Building an inclusive world

Triodos Microfinance Fund
Impact Report 2021

This is a marketing communication. Please refer to the prospectus and the KIID of Triodos Microfinance Fund before making any final investment decisions. An overview of the investor’s rights can be found in the prospectus. The value of your investment can fluctuate because of the investment policy. Triodos Microfinance Fund is managed by Triodos Investment Management. Triodos Investment Management holds a license as alternative investment fund manager and UCITS and is under the supervision of the Dutch Authority Financial Markets and De Nederlandsche Bank.
Impact highlights 2021

99,000 students took out an education loan

6.7M borrowers received an agricultural loan

372,000 households received an affordable housing loan

462,000 people made use of a green loan

100+ investments in 41 countries

17.6M borrowers reached

69% in rural areas

18.6M savers reached

6.7M borrowers received an agricultural loan

99,000 students took out an education loan

76% female borrowers

Key Sustainable Development Goals contributed to:
Resilience and recovery

Foreword by Fund Manager Tim Crijns

Even though the pandemic made all aspects of life more challenging for hundreds of millions of people, 2021 also marks the year of resilience and recovery in emerging and developing markets. People and businesses were agile and quick to respond to new circumstances; they are the driving force for social and economic recovery. However, we must also realise that this recovery remains fragile.

Providing access to finance is a crucial component of navigating and fostering this resilience and recovery. This impact report reflects how, more than ever, Triodos Microfinance Fund is committed to contributing to an accessible, transparent and robust financial sector in emerging and developing markets. The report showcases how bringing people and businesses into the financial system empowers them and enables them to get access to basic needs, such as affordable housing, education and clean energy.

Looking ahead, Triodos Microfinance Fund wants to continue to be a connecting and engaging force between investors who want to make money work for positive change and values-driven organisations that use financial services to deliver sustainable development. By doing so, we can build a resilient and inclusive economy that benefits all.

Tim Crijns
Fund Manager Triodos Microfinance Fund
Advancing financial inclusion

The overall objective of Triodos Microfinance Fund is to offer investors a financially and socially sound investment in Financial Inclusion, thereby contributing to an accessible, well-functioning and inclusive financial sector in developing countries and emerging economies, which empowers people and businesses to achieve their goals and aspirations, and fuels social and economic development.

Why do we invest in financial inclusion?

Globally, 1.7 billion people have no or limited access to basic financial services. Furthermore, many micro, small and medium-sized enterprises in developing countries have unmet financing needs. Financial inclusion offers these underserved groups access to basic financial services, thereby enabling them to build their assets gradually, develop their enterprises, improve their income earning capacity and save for future events.

Financial Inclusion also plays a crucial role in addressing other pressing issues, such as access to education and healthcare, renewable energy and affordable housing. New technologies may play an important role to enhance and foster access to financial services.

The call and urgency for financial inclusion is also embedded in the UN Sustainable Development Goals (SDGs). The paper ‘Achieving the Sustainable Development Goals. The Role of Financial Inclusion’ published by CGAP and the UNSGSA reports that research shows that bringing people into the financial system can be instrumental in attaining many SDGs. The fund contributes to the following SDGs:
A values-driven investment process

How we manage impact

1. Deal sourcing and screening
   - Screen for investment companies contributing to fund’s impact objectives
   - Assess adherence to Triodos Minimum Standards
   - First stage proposal presents connection to fund’s impact objective and initial sustainability analysis of the investee.

2. Due diligence and negotiation
   - Detailed assessment on positive impact (end) clients and focus sectors and segments
   - Detailed assessment of the investee sustainability including governance practices
   - Engagement with investee on mitigation of material sustainability risks, potential to increase desirable positive impact, and assessment of its financial value

3. Investment decision
   - Investment proposal and Investment Committee discussion cover both sustainability and impact and our contribution as investor
   - Deal structure, covenants and conditions as well as E&S agreements prior or subsequent to disbursement or renewal (optional)
   - Decision on potential board seats for equity investments

4. Signing and closing
   - ESG covenants and conditions in contract documentation
   - Add exclusion list to loan agreement
   - Reporting requirements in contract documentation including specific indicators or targets

5. Monitoring and reviewing
   - Investment and portfolio monitoring, monitoring of agreed targets to achieve impact
   - Investment review (potential change, renewal, termination)
   - Investment company knowledge sharing, engagement and technical assistance
   - Internal learning & adapting

