

FMO

Entrepreneurial
Development
Bank

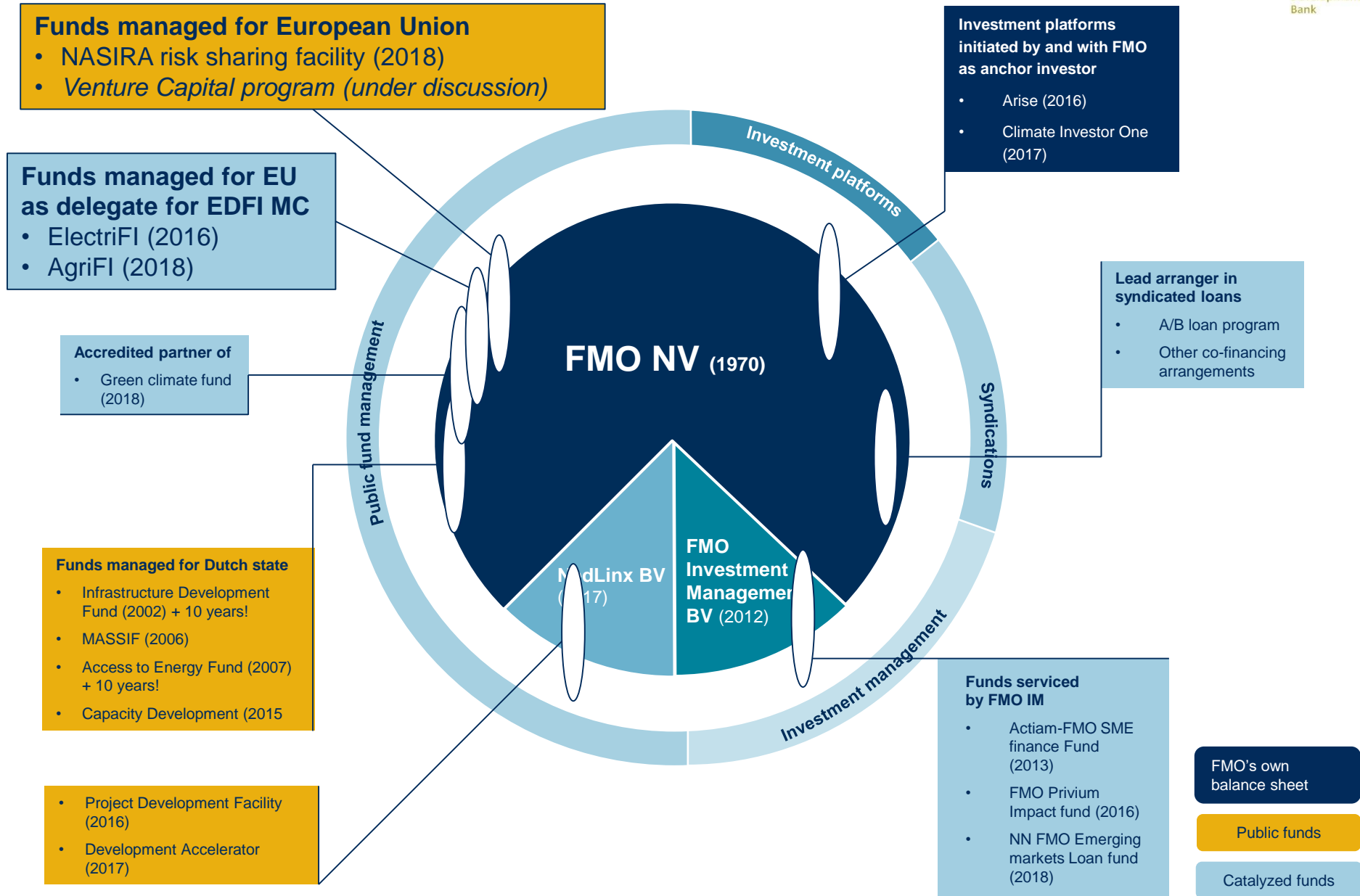
FMO

Your partner to invest in **local prosperity**

April 2019 | www.fmo.nl



OUR MOBILIZING PARTNERSHIPS





FMO, SNV, WWF and CFM
consortium wins tender to
manage €160 million Dutch Fund
for Climate and Development

