



Triodos Investment Management BV

Annual report 2016

Triodos  Investment Management

Table of Contents

Page

Annual Report by the Board of Management	3
Balance sheet as at 31 December 2016	17
Profit and loss account for 2016	18
Notes to the balance sheet and the profit and loss account	19
Other information	31
Annex A	35

Annual Report by the Board of Management

Triodos Investment Management

- 100% subsidiary of Triodos Bank
- Global leader in impact investing
- EUR 3.3 billion total assets under management
- Managing 16 funds
- Active in diverse sustainable sectors; from microfinance to arts and culture

Introduction

Triodos Investment Management BV (Triodos Investment Management) is a globally recognized leader in impact investing and a subsidiary of Triodos Bank NV.

Triodos Investment Management manages direct investments in a variety of sectors including energy and climate, inclusive finance, sustainable trade, organic farming, organic food and sustainable lifestyle companies, arts and culture, sustainable real estate and listed companies with above average environmental, social and governance (ESG) performance.

Triodos Investment Management manages 16 funds and foundations. They invest in Europe and emerging markets with a range of risk-return profiles and financial instruments.

Triodos Investment Management offers funds for both private and professional investors. The investment funds for private investors are distributed by a number of banks, including the majority of Triodos Bank's branches. Triodos Investment Management also maintains direct relationships with professional and institutional investors.

Impact – delivering more than just financial results

Triodos Investment Management's mission is to make money work for positive change. More specifically its aim as an investor is to serve as a

catalyst in the transition to an economy where people and planet come first, in line with the vision and mission of Triodos Bank.

Triodos Investment Management continues to see an increasing demand from investors for credible investments that deliver real impact and not just financial results, not least because of its own continuing growth. In 2016 it continued to focus on growing its investor base through third party distribution to retail investors, through other banks and Triodos Bank and professional investors that cater for impact investment solutions for individual investors. In addition, it has further developed its international distribution network and institutional investor base.

Triodos Bank and Triodos Investment Management have more than 20 years' experience in investment products that deliver social and sustainable economic change. As a result of this work Triodos Investment Management has become globally recognized as a front-runner in impact investing.

In 2016 this meant:

- contributing to a reduction of over 0.9 million tons of CO₂, equivalent to the electricity consumption of 550,000 European households by 810 MW of installed clean energy capacity;
- 184,842 small-scale farmers in 19 countries worldwide were paid directly on delivery of their harvest through trade-finance facilities, bringing 12 different fair-trade and organic products to international markets;
- that the organically managed land on the farms which Triodos Investment Management financed could produce the equivalent of 7.1 million meals, or enough food to provide a sustainable diet for approximately 6,500 people. Together approximately 8,800 hectares of organic farmland was financed across Europe;
- the management of EUR 97 million in assets in arts and culture initiatives; projects that reached 3.9 million visitors and provided affordable facilities for approximately 1,700 artists, participants and cultural organizations.

- increasing the quality and sustainability of the built environment through the management of a portfolio of sustainable buildings amounting to more than 87,000m² of office and other commercial space, that emit almost 40% less CO₂ than the average for buildings;
- an increase in volume of inclusive finance funds to EUR 857 million. The funds provided finance to 100 emerging and well-established financial institutions working for inclusive finance in Latin America, Asia and Africa. These institutions reach 20.2 million borrowing customers. Approximately 13.7 million people living on low incomes use savings services offered by these institutions.

Engaging listed companies

Triodos Investment Management provides opportunities for people and institutions to invest in stock exchange listed companies that meet Triodos Bank's strictest environmental, social, and governance criteria.

Through these Socially Responsible Investment funds (the SICAV I funds), investors become part of a movement to make some of the world's largest corporations adopt more sustainable practices. To do this Triodos Investment Management has engaged over 467 times with 215 companies in 2016.

Funds' performance

Triodos Investment Management's total assets under management grew with 5.0% during the year to EUR 3.3 billion (2015: EUR 3.0 billion).

Triodos Fair Share Fund and Triodos Microfinance Fund realised a significant expansion of 10.1% and 17.1% to EUR 327.7 million and EUR 357.1 million respectively.

Triodos Organic Growth Fund increased its assets under management during the year by 24.7% to EUR 40.6 million and Triodos Renewables Europe Fund increased its assets under management in 2016 by 14.4% to EUR 73.9 million.

The Triodos Sustainable Funds (Triodos SICAV I), which invest in listed companies, experienced modest growth of 5.0% to EUR 1,347 million.

Assets under management in Triodos Groenfond's increased by 14.3% to EUR 773.2 million. Triodos Groenfond's was temporarily closed for new inflow of investments as of 15 December 2016 to avoid jeopardizing its fiscal status as a green investment fund by dropping under the 70% limit of approved green investments. The fund reopened for new inflow as per 2 January 2017.

Triodos Cultuurfond's marginally decreased its assets under management by 0.7% to EUR 97.0 million. Assets under management in the Triodos Vastgoedfond's decreased modestly by 2.5% to EUR 66.6 million. The portfolio of Triodos Vastgoedfond's, however, continues to perform strongly with an occupancy rate of 92%.

Triodos Multi Impact Fund, the Triodos fund-of-funds, which was launched in December 2015, increased its fund size to EUR 39.0 million as per the end of 2016. The fund enables private investors to invest directly in a mix of Triodos investment funds and impact bonds, meeting the

EUR 3.3 billion

total assets
under management

increasing demand for accessible, scalable and daily tradable investment products with a positive impact.

Organisational and Operational developments

As per 1 February 2016 Dick van Ommeren joined Marilou van Golstein Brouwers (Chair) and Laura Pool (Risk and Finance) in the Management Board of Triodos Investment Management as Managing Director.

In 2016 Triodos Investment Management paid attention to implementation of several new rules and regulations, for example the UCITS V Directive. This directive came into force in March 2016. It is an amendment to the original UCITS directive covering depository safe-keeping and oversight duties, remuneration policy of the manager and sanctions. Triodos Investment Management has implemented the additional requirements based upon this Directive.

Triodos Investment Management has started a project to identify and analyze the MiFID II regulation. Based upon the outcome of the analysis it will take necessary measures to comply with this set of rules. In addition, Triodos Investment Management will be in contact with sub-distributors to assure it is fully implemented.

Furthermore, Triodos Investment Management built on the implementation of European Market Infrastructure Regulation (EMIR). EMIR legislation is implemented phased-in and imposes requirements on entities that enter into certain types of derivative contracts. On 1 March 2017 another part of the EMIR came into force, concerning, among others, the implementation of new collateral rules in the case new, non-cleared over the counter (OTC) derivatives are executed. The opportunity was taken to cluster existing and new policies and procedures that relate to EMIR regulation with respect to OTC in a procedural Handbook to ensure EMIR compliance.

As of 1 January 2016, the Common Reporting Standard (CRS) is in force. CRS requires Financial

Institutions like funds in participating CRS jurisdictions to identify and report the tax residency of shareholders/debt providers to the relevant authorities. On-boarding procedures are in place to identify (new) shareholders/debt providers.

There was also a continuing focus on streamlining Triodos Investment Management's internal operations during the year. In order to further develop a risk management and control framework, Triodos Investment Management initiated the ISAE 3402 project in 2016. The purpose of the standard is to obtain assurance that the company is in control of all its key processes and that this can be demonstrated on an ongoing basis. In April 2017 Triodos Investment Management obtained the "type I" ISAE certificate, stating design and effectiveness of the control framework and it aims to obtain a type II certificate (demonstrating effectiveness of the controls) in 2018.

