



# Triodos Investment Management BV

Annual report 2015

Triodos  Investment Management

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# Annual Report by the Board of Management

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## Introduction

Triodos Investment Management BV is a globally recognised leader in impact investing and is a wholly owned subsidiary of Triodos Bank NV. In July 2014 Triodos Investment and Advisory Services BV was founded as a sister company resulting from implementation of the Alternative Investment Fund Managers Directive (AIFMD).

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. They invest in Europe and emerging markets with a range of risk-return profiles and financial instruments. Its total assets under management in 2015 grew by 18% to EUR 3.0 billion (2014: 6%). Private and professional investors can invest in these funds. 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

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 2015 it continued the focus on growing its investor base among mid-size institutional investors, private banks, family offices and high-net worth individuals.

Triodos Investment Management continuously looks for financial solutions to social and environmental challenges. To this end, it has developed a new investment fund, Triodos Multi Impact Fund, which was launched in December 2015. This 'fund-of-funds' meets considerable demand from Dutch investors, because it offers an opportunity to make their money work in multiple sectors that are all key in the transition to a fairer and more sustainable world.

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 recognised as a front-runner in impact investing.

In 2015 this meant:

- contributing to a reduction of over 0.9 million tonnes of CO<sub>2</sub>, equivalent to the electricity consumption of 490,000 European households by 740 MW of installed clean energy capacity;
- 104,305 small-scale farmers in 16 countries worldwide were paid directly on delivery of their harvest through trade-finance facilities, bringing 11 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 6.2 million meals, or enough food to provide a sustainable diet for approximately 5,700 people. Together approximately 7,700 hectares of organic farmland was financed across Europe;
- the management of EUR 98 million in assets in arts and culture initiatives; projects that reached 2.9 million visitors and provided affordable facilities for approximately 2,800 artists, participants and cultural organisations.
- increasing the quality and sustainability of the built environment through the management of a portfolio of sustainable buildings amounting to more than 82,000m<sup>2</sup> of office and other commercial space, that emit almost 40% less CO<sub>2</sub> than average buildings;
- an increase in volume of inclusive finance funds to EUR 718 million. The funds provided finance to 100 emerging and well-established inclusive finance institutions in Latin America, Asia and

Africa. These institutions reach 15.5 million low-income people with loans. Approximately 10.2 million low-income people 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 (Triodos SICAV I), 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 650 times with 280 companies in 2015.

At the end of 2015, the SRI funds managed EUR 1,283 million in assets dedicated to 'best in class' and pioneering stock exchange listed companies worldwide, as well as European state and corporate bonds.

## Funds' performance

Triodos Investment Management's total assets under management grew by EUR 444 million to EUR 3.0 billion, a 18% increase (2014: 6% increase) during the year.

The Triodos Sustainable Funds (Triodos SICAV I), which invest in listed companies, experienced marked growth of 25%. Triodos Fair Share Fund and Triodos Microfinance Fund also realised a significant expansion of 17% and 32% respectively.

The Triodos Organic Growth Fund increased its assets under management during the year by 11% to EUR 32.6 million and the Triodos Renewables Europe Fund increased its assets under management in 2015 by 3% to EUR 64.6 million.

Assets under management in the Dutch Triodos Groenfonds increased by 9% to EUR 676.6 million. Triodos Cultuurfonds remained stable throughout the year with EUR 97.7 million. Assets under management in the Triodos Vastgoedfonds decreased slightly by 2% to EUR 68.3 million. The fund's portfolio, however, continues to perform strongly with an occupancy rate of 93%.

## Energy and climate

It is essential to reduce energy demand, to use energy as efficiently as possible, and to invest massively 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 741 million by the year end (2014: EUR 683 million).<sup>1</sup>

The total renewable energy equity and loan portfolio in Europe consisted of over 102 projects, 90 of which had a total sustainable power generation capacity of approximately 740 MW.

<sup>1</sup> 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 in this report.

# EUR 3.0 billion

total assets  
under management

Together this contributed to the avoidance of over 0.9 million tonnes of CO<sub>2</sub> emissions in 2015, equivalent to the electricity consumption of 490,000 European households.

These projects are comprised of 64 wind power projects, 17 solar photovoltaic projects, 3 biomass projects, 6 heat/cold storage projects, 1 small hydro project and 11 projects in a construction phase.

In 2015, Triodos Groenfond's further diversified its portfolio by investing up to a maximum of 10% of the assets under management in renewable energy projects in emerging markets. The fund approved one new loan for a renewable energy project in emerging markets in 2015: Cohessa, a solar project in Honduras. This made a significant contribution to improving access to energy for local people. The total volume of assets under management of the fund at the end of 2015 was EUR 676.6 million.

Triodos SICAV II – Triodos Renewables Europe Fund has invested in roof-mounted solar plants for Dutch brewing company, Heineken. This joint investment with Solar Access, a Dutch-based international developer and operator of solar power projects, involves the installation of solar panels on the roofs of eight locations. The installed capacity of the solar plants is 3.0 MW. The expected production equals the average electricity demand of approximately 800 households. The volume of assets under management of the fund at the end of 2015 was EUR 64.6 million.