FMO

Entrepreneurial
Development
Bank

SNV Netherlands
Development
Organisation
Connecting People's Capacities



CLIMATE
FUND MANAGERS



CLIMATE
FUND MANAGERS

**WATER
FACILITY**



SNV Netherlands
Development
Organisation
Enhancing People's Capacities

**ORIGINATION
FACILITY**

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**LAND USE
FACILITY**

PROJECT GRADUATION

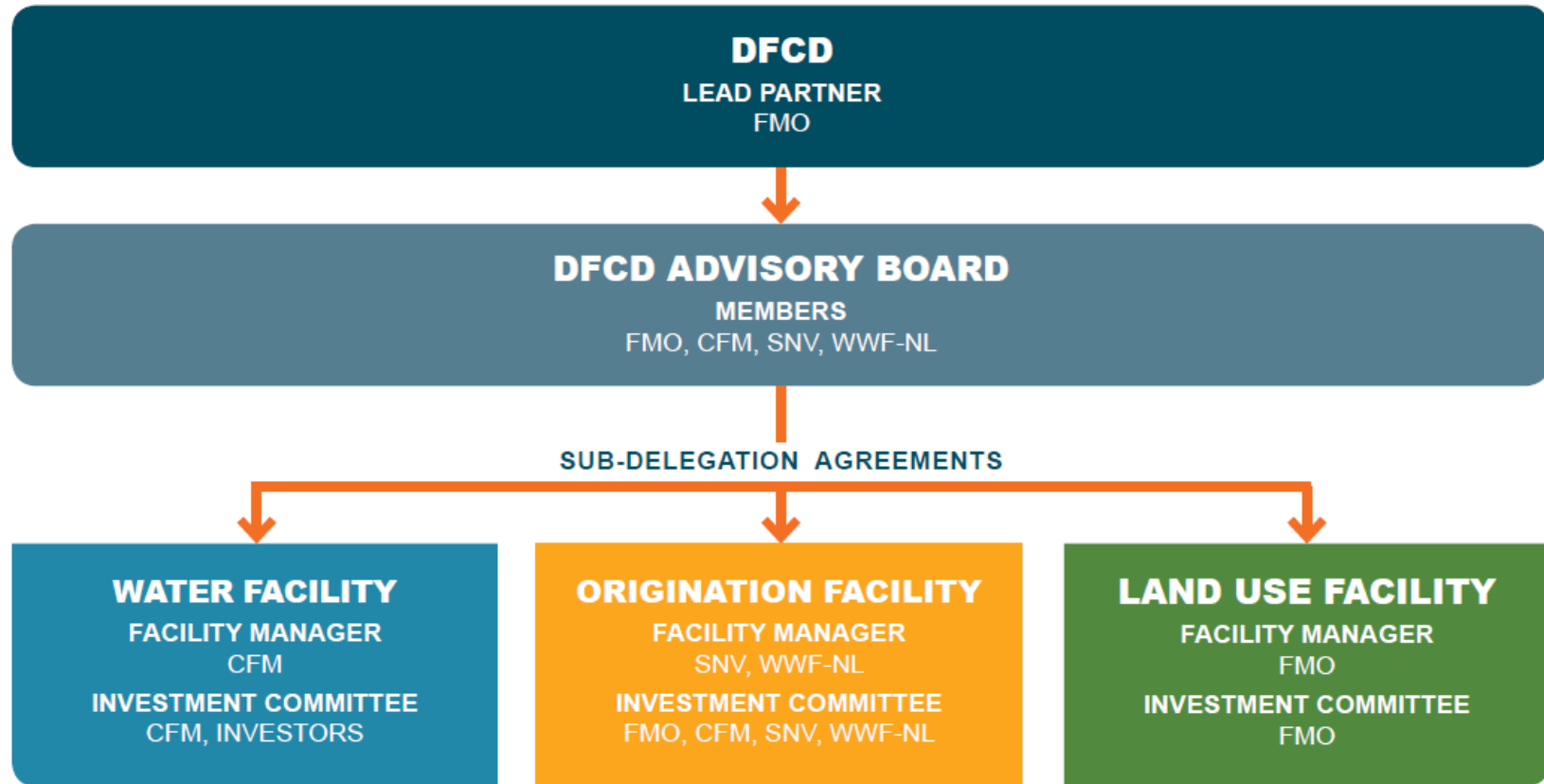
Business cases graduate from ideas to full implementation using lifecycle financing