Energy and climate

It is essential to reduce energy demand, to use energy as efficiently as possible, and for massive investment in renewable energy systems in order to deliver a transition from a carbon-based economy to a more sustainable economy. Triodos Investment Management has over 25 years' experience of investing in renewable energy, making it a preferred partner for many investors and renewable energy entrepreneurs.

Assets under management for the Energy and Climate sector were EUR 847 million by the year end (2015: EUR 741 million)¹. The total renewable energy equity and loan portfolio of Triodos Renewables Europe Fund and Triodos Groenfonds consisted of 92 projects, 84 of which had a total sustainable power generation capacity of approximately 810 MW. Together this contributed to the avoidance of over

¹ This figure includes the investments made by Triodos Groenfonds in the organic agriculture sector. As this fund is managed from this business-line this figure is included here in this report.

0.9 million tons of CO₂ emissions in 2016, equivalent to the electricity consumption of 550,000 European households.

These projects are comprised of 51 wind power projects, 26 solar photovoltaic projects, 1 biomass project, 7 heat/cold storage projects, 1 hydro project and 6 projects in a construction phase.

Building on its significant growth of the assets under management in 2016, Triodos Groenfondos increased its positive impact on the transition towards a more sustainable society by investing in some front-running projects. For instance Wind farm Bouwdokken, which will be built on the dikes surrounding the former building docks of Delta park Neeltje Jans in Zeeland, The Netherlands. The wind farm will produce over 130 kWh of electricity annually, equaling the electricity needs of over 42.000 households and a CO₂ reduction of 87.000 tons. The wind farm has also contributed to the development of footpaths and nature development projects on Neeltje Jans.

Triodos Renewables Europe Fund has invested in roof mounted solar panels for beer brewer Heineken together with the Dutch renewable energy supplier SolarAccess. This follows a 2015 investment in solar panels on the rooves of Heineken's distribution centres in The Netherlands. The joint project adds 2.3MWp of solar PV production capacity on the roof of a Heineken brewery in Massafra, Italy. With the installation of an additional 8,800 solar panels the total installed capacity of the plant will be 3.3 MWp, which makes it the largest solar PV project installed on a beer brewery, worldwide. Due to the location in the south of Italy production will be relatively high, matching the annual electricity demand of approximately 1,850 Italian households. The generated electricity will be used by the brewery. The solar project realizes a reduction of 1,722 tons CO₂-emission.

Emerging Markets

The inclusive finance and sustainable trade funds' goal is to contribute to the development of inclusive financial sectors in developing countries. Inclusive financial systems improve lives by providing financial services in a transparent and responsible way, encouraging trade in certified fair trade and organic products and stimulating sustainable agriculture. Triodos Investment Management believes that access to financial services plays a crucial role in reaching global sustainable development goals.

The Emerging Markets' activities consist of the management of internationally operating funds that invest in emerging markets in Latin America, Africa, Asia and Eastern Europe.

The emerging market funds collectively grew by EUR 92 million in 2016, an increase of 12.1% to EUR 857 million.

The activities for the Triodos Fair Share Fund, Triodos SICAV II – Triodos Microfinance Fund, Triodos Sustainable Finance Foundation, Stichting Hivos-Triodos Fonds, Triodos Sustainable Trade Fund, Triodos Renewable Energy for Development Fund and Women's World Banking Capital Partners, are all managed from the Triodos Investment Management offices in The Netherlands.

In 2016 Triodos Fair Share Fund and Triodos Microfinance Fund added several new equity investments to the portfolio. One of them is Intellegrow in India. Founded from the IntelleCap group in 2009, Intellegrow officially began operations in 2010, providing venture debt financing to small and early stage medium-sized enterprises (SMEs) across India and in the following sectors: agricultural supply chain, clean energy, education, financial inclusion, healthcare, and water and sanitation. As per September 2015, Intellegrow has provided 114 loans to 65 SMEs.

The four Triodos inclusive finance funds; Triodos Fair Share Fund, Triodos SICAV II – Triodos Microfinance Fund, Stichting Triodos Sustainable Finance Foundation and Stichting Hivos-Triodos Fonds

provided finance to 100 financial institutions working for inclusive finance in 44 countries in 2016. These institutions reached approximately 20.2 million low-income clients with loans (2015: 15.5 million). 83% of these are women. Approximately 13.7 million people were served with savings products (2015: 10.2 million). 41% of these clients live in rural areas.

In 2016, Triodos Investment Management released an extensive impact management report about its activities in Inclusive finance. It's the first time an impact investor has published such an extensive report on the impact it delivers through its investments. You can find the online report [here](#).

Arts and culture

Triodos Bank has pioneered arts and culture finance for many years. It promotes a sector that it believes is best served by diversifying its finances, incorporating a spread of grants, charity, subsidies and commercial finance. Triodos Investment Management manages The Netherlands-based Triodos Cultuurfonds, which is designed to help deliver this transformation to a more resilient sector.

Launched in 2006, Triodos Cultuurfonds celebrated its ten year anniversary in 2016. During the year the fund provided a record amount of EUR 18.8 million to cultural institutions to help stimulate entrepreneurship in the cultural sector.

The fund's total assets decreased marginally by 0.7% to EUR 97.0 million by the end of the year (2015: EUR 97.7 million).

Triodos Cultuurfonds finance helped make it possible for 3.9 million people to enjoy cultural events including cinema, theatres and museums across Europe, as a result of its lending and investments activity to cultural institutions in 2016. Also approximately 1,700 artists, participants and organisations active in the cultural sector took advantage of affordable arts and workshop spaces financed by Triodos Cultuurfonds during the year.

In 2016, Triodos Cultuurfonds provided ten loans to cultural institutions. One of those was made to the EYE museum in Amsterdam. This national museum for film, located on Amsterdam's IJ harbour, manages more than 40.000 films from all genres. The collection represents an outstanding sample of film history, from classics and blockbusters to cult films.

Sustainable Real Estate

Triodos Bank's involvement in the real estate sector is built on a unique vision on sustainability and on the 'Triodos Test For Sustainable Real Estate', which is based on four P's: People, Planet, Profit and Project.

The market circumstances for real estate continued to improve in 2016 with revaluations becoming less severe than in previous years. Triodos Vastgoedfonds is well positioned compared to other property investment funds because of low vacancy rates, high average tenures of rental contracts and a focus on investing in high quality buildings. The fund regularly receives recognition for the quality of the portfolio and its vision on real estate. The investment portfolio decreased from EUR 68.3 to EUR 66.6 million in 2016.

Triodos Vastgoedfonds, Triodos Groenfonds and Triodos Cultuurfonds finance helped increase the quality and sustainability of the built environment during the year. They did this through the management of a portfolio of sustainable buildings amounting to more than 87,000m² of office and other commercial space, buildings that emit almost 40% less CO₂ than the average for equivalent conventional buildings.

Organic food and agriculture

Triodos Investment Management sees the need and the opportunity to support businesses that play an important part in the transition towards sustainable lifestyles and a sustainable economy. European organic and sustainable consumer businesses are growing and reaching mature stages in their development. However, apart from venture capital

and angel investors the capital markets are mostly characterized by a short term-focus which does not fit the long-term view of mission-driven companies. The Triodos Organic Growth Fund, established in January 2014 as a Sub-Fund of Triodos SICAV II, aims to fill this gap.

The Triodos Organic Growth Fund is an evergreen fund that focuses on providing long-term and mission-aligned private equity to leading, mature companies from the fast growing organic food and sustainable consumer products sector.

In 2016, Triodos Organic Growth Fund increased its volume of assets under management by 24.7% to EUR 40.6 million.