## Emerging Markets

The inclusive finance and sustainable trade fund's 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 118 million in 2015, an increase of 19% to EUR 740 million.

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

In 2015 Triodos Fair Share Fund and Triodos Microfinance Fund added several new equity investments to the portfolio. One of them is Dawn Microfinance, one of the few small MFIs active in Myanmar and an organisation with a strong reputation for building trust with the local government and communities, for over 14 years. To catalyze the microfinance sector in Myanmar using sustainable principles, Triodos Investment Management, FMO, and American impact investor Accion have joined together to further develop Dawn Microfinance into a leading, for-profit MFI. The long-term intention for Dawn Microfinance is to become a large provider to low income households, offering a wider range of financial products in addition to group loans, such as individual loans, SME loans and savings. A senior representative of Triodos is represented in the board of directors.

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 financed 100 microfinance institutions and banks, operated in 45 countries in 2015. These institutions reach 15.5 million low-income clients with loans. 80% of these are women. Approximately 10.2 million people were served with savings products (2014: 8.3 million). 41% of these clients live in rural areas.

## 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.

The fund was launched in 2006 and invests in cultural projects, with the aim to stimulate a healthy cultural sector.

During 2015, the fund's total assets remained stable and were EUR 97.7 million by the end of the year (2014: EUR 97.4 million).

During 2015 Triodos Cultuurfonds finance helped make it possible for 2.9 million people to enjoy cultural events including cinema, theatres and museums across Europe. Also approximately 2,800 artists, participants and organisations active in the cultural sector took advantage of affordable arts and workshop spaces financed by Triodos Cultuurfonds in 2015.

In 2015, Triodos Cultuurfonds provided nine loans to cultural institutions. One of those was made to Foundation Nowhere in Amsterdam to purchase and renovate their building. Foundation Nowhere organises workshops, festivals and events for young people in Amsterdam.

## 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 are still improving and revaluations are 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 69.7 to EUR 68.3 million in 2015.

Triodos Vastgoedfonds as well as Triodos Groenfonds finance helped increasing the quality and sustainability of the built environment. They did this through the management of a portfolio of sustainable buildings amounting to more than 82,000m<sup>2</sup> of office and other commercial space, buildings that emit almost 40% less CO<sub>2</sub> than the average of 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 a sustainable lifestyle and 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 characterised 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 2015, Triodos Organic Growth Fund increased its volume of assets under management by 11% to EUR 32.6 million.

Since February 2014, Triodos Organic Growth Fund has held 20% of the shares in Aarstiderne A/S (Danish for 'the Seasons'). Aarstiderne is an organic box scheme company with 120 employees. It delivers around 30,000 meal boxes per week in Denmark and Sweden via a subscription service to 55,000 customers. For four years this frontrunner in the Danish organic food sector offers both traditional boxes containing organic fruit and vegetables and boxes containing measured ingredients, including meat and fish, for the preparation of specific meals, with recipes included.

In addition, Triodos Groenfonds financed approximately 7,700 hectares of organic farmland across Europe in 2015. This organically managed land could produce the equivalent of 6.2 million meals in 2015, or enough food to provide a sustainable diet for approximately 5,700 people.

## Socially Responsible Investments

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

In 2015, the fund volumes of Triodos SICAV I increased by 25% to EUR 1,283 million.

These four funds are Triodos Sustainable Equity Fund, Triodos Sustainable Pioneer Fund, Triodos Sustainable Bond Fund and Triodos Sustainable Mixed Fund. All invest in shares and bonds of listed companies. These companies perform well socially and environmentally, relative to peers in their sectors. Their work has been recognised with several awards. For instance, the German newspaper *Handelsblatt* awarded Triodos Sustainable Mixed Fund first prize in the category "Balanced Mixed Funds". In Belgium Triodos Investment Management was recognised as the best SRI Fund House in Belgium for the fifth consecutive year by the *De Standaard* and *La Libre* newspapers.

Promoting corporate social responsibility produced positive results in 2015. Triodos Research made use of voting rights on behalf of the Triodos SICAV I fund at 125 shareholder meetings. The companies concerned were informed about the issues that Triodos intended to vote on in advance of these meetings, allowing organisations to take meaningful steps to address them.

In total, Triodos Research engaged 661 times with 280 companies, leading to a number of improvements in their corporate social responsibility policies and performance.

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

## Organisational and Operational developments

Laura Pool joined the Management Board of Triodos Investment Management as Managing Director Risk and Finance in May 2015. Michael Jongeneel left Triodos Investment Management in June 2015. Dick van Ommeren joined the Management Board of Triodos Investment Management as Managing Director per 1 February 2016.