THEMATIC FOCUS

Water, Environmental Protection, Agriculture, Forestry

LANDSCAPE

Integrated approach to project identification and collaboration

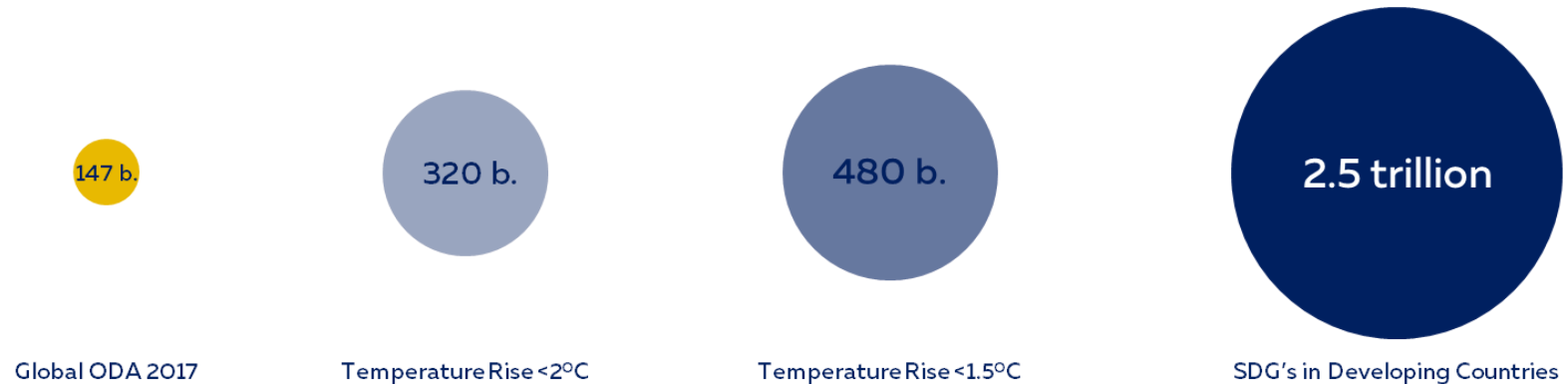




CLIMATE
FUND | MANAGERS

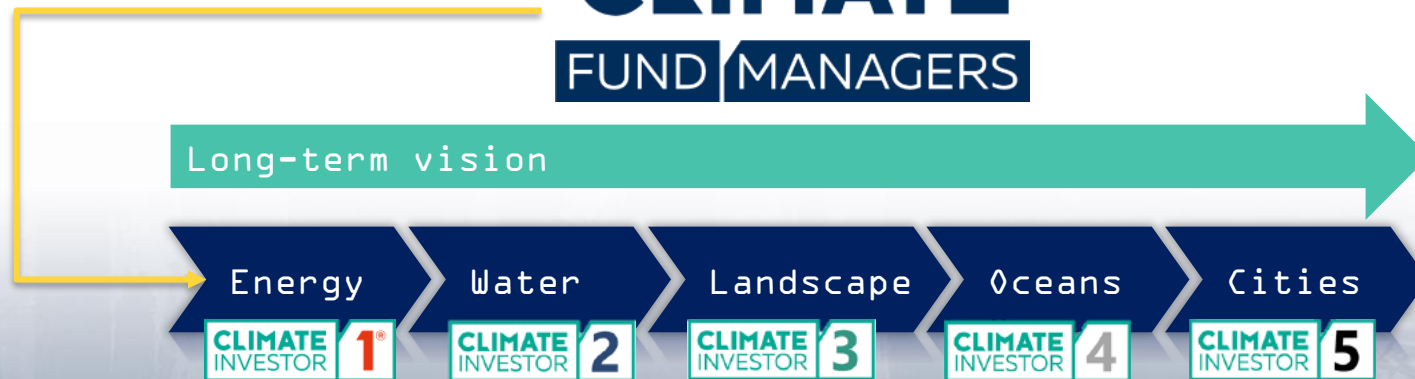
MISSION STATEMENT: EFFECTIVE USE OF SCARCE CAPITAL

The Gap between Available and Needed Capital (USD)



- Global goals for climate change and development require substantial investments, both today and through 2030, 2050
- Donor capital is a scarce and critically important resource
- To maximize the impact of each euro of Donor capital, we aim for minimum levels of concessional funding and maximum levels of private sector co-financing
- Access to finance is only one part of the climate and development challenge, generation of sound projects to realize target impacts is equally critical

The Fund Manager of
Climate Investor
One
CLIMATE
FUND MANAGERS





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GLOBAL INNOVATION LAB FOR CLIMATE FINANCE - WINNER (2015)

The Global Innovation Lab for Climate Finance was originated by the Governments of the UK, US & Germany, and included participants from many other public and private sector institutions



The Lab is mandated to identify and galvanize cutting edge Climate Finance initiatives in order to mobilize private capital in developing markets

CLIMATE INVESTOR ONE: RENEWABLE ENERGY

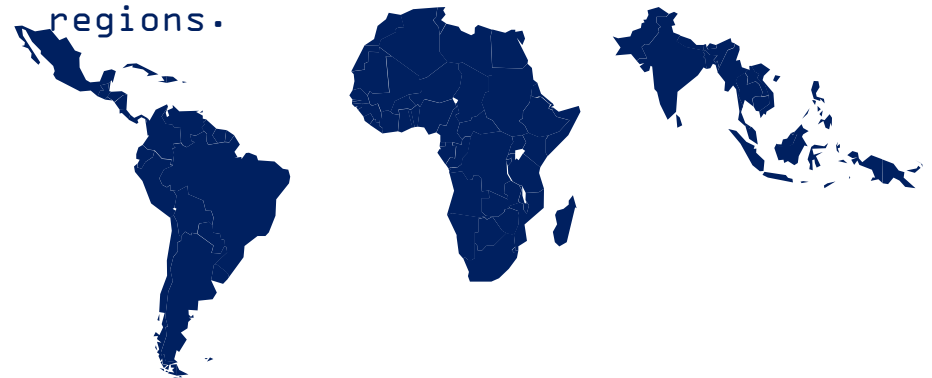
Renewable Technology

- CI0 targets to diversify its portfolio over the following renewable energy technologies:
 - Solar PV (40%)
 - On-Shore Wind (40%)
 - Run-of-river Hydro (20%)
- The CFM team has extensive experience in developing and financing the target technologies
- Apart from the main three technologies CI0 will also consider investing in other renewable technologies such as geothermal.

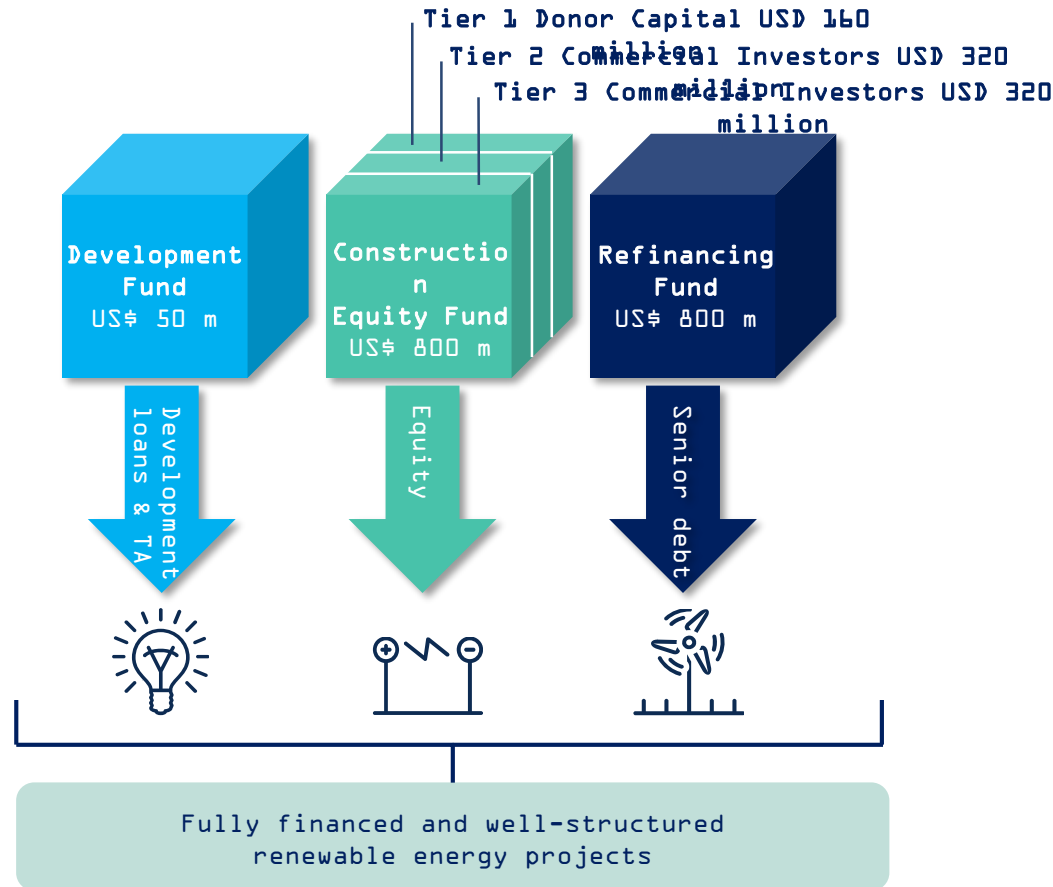


Developing Countries

- CI0 is mandated to invest in circa 60 developing countries across Africa, Latin America and developing Asia.
- CI0 will diversify its portfolio across these regions.
- Currently CI0's focus is in Africa and Asia.
- CI0 is currently developing and constructing projects in these regions.