In 2016, Triodos Organic Growth Fund has taken a minority stake in DO-IT, a leading company that buys organic products from farmers – predominantly in developing countries – and sells them throughout Europe. The long-term investment from Triodos Organic Growth Fund supports DO-IT in its ambition to considerably increase the offering in organic products and improve the position of local farmers. Since 1991, the company has built relationships with 170 suppliers in more than 20 countries in Asia, Africa and Latin America, from which DO-IT buys over 850 products; from nuts, quinoa, dried fruit and sugar, to rice and olive oil.

In addition, Triodos Groenfonds financed approximately 8,800 hectares of organic farmland across Europe in 2016. This organically managed land could produce the equivalent of 7.1 million meals, or enough food to provide a sustainable diet for approximately 6,500 people.

Socially Responsible Investments

Triodos SICAV I consists of four Luxembourg-based sub-funds that are distributed in The Netherlands, Belgium, Luxembourg, Denmark, the United Kingdom and Germany.

In 2016, the total assets of Triodos SICAV I increased by 5.0% to EUR 1,347 million (2015: 25.0% to EUR 1,283 million).

These four sub-funds are Triodos Sustainable Equity Fund, Triodos Sustainable Pioneer Fund, Triodos Sustainable Bond Fund and Triodos Sustainable Mixed Fund. The sub-funds invest in shares and bonds of listed companies. These companies perform well socially and environmentally, relative to peers in their sectors. Triodos SICAV I receives international recognition. For instance, Triodos Sustainable Pioneer Fund won with the prestigious Thomson Reuters Lipper Fund Award for best performing fund over three years in the category Equity Global Small and Mid-Caps.

Engagement

Promoting corporate social responsibility produced positive results in 2016. Triodos Research made use of voting rights on behalf of the Triodos SICAV I at 109 shareholder meetings. The companies concerned were informed about the issues that Triodos Investment Management intended to vote on in advance of these meetings, allowing organizations to take meaningful steps to address them.

Global leader in impact investing

In total, Triodos Research engaged 467 times with 215 companies, leading to a number of improvements in their corporate social responsibility policies and performance (2015: 650 times with 280 companies).

Through this work, Triodos Investment Management demonstrated that sustainable investment on the stock market can lead to material developments in sustainable corporate behavior.

Co-worker report

Triodos Investment Management, part of Triodos Bank NV, strives to be an inspiring and sustainably good place to work. The focus is to enable co-workers to fulfil their potential, developing and applying their expertise, professional insight and personality to the fullest in connection with the essence of our organization.

Triodos Investment Management is a stable organization which is growing continuously. All of the co-workers of Triodos Investment Management are on the payroll of Triodos Bank NV. In 2016, 36 new co-workers were employed (2015: 27). One of them was our new Managing Director, Dick van Ommeren. The total number of co-workers at Triodos Investment Management in 2016 increased by 14%, from 140 to 160, partly because of growth in the commercial team and partly because of a growth in ICT and Risk & Finance.

The balance of men and women is 46% and 54%, in management positions 43% is female. The average age of the co-worker group in 2016 is 40 years (40 in 2015), with a balanced representation of all the age groups. The average period of service is 5 years at the year end. Absenteeism through sickness was 2,1% in 2016, below a target of 3%.

The attrition rate increased to 15.8% in 2016 (2015: 8.6%). This is partly a result of a stronger economic environment in the Netherlands and other (international) career opportunities. The internal transfer of co-workers increased as well, which we consider a positive sign of providing interesting career opportunities within the Triodos group.

Triodos Investment Management depends on skilled and motivated people who integrate the Triodos Bank's mission in their everyday work. The organization therefore invests in high quality training and development programs that focus on the specific questions and training needs of its co-workers. We organized professional trainings on specific Investment Management topics, languages, wellbeing and HR management classes. On average we invested 2000 euro per co-worker on education.

In 2016 a new internal collaboration platform, called 'Engage', was created. This interactive platform helps co-workers to share information, tips, news, background knowledge and organizational developments. It resulted already in less email traffic and connects co-workers easier. Also knowledge and information sharing with the branches and Head Office improved. And last but not least, the social information contributes to our sense of belonging.

Remuneration policy

Based on Article 22(2) of the AIFMD and section XIII (Guidelines on disclosure) of the 'ESMA Guidelines on sound remuneration policies under the AIFMD', management companies are required to disclose information about their remuneration practices for employees whose professional activities have a material impact on its risk profile (so-called "identified staff").

All of the staff members of Triodos Investment Management are employed by Triodos Bank. Triodos Bank believes good and appropriate remuneration for all its employees is very important. The core elements of the international remuneration policy of Triodos Bank are set out in the Principles of Fund Governance, which can be accessed via www.triodos.com. The wage system used by Triodos Bank does not include bonuses or share option schemes. Triodos Bank considers financial incentives as an inappropriate way to motivate and reward employees. Variable remuneration is therefore limited. The Management Board of the alternative investment fund manager annually assesses the remuneration policy. Identified staff

(amounts in EUR)	Total staff of Triodos Investment Management	Identified staff in senior management positions	Identified staff not in senior management positions	Other staff
<i>Number of staff involved</i>	160	7	21	132
<i>Average FTEs</i>	128.1	6.5	17	104,7
Remuneration				
Fixed remuneration	11,987,201	1,216,949	2,279,973	8,490,279
Variable remuneration	96,057	5,674	9,877	80,506
Total remuneration in 2016	<u>12,083,258</u>	<u>1,222,623</u>	<u>2,289,850</u>	<u>8,570,785</u>

are employees as defined in the AIFM guidelines and include all employees who may influence the risk profile of the fund. Besides the members of the board, these include the fund manager and the managers of support departments.

The table above provides an overview of the total remuneration, broken down into fixed and variable remuneration, and the remuneration of the senior management and the identified staff. In this model, allocations are based on activities of the co-workers (activity-based costing, or the ABC-method).

The amounts shown in the tables include income tax, social premiums, pension fees and tokens of appreciation. Triodos Bank may provide additional individual tokens of appreciation to co-workers to a maximum of one months' salary. These contributions are for extraordinary achievements and are at the discretion of management after consultation with Human Resources. Such a token is not based on pre-set targets, and always offered in retrospect.

An annual, collective token of appreciation can be paid for the overall achievements and contribution of all coworkers. This very modest amount is the same for all co-workers with a maximum of EUR 500 for each co-worker. This can be paid in cash or in Triodos Bank NV depository receipts. At the end of 2015 a collective end-of-year token of appreciation of EUR 500 was determined and was awarded in 2016. There is no token of appreciation applicable over the financial period 2016 due to pressure on financial results of Triodos Bank triggered by historical low interest rates.

Financial results

The turnover increased by 7.9 % to EUR 30.8 million (2015: EUR 28.5 million), mostly due to increase in assets under management of funds active in business lines Emerging Markets and Energy and Climate. The turnover is depending on the level of

Key financial figures Triodos Investment Management:

Amounts in EUR	Relative change	31-12-2016	31-12-2015
Turnover	7,9%	30,758,443	28,497,016
Operating expenses	7,6%	22,847,424	21,231,092
Profit after tax	8,1%	5,944,263	5,497,428
Shareholders' equity	3,0%	15,374,976	14,928,141

Amounts in EUR x million	Year end 2016	Forecasted: May 2017, with the distribution of the result of 2016
Available equity, including mandatory corrections	13.7	7.7
Required capital	5.9	5.7
Surplus capital	<u>7.8</u>	<u>2.0</u>

assets under management. The increase in asset of Triodos Fair Share Fund, Triodos Microfinance Fund and Triodos Groenfonds has contributed EUR 2.2 million in the turnover.

