continuing to invest in promising financial institutions with significant exposure to the local SME sector in developing countries. As such, we direct our efforts to make a positive contribution to decent work and economic growth as represented by Sustainable Development Goal (SDG) 8. Increasingly, Fund investments are aligned with not only providing finance to SMEs, but realising additional impact by incorporating SDG 5 (Gender equality) and SDG 10 (Reduced inequalities) and support innovation, linking to SDG 9 (Industry, innovation and infrastructure), for example through FMO's FinForward platform. The Fund does so by investing in SME-focused financial institutions that also aim to develop more inclusive finance activities, such as youth or women focused financial products with the purpose of reducing the significant inequalities of these groups and by supporting financial institutions that adopt an innovate business model. At the same time, such developments trigger the need to reflect once more on providing finance in a responsible manner. As such, both FMO and ACTIAM are involved in upgrading industry standards. For example, by cooperating with the SMART Campaign (during 2019) and the Responsible Finance Forum on integrating responsible standards for digital financial products and services.

Happy readings,

ACTIAM & FMO

2018 results *(1-1 / 31-12)*

Number of countries	29
Number of financial institutions	48
Number of SMEs supported by the institutions	349,461
Aggregate SME portfolio	€ 15.9 billion
SMEFF investments	€ 63,7 million
SME share in the SME Bank's portfolios	40%
Fund's estimated outreach	1,031
Jobs supported	19,102

FYE 2018

FYE 2028 | FINAL CLOSE

3. Portfolio Highlights

LATIN AMERICA					
2018	46%	6,996	21	337	3693
2017	47%	7,708	19	312	3965
AFRICA					
2018	11%	1,854	6	107	7990
2017	3%	207	3	0	0
EASTERN EUROPE AND CENTRAL ASIA					
2018	21%	3,583	11	133	1752
2017	7%	3,513	11	266	2190
ASIA					
2018	22%	3,444	9	454	5667
2017	42%	1,725	7	456	2488

= % of portfolio in the region = Outstanding SME portfolio of the financial institution (€ mn)

= Number of portfolio financial institutions in the region = Estimated Fund SME outreach in the region of 2018 new investments

= Jobs supported

4. Impact case study | Investing with impact

Long-term partnership with an African payment pioneer

Access to finance remains a key constraint to SME development in emerging markets. Financial institutions trying to bridge this financing gap often have to deal with the cyclical nature of the economies in which they operate. Their business is affected by sudden changes such as currency depreciation or volatility in global commodity prices.

Ecobank Transnational Incorporated (ETI) is a pan-African holding company that controls the Ecobank banking network. ETI is active in 36 countries across much of west, central, eastern and southern Africa.

Ecobank is an important participant in developing market banking, servicing more than 12 million customers across Africa. It provides both wholesale and retail banking services, and manages a technical infrastructure that underpins 874 branches, 2,731 ATMs and 13,800 point of sales machines.

In addition, the bank has been a pioneer of the digital banking revolution that is helping to transform lives and build businesses across the continent.

Coping with economic volatility

Like other financial institutions active in emerging markets, ETI has to deal with economic pressures affecting its local markets and regions. Across its geographical footprint, Ecobank has been able to perform consistently amid challenging conditions. This adaptability has been helped along the way by the long-term support of trusted partners such as FMO, whohave been in a strategic partnership with ETI since 1995.

Part of FMO’s role has been to help Ecobank build on its existing environmental and social governance platform, including the development of more active risk monitoring tools on transactions where there is an E&S aspect.

A key example of this is the deployment of a syndicated US$ 200 million loan facility in which the Fund participated in 2018. The facility delivers much-needed funding to African SMEs, a key source of employment in African economies, especially among under-served segments of society such as women and young people. This stands as the largest development finance transaction ever concluded by an African financial institution and went on to receive an award for the year's most outstanding syndicated transaction.

Pan-African payment leadership

The Ecobank network and its strong relationship with FMO is strategically important to FMO and its partners such as the Fund. It enables us to support a broad range of financing projects and businesses initiatives within Africa, including support for Dutch companies operating in Africa, the financing of energy and agribusiness projects, and the promotion of energy efficiency and environment-friendly solutions for African corporate groups.