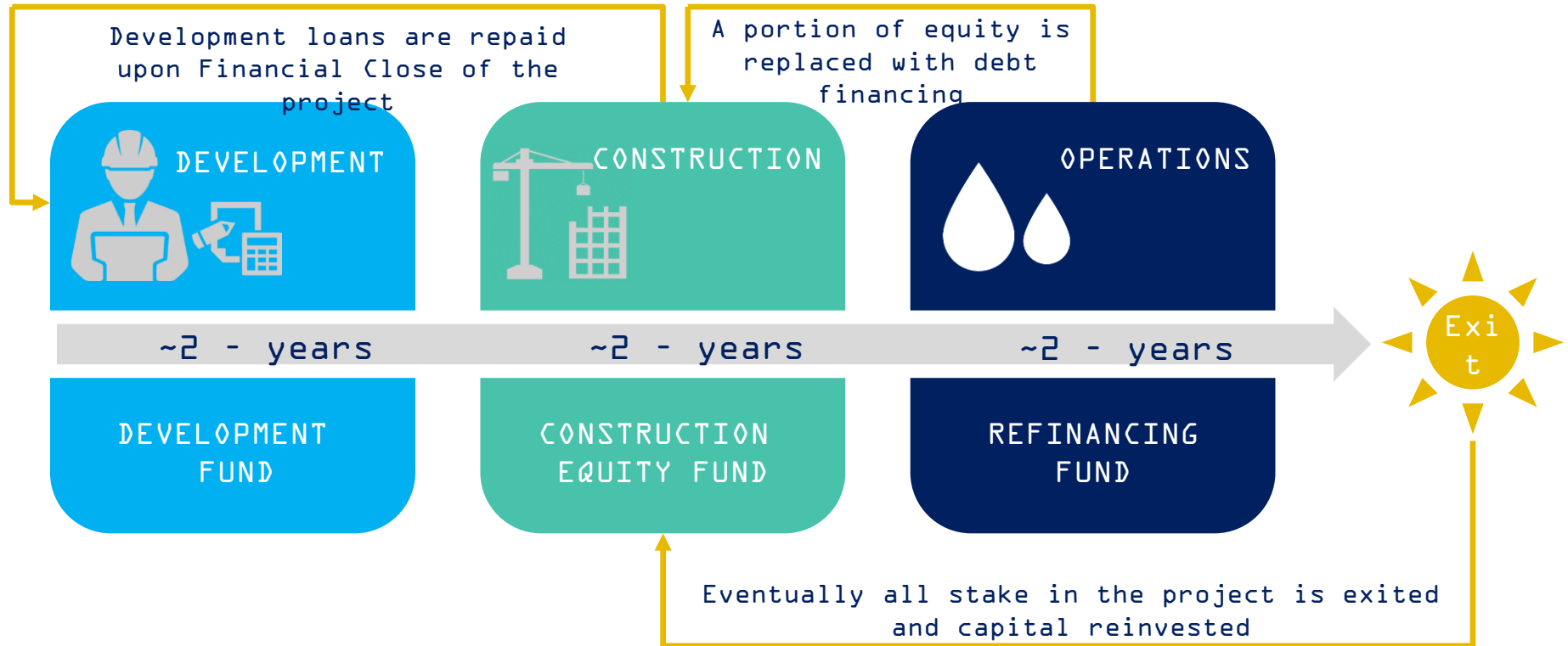
CLIMATE INVESTOR ONE



- ### Delivering:
- Unique access to proprietary pool of projects
 - Risk-Reduced Structure through Strategically Positioned Donor Capital
 - Commercial

Proposition targeting High>Returns

CFM FULL LIFECYCLE FINANCE AND RECYCLING



GENERATING DEMONSTRABLE IMPACT

CI0's primary objective is the mitigation of climate change through clean energy provision in developing countries.

In total CI0 will build ~30 renewable energy projects, leading to ~1,700 MW of additional capacity.

CI0's Expected Direct Impact

Indicators:



Electricity generated per annum: ~5,100 GWh



GHG emissions avoided per annum: ~1.9 million tons of CO₂ equivalent



Number of people served: ~13 million



Total private sector funds catalyzed at construction phase: USD ~2.5+ billion

CI0's Contribution to SDG's



CI0 is committed to contributing to the above 6 Sustainable Development Goals through the direct impact of its projects as well as CI0's innovation in the development finance sector. CI0 brings a special contribution to the additional 17th goal of partnership creation, by connecting public and private investors to catalyse impact.