The operating expenses in 2016 increased in line with the turnover by 7.6% to EUR 22.8 million (2014: EUR 21.2 million). The increase in expense is the mainly the result of higher co-workers costs an increase in co-worker costs, IT costs and external consultants in combination with the decrease of costs lower overhead, housing and an extraordinary VAT-benefit.

Taking corporate income tax, financial income and cost in to consideration the net result over 2016 amounts to EUR 5.9 million, 8.1 % higher compared to 2015.

Shareholders equity and Capital Requirements

The shareholders' equity increased by EUR 0.4 million tot EUR 15.4 million. The increase is the effect of the positive result over 2016 of EUR 5.9 million and the dividend distribution of EUR 5.5 million to Triodos Bank.

Based on actual figures, the required minimum capital requirements are continuously monitored in accordance with laws and regulations. The calculations of the available capital are compared with the Internal Capital Adequacy Assessment Process (ICAAP). Based upon applicable laws and regulations, the highest amount of required capital determines the minimum capital maintained. The ICAAP is documented and approved on a yearly basis and re-assessed when significant change in risk profile occurs in accordance with the Wft.

The impact on the available capital is calculated prior to dividend distributions and or on an event driven basis based on projected cash outflows within Triodos Investment Management. The required capital for Triodos Investment Management based on ICAAP amounts to EUR 5.9 million at the end of 2016 where the available capital with the audit of the result over 2016 amounts to EUR 13.7 million. The available capital differs from the equity position in the balance sheet due to mandatory corrections in, among others intangible fixed assets. The surplus of available capital can significantly change with the adoption of the annual accounts or in case of dividend distributions in 2017. The table above shows the impact of the forecasted dividend distribution of 2016 on the capital surplus.

With the surplus of EUR 7.8 million at year end 2016, the equity position of Triodos Investment Management can be considered as solid. Due to positive financial forecast for the year 2017, the forecasted capital position of Triodos Investment Management is expected to stay significantly higher than the required capital.

Risk Management

Objective of Risk Management

The aim of Triodos Investment Management's risk management activities is to ensure the long term resilience of the business. These activities create an environment in which Triodos Investment Management can pursue its mission to its fullest potential in a safe way. Risk management provides

the structural means to identify, prioritize and manage the risks inherent in its business activities. The intention is to embed risk management in such a way that it fits the complexity and size of the organization and is designed to also allow it to grow. In order to ensure that such an environment can exist and prosper, a Risk Governance Framework has been put in place which underpins the risk processes.

Three Lines of Defense

Triodos Investment Management manages its business using a Three Lines of Defense Model. This approach ensures that each co-worker is fully aware of its responsibilities in the management of risk, irrespective of whether their role is in a commercial, policy-making or control function. The model ensures that responsibilities are properly aligned and makes clear that all co-workers have a role to play in managing risk.

First line functions and departments are responsible for managing the risks of their operations. Second line functions and departments ensure that risks are appropriately identified and managed. The third line of defense is the Internal Audit function providing independent and objective assurance of Triodos Bank’s corporate governance, internal controls, compliance and risk management systems. This includes the effectiveness and efficiency of the

internal controls in the first and second lines of defense.

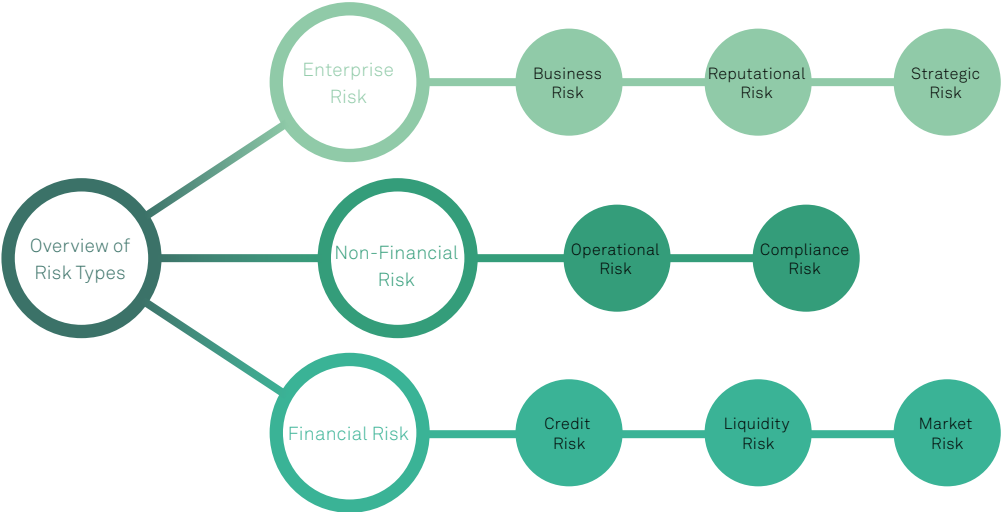
Risk organisation

In light of Triodos Investment Management’s growth, the impact of all new regulations, and the increased attention of supervisory authorities, Triodos Investment Management has made an important step up in its risk management organisation during the past years. The Managing Director Risk and Finance is responsible for all the second line risk management and compliance activities and reports directly to the Chief Financial Officer of Triodos Bank.

Risk taxonomy

To categorize the various risks Triodos Investment Management is exposed to, a Risk Taxonomy has been set up. The risk taxonomy covers the three following risk categories: Enterprise Risks, Financial Risks and Non-Financial Risks. Each risk type covers a number of risk categories (see diagram):

- The Enterprise Risk discipline synthesizes all the risks using input from all risk areas, and performs analyses to determine at a strategic level which larger trends can potentially influence Triodos Investment Management’s risk profile.
- Non-financial risk includes all the risks related to operational and compliance risks. These are core



risks that Triodos Investment Management is exposed to. Monitoring these risks is particularly important to ensure Triodos Investment Management can continue to offer quality investment services to its stakeholders.

- Financial risk is an umbrella term for multiple types of risks associated with the potential for financial losses. Taking financial risks is not core to Triodos Investment Management as a service provider since it does not own investment assets.

Risk appetite

Each year the Management Board of Triodos Investment Management identifies risks the organization is exposed to and defines its attitude towards these risks. This results in a session whereby per risk an assessment is made whether the individual risks are acceptable or need mitigating measures. The remaining risks are the basis for the annual assessment whether the organization has enough capital as a buffer for potential unexpected losses (solvency). The overall risk appetite for identified, expected and unexpected risks amounts to a maximum of EUR 2.500.000 per year.

Significant risks in 2016

The top 5 risks in 2016 are linked to, strategic risks resulting from regulatory changes, operational risks resulting from failing (entity) level controls, hedging, risks in IT change management and risks in valuation processes of non-liquid assets. During 2016, no significant incidents occurred and smaller incidents did not result in substantial losses (mainly internal costs). For 2017 the strategic risks are expected to be the same, however, the operational risks are expected to be decreased as a result of the improvements in risk management and the new Internal Control Framework implemented in view of the ISAE 3402 project. Only the risks relating to strategic projects are expected to increase somewhat during 2017.

Enterprise Risk

Business Risk: Triodos Investment Management defines business risk as the risk caused by changes in external factors like competitive relationships, stakeholders, reputation and business climate. Triodos Investment Management anticipated for strong growth of Assets under Management with potentially a slight pressure on prices. Based on this base scenario, a risk that would lead to losses resulting from working under Break-Even was expected to be low on impact and low on probability. Mitigation is implemented by income and cost control.