Ecobank has gained a reputation as a leader in trade payment and digital payment throughout Africa and we are proud of the contributing role the Fund has with its US$ 3 million secured 5-year loan. Long-term funding has enabled Ecobank to develop a banking strategy that exploits the latest payment technology. With current and potential future funding, the Fund facilitates the growth of African small and medium enterprises.

5. Closing the finance gap for SMEs

In both developed and developing countries, SMEs generally represent more than 90% of enterprises. They play a major role in most economies, particularly in developing countries. Formal SMEs contributes up to 45% of total employment and up to 33% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included. According to estimates, 470 million jobs will be needed in the next 15 years to absorb the growing global workforce, mainly in Asia and Sub-Saharan Africa. In emerging markets, most formal jobs are with SMEs and they are also responsible for the creation of four out of five new positions.

Banks play a key role in providing this much needed financing to SMEs. At the same time, an increasing number of innovative players is entering the market space, offering new products and services to the SME clientele. As also mentioned in the annual report, SMEs don't doubt their banks' ability to provide good advice. Banks therefore remain in an unique position. They have access to more information about SMEs than any other organisation. To date, nobody can rival a SME bank when it comes to providing financial advice about the SMEs' business. And personalised advice, delivered digitally, is the number one priority for SMEs. While banks have digitized transactional services, financial management has been left behind. SMEs are in need of digital financial management tools and would be prepared to pay for them. Banks can simultaneously rescue the SME relationship and create a new revenue stream by digitizing financial management.

SDGS IN PRACTICE

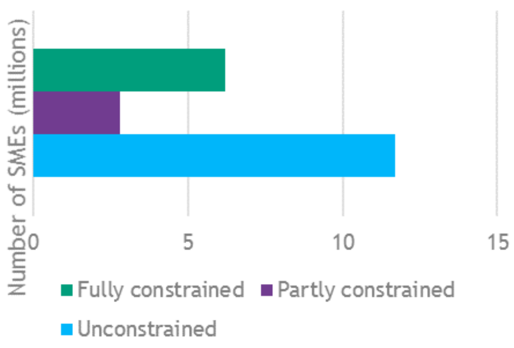
The SDGs recognise the role of SMEs to "promote strong, inclusive and sustainable economic growth" and "decent work for all" (SDG 8 and 9). Access to finance is a one major challenge for SMEs and the SDGs contain a call for development-oriented policies that encourage their growth and formalisation (SDG 8.3). It also calls for the integration of small-scale firms, in particular from developing countries, into global value chains (GVCs) (SDG 9.3) (OECD, 2017).

FIELD EXAMPLE: BANCO PROMERICA GUATEMALA

Banco Promerica Guatemala is a mid-sized universal bank, with total assets over US$ 800 million. Promerica Guatemala is part of the Promerica Group, a financial group which currently operates in nine different countries across Latin America and the Caribbean. In 2018, the Fund made its first investment in Banco Promerica Guatemala. The funding is dedicated to on-lending to SMEs and to be used for Green lines. It thus enables the bank to further expand its SME portfolio, a sector of increasing importance to the bank and allows the bank to develop green lending in a country where this is unavailable yet. The expected reduction in emissions through this finance will contribute positively towards SDG 13 - climate action.