Triodos Investment Management implemented the 'Alternative Investment Fund Managers Directive' (AIFMD), the American Foreign Account Tax Compliance Act (FATCA) as well as the European Market Infrastructure Regulation (EMIR) in 2014. 2015 was a year in which Triodos Investment Management further built on the implementation of these regulations and prepared for new ones, mainly the UCITS V directive and the second phase of EMIR.

UCITS V is a new directive which will come into force in March 2016. It is an amendment to the original UCITS directive covering depository safe-keeping and oversight duties, manager remuneration and sanctions.

In addition, Triodos Investment Management focused on the implementation of the next phase of European Market Infrastructure Regulation (EMIR) during the year. EMIR imposes requirements on all types and sizes of entities that enter into any form of derivative contract. The first tranche of EMIR came into force in 2013 and covers reporting, timely confirmation and reconciliation requirements. It has been implemented within Triodos Investment Management.

The Common Reporting Standard (CRS) has also required preparatory work in 2015. The Organisation for Economic Cooperation and Development (OECD) developed the Common Reporting Standard (CRS), which requires Financial Institutions, such as funds in participating CRS jurisdictions, to identify and report the tax residency and account details of customers to the relevant authorities. As of January 1, 2016, CRS is in force and on-boarding procedures are in place to identify (new) shareholders.



There was also a continuing focus on streamlining Triodos Investment Management's internal operations during the year, building on the introduction of a new core investment portfolio management ICT system in 2014.

## Co-worker Report

Triodos Investment Management aims to be an inspiring, good place to work, enabling co-workers to fulfil their professional potential, developing and applying their expertise, professional insight and personality to the fullest.

Triodos Investment Management is a growing organization which is growing continuously. All of the co-workers of Triodos Investment Management are on the payroll of Triodos Bank NV. In 2015, 25 new co-workers were employed (2014: 17). The total number of coworkers at Triodos Investment Management increased by 11 % in 2015, from 123 to 137, partly because of growth and partly because of a step-up in ICT & risk management.

The balance of men and women is 42% and 58%, in management positions 43% is female. The average age of the coworker group in 2015 is 40 years (39 in 2014), with a balanced representation of all the age groups. The average period of service is 4 years at the year end. Absenteeism through sickness was 2% in 2015, below a target of 3%.

The attrition rate decreased to 7.8% in 2015 (2014: 10.3%). The attrition rate for co-workers in their first year of employment decreased from 6.9% in 2014 to 4% in 2015.

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 coworkers. We organized professional training on specific Investment Management topics, languages and mindfulness for example. On average we invested 2000 euro per co-worker on education.

In 2015 19 co-workers participated in programs organized by the Triodos Academy. Also one co-worker participated in a new leadership program from the Global Alliance for Banking on Values. In addition, the 2015 annual Co-Worker Conference took place in Bristol with a theme of "Greening Capital", and was attended by 15 co-workers from Triodos Investment Management. Emphasis was put on the culture and integrity of bankers during the year, with the implementation of a 'Banker's oath', taken by all co-workers in The Netherlands. Although the oath and corresponding disciplinary ruling is new, the principles and ideas behind it are fully in line with Triodos Bank's Business Principles, which are endorsed by all its co-workers.

## Financial results

Assets under management increased by 18% to EUR 3.0 billion at the end of 2015. The operating income (excluding extraordinary results) increased by 11.8% to EUR 28.3 million (2014: EUR 25.3 million). Total operating income was EUR 28.4 million.

Expenses in 2015 increased by 5.0% to EUR 21.2 million (2014: EUR 20.2 million), primarily because of an increase in direct and indirect co-worker costs.

Profit, after tax, was EUR 5.5 million, down by 33.2% compared with 2014. This decrease is mainly due to the fact that Triodos Investment Management realised extraordinary gains in 2014 on investments resulting from the sale of shares in equity investments in the Triodos Sustainable Finance Foundation and Hivos Triodos-Fund portfolios. Without this extraordinary income, the net profit in 2014 would have amounted to EUR 4.2 million. Triodos Investment Management's balance sheet consists mostly of cash, short term debtors on managed entities and short term liabilities to Triodos Bank.



## Risk and Compliance

### 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, prioritise 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 organisation 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.

### The 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 their 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