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CFM APPROACH TO WATER & SANITATION

Guiding Principles

- Maximize the number of projects built and people provided with access to water and sanitation services per donor dollar
- Not only a financier - active project developer which creates the projects to be financed and built
- Focus not only on water supply but on opportunities for water re-use and circular economy in the wastewater sector - energy production, fertilizer
- Look for water and sanitation investments not only in traditional infrastructure but also in ecosystem services solutions
- Focus on projects which qualify under Rio Marker system as either mitigation or adaptation finance
- Water is not only a commodity, it is a basic necessity for life - careful selection and implementation of projects that safeguard this principle

Initial Partners



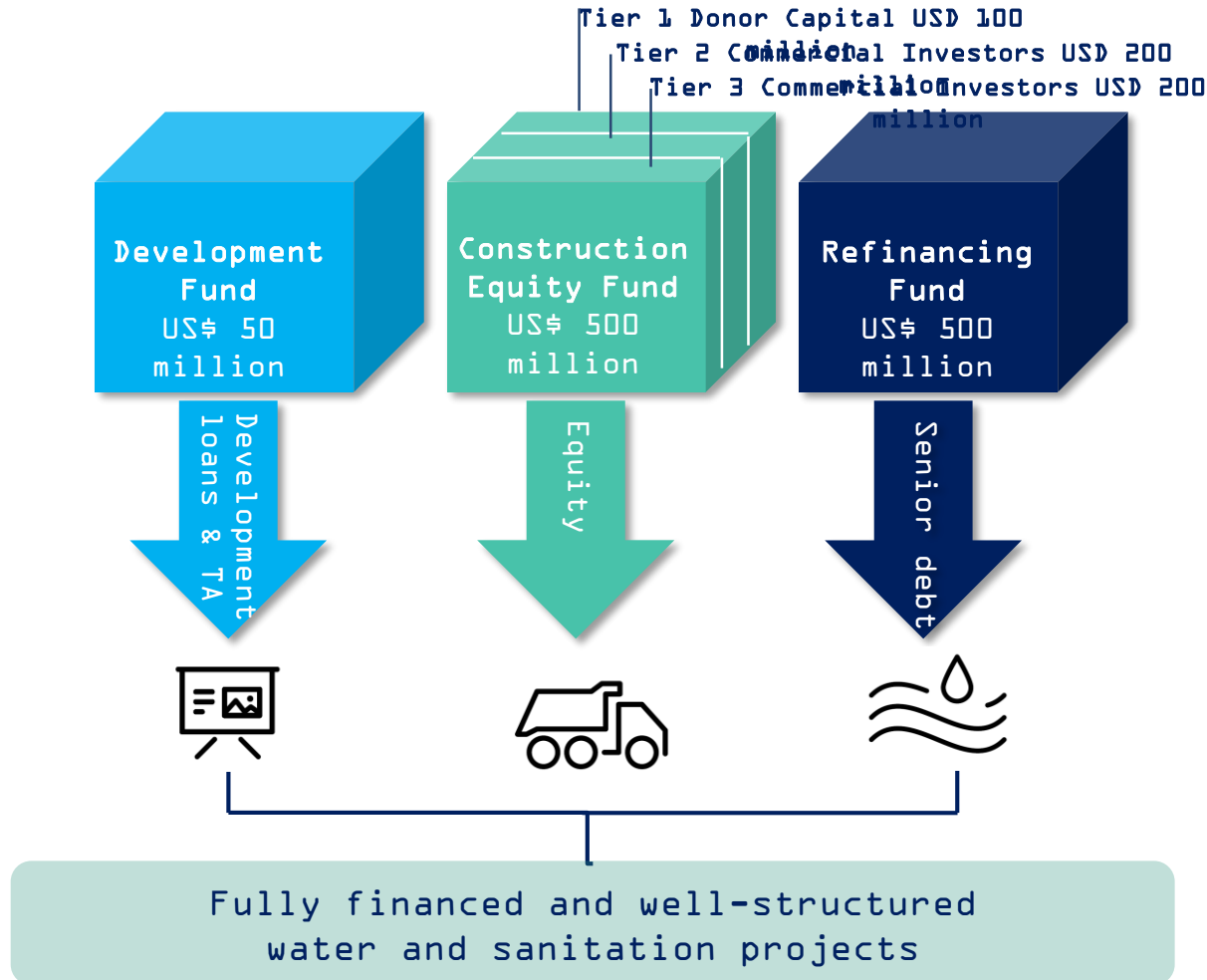
Ministry of Foreign Affairs of the
Netherlands



NETHERLANDS
WATER PARTNERSHIP



DFCD: WATER FACILITY - CLIMATE INVESTOR TWO



TARGET INVESTMENTS & GEOGRAPHIES

Investment Focus

CFM has identified the following sub-sectors within the water and sanitation sector emerging markets which seem promising:

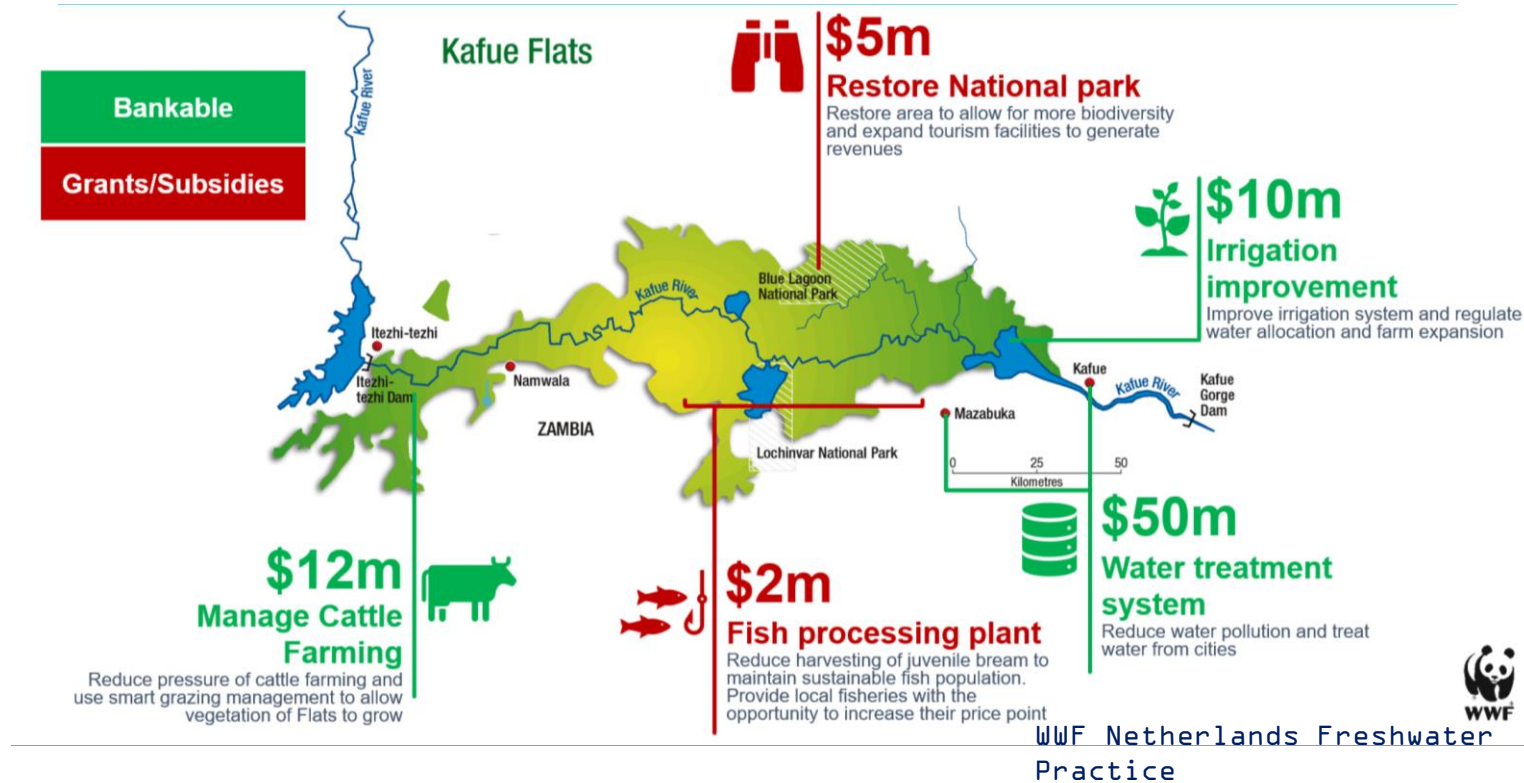
- Bulk water supply and potable water treatment for municipalities
- Wastewater treatment, both for municipalities and for industry, including:
 - Energy production from wastewater
 - Water re-use, in particular for agricultural irrigation
 - Fertilizer production
- Desalination - this technology can be problematic, however opportunities for solar and wind powered desalination are promising
- Ecosystems services for water treatment and coastal protection, for example mangrove restoration
- Waste and wastewater management for

Geographical Focus

- CFM is mandated to invest in global emerging markets, mandate can be refined per platform based on donor and investor requirements
- CFM will aim for a diversified portfolio across global emerging markets
- CFM expects a high level of opportunities in key water stress regions: North Africa, South East Asia



INTEGRATED WATER RESOURCE MANAGEMENT



- Water and sanitation sector is often best served through an integrated approach
- CFM will co-operate with other actors in the sector, both private and public to deliver projects which are part of an integrated water management system
- Frequently water supply and wastewater treatment solutions combine both grey and green infrastructure solutions



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EC NEXUS DIALOGUES PROGRAMME AND CFM

EC NEXUS DIALOGUES PROGRAM

Water, Energy & Food

- By 2030 energy and water demand to increase by 30-50%, food demand could increase by 60%
- How to provide an integrated response to alleviate these pressures?
- 2016-19: EUR 6.17m funding for phase 1 project - 53 project proposals put forward for assessment
- Wide range of projects, from grants for feasibility studies for wetland restoration, to USD billion commercial hydropower projects
- Total funding requirements of proposed projects in excess of any 1 funder's ability, public or private
- Challenges to assess not only impact potential of projects, but also feasibility to develop, finance and construct



Full global reach, with priority regions:

- Niger Basin - 10 projects
- Southern Africa - 15 projects
- Latin America - 8 projects
- Central Asia - 7 projects
- Neighbourhood South - 13 projects

CFM INVESTMENT PLATFORMS



Platform Characteristics

- USD 50m Development Fund
- USD 800m Construction Equity Fund
- Active through 2038
- 40 Investment & Development Professionals
- Mandate for Africa, MENA, LAC, South and Southeast Asia

Platform Objectives

- Develop and construct 30 renewable energy projects, adding 1700 MW
- Generate ~5,100 GWh clean energy annually
- Provide 13 million people with power
- Avoid 1.9 million tons CO₂ equivalent