5.1 OVERCOMING BARRIERS TO SME GROWTH

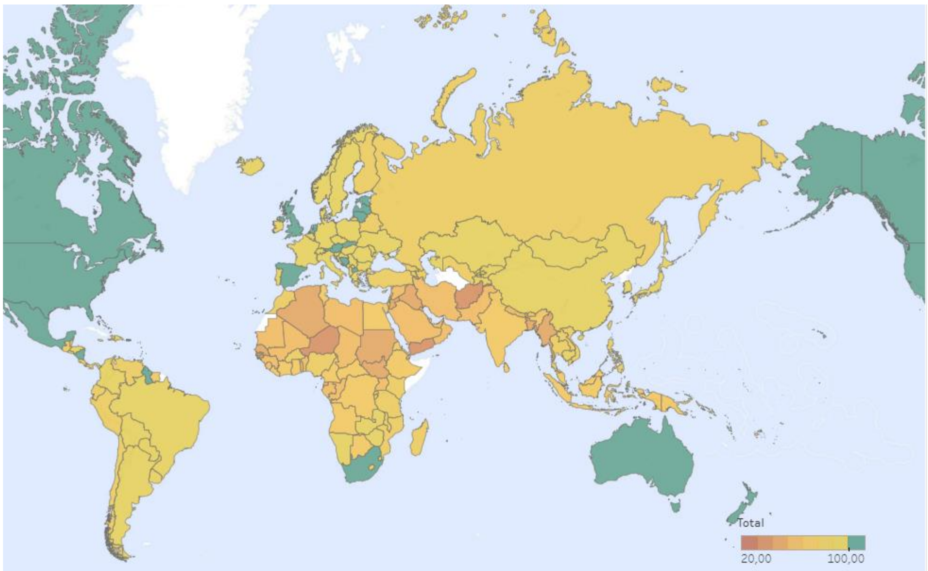
Figure 1 - Financially constrained SMEs (mn.)(IFC, 2017)



One of the key barriers to SME growth in lower income countries still remains insufficient access to finance. SMEs often face difficulties in securing bank loans as their financing needs are often too large and complex to qualify for microfinance and regular banks are reluctant to engage with SMEs due to higher transaction costs and the lack of adequate collateral. On average, 30% of formal SMEs in all developing countries are fully constrained, 14% are partially constrained and 56% are unconstrained to access to formal financial credit (IFC, 2017)[1]. Most recent estimates present the SME finance gap at US$ 4.5 trillion. The unmet demand from SMEs is 56% of the potential demand for this segment, valued at US$ 8.1 trillion. SMEs represent 13% of the number of formal credit-constrained MSMEs in developing countries, but account for 86% of the MSME finance gap in US$ terms.

WOMEN IN BUSINESS

Figure 2 - Women-SME Finance Categorized Indicators (Source: SME Finance Forum, 2018)



Women entrepreneurs make significant contributions to their economies. The 2017 MSME Finance GAP indicates women-owned businesses comprise 28% of business establishments and account for 32% of the MSME finance gap estimated at US$ 1.7 trillion. Female entrepreneurs face a range of financial and non-financial challenges and constraints in realizing their growth potential. They are more likely than their male counterparts to indicate access to finance is a major or severe constraint on their business operations. Furthermore, the terms of borrowing can be less favorable then for male entrepreneurs.

A first step in allowing women entrepreneurs to reach their full potential is captured by Women Business and the Law (WBL) - Women-SME Finance Categorized Indicators (WSCI). An initiative which measures to what extent the legal and regulatory environment in a country enables women to do business (figure 2, scale from 20-100). This dataset aims to provide a better view of what improvements are called for to help women access finance (SME Finance Forum, 2018). The Fund can support this positive trend by investing in those financial institutions that treat women and male entrepreneurs equally or that are open to develop women targeted SME products where beneficial.

PORTFOLIO HIGHLIGHT: ACCESS BANK GHANA

During 2018, the Fund participated in the FMO loan to Access Bank Ghana, a medium sized commercial bank that offers full financial services to corporate and SME clients in Ghana. Access Bank Ghana is part of Access Bank Plc, a top banking group based in Nigeria. The Access Bank Group has operations in several other African countries and presence in the UK, Asia and the Middle East. The Fund participates in FMO's US$ 25 million senior loan facility with the purpose to strengthen the bank's loan book following several years of limited growth in the Ghanaian banking sector. Part of the facility is specifically dedicated towards female SMEs and as such the facility will help the bank to build its (female) SME segment. Access Bank's 'W initiative', launched in 2014 is dedicated towards providing tailored banking services (both financial and non-financial) to female clients.

FMO is committed to inclusive economic development, and our Fund supports FMO when this commitment is aimed at the SME sector. By providing long-term funding for SMEs and gender related support to Access Bank Ghana, the Fund contributes to the development of a robust SME and corporate sector and to women's economic empowerment in Ghana. The banking sector in Ghana is a fundamental channel of economic recovery and growth. We can play a positive role by increasing long-term financing capacity as well as helping Access Bank Ghana to finance a diverse range of sectors including SMEs within the Ghanaian market. 46% of businesses in Ghana are female owned, as such Ghana emerges as a leading country in the MasterCard Index of Women's Entrepreneurship (MIWE). This underscores the relevance of our support for female owned SME businesses.