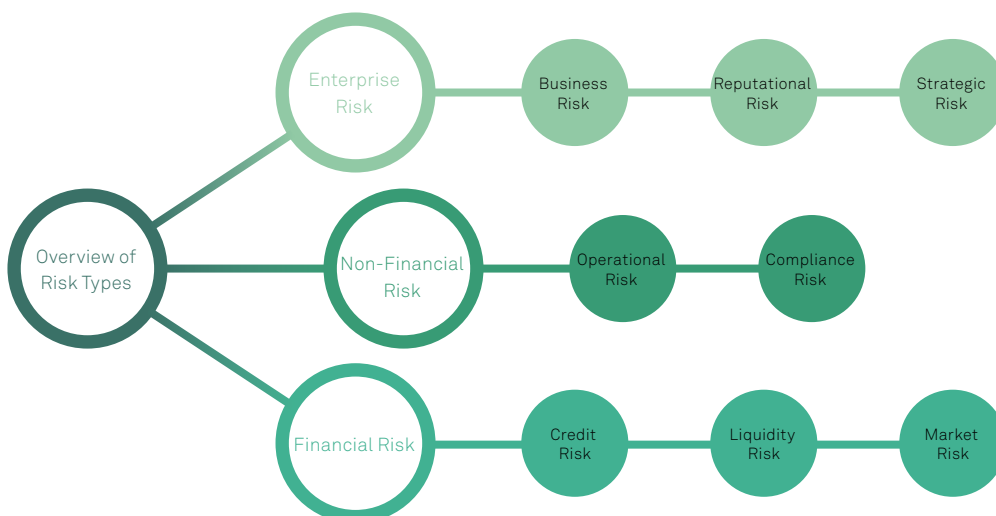
operations. Second line functions and departments ensure that risks are appropriately identified and managed.

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 taking full responsibility for all the second line risk management and compliance activities, and reports directly to the Chief Financial Officer of Triodos Bank.

The structure of the risk organisation meets industry standards and covers all relevant risks for Triodos Investment Management within the three following risk categories: Enterprise Risks, Financial Risks and Non-Financial Risks. Each risk type covers a number of risk categories (see diagram).



## Enterprise Risk

The Enterprise Risk discipline synthesises 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. Triodos Investment Management manages Enterprise Risk through a risk management cycle: performing risk assessments, determining the risk appetite, assessing capital and liquidity requirements, and monitoring the risk profile.

## 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. Strategic risk is caused by internal factors within the organisation. Business risk arises outside of the organisation. Given that both risks can affect the organisation's ability to achieve its overall objectives, they are managed together as described under strategic risk.

## 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 events happening. It also works with a transparent and stable business model.

## Strategic Risk

Strategic Risks are those that potentially have the most impact on an organisation's 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.

Triodos Investment Management considers its basic business model to have a low risk profile, although the risks may increase somewhat as a result of adding new business. Strategic risks need to be carefully managed to realise integrated financial and mission-driven objectives.

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.

## Non-financial Risk

Non-financials risk includes all the risks related to Triodos Investment Management's regular activities and processes that are not categorised as enterprise or financial risk. Triodos Investment Management has sub-divided this into operational and compliance risk. Monitoring these risks is particularly important to ensure Triodos Investment Management can continue to offer quality investment services to its stakeholders.

## Operational Risk

In the course of its normal business, Triodos Investment Management runs operational risks. These risks relate to losses Triodos Investment

# Global leader in impact investing

Management could incur as a result of inadequate or failing internal processes, systems, human behaviour or external events. Triodos Investment Management limits these risks with clear policies, reports and procedures for all business processes.

The operational risk framework uses several tools and technologies to identify, measure, mitigate and monitor risks on an operational, tactical and strategic level. During 2015 the operational risk framework was brought further in line with the current scale and complexity of the organisation. Operational Risk Management includes Information Security, Outsourcing and Business Continuity. Numerous control measures have been improved and implemented in IT-systems and embedded in procedures and work instructions. Co-worker training and involvement supports these improvements because, as a learning organisation, people are key to successfully managing operational risks.

### **Compliance Risk**

Triodos Investment Management defines compliance risk as the risk of legal or regulatory sanctions, material financial loss or loss to reputation that Triodos Investment Management may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory standards, and codes of conducts applicable to its banking activities. 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. Compliance risks are identified, assessed, mitigated, monitored and reported via a compliance risk management cycle.

There were no significant incidents in 2015 concerning compliance and integrity. 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.

### **Financial Risk**

Financial risk is an umbrella term for multiple types of risks associated with the activities of fund management and investments. The Financial Risks relating for Triodos Investment Management are very limited, since it does not own an investment portfolio. To manage the low, financial risks, they are subdivided in three categories: credit risk, market risk and liquidity risk.

#### **Credit risk**

Credit risk is the risk that a counterparty cannot fulfill its obligation towards Triodos Investment Management. This risk is considered to be very low due to the fact that most of the receivables (for a total amount of EUR 15,517,625), more than 79%, is with related parties where any risk on lack of repayments can be discovered and mitigated at early stage. The remaining 21% relates to a current account with a third party financial institution which is monitored at group level on reliability and credit rating. For details about the credit risks positions on accounts receivable from participating interests and other receivables, please refer to notes 2 until 4 for current assets on page 20.

#### **Liquidity Risk**

Liquidity risk, or the risk that Triodos Investment Management will not be able to attract the financial means necessary to satisfy certain obligations, is relatively low due to a stable and positive financial results and cash flows triggered by relatively predictable fee income. The budgets are annually aligned with Triodos Bank NV, were also the risk appetite for the upcoming period is determined. Triodos Investment Management updates the budgeted results on a quarterly base with a rolling forecast and monitors these on monthly base.