Reputational Risk: Triodos Investment Management defines Reputational Risk as the risk that its market position deteriorates due to a negative perception among customers, counterparties, shareholders and/or regulatory authorities. Triodos Investment Management safeguards reputational risk in other risk disciplines, such as compliance and operational risk as in most cases it is a consequence of other risk events² happening. It also works with a transparent and stable business model. Furthermore, the exposure of Triodos Investment Management to reputational risk depends on the ability of management and co-workers to act consciously in accordance with the mission and values. For this reason, Triodos Investment Management has a very proactive human resources approach aimed to ensure the connection of all co-workers with the mission and values. In addition, Triodos Investment Management actively manages its engagement with the public and its clients, for example, via an online social media policy and management of complaints. For this risk a similar analysis can be made as for business model risk, which leads to the same outcome.

Strategic Risk: Strategic Risks are those that potentially have the most impact on an organization's

² A situation whereby the organization becomes exposed to a financial loss or reputational damage. Risk events are monitored by Triodos Investment Management and risk events are used to implement better procedures and controls to prevent the situation from occurring again.

ability to execute its strategies and achieve its business objectives. Therefore Strategic Risk Assessments are performed at Management Board level for Triodos Investment Management as a whole every three years, with an annual update. Since Triodos Investment Management operates well above Break-Even and with enough solvency, this risk has a low probability with a low impact.

Non-financial Risk

Operational Risk: These risks relate to losses Triodos Investment Management could incur as a result of inadequate or failing internal processes, systems, human behavior or external events. During 2016 the operational risk framework was brought further in line with the current scale and complexity of the organization by improving the Internal Control Framework as a basis for the ISAE 3402 implementation. Various other initiatives were deployed to limit the operational risks the organization encounters in the following areas: Information Security, Outsourcing and Business Continuity. Co-worker training and involvement supports these improvements because, as a learning organization, people are key to successfully managing operational risks.

Compliance Risk: Triodos Investment Management defines compliance risk as the risk of not complying with laws, regulations, rules, related self-regulatory standards, and codes of conducts applicable to its banking activities. This may result in sanctions, material losses, and reputational damage. The risk appetite is low (to zero) for this risk. Internal policies, procedures and awareness activities are in place to guarantee that co-workers in all functions comply with relevant laws and regulations. The compliance function independently monitors and challenges the extent to which Triodos Investment Management complies with laws, regulations and internal policies, with an emphasis on customer due diligence, anti-money laundering, treating customers fairly, preventing and managing conflicts of interest, data protection and the integrity of co-workers. Furthermore, a process has been implemented to identify new and upcoming regulations in an early

stage and define the impact for the organization. Based on the size of the expected change, projects are defined to implement new regulations in the operations of Triodos Investment Management. Projects such as MAD/MAR, MiFID II, EMIR, PRIIPS have passed through this process. Potential losses related to compliance risks were assessed as having a major impact with an unlikely chance of occurrence.

Financial Risk

Credit risk: This is the risk any party owning Triodos Investment Management liquidity is not able to (re-) pay. This applies for Triodos Investment Management specifically to liquidity at bank accounts. The risk is partly mitigated by using multiple banks with high creditworthiness. At year end 2016 84% of the cash is stilled at Triodos Bank (2015: 66%). Since Triodos Bank is also the 100% shareholder of Triodos Investment Management, we consider the credit risk very low.

Liquidity Risk: Liquidity risk is the risk that Triodos Investment Management will not be able to attract the financial means necessary to satisfy its payment obligations. This risk is very low, given that under normal circumstances a stable and positive financial results and cash flows triggered by relatively predictable fee income are at hand. Triodos Investment Management monitors and analyses its financial position on a monthly basis. The liquidity positions is monitored on a bi-weekly basis in order to minimize liquidity risk. The resulting liquidity risk is considered very low.

Market risk: Market risk is the risk of losses in positions arising from movements in market prices, like interest rates and foreign currencies. Within this context Triodos Investment Management does not have assets other than limited cash in foreign currency, hence this risk is limited. Financial impact for 2016 due to currency rate differences amounts to EUR 16 thousand in 2016 (2015: EUR 76 thousand).

Development of losses during 2016

There were no significant risk events in 2016, resulting in losses outside our risk appetite. Actual losses were < EUR 75.000. Triodos Investment Management was not involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability during the year.

In Control statement

The Management Board of Triodos Investment Management is responsible for designing, implementing and maintaining an adequate system for internal control over financial reporting. Financial reporting is the product of a structured process carried out by various functions under the direction and supervision of the Managing Director Risk & Finance of Triodos Investment Management. The Management Board is responsible for the risk management and compliance function. The risk management function works together with business line management to develop and execute risk policies and procedures involving identification, measurement, assessment, mitigation and monitoring of the financial and non-financial risks. The compliance function plays a key role in monitoring Triodos Investment Management's adherence to external rules and regulation and internal policies.

In 2016 Triodos Investment Management initiated the ISAE3402 project, in order to further develop a risk management and control framework. The Management Board has no indication that the risk management and internal control system has not functioned adequately and effectively in 2016. The risk management and internal control system provides reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements.

The adequate functioning of the risk management and compliance function as part of the internal control system is frequently under discussion with the Audit and Risk Committee at group level.

Prospects

Triodos Investment Management is confident that its funds will continue to attract investors, building on over 20 years' experience in bringing together values, vision, and financial returns on investment. With an increasing demand across Europe from investors in impact investment looking for an experienced, reliable and professional impact investment partner, it will broaden its international distribution strategy by adding new markets to its distribution network.

Triodos Investment Management aims to further build a balanced portfolio of impact investment funds delivering impact in key areas related to the UN Sustainable Development Goals, with a focus on human dignity and development and responsibility and care for the earth.

To strengthen its reputation as an innovative investment manager Triodos Investment Management will continue to look for development and growth, both through expansion within existing funds and through the creation of new values-based investment solutions.

From March 2017, Triodos Investment Management has taken on the portfolio management of Sustainability | Finance | Real Economies SICAV - SIF (SFRE, pronounced Sapphire), an investment fund designed to deploy substantial capital to financial institutions that play a key role in meeting human needs and advancing essential segments of real economies in their communities. The fund's mission to invest in sustainability-focused financial institutions is fully aligned with Triodos Investment Management's mission to provide growth capital to a growing segment of financial institutions that are making a meaningful difference to the lives of millions of individuals and small businesses globally.

In March 2017, Triodos Investment Management announced it is taking sustainable investing in listed securities a step further by integrating its sustainable and financial analysis within the investment process. Triodos Investment Management will do so by bringing the asset management of its SRI proposition in-house and by further intensifying its engagement activities with the aim to maximize positive change. This intensified and more integrated investment approach will apply to the four Triodos SRI funds, i.e. Triodos Sustainable Pioneer Fund, Triodos Sustainable Mixed Fund, Triodos Sustainable Equity Fund and Triodos Sustainable Bond Fund. As a result, the SRI asset management services currently provided by Delta Lloyd Asset Management will be phased out in 2018 and will become part of Triodos Investment Management.

Triodos Investment Management's strategic focus will continue to be on individual investors, distributors and professional investors that cater for impact investment solutions for individual investors. It will also further develop its international distribution network and institutional investor base. To support this ambition Triodos Investment Management will increase the capacity available within the Business Development & Investor Relations team.

In the context of ambitions to further increase its impact and with challenging market circumstances and increasing regulations, Triodos Investment Management is well positioned for further growth.