5.2 DEDICATION TO SME FINANCING AND A STRATEGIC INTENTION TO GROW IN THIS SEGMENT

The Fund was launched in order to capitalise institutional investments with the intention to support further development of the SME sector in emerging countries. By providing financing for SMEs with a long-term character, ACTIAM and FMO aim to provide growth capital to those SMEs facing difficulties when obtaining access to capital. Therefore, three impact themes are formulated.

- Realisation of social-economic impact through facilitating and contributing to improved access to finance for SMEs (i.e. closing the financing gap);
- Realisation of economic impact through the financing of economic activities through local banks, which in turn results in private sector development and employment creation;
- Realisation of social impact in the SME sector by financial institutions through capacity building and quality improvement regarding responsible business development. This is realised as a result of support activities by FMO.

REFLECTING ON STRATEGIC INTENTIONS & PORTFOLIO CONTRIBUTION TO CLOSING THE FINANCE GAP

The Fund solely invests in debt instruments issued by financial institutions that provide access to finance for SMEs in developing and emerging economies. In doing so, the Fund aims at providing investors with a market-based financial return, while at the same time contributing to closing the finance gap for SMEs by making socially and environmentally responsible investments. This is intended to foster a dynamic SME sector which is considered to be a primary driver for job creation and economic growth.

The Fund invested € 284 million over the lifetime of the Fund till year-end 2018 and was invested in 29 countries and 48 financial institutions at year-end 2018. These institutions together finance over 349,000 SMEs. The aggregate outstanding portfolio of SME loans of the financial institutions invested in amounts to € 15.9 billion (up € 0,7 billion from 2017), representing on average 40% of their loan portfolios. In 2018, the Fund has provided access to finance to an estimated 1,031 SMEs, resulting in a cumulative outreach of close to 6,100 SMEs (figure 3). At the same time, the Fund will be able to support over 19,102 jobs with the new participations entered over the past year, resulting to nearly 50,000 jobs since 2015 (figure 4).

Figure 3 - Estimated SME outreach of the Fund

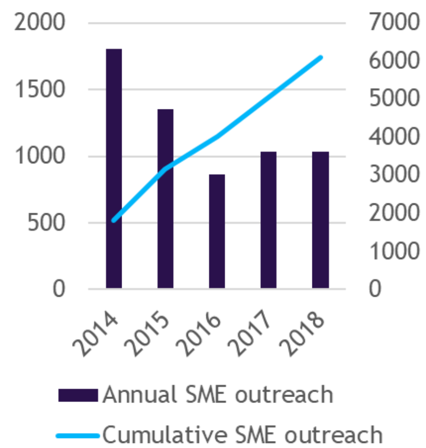


Figure 4 - Estimated jobs supported by the Fund

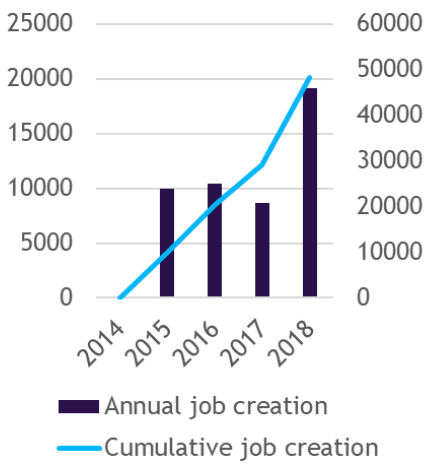


Figure 5 - Growth of the loan portfolios of the FIs invested in

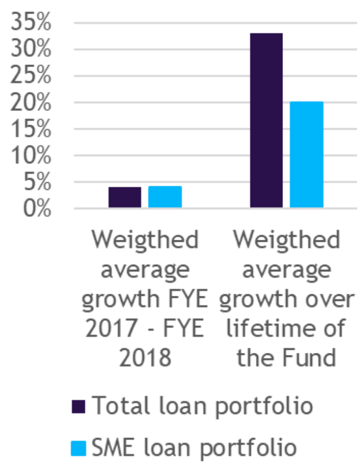


Figure 5 presents the growth of the total loan portfolios and the SME portfolios of the financial institutions between the year these institutions entered the Fund and year-end 2018. Based on these data, we can make an assessment of the strategic intention of the financial institutions in the Fund's portfolio to grow their SME portfolio. In addition, we can make an assessment of how the Fund has fulfilled its strategic intention to support SMEs in emerging markets and developing countries. Two important remarks should be made:

- Loans to financial institutions have an average tenor of 5-7 years. Therefore, the developments over the limited lifespan of some of the Fund investments to date may provide a short-term impression which not always reflects long-term strategic intentions.
- Developments in the SME portfolios of the financial institutions usually do not reflect a change in strategic intention: market developments, economic growth/decline and currency depreciations/appreciations can significantly influence the absolute portfolio growth or decline.

During 2018, the SME portfolio of the financial institutions invested in, grew by 4%. Over the lifetime of the Fund, this amounts to a 21% increase.

In 2018, the SME portfolio of the financial institutions invested in, grew by 4%. Over the lifetime of the Fund, the overall increase amounts to 21%. This indicates that, over the lifespan of the Fund, the selected financial institutions on average lived up to their strategic intention to grow their SME portfolio. This growth enables local SME companies to attract tailor-made financing to support the development of their business.

Besides assessing the potential of a financial institution to contribute to the development of the local SME sector, FMO and ACTIAM assess both financial risk aspects as well as environmental and social practises during due diligence. In case the financial institution doesn't meet the minimal Environmental & Social requirements of FMO and ACTIAM but is willing to improve beyond that level, FMO will provide support and in some cases financial support (capacity development) as well to develop or improve the financial institution's E&S risk management. This will be elaborated upon in the next chapter.

Figure 5 - Overview of the Fund's contribution to the SDGs

	% of the portfolio institutions contributing to the SDG	How the financial institutions invested in contribute to the SDGs
8 DECENT WORK AND ECONOMIC GROWTH	100%	The Fund invests in financial institutions in Lower and Upper Middle Income countries targeting SMEs. SMEs are often considered to be the engine of economic growth as nine out of ten new jobs worldwide are created by small businesses. Over the lifetime of the Fund, nearly 50,000 jobs are supported.
10 REDUCED INEQUALITIES	24%	Some of the financial institutions invested in have specifically developed products targeting groups that generally have more difficulty to access financial products and services. Examples are loans targeting rural SME's or women-owned SME's. Also, general SME financing in leas-developed countries (LDC's) qualify as supporting SDG 10.
13 CLIMATE ACTION	4%	Several financial institutions invested in offer specific products that stimulate 'greening' of the economy. Examples are financing of an electric vehicle fleet or loans for energy efficiency projects.
17 PARTNERSHIPS FOR THE GOALS	100%	The partnership between FMO and ACTIAM enables FMO to deploy more private capital to its clients than it would have without the Funds investments.
5 GENDER EQUALITY	5%	Some of the financial institutions invested in offer specific products for female entrepreneurs or companies with >50% female employees.

6. Socially and environmentally responsible investments

The Fund aims to support the SME sector in an environmentally and socially responsible manner. Given that the Fund reaches SMEs through local financial institutions, the environmental and social risk management and corporate governance (ESG) of the institution as a whole is assessed by the investment committee. Every financial institution has to conduct its business in accordance with the defined minimum standards in relation to issues such as human rights, environmental impact or corruption. In addition, opportunities to further improve the level at which the financial institutions operate are pro-actively identified and acted upon. FMO has long-term experience and builds on a broad and in-depth internal expertise in its engagement with its clients to stimulate the application of the highest ESG standards.

6.1 ENVIRONMENTAL AND SOCIAL PROFILE OF THE PORTFOLIO

SME portfolios generally witness little exposure to environmentally or socially sensitive activities such as infrastructure, mining or large-scale textile industry. Hence the majority of the Fund's portfolio is classified in the E&S risk category B (medium risk - 28 institutions) or sometimes even C (low risk - 15 institutions). The portfolio contains four institutions with an elevated E&S risk profile (category A - high risk).[3] The appendix presents details on E&S categorisation and the Responsibility & Impact policy of the Fund.