#### **Market risk**

Market risk is the risk of losses in positions arising from movements in market prices, like interest rates and foreign currencies. Triodos Investment Management faces no interest risk due to the fact that it has no assets from which the valuation depends on interest rates. Risk on foreign currency

is applicable due to acting as manager on syndicated financing in foreign currency investments where bank accounts of Triodos Investment Management are used. The impact of this risk is very limited (2015: loss EUR 76,000, 2014 loss 34,000).

## In Control statement

The Management Board 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 adherence to external rules and regulation and internal policies.

In 2016 Triodos Investment Management initiated the ISAE/3402 project, in order to further develop a risk management and control framework. The Management Board has no indication that the risk management and control systems have not functioned adequately and effectively in 2015.

The risk management and control systems provide 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.

## Capital Requirements

All investment managers with an AIFMD or UCITS licence should comply with applicable minimum capital requirements. The required capital for Triodos Investment Management amounts to EUR 5.3 million at the end of 2015 where the available capital amounts to EUR 7.5 million. The available capital differs from the equity position in the balance sheet due to mandatory corrections in among others unaudited results and intangible fixed assets.

The surplus of available capital can significantly change with the adoption of the annual accounts or in cases of dividend distributions. The table below shows the impact of these events on the capital surplus.

The capital requirements are continuously monitored with conservative assumptions.

Amounts in EUR x million	Year end 2015	April 2016, with adoption of annual accounts	April 2016, with the distribution of the the result of 2015 ad EUR 5.5 million
Required capital	5.3	5.5	5.5
Availble equity, including mandatory corrections	7.4	12.9	7.5
<b>Surplus</b>	<u><u>2.1</u></u>	<u><u>7.4</u></u>	<u><u>2.0</u></u>

## 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.

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. Overall, Triodos Investment Management is well positioned for further growth.

Like the rest of Triodos' divisions, Triodos Investment Management has developed a forward looking plan and strategic objectives for the next three years. It aims to build a more balanced portfolio of impact investment funds realising 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. 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.

In the context of ambitions to further increase its impact and with challenging market circumstances and increasing regulations, Triodos Investment Management aims to grow its assets under management to EUR 3.6 billion in 2016.

Zeist, April 5, 2016

Board of Triodos Investment Management  
Marilou van Golstein Brouwers (chair)  
Dick van Ommeren  
Laura Pool

## Balance sheet as at 31 December 2015

Before appropriation of result (amounts in euros)	Notes	31.12.2015	31.12.2014
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>	1		
Financial fixed assets		45,000	–
Software development		1,975,141	1,084,463
		<u>2,020,141</u>	<u>1,084,463</u>
<b>Current assets</b>			
Debtors	2	150,742	1,230,178
Receivable VAT		38,988	–
Other receivables	3	7,473,756	6,844,067
Cash and banks	4	12,106,601	6,911,817
		<u>19,770,087</u>	<u>14,986,062</u>
<b>Total assets</b>		<u><u>21,790,228</u></u>	<u><u>16,070,525</u></u>
<b>LIABILITIES</b>			
<b>Equity</b>			
Issued and paid-up capital	5	18,500	18,500
Share premium reserve	5	327,550	327,550
Legal reserves	6	1,002,219	459,000
General reserve	7	8,082,444	391,469
Unappropriated profit		5,497,428	8,234,193
		<u>14,928,141</u>	<u>9,430,712</u>
<b>Short-term liabilities, accruals and deferred income</b>			
Creditors		658,506	573,207
Payable company tax		1,832,476	2,744,733
Payable VAT		–	106,317
Other short-term liabilities, accruals and deferred income	8	4,371,105	3,215,556
		<u>6,862,087</u>	<u>6,639,813</u>
<b>Total liabilities</b>		<u><u>21,790,228</u></u>	<u><u>16,070,525</u></u>

## Profit and loss account for 2015

(amounts in euros)	Notes	2015	2014
<b>Income</b>			
Management contracts	9	28,353,545	30,767,878
Research services	10	–	266,800
Commercial services	11	120,000	97,746
Other income	12	23,471	11,255
		<u>28,497,016</u>	<u>31,143,679</u>
<b>Expenses</b>			
Operating expenses	13	20,847,256	20,054,103
Exchange rate results		-75,511	-33,686
Write off intangible fixed assets		383,836	136,518
		<u>21,155,581</u>	<u>20,156,935</u>
<b>Operating profit</b>		<u><u>7,341,435</u></u>	<u><u>10,986,744</u></u>
Financial income	14	820	4,441
Financing costs	15	-12,351	-12,259
<b>Result before tax</b>		7,329,904	10,978,926
Corporate Income Taxes		-1,832,476	-2,744,733
<b>Result after tax</b>		<u><u>5,497,428</u></u>	<u><u>8,234,193</u></u>



# Notes to the balance sheet and the profit and loss account

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(amounts in euros)

## General

Triodos Investment Management was founded on 12 December 2000 and is located in Zeist. 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. The 2015 figures of Triodos Investment Management, are included in the consolidated figures of Triodos Bank and are available via [www.triodos.nl](http://www.triodos.nl).