Balance sheet as at 31 December 2016

Before appropriation of result (amounts in euros)	Notes	31.12.2016	31.12.2015
ASSETS			
Fixed assets			
Intangible fixed assets	1	1,642,755	1,975,141
Financial fixed assets	2	–	45,000
Total fixed assets		<u>1,642,755</u>	<u>2,020,141</u>
Current assets			
Receivables			
Debtors	3	3,583,320	150,742
Receivable VAT		14,184	38,988
Other receivables	4	9,137,465	7,473,756
		12,734,969	7,663,486
Cash at banks	5	4,715,960	12,106,601
Total assets		<u>19,093,684</u>	<u>21,790,228</u>
LIABILITIES			
Equity			
Issued and paid-up capital	6	18,500	18,500
Share premium reserve		327,550	327,550
Legal reserves		754,739	1,002,219
General reserve		8,329,924	8,082,444
Result for the financial period		5,944,263	5,497,428
		15,374,976	14,928,141
Provisions	7	165,473	71,631
Short-term liabilities, accruals and deferred income			
Creditors		710,987	658,506
Payable company tax		1,981,421	1,832,476
Other short-term liabilities, accruals and deferred income	8	860,827	4,299,474
		3,553,235	6,790,456
Total liabilities		<u>19,093,684</u>	<u>21,790,228</u>

Profit and loss account for 2016

(amounts in euros)	Notes	2016	2015
Net turnover	9	30,758,429	28,481,810
Operating expenses	10	22,847,424	21,231,092
Operating profit		<u>7,911,005</u>	<u>7,250,718</u>
Financial income	11	16,974	92,217
Financial expenses	12	2,295	13,031
Result before tax		7,925,684	7,329,904
Corporate Income Taxes		-1,981,421	-1,832,476
Result after tax		<u>5,944,263</u>	<u>5,497,428</u>

Notes to the balance sheet and the profit and loss account

(amounts in euros)

General

Triodos Investment Management was founded on 12 December 2000 and is located in Zeist. Triodos Investment Management is registered at the Chamber of Commerce with number 30170072. The main activities of Triodos Investment Management are investment management and fund management activities on behalf of several Triodos Funds. Triodos Investment Management is a 100% subsidiary of Triodos Bank NV (located in Zeist). These financial statements have been prepared for a reporting period of one year.

Group structure

Triodos Investment Management BV is part of the Triodos Group. The head of this group is Triodos Bank NV. The financial statements of Triodos Investment Management BV are included in the consolidated financial statements of Triodos Bank NV. The consolidated figures are available via www.triodos.nl.

Basis of preparation

The annual accounts are in accordance with Part 9 of Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board. These financial statements have been prepared on the basis of the going concern assumption.

Accounting principles

General

The principles of valuation and determination of the result remained unchanged compared with the previous year.

Unless stated otherwise, assets and liabilities are stated at cost. In the balance sheet and profit and loss account, references are made to the notes.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets

and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in euros, the company's functional currency.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates.

The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

Principles for the translation of foreign currency

Transactions denominated in foreign currency are translated into euro's at the exchange rate applying on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date.

Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates applying on the transaction date. Translation gains and losses are taken to the profit and loss account.

Intangible fixed assets - Development costs

The development of an intangible fixed asset is considered commercially profitable if the following conditions are met: the completion of the asset is technically feasible, the company has the intention of completing the asset and then of using or selling it (including the availability of adequate technical, financial and other resources to achieve this), the company has the ability to use or sell the asset, it is probable that the asset will generate future economic benefits, and the costs during the development phase can be determined reliably. Development costs are stated at production cost, less accumulated amortisation and impairment losses. These costs mainly comprise out of pocket software license costs and the cost of direct internal costs. Upon termination of the development phase, the capitalized costs are amortized over their expected useful life, which is 5 years. Amortisation takes place on a straight-line basis. No impairment was recognized in 2016 or 2017.

A legal reserve is formed for the capitalized development costs that have not yet been amortized.

Financial fixed assets

Financial fixed assets are valued at their acquisition price, unless there are indicators where the fair value of participations are expected to be lower that the book value. In these situations, the fair value will represent the value of financial fixed assets.

Receivables

Receivables are recognised initially at the fair value and are subsequently measured at amortised cost. Provisions for bad debts are deducted from the book value of the receivable.

Cash at banks

Cash at banks consist of cash, bank balances and deposits with a maturity of less than one year. Overdrafts at banks are recognised under debts to credit institutions under current liabilities. Cash at banks are stated at nominal value.

Equity

The equity represents the capital that is attributable to the only shareholder Triodos Bank NV.

Current liabilities: Short-term liabilities, accruals and deferred income

Current liabilities are initially recognised at fair value. After initial recognition current liabilities are recognised at amortised cost price, being the amount received, taking into account any discount or premium and transaction costs. This usually is the nominal value. Current liabilities are due within one year.

Principles for the determination of the result

General

The result is the difference between realisable services provided and the costs and other charges during the year. The result on transactions are recognised in the period in which they are realised.

Net turnover

The policy regarding determination of the result is based on allocation of income and expenses to the corresponding period. Income from operating activities are recognized in the profit and loss account when the revenue amount can be determined in a reliable manner, collection of the related compensation to be received is probable, the extent to which income have been performed on the balance sheet date can be determined reliably, and the costs already incurred and (possibly) yet to be incurred to complete the service can be determined reliably.

(Operating) Expenses

Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Financial income and expenses

Interest income and expenses are attributed to the period to which they relate, taking into account of the effective interest rate of the assets and liabilities to which they relate.

Exchange rate differences arising upon the settlement or conversion of monetary items are attributed to the period to which they are realised.

Corporate income taxes (CIT)

Triodos Investment Management is part of the fiscal unity with its parent company Triodos Bank NV and its subsidiaries. All entities within the fiscal unity are jointly liable for each other's CIT-claims.

Taxes are calculated on the pre-tax result in the income statement on the basis of the applicable profit tax rates. Exempted profit items, deductible items, additions and differences between the balance sheet value

and the fiscal value of particular assets and liabilities are taken into account. Deferred tax assets and liabilities are stated at nominal value.

Tax on the result is calculated based on the result before tax in the income statement with a rate of 25%. The set-off for applicable deferred taxes is recognized at the level of the fiscal unity.

Cash Flow statement

The cash flow statement of Triodos Investment Management is included in the consolidated annual accounts of Triodos Bank and are available via www.triodos.nl.

Notes to the balance sheet as at 31 December 2016

1. Intangible fixed assets

Software development

This relates to the costs for the development of software for the administration of investments. Development costs will be written off, starting at the moment of use, based on the valued economic life span. The software is introduced in 2014 and the estimated life span is 5 years. There was no need for an impairment on intangible fixed assets in 2016, nor 2015.

The cumulative financial position of the materialized software is as follows:

	31-12-2016	31-12-2015
Purchase value	2,495,495	1,220,980
Cumulative amortization	-520,354	-136,517

The movement in the software development costs is as follows:

	2016	2015
Balance as at 1 January	1,975,141	1,084,463
Capitalised expenses	186,389	1,274,514
Depreciation	-518,775	-383,836
Balance as at 31 December	<u>1,642,755</u>	<u>1,975,141</u>

2. Financial fixed assets

This relates to the shares of Triodos Impact Strategies NV used for the launch of this new entity under management. The invested amount has been returned in 2016 through a buy in by Triodos Impact Strategies NV.