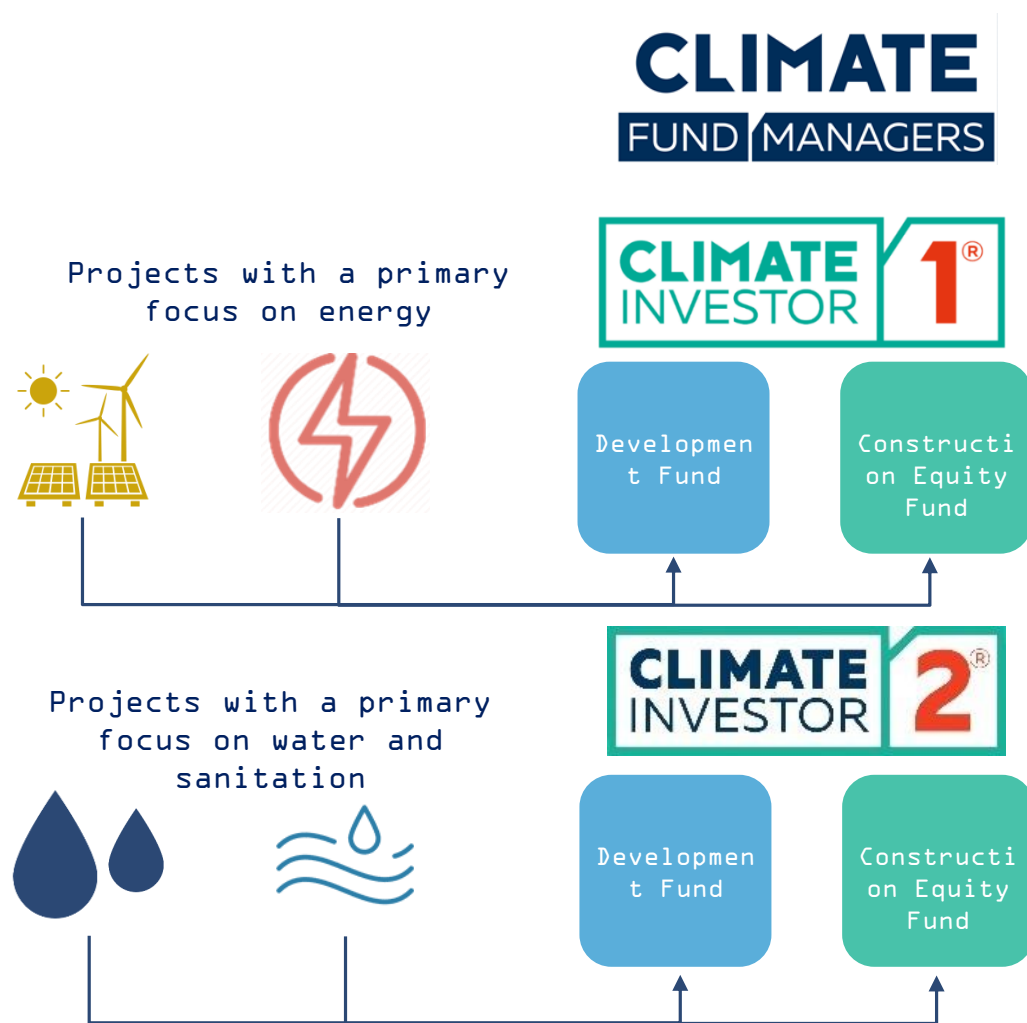
Platform Characteristics

- USD 50m Development Fund
- USD 500m Construction Equity Fund
- Launch in 2019/20 - active through 2038
- Expected 30-40 Investment & Development Professionals
- Mandate for global emerging markets (OECD DAC list)

Platform Objectives

- Develop and construct 30-50 water and sanitation projects
- Treat 100 million liters of water per day
- Provide 12 million people with water

HOW CFM CAN CONTRIBUTE TO EC OBJECTIVES



Link with EC Objectives

- CFM can provide two investment platforms with substantial private sector capital, highly aligned with EC's energy and water priorities
- CFM can provide both grants and personnel to support the development of early stage projects as well as finance at scale to construct projects
- Funds will be active in EC geographies through 2038, providing continued access to finance for projects
- CFM co-operates closely with NGOs, including SNV and WWF, can co-ordinate non-profit and commercial activities in an integrated



CLIMATE FUND MANAGERS

Georges Beukering
G.beukering@climatefundmanagers.com

Tel: +31 6 109 147 62

Darren Moens
D.moens@climatefundmanagers.com

Tel: +31 6 468 322 27

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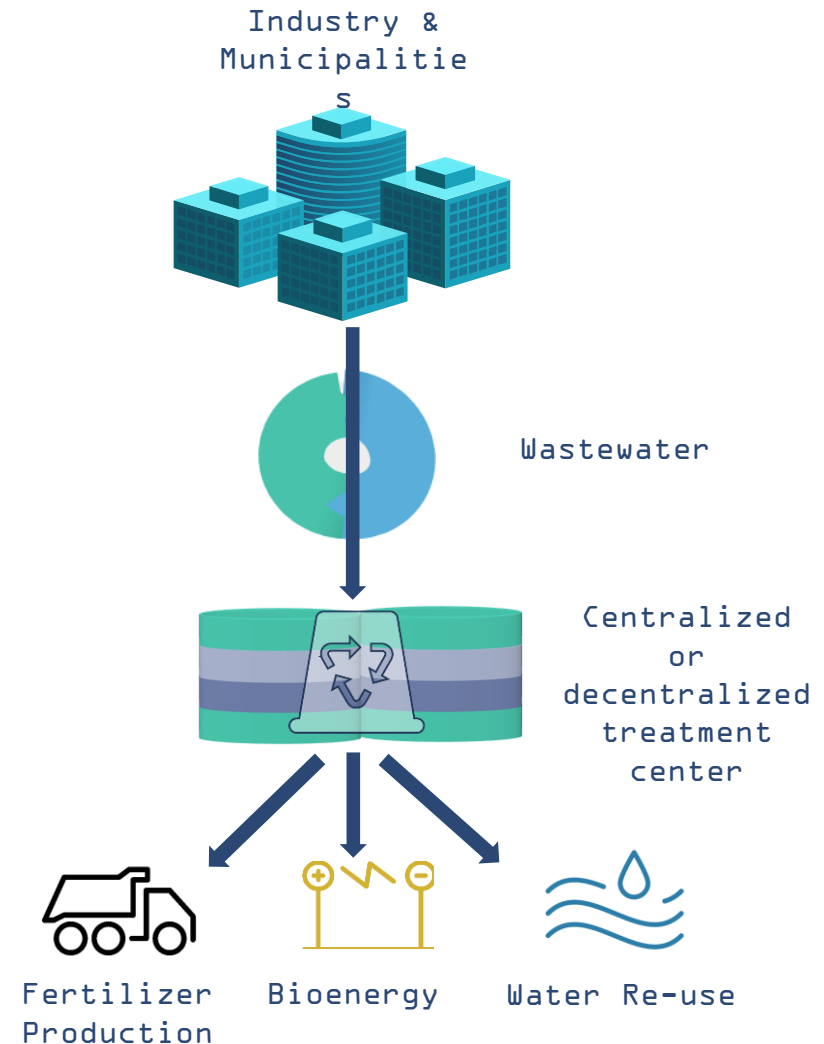
The performance data included on page 32 reflects performance and characteristics of the assets of other investments (collectively, the "Other Investments") managed by Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FM0") (one of the shareholders of Climate Fund Managers, the funds' manager ("CFM")). It should be noted that, while FM0 has the right to appoint a member of the Construction Equity Fund's investment committee and CFM's investment committee, no FM0 employee participates in those committees. It should be noted that such Other Investments were acquired and managed both with and without similar investment objectives to the funds. Investments made with similar investment objectives to the funds include direct investments in the energy sector, including renewable energy. Investments made without similar investment objectives to the funds include direct investments made in financial institutions and cross-sector direct investments in Africa/LAC and Asia/ECA jurisdictions. Performance information of the Other Investments is presented net of management fees, performance/incentive fees and expenses that would be applicable to fund investors. There are material differences between the funds and the Other Investments and their respective investment strategies, applicable fees and management. **Therefore, information from the Other Investments is included for illustrative purposes only and should not be relied upon when making an investment decision.** Past performance is not necessarily indicative of future results. It should not be assumed that any of the transactions or holdings discussed was profitable. Target returns are shown net of all applicable fees and expenses and are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.²⁵ In addition, those expected returns are based upon subjective estimates and assumptions about circumstances and events that