6. Communication and reporting
   - Impact reporting and thought leadership publications and events
   - Industry advancement by proactively contributing to relevant sustainability and impact initiatives and knowledge sharing with financial market participants

Over the course of 2021 and 2022, we implement changes to the investment process based on our impact ambitions and sustainability regulations (e.g. EU SFDR, EU Taxonomy, MiFID II).
Impact investments

SME growth
Sidian Bank contributes to sustainable development and jobs in Kenya by enabling SMEs to scale and flourish.
› Find out more here

Tech and touch
Digital lending platform Liwwa provides fast, affordable credit to small businesses in Jordan via a ‘tech and touch’ approach.
› Find out more here

Access to affordable housing
La Hipotecaria provides mortgages to lower-middle income households in El Salvador.
› Find out more here

Green and inclusive
CDB’s strategy is to be Sri Lanka’s leading player in financing the transition to a green and inclusive economy.
› Find out more here

Click here to access an interactive world map that shows the fund’s investments in 2021.
Impact data overview

Goal: providing access to finance for underserved client groups

Key SDGs contributed to:

<table>
<thead>
<tr>
<th>IRIS+ code</th>
</tr>
</thead>
<tbody>
<tr>
<td>PI4060</td>
</tr>
<tr>
<td>PI7569</td>
</tr>
<tr>
<td>PI8330</td>
</tr>
<tr>
<td>PI1190</td>
</tr>
</tbody>
</table>

Number of borrowers reached (in millions) | 17.6 | 18.2 | -3% | PI4060

Borrowers reached attributable to the fund | 269,000 | 315,000 | -15% | PI4060

Number of savers reached (in millions) | 18.6 | 20.5 | -9% | PI4060

Percentage female borrowers | 76% | 75% | +1% | PI8330, PI4060

Percentage rural borrowers | 69% | 70% | -1% | PI1190, PI4060

Average loan amount per region

<table>
<thead>
<tr>
<th>Average loan amount (EUR)</th>
<th>year-end 2021</th>
<th>year-end 2020</th>
<th>Change</th>
<th>IRIS+ code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa and Middle East</td>
<td>2,210</td>
<td>1,854.76</td>
<td>19.1%</td>
<td>PI7569, PI4060</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>1,420</td>
<td>1,403</td>
<td>1.2%</td>
<td>PI7569, PI4060</td>
</tr>
<tr>
<td>Eastern Europe &amp; Central Asia</td>
<td>2,243</td>
<td>1,990</td>
<td>12.7%</td>
<td>PI7569, PI4060</td>
</tr>
<tr>
<td>Latin America</td>
<td>2,905</td>
<td>2,044</td>
<td>42.1%</td>
<td>PI7569, PI4060</td>
</tr>
<tr>
<td>South Asia</td>
<td>9,001</td>
<td>7,208</td>
<td>24.9%</td>
<td>PI7569, PI4060</td>
</tr>
</tbody>
</table>

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Impact data overview

Goal: providing access to basic needs

Key SDGs contributed to:

<table>
<thead>
<tr>
<th>Goal: providing access to basic needs</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Key SDGs contributed to:</td>
<td></td>
</tr>
<tr>
<td>SDG 1: No poverty</td>
<td></td>
</tr>
<tr>
<td>SDG 4: Quality education</td>
<td></td>
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<tr>
<td>SDG 7: Affordable and clean energy</td>
<td></td>
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<tr>
<td>SDG 10: Reduced inequalities</td>
<td></td>
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<tr>
<td>SDG 12: Responsible consumption and production</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
<th>year-end 2021</th>
<th>year-end 2020</th>
<th>Change</th>
<th>IRIS+ code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of students who took out an educational loan</td>
<td>99,000</td>
<td>395,000</td>
<td>-75%</td>
<td>PI4060</td>
</tr>
<tr>
<td>Number of households that received an affordable housing loan</td>
<td>372,000</td>
<td>854,000</td>
<td>-56%</td>
<td>PI4060</td>
</tr>
<tr>
<td>Number of people that made use of a green loan</td>
<td>462,000</td>
<td>847,000</td>
<td>-45%</td>
<td>PI4060</td>
</tr>
<tr>
<td>Number of borrowers that received an agricultural loan (in millions)</td>
<td>6.7</td>
<td>7.1</td>
<td>-6%</td>
<td>PI4060</td>
</tr>
</tbody>
</table>

Explanation of changes

For 2021, the impact indicators show the following image. The main reason for the decrease in providing financial access to underserved client groups can be attributed to the COVID-19 pandemic. Economic activity declined in many local economies leading to less loans being disbursed, which caused the number of loan and saving clients reached to decrease in 2021 compared to 2020; the percentage female and rural borrowers remained largely the same.