## Basis of preparation

The annual accounts are in accordance with Part 9 of Book 2 of the Dutch Civil Code. These financial statements have been prepared on the basis of the going concern assumption.

## Accounting principles

### General

Unless stated otherwise, assets and liabilities are shown at nominal value.

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 recognised 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 recognised 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 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. 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 recognised 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 as expenditure.

### **Intangible fixed assets – 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.

### **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 the cost of direct labour. Upon termination of the development phase, the capitalised costs are amortised over their expected useful life, which is 5 years. Amortisation takes place on a straight-line basis.

A legal reserve is formed for the capitalised development costs that have not yet been amortised.

### **Shareholders' equity**

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognized in the profit and loss as financial income or expense.

### **Income from operating activities**

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.

If the result from a specific service contract cannot be determined reliably, then the revenues are recognised up to the amount of the service costs that are covered by the revenues.

Revenues from services rendered are recognised in the profit and loss account in proportion to the stage of completion of the transaction as at the reporting date. The stage of completion is assessed by reference to assessments of the work performed / the services performed up to that moment as a percentage of the total services to be performed / the costs incurred up to that moment in proportion to the total estimated costs of the services to be performed.

## Employee benefits

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 at least 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](http://www.triodos.com). The wage system of Triodos Bank does not include bonuses or option share schemes. Triodos Bank considers financial incentives as an inappropriate way to motivate and reward employees. The Management Board of the alternative investment fund manager annually assesses the remuneration policy. Identified staff is a definition from the AIFM guidelines and concerns all staff that may influence the risk profile of the fund. Besides the members of the board, these are among others also the fund managers and the managers of support departments.

The table below contains the total remuneration, broken down into fixed and variable remuneration, the remuneration of the senior management, identified staff and all other staff. As this table aims to show the remuneration of employees, all other costs of the manager, such as for IT, overhead, workplace, travelling, outsourced activities, external consultants and external co-workers are excluded.

(amounts in EUR)	Total staff of Triodos Investment Management	Identified staff in senior management positions	Identified staff not in senior management positions	Other staff
Number of staff involved	140	7	17	116
Average FTEs	109.6	6.0	14.7	88.8
<b>Remuneration</b>				
Total fixed remuneration	10,024,828	1,147,835	1,804,846	7,072,147
Total variable remuneration	221,114	140,899	17,579	62,636
Total remuneration in 2015	<u>10,245,942</u>	<u>1,288,734</u>	<u>1,822,425</u>	<u>7,134,783</u>

The amounts shown in the tables include income tax, social premiums, pension fees and tokens of appreciation. The largest part of the variable remuneration in 2015 was related to severance payments. Triodos Bank may provide additional individual tokens of appreciation to co-workers to a maximum of one month's 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. In 2015 a collective end-of-year token of appreciation of EUR 300 was awarded.

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 644,403 in 2015 (2014: EUR 452,530).

### Corporate Income Taxes

Triodos Investment Management is from a fiscal perspective part of the fiscal unity with its parent company Triodos Bank NV its subsidiaries. All entities within the fiscal unity are jointly liable for each others CIT-claims. Deferred tax assets and liabilities are stated at nominal value.

### Segment reporting

A segment is the whole of returns and activities, that know segment-specific risks and results. The segment report as mentioned below presents returns by country and company branch where Triodos Investment Management is active.

#### Revenues segmented by country

(including financial income)	31-12-2015	31-12-2014
Revenues Netherlands	17,558,987	21,658,557
Revenues Luxembourg	10,938,849	8,521,429
Revenues United Kingdom	–	616,478
Revenues United States	–	298,856
Revenues Belgium	–	52,800
	<u>28,497,836</u>	<u>31,148,120</u>

#### Revenues segmented by company branch

(including financial income)	31-12-2015	31-12-2014
Revenues management activities	28,353,545	30,767,878
Revenues research	–	266,800
Revenues advisory activities	120,000	97,746
Other revenues	24,291	15,696
	<u>28,497,836</u>	<u>31,148,120</u>

The decreases of revenues from United Kingdom, United States, Belgium and research are due to the transition of activities that were not allowed with an AIFMD licence and moved to Triodos Investment Advisory Services BV in 2014.

## Notes to the balance sheet as at 31 December 2015

### 1. Intangible fixed assets

	2015	2014
Financial fixed assets	45,000	–
Software development	1,975,141	1,084,463
	<u>2,020,141</u>	<u>1,084,463</u>

#### Financial fixed assets

This relates to the shares of Triodos Impact Strategies NV used for the start up phase of this new entity under management. The invested amount will be returned in 2016 through a buy in.

#### 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 application is introduced in 2014 and the estimated life span is 5 years.