The movement in the financial fixed assets is as follows:

	31-12-2016	31-12-2015
Balance as at 1 January	45,000	–
Purchase	–	45,000
Sale	-45,000	–
Balance as at 31 December	–	<u>45,000</u>

3. Debtors

	31-12-2016	31-12-2015
Debtors	3,583,320	150,742
Provision for debtors	–	–
Balance as at 31 December	<u>3,583,320</u>	<u>150,742</u>

The relatively high value of debtors by the end of 2016 relates the invoicing of management fees in December 2016.

4. Other receivables

	31-12-2016	31-12-2015
Accrued management fees	7,985,537	6,969,726
Current account Triodos Groenfonds	319,900	188,020
Current account Triodos Fair Share Fund	152,250	81,367
Current account Triodos Cultuurfonds	52,884	31,969
Current account Triodos Vastgoedfonds	22,326	7,748
Current account Stg. Hivos-Triodos Fonds	6,617	8,094
Current account Stg. Triodos Sustainable Finance Foundation	5,063	3,644
Current account Triodos Multi Impact Fund	1,223	–
Current account Triodos Sustainable Trade Fund	2,978	–
Current account Triodos Renewable Energy for Development Fund	235	–
Cash in transit	168,609	–
Prepaid maintenance fee FIA	136,956	–
Accrued interest	873	1,500
Other receivables	282,014	181,688
Balance as at 31 December	<u>9,137,465</u>	<u>7,473,756</u>

Receivables are expected to be received in less than one year.

5. Cash at banks

	31-12-2016	31-12-2015
Triodos Bank current account	1,476,768	5,539,427
Triodos Bank savings account	2,505,942	2,504,442
Rabobank current account	733,250	4,062,732
	<u>4,715,960</u>	<u>12,106,601</u>

The cash on bank accounts can be freely disposed of. The interest rate on the current account (Triodos Bank and Rabobank) is 0.00%. The interest rate on the saving account as at year end 2016 is 0.00% for a bank balance up to EUR 1,000,000 and 0.00% for a bank balance above EUR 1,000,000.

Two of the Rabobank current accounts are US dollar accounts with a balance at year-end of USD 743,946 (2015: USD 1,216,571). For the conversion to Euros an exchange rate was used of 1.05166 (2015: 1.0866).

6. Equity

The movement in the equity for 2016 is as follows:

	Issued and paid-up capital	Share premium reserve	Legal reserves	General reserve	Unappro- priated profit	Totaal
Balance as at 1 January 2016	18,500	327,550	1,002,219	8,082,444	5,497,428	14,928,141
Transfer to statutory reserve for development cost	-	-	-247,480	247,480	-	0
Dividend pay out to shareholders	-	-	-	-	-5,497,428	-5,497,428
Result reporting period	-	-	-	-	5,944,263	5,944,263
Balance as at 31 December 2016	<u>18,500</u>	<u>327,550</u>	<u>754,739</u>	<u>8,329,924</u>	<u>5,944,263</u>	<u>15,374,976</u>

The movement in the equity for 2015 is as follows:

	Issued and paid-up capital	Share premium reserve	Legal reserves	General reserve	Unappropriated profit	Totaal
Balance as at 1 January 2015	18,500	327,550	459,000	391,469	8,234,193	9,430,712
Transfer to statutory reserve for development cost	-	-	543,219	-543,219	-	0
Dividend pay out to shareholders	-	-	-	-	-	-
Result previous financial year	-	-	-	8,234,193	-8,234,193	0
Result reporting period	-	-	-	-	5,497,428	5,497,428
Other movements	-	-	-	1	-	1
Balance as at 31 December 2015	<u>18,500</u>	<u>327,550</u>	<u>1,002,219</u>	<u>8,082,444</u>	<u>5,947,428</u>	<u>14,928,141</u>

The issued and paid-up capital consist of 185 ordinary shares of EUR 100 each. All shares are held by Triodos Bank NV. The share premium reserve relates to the excess amount received by Triodos Investment Management BV over the par value of its shares. The legal reserves relate to capitalized internal costs triggered by development of new software for internal use.

7. Provisions

	2016	2015
Provision for vitality leave	79,653	71,631
Other provisions	85,820	-
	<u>165,473</u>	<u>71,631</u>

Provision for vitality leave relates to leave arrangements for personnel based on collective labour agreements. Other provisions relates to a possible payment obligation based on a management contract.

The movement in the provisions is as follows:

	31-12-2016	31-12-2015
Balance as at 1 January	71,631	–
Allocation	93,842	71,631
Withdrawal or release	–	–
Balance as at 31 December	<u>165,473</u>	<u>71,631</u>

8. Other short-term liabilities, accruals and deferred income

	2016	2015
Cash in transit	–	3,537,622
Current account Triodos Bank	552,714	456,095
Payable management fees	119,941	111,054
Payable costs	154,622	83,272
Payable marketing costs	25,000	25,000
Payable external audit costs	8,550	8,918
Other liabilities	–	77,513
	<u>860,827</u>	<u>4,299,474</u>

The amounts payable are expected to be paid within one year. There are no interest payable on the current accounts. The relatively high amount for cash in transit 2015 relates to early prepayments on behalf of managed syndicated investments.

Off-balance sheet items

Most of the contracts, including personnel costs, ICT and housing, are arranged at the level of Triodos Bank and charged to Triodos Investment Management. The budgeted charges for the upcoming years are as follows:

2017: EUR 22.9 million
 2018: EUR 25.8 million
 2019: EUR 27.0 million

Notes to the profit and loss account for 2016

9. Net turnover

	2016	2015
Management contracts	30,626,049	28,353,545
Commercial services	126,635	120,000
Other income	5,745	8,265
	<u>30,758,429</u>	<u>28,481,810</u>

The breakdown of revenue by category is as follows:

9.1 Management contracts

Triodos Investment Management carries out management activities for the below mentioned entities and receives management fee for these services at market rates.

	2016	2015
Triodos Fair Share Fund	7,247,453	6,679,677
Triodos SICAV II – Triodos Microfinance Fund	5,727,390	4,687,562
Triodos Groenfonds	5,474,768	4,792,598
Triodos SICAV I	4,624,583	4,487,419
Stichting Triodos Sustainable Finance Foundation*	1,794,318	1,668,050
Stichting Hivos-Triodos fonds*	1,775,430	2,126,276
Triodos SICAV II – Triodos Renewables Europe Fund	1,350,481	1,183,914
Triodos Cultuurfonds	765,262	756,755
Triodos Sustainable Trade Fund	720,243	692,965
Triodos SICAV II – Triodos Organic Growth Fund	686,830	579,954
Triodos Vastgoedfonds	277,763	308,961
Triodos Multi Impact Fund	98,874	303,875
Stichting Renewable Energy for Development Fund	82,654	85,539
	<u>30,626,049</u>	<u>28,353,545</u>

* The amounts are including carried interest ad EUR 19,132 for 2016 (2015 EUR: 40,509).

9.2 Commercial services

	2016	2015
Consulting fee and board fee staff working for Triodos Investment Management	125,000	120,000
Advisory fees	1,635	–
	<u>126,635</u>	<u>120,000</u>

Consulting fee and board fee relates to investment management activities intertwined with the management of assets of managed funds.