6.2 ADDING VALUE ON E&S

Dedicated ESG specialists within FMO engage actively with all category A and where warranted, category B clients. The level and exact focus of engagement depends on the type and severity of impact and/or the extent to which they pose a risk to the client, FMO and the Fund. Since FMO launched its latest human rights position statement in September 2017 FMO has further strengthened its due diligence process specifically around this topic. More than before, human rights form a more specific yet an integral part of the overall environmental and social approach and are systematically addressed throughout our investment process. The over 35 embedded Environmental & Social Officers within the FMO investment teams identify and manage human rights in conjunction with FMO's clients. This approach helps to address human rights in a more formal and systematic way. A specific element which has been strengthened is in how FMO ensures that vulnerable people can share in the benefits of the investments – and that their rights are not infringed. The context and nature of each investment defines who, if anyone, is potentially vulnerable. Women specifically often form a more vulnerable group through poverty, dependence or lack of voice. For this reason FMO's Environmental & Social Officers will in many cases find ways to speak to women separately.

6.3 CLIENT PROTECTION

Although the Fund targets SMEs as end beneficiaries of its finance, the financial institutions to which this finance is provided, have a broader client base. This indirectly exposes the Fund to other ESG related risks, of which consumer protection is considered the most substantial one. Providing financial services to natural persons adds another dimension to responsible banking, because consumers as well as micro entrepreneurs are in a more vulnerable position compared to enterprises. For Fund investments with 50% or more of their portfolio outstanding in the retail and microfinance industry, we therefore also report on client protection as a relevant issue. At year-end 2018, 11 out of the 48 Fund investments exceeded the 50% threshold. Most of these have been elaborated on in the previous Responsibility and Impact Reports of the Fund. During 2018, three entities with a large portion of microfinance and retail activities were added to the portfolio and are discussed in more detail below. There are no material findings with regards to client protection over the course of the previous year.

BANCO POPULAR (HONDURAS)

For Banco Popular client protection is a very important topic and the bank is highly committed to a fair treatment of its clients, evidenced by having obtained SMART Campaign Client Protection Certification in 2016 as one of the first certified

[3] Detailed information on individual financial institutions is confidential and only available in the investor version of this report.

MFIs in the Latin America & Caribbean region. The regulator of Honduras (CNBS) has a Client Protection Bureau (Gerencia de Protección al Usuario Financiero), which inform the clients on their rights and duties, as well as on Abusive Clauses that might appear in contracts.

BANCO PROMERICA GUATEMALA

Banco Promerica Guatemala has a strong culture of service to the client. Just as with other Promerica group companies, Promerica Guatemala applies a system of regular client's surveys that directly affect the employee's variable remuneration. Finally, the bank applies a standardized scoring system that takes into consideration the level of over-indebtedness of the client and ultimately affects the loan size and approval. National regulation does not have strict transparency requirements; however, the bank participates in industry transparency initiatives. As pricing is not regulated in Guatemala there is a "gentlemen's agreement" at the bank's association to not overcharge client.

KHAN BANK (MONGOLIA)

Khan Bank has long incorporated the CPP in its day-to-day operations and its products based upon the SMART campaign (though not certified). Khan Bank's lending practices include checks to avoid clients' over-indebtedness, and the bank takes a simple and transparent approach towards clients. Client protection is also safeguarded by client protection legislation. All interest rates are published on the Bank of Mongolia website, so clients can compare the lending rates of all Mongolian banks.

7. Enclosure - Responsibility & impact guidelines of the Fund

The Fund does not only concentrate on realizing an attractive financial return. It also aims to make socially and environmentally responsible investments, hereby providing investors with an attractive financial return while at the same time contributing to fostering a dynamic SME sector in developing and emerging economies. Accountability is a key feature with respect to all businesses and products operated by ACTIAM and FMO. Therefore, all of the Fund's investments should, as a minimum, comply with the ACTIAM Fundamental Investment Principles[4] and as a minimum, make sure that all financial institutions invested in operate in line with applicable international standards, such as the ILO Fundamental Labour Conventions and the IFC Performance Standards.