	2015	2014
Position as at 1 January	1,084,463	504,764
Software development	1,274,514	716,217
Depreciation	-383,836	-136,518
<b>Position as at 31 December</b>	<u><b>1,975,141</b></u>	<u><b>1,084,463</b></u>

### 2. Debtors

	31-12-2015	31-12-2014
Debtors	150,742	1,747,602
Provision for debtors	–	-517,424
	<u>150,742</u>	<u>1,230,178</u>

With the write off of the provision, the full amount of the provision has been realized. The relatively low value of debtors by the end of 2015 relates to a peak moment of invoicing in December 2014.

### 3. Other receivables

	31-12-2015	31-12-2014
Management contracts	6,969,726	6,465,500
Current account Triodos Groenfonds	188,020	162,279
Current account Triodos Fair Share Fund	81,367	54,141
Current account Triodos Cultuurfonds	31,969	28,369
Current account Stg. Triodos Sustainable Finance Foundation	3,644	–
Current account Triodos Vastgoedfonds	7,748	12,702
Current account Stg. Hivos-Triodos Fonds	8,094	–
Interest income	1,500	4,442
Other receivables	181,688	116,634
	<u>7,473,756</u>	<u>6,844,067</u>

Receivables are expected to be received in less than one year. There are no interest receivables on the current accounts.

### 4. Cash and banks

	31-12-2015	31-12-2014
Triodos Bank current account	5,539,427	2,692,449
Triodos Bank savings account	2,504,442	2,500,000
Rabobank current account	4,062,732	1,719,297
Cash in foreign currencies	–	71
	<u>12,106,601</u>	<u>6,911,817</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 2015 is 0.15% 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 1,216,571 (2014: USD 1,815,287). For the conversion to Euros an exchange rate was used of 1.0866 (2014: 1.2099).

## Equity

### 5. Issued and paid-up capital and share premium reserve

The Issued and paid-up capital concerns 185 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.

## 6. Legal reserve

	2015	2014
Balance as at 1 January	459,000	–
Movement from general reserve	543,219	459,000
<b>Balance as at 31 December</b>	<b><u>1,002,219</u></b>	<b><u>459,000</u></b>

This relates to capitalized internal costs triggered by development of new software for internal use.

## 7. General reserve

	2015	2014
Balance as at 1 January	391,469	841,832
Dividend paid	–	-4,660,000
Movement to statutory reserve	-543,219	-459,000
Result previous financial year	8,234,193	4,668,637
Rounding difference	1	–
<b>Balance as at 31 December</b>	<b><u>8,082,444</u></b>	<b><u>391,469</u></b>

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

	2015	2014
Cash in transit	3,537,622	1,285,415
Current account Triodos Bank	456,095	1,692,897
Payable management fees	111,054	112,498
Payable costs	83,272	53,475
Provision vitality leave	71,631	–
Payable marketing costs	25,000	10,000
Payable external audit costs	8,918	6,839
Purchase research	–	2,493
Current account Stg. Hivos-Triodos Fonds	–	45
Other liabilities	77,513	51,894
	<b><u>4,371,105</u></b>	<b><u>3,215,556</u></b>

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 relates to early prepayments on behalf of managed syndicated investments.

### Off-balance sheet items

There are no off-balance sheet items.



## Notes to the profit and loss account for 2015

### 9. Management contracts

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

	2015	2014
Triodos Fair Share Fund	6,679,677	5,463,654
Triodos Groenfonds	4,792,598	4,710,143
Triodos SICAV II – Triodos Microfinance Fund	4,687,562	3,468,666
Triodos SICAV I	4,487,419	3,017,041
Stichting Hivos-Triodos fonds	2,126,276	3,945,923**
Stichting Triodos Sustainable Finance Foundation	1,668,050	5,198,188**
Triodos SICAV II – Triodos Renewables Europe Fund	1,183,914	1,172,121
Triodos Cultuurfonds	756,755	774,156
Triodos Sustainable Trade Fund	692,965	839,985
Triodos SICAV II – Triodos Organic Growth Fund	579,954	863,602
Triodos Vastgoedfonds	308,961	315,966
Triodos Multi Impact Fund	303,875	–
Stichting Renewable Energy for Development Fund	85,539	88,301
Triodos Renewables plc*	–	616,478
WWB ISIS Fund*	–	298,856
Triodos Real Estate Investment Management	–	3,571
Ampere Equity Fund	–	-8,773
	<u>28,353,545</u>	<u>30,767,878</u>

\* The decreases of revenues from these contracts are due to the transition of activities that were not allowed with an AIFMD licence and moved to Triodos Investment Advisory Services BV in 2014.

\*\* The above mentioned amounts are including carried interest ad EUR 40,509 for 2015 (2014 EUR: 5,436,692).

### 10. Research services

This relates to screening and research services for mostly Triodos Private Banking for investments and third party suppliers\*.

	2015	2014
Asset management	–	254,300
Other	–	12,500
	=	<u>266,800</u>

\* The decreases of revenues from these contracts are due to the transition of activities that were not allowed with an AIFMD licence and moved to Triodos Investment Advisory Services BV in 2014.