An aerial photograph of a dense green forest. A circular road, approximately 100 meters in diameter, is paved and winds through the trees. The road is light gray and has a small, dark-colored car parked on its right side. The word "ANNEXES" is written in large, white, sans-serif capital letters across the center of the circular road. The surrounding forest is thick with various shades of green, and some trees have reddish-brown trunks visible at the edges of the road.

ANNEXES

WASTEWATER TREATMENT

- Wastewater treatment market offers a wide range of opportunities, from municipalities to industries:
 - 80% of all wastewater is disposed without treatment
 - Urbanization mega trend, in particular in Africa many cities/districts are being new-built
- Wastewater can become an important part of the circular economy, including water re-use for irrigation, energy production and/or fertilizer production
- Wastewater treatment facilities can be built both in large-scale, centralized installations, as well as small or even modular installations for individual businesses
- Ability to contract with private counterparties alongside municipalities can speed deployment of projects



- Industries are typically solvent and pay higher charges for water and value proposition for water services is

DESALINATION

- Desalination is an established technology, with capacity of 86 million m³/day, primarily installed in Middle East and North Africa - capacity is expected to double by 2030
- Falling desalination costs, currently ~ USD 0.80/m³, projected to reach USD 0.50/m³ within 5 years has led to deployment also in LDC countries - Senegal, Kenya (2018)
- Desalination is a controversial application and not always the best option, however falling costs of wind and solar power can replace fossil fuel emissions, brine discharge can be combined with less saline effluent prior to discharge into sea
- For some island nations desalination may be the only possible solution to increase water supply



BULK WATER SUPPLY AND TREATMENT

- Frequently a public sector activity, CFM will selectively seek opportunities in countries open to private sector investment, whether through PPP or entirely private investment
- Potable water treatment, water transportation are interesting sectors, CFM will avoid large-scale storage dams, due to frequent E&S issues in development and construction
- Smaller scale potable water solutions are easier access points for private sector, for example for construction sites, industry, mining and surrounding communities



NATURE BASED SOLUTIONS FOR WATER

- Nature based solutions can play a key role in water management, in water supply, waste water treatment as well as flood and coastal protection
- In addition to water management, wetlands and mangrove forests are key carbon sinks, with mangrove forests storing more CO₂/Ha than any other forest type
- Key challenge for nature based solutions is the revenue and business model - CFM intends to explore various approaches to create demonstration projects together with SNV and WWF through the DFCD fund structure



HOW CFM'S INNOVATIVE MODEL ACCELERATES PROJECTS

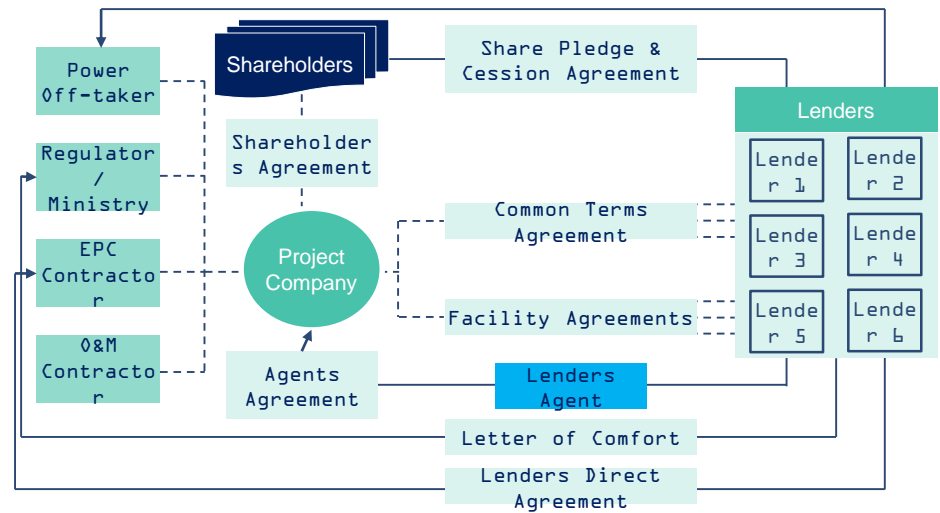
Innovative Climate Financing

- Development Fund (DF) with broad mandate;
- Combination of DF & CEF expedites implementation;
- Post-construction debt more competitively priced. Reduction in project finance specific costs;
- Transfers complexity to Fund level; and
- Whole-of-life structuring provides access to affordable capital

The three funds work to remove complexity at different stages, saving the developer both time & costs which enhances the likelihood of successful implementation.

Innovative Structure Cuts Project Finance Complexity

The Traditional Project Finance Setup



CIO's Offering