10. Operating expenses

	2016	2015
Direct personnel costs	12,083,258	10,245,942
Other personnel costs	2,036,858	2,335,851
Charge of general overhead costs Triodos Bank	1,482,115	1,862,577
Housing costs	1,475,031	1,624,498
ICT costs	1,465,940	893,561
Outsourced activities Triodos Bank NL	1,021,704	1,110,380
Travelling and accommodation expenses	904,713	837,302
Advisory fees	803,097	243,363
Other charge of costs Triodos Bank	676,942	595,112
Depreciation intangible fixed assets	518,775	383,836
Publicity	235,010	273,666
Contributions	117,567	76,464
Hired co-workers Triodos Bank	116,440	178,820
Development costs new funds	56,099	42,779
External audit	42,768	23,312
Obtaining company profile information	8,837	1,418
Bank	6,372	5,412
Research	–	498,263
VAT refund prior years regarding operating expenses	-365,526	-224,520
Other operating expenses	161,424	223,056
	<u>22,847,424</u>	<u>21,231,092</u>

The total number of coworkers at Triodos Investment Management increased by 14% to 160 at year-end 2016 (2015: 140). The remuneration paid to the managing directors of the company including salary expenses, severance payments, pension, use of company car and social expenses is EUR 655,088 in 2016 (2015: EUR 644,403).

The VAT refund prior years is the result of an adjusted pro rata VAT calculation within the Triodos Group. The total amount refunded has not been allocated to each individual expense category.

The following audit fees were expensed in the reporting period:

	2016	2015
Audit of the financial statements	14,970	18,725
Other audit services: ISAE	3,463	–
Other non-audit services	24,335	4,587
	<u>42,768</u>	<u>23,312</u>

11. Financial income

	2016	2015
Exchange rate differences	16,087	75,511
One off payment received due to overpaid VAT for mixed services	–	15,206
Interest saving accounts Triodos Bank	873	1,500
Other	14	–
	<u>16,974</u>	<u>92,217</u>

12. Financial expenses

	2016	2015
Paid interest on bank accounts	2,295	680
Interest payable for Triodos Nieuwbouw	–	12,351
	<u>2,295</u>	<u>13,031</u>

Interest payable for Triodos Nieuwbouw, the new building Triodos Investment Management will use in the future.

Related parties

1. Triodos Bank NV

- Triodos Bank NV is sole shareholder of Triodos Investment Management.
- Triodos Bank NV charged costs to Triodos Investment Management for an amount of EUR 18.0 million (2015: EUR 16.9 million). These charges relate to staff, office and overhead and are charged through

transfer pricing methods where among others managed assets and number of co-workers are taken into account.

- Triodos Investment Management has current and savings accounts with Triodos Bank at market standard rates.

2. Triodos Fair Share Fund

Triodos Investment Management performs the administration of Triodos Custody BV for which they receive a fee of Triodos Fair Share Fund EUR 5,520 (2015: EUR 5,520).

3. Triodos Investment Management conducts management activities for Triodos Groenfonds, Triodos Vastgoedfondsen, Triodos Cultuurfonds, Triodos SICAV II – Triodos Renewables Europe Fund, Triodos SICAV II – Triodos Microfinance Fund, Triodos SICAV II – Organic Growth Fund, Triodos SICAV I, Stichting Hivos-Triodos Fonds, Stichting Triodos Sustainable Finance Foundation, Triodos Fair Share Fund, Triodos Sustainable Trade Fund, Stichting Triodos Renewable Energy for Development Fund and Triodos Multi Impact Fund. The fees paid by the funds took place according to market rates. A specification of the fees is listed on page 27.

4. Triodos Investment Management receives board fees for supervisory roles related to the management of assets of managed emerging market funds. Co-workers of Triodos Investment Management are fulfilling board positions in the following companies: ACLEDA Bank Plc., Akiba Commercial Bank, LLC Microcredit Deposit-Taking Organization Arvand, BancoSol S.A., Bellwether Microfinance Fund, Centenary Bank, MFO Credo LLC, Dawn Myanmar Microfinance Pte. Ltd., I-Finance, Kompanion Bank CJSC, MFX Solutions LLC and Microfinance Organization KMF LLC. Board fees received in 2016 amounts to EUR 125,000 (2015: EUR 120,000).

The proposed appropriation of the profit is as follows:

The Management Board of Triodos Investment Management proposes to distribute the profit of over 2016 ad EUR 5,944,263 as dividend to its shareholder Triodos Bank NV.

Zeist, 10 May, 2017

Management Board of Triodos Investment Management BV

Marilou van Golstein Brouwers (chair)

Dick van Ommeren

Laura Pool

Other information

Appropriation of the profit

As set out in the Articles of Association, the appropriation of the profit is as follows (Article 16):

Paragraph 1: The profits shown in the adopted annual accounts shall be at the disposal of the general meeting.

Paragraph 2: The company may only make distributions of profit to shareholders and other entitled persons to the extent that shareholders' equity exceeds the paid and called up portion of the capital increased by the reserves to be maintained by law. No distribution of profits may be made to the company in respect of shares held by it.

Paragraph 3: Subject to the provisions of the second paragraph, the general meeting may make one or more interim dividends payable.

Paragraph 4: Distribution of profits shall take place after the adoption of the annual accounts which show that the distribution is permitted.

Independent auditor's report

The independent auditor's report is included on the next page.

Subsequent Events

There were no events after balance sheet date with material impact on the company or figures in this report.

To: the management board of Triodos Investment Management B.V.

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Triodos Investment Management B.V. as at 31 December 2016, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2016 of Triodos Investment Management B.V., Zeist ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2016;
- the profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

Independence

We are independent of Triodos Investment Management B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the

Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the financial statements

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the annual report by the Board of Management;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- Annex A.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the directors' report and the other information pursuant to Part 9 Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the Management Board

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion. A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 10 May 2017

PricewaterhouseCoopers Accountants N.V.

Original signed by J. Ijspeert RA

Appendix to our auditor's report on the financial statements 2016 of Triodos Investment Management B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going concern

basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Annex A

Responsible Investing

Triodos Investment Management is a member of the Stichting Klachteninstituut Financiële Dienstverlening (KiFiD).

Triodos Investment Management bases its fund governance code on the Principles of Fund Governance which are drafted and published by the Dutch Fund and Asset Management Association (DUFAS). Triodos Investment Management is a member of DUFAS. Triodos Investment Management is a member of the United Nations Principles on Responsible Investment and fulfils the transparency code as set by EUROSIF.

Conflicts of Interest Policy

Triodos Investment Management takes measures to mitigate conflicts of interest which may occur from the different roles and responsibilities it has towards the managed funds, the funds investors and the companies in which we invest. We have clear procedures in place containing rules covering situations where (potential) conflict of interests could occur. The mentioned procedures are described in our 'Triodos Policy on Confidential Information, Chinese walls, and Conflicts of Interest'.

Furthermore Triodos Investment Management commits itself to the DUFAS Principles of Fund Governance, which principles include several provisions on Conflicts of Interest. In line with these provisions and as far as appropriate, a segmentation between investment decisions, settlement of transactions, administration of transactions and control is in place to prevent (potential) conflicts of interests. Triodos Investment Management has installed "Chinese walls" in order to manage the flow of price-sensitive information and other confidential market information. There is an organizational, physical and personnel segregation between the business units to the extent that this is reasonably necessary, relative to their activities. Appropriate

information-sharing barriers are in place to prevent dissemination of sensitive market information. No price-sensitive or confidential market information is exchanged between business units other than is required to effectively carry out their work.

Triodos co-workers can be appointed to a management or supervisory position of a company which is financed by one of our funds, except in case of Triodos SICAV I. In case of an appointment, the appointed co-workers is not allowed to deliberate or participate on any decision where there is a conflict of interest.

It is possible that companies and projects which are financed by our funds also invest in a Triodos fund. Triodos co-workers are not allowed to take part on such investment decisions in order to prevent a conflict of interest. In relation to financed companies, Triodos Investment Management has provisions in place which prevent Triodos co-workers to use confidential information for any other purpose than for which it has been acquired.