Screening of financial institutions and their SME portfolios on environmental and social performance is an integral part of the investment selection process. In order to ensure that the Fund can measure and monitor the environmental and social performance the financial institutions underlying the Fund Investments should commit themselves to the following requirements:

- Systematic management of the environmental and social performance based on a policy framework that is guided by national laws and/ or the IFC Performance Standards; and
- Systematic environmental and social risk assessment, monitoring and reporting with respect to the SME portfolios.

In addition to the environmental and social screening the Fund will also take into account the economic and social impact a Fund Investment generates. In order to ensure that the Fund creates real and measurable impact, the Fund Manager has identified a number of key themes on which it aims to distinguish itself as a committed responsible impact investor:

- Realization of social-economic impact through facilitating and contributing to improved access to finance for SMEs;
- Improvement of the financial institution's management of environmental and social risk and performance as a result of support activities by the Investment Manager;
- Realization of economic impact through the financing of economic activities through local banks, which in turn results in private sector development and employment creation; and
- Realization of social impact in the SME sector by financial institutions through capacity building and quality improvement regarding responsible business development.

The Fund Manager will report on these themes at least on an annual basis. Finally, the Fund is aligned with FMO's E&S approach for Financial Institutions[5]. Key to this policy is the categorisation of its investments in different levels of Environmental and Social (E&S) risk, similar to IFC's approach to E&S risk categorization, which is also used by all European Development Finance Institutions (DFIs). For direct investments, risk categorization is based on the client's activity, IFC Performance Standards triggered transactions and prevailing country specific ESG challenges. With regard to financial institutions the risk categorization is made on the basis of the banks existing or proposed portfolio, IFC Performance Standards triggered transactions[6] and prevailing country-specific sensitive issues[7]. The following E&S risk-categories are distinguished (following the IFC's Environmental and Social Risk Categorization Framework):

FMO's E&S categorization of financial intermediaries		
Category	**Description**	**Key words**
Category FI-A **High E&S risk**	FIs with an existing or proposed portfolio that includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.	Adverse and irreversible E&S impacts
Category FI-B **Medium E&S risk**	FIs with an existing or proposed portfolio that includes, or is expected to include, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented.	Limited E&S impacts, largely reversible
Category FI-C **Low E&S risk**	FIs with an existing or proposed portfolio that includes and is expected to include business activities that predominantly have minimal or no adverse environmental or social impacts.	Minimal E&S impacts

[4] https://www.actiam.nl/nl/documenten/verantwoord/Documents/Fundamental_Investment_Principles_Companies.pdf
[5] https://bit.ly/2JnkAt1
[6] Project finance and corporate loans related to project finance (total project size US$ ≥ 10m / ≥36 months tenor)
[7] E.g. Indigenous people / Land rights / Water / Deforestation

8. Disclaimer

ACTIAM N.V. endeavours to supply accurate and up-to-date information from sources deemed to be reliable. However, ACTIAM N.V. cannot guarantee the accuracy and completeness of the information contained in this presentation and/or this document, referred to below as ‘the Information’. The Information may contain technical or editorial inaccuracies or typographical errors. ACTIAM N.V. gives no express or implied guarantees that the Information contained in this presentation and/or this document is accurate, complete or up to date. ACTIAM N.V. is not obliged to update or correct errors or inaccuracies in the Information. The Information is based on historical data and is not a reliable basis for predicting future values or equity prices. The Information is similar to, but possibly not identical to, the information used by ACTIAM N.V. for internal purposes. ACTIAM N.V. does not guarantee that the quantitative yields or other results from the Information will be the same as the potential yields and results according to ACTIAM N.V.’s own price models. Comments about risks pertaining to any Information should not be regarded as a complete disclosure of all relevant risks. The Information should not be interpreted by the recipient as business, financial, investment, hedging, commercial, legal, regulatory, tax or accounting advice. The recipient of the Information is personally responsible for the way in which the Information is used. Decisions made on the basis of the Information are at the expense and risk of the recipient. Accordingly, the recipient cannot derive any legal rights from the Information.

ACTIAM N.V.

Bezoekadres
Graadt van Roggenweg 250
3531 AH Utrecht

Postadres
P.O. Box 679
3500 AR Utrecht

+31-(0)20-543 6777
marcom@actiam.nl
www.actiam.nl