Additionally, COVID-19 measures imposed by local governments have had grave consequences for the promotion of access to basic needs. The number of loans for affordable housing, quality education and clean energy halved in 2021. In particular, educational loans show drastic changes compared to last year. With COVID-19 closing schools for a longer period of time, less educational loans were distributed.
Impact data overview

Goal: building robust, transparent and professional financial institutions

22 equity investments with active board membership
Triodos Microfinance Fund has equity positions in 22 institutions and funds and plays an active role on the Board of Directors or advisory committees. In this way we bring our sustainable banking knowledge and expertise to the table and participate in the institutions’ governance and strategic development. Examples include knowledge sharing sessions on topics like risk, audit, governance structure, ESG frameworks and values-driven banking.

Diverse product offering
Microfinance and SME clients are interested in more than just taking out loans. They also want to be able to take out insurance and transfer money. A growing number of financial institutions, also in the fund’s portfolio, can meet these requirements.

<table>
<thead>
<tr>
<th>% of investees offering other financial services</th>
<th>year-end 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance products</td>
<td>56</td>
</tr>
<tr>
<td>Money transfer services</td>
<td>44</td>
</tr>
<tr>
<td>Savings products</td>
<td>42</td>
</tr>
<tr>
<td>Debit card</td>
<td>32</td>
</tr>
</tbody>
</table>

Non-financial services
Financial literacy training and other non-financial services help improve end clients’ abilities to better manage their finances and improve their business skills and living conditions.

<table>
<thead>
<tr>
<th>% of investees with non-financial services</th>
<th>year-end 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial literacy programme</td>
<td>61</td>
</tr>
<tr>
<td>Enterprise development training</td>
<td>44</td>
</tr>
<tr>
<td>Social awareness training</td>
<td>40</td>
</tr>
</tbody>
</table>

Care for the environment
Triodos Microfinance Fund stimulates efforts by financial institutions to make environmental protection a priority. For example, working with an exclusion list on sectors or specific activities that need to be avoided due to the potential negative impact they have on the environment and society.

<table>
<thead>
<tr>
<th>% of investees with environmental practices</th>
<th>year-end 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exclusion list</td>
<td>80</td>
</tr>
<tr>
<td>Environmental criteria in credit assessment</td>
<td>69</td>
</tr>
<tr>
<td>Internal green office procedures</td>
<td>65</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>31</td>
</tr>
<tr>
<td>Donations to environmental projects</td>
<td>23</td>
</tr>
</tbody>
</table>
Impact measurement

The data for this impact report is derived from our online investee portal. In this portal, the financial institutions in the fund’s portfolio provide extensive data on social and environmental topics. The indicators that we publish are, when possible, aligned with the IRIS metrics of the Global Impact Investing Network.

Furthermore, the Triodos Sustainability Banking Assessment Scorecard helps to analyse, monitor and report on the non-financial performance of the fund’s portfolio companies in an effective and transparent way. The scorecard consists of 25 indicators grouped in five dimensions: Environment, Management & Staff, Product Range, Responsible Finance and Governance. It takes into account relevant industry initiatives, including Universal Standards for Social and Environmental Performance of the Social Performance Taskforce.

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About Triodos Investment Management

Triodos Investment Management (Triodos IM) is a globally active impact investor. We see impact investing as a driving force in the transition to a green, inclusive and resilient economy.

We have built up in-depth knowledge throughout our 25+ years of impact investing in sectors such as Energy and Climate, Financial Inclusion and Sustainable Food and Agriculture. Triodos IM also invests in listed companies that support sustainable solutions for the future.

Assets under management as per end of December 2021: EUR 6.4 billion.

Triodos IM is a wholly owned subsidiary of Triodos Bank, a leading expert in sustainable banking.

Inv esting in positive change

For more information about our impact investment strategies and solutions, please contact our Investor Relations team at:

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