### 11. Commercial services

	2015	2014
Consulting fee and board fee staff working for TIM	120,000	97,457
Advisory fees	–	289
	<u>120,000</u>	<u>97,746</u>

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

### 12. Other income

	2015	2014
Other income	8,265	11,255
One of payment received due to overpaid VAT	15,206	–
	<u>23,471</u>	<u>11,255</u>

### 13. Operating expenses

	2015	2014
Direct personnel costs	10,245,942	8,874,873
Other personnel related costs	2,335,851	1,621,130
Charge of general overhead costs Triodos Bank	1,862,577	1,997,082
Housing	1,624,498	1,599,339
Outsourced activities Triodos Bank NL	1,110,380	1,109,401
ICT costs	893,561	1,963,621
Travelling and accommodation expenses	837,302	771,844
Other charge of costs Triodos Bank	595,112	793,026
Research	498,263	257,705
Publicity	273,666	243,545
Advisors	243,363	136,199
Hired co-workers Triodos Bank	178,820	598,087
Contributions	76,464	52,029
Development costs new funds	42,779	9,811
External audit	23,312	29,043
Bank	5,412	3,966
Obtaining company profile information	1,418	96,716
Advisory panel	–	3,646
Other operating expenses	-1,464	-106,960
	<u>20,847,256</u>	<u>20,054,103</u>

## 14. Financial income

This item includes interest received on saving accounts held with Triodos Bank.

## 15. Financing costs

This item includes 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 on costs to Triodos Investment Management for an amount of EUR 16.9 million (2014: EUR 16.9 million). These charges relate to staff, office and overhead and are charged through market standard transfer pricing methods.
- Triodos Investment Management has current and savings accounts with Triodos Bank at market standard rates.

#### 2. Triodos Investment Advisory Services BV

Triodos Investment Advisory Services BV is also a full subsidiary of Triodos Bank NV. Triodos Investment Advisory Services BV carried out research activities for Triodos Investment Management at market rates EUR 498,750 2015 (2014: EUR 250,674).

#### 3. 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 in 2015 (2014: EUR 5,520).

4. 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 23.

5. Triodos Investment Management receives board fees for supervisory roles connected 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 2015 amounts to EUR 120,000 (2014: EUR 97,457).

### Fiscal unity

Triodos Investment Management belongs to a tax unity for corporate tax in which Triodos Bank is the parent company and Triodos Investment Management, Triodos Investment & Advisory Services, Kantoor Nieuweroord, Kantoor Buitenzorg, Triodos Nieuwbouw, Triodos Finance, Triodos Assurantien and Triodos Cultuurbank are the subsidiaries.

The chosen method for corporate tax setoff between Triodos Bank and the subsidiaries is that of treating the legal entities as if they were independently liable to pay tax.

However, each company remains jointly and severally liable for the corporation tax liabilities of the companies belonging to the tax unity.

The calculation of company tax is based on a rate of 25.0%

Zeist, April 5, 2016

Board of management Triodos Investment Management BV

Marilou van Golstein Brouwers (chair)

Dick van Ommeren

Laura Pool

## Other information

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### 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.'

#### **The proposed appropriation of the profit is as follows:**

The board of management Triodos Investment Management proposes to distribute the profit of over 2015 ad EUR 5,497,428 as dividend to its shareholder Triodos Bank NV.

#### **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.

## Independent auditor's report

To: The board of management of Triodos Investment Management BV

### **Report on the financial statements**

We have audited the accompanying financial statements 2015 of Triodos Investment Management B.V., Zeist, which comprise the balance sheet as at 31 December 2015, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

### **The board of management's responsibility**

The board of management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Annual report by the board of management, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the board of management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Triodos Investment Management B.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### **Report on other legal and regulatory requirements**

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Annual report by the board of management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the Annual report by the board of management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

April 5, 2016  
KPMG Accountants N.V.  
M. Frikkee RA

# Annex A

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## 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 EUROSIIF.

## 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.



## Annex B

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### Assets under management Triodos Investment Management

#### Assets under management

(amounts in thousands of euros)

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#### Socially Responsible Investments

Triodos SICAV I - TSBF	354,338
Triodos SICAV I - TSEF	536,322
Triodos SICAV I - TSMF	217,056
Triodos SICAV I - TSPF	175,591

#### Energy & Climate

Triodos Groenfonds	676,616
Triodos SICAV II - TREF	64,573

#### Emerging markets

Triodos Fair Share Fund	297,553
Triodos SICAV II - TMFF	305,021
Stichting Hivos - Triodos Fonds	52,155
Stichting TREF	2,777
Triodos Sustainable Finance Foundation	63,615
Triodos Sustainable Trade Fund	18,529

#### Arts and culture

Triodos Cultuurfonds	97,691
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#### Sustainable Real Estate

Triodos Vastgoedfonds	68,253
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#### Organic food and agriculture

Triodos SICAV II - TOGF	32,568
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#### Other

Triodos Multi Impact Fund	9,270
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<b>Total assets under management</b>	<b><u>2,971,928</u></b>
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