



Triodos Investment Management BV

Annual report 2017

Triodos  Investment Management

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Annual Report by the Board of Management

Triodos Investment Management

- 100% subsidiary of Triodos Bank
- Global leader in impact investing
- EUR 3.5 billion total assets under management
- Managing 17 funds
- Active in diverse sustainable sectors; from microfinance to food and agriculture

Introduction

Triodos Investment Management is a globally recognised leader in impact investing and consists of Triodos Investment Management B.V. and Triodos Investment and Advisory Services B.V., both wholly owned subsidiaries of Triodos Bank N.V.

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 17 funds. They invest in Europe and emerging markets with a range of risk-return profiles and financial instruments.

Private and professional investors can invest in these funds. The investment funds for private investors are distributed by a number of platforms and 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 2017 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 25 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.

EUR 3.5 billion

In 2017, the Triodos Investment Management's total assets under management increased to EUR 3.5 billion, a 5.4% increase (2016: 5% increase).

In 2017 this meant:

- contributing to a reduction of over 1.5 million tonnes of CO₂-emissions (2016: 0.9 million) and, with a total generating capacity of 1,330 MW clean energy, producing the equivalent of the electricity needs of 733,000 European households (2016: 550,000);
- over 146,000 smallholder farmers (2016: 184,000) in 17 emerging market countries worldwide were paid directly and fairly upon delivery of their harvest through trade-finance facilities, bringing 12 different agricultural products to international markets from 60,000 hectares of certified organic farmland and an additional 17,000 hectares in conversion;
- that the organically managed land on the European farms which Triodos Investment Management financed could produce the equivalent of 8.0 million meals, or enough food to provide a sustainable diet for approximately 7,300 people (2016: 6,500). Together approximately 9,400 hectares of organic farmland was financed across Europe;
- the lending and investment in arts and culture initiatives that reached 2.1 million visitors to enjoy cultural events (2016: 3.9 million) and provided affordable facilities for approximately 1,900 artists, participants and cultural organisations (2016: 1,700);
- increasing the quality and sustainability of the built environment through the management of a portfolio of sustainable buildings amounting to more than 77,000m² for office and other commercial space (2016: 87,000m²), that emit almost 33% less CO₂ than the average for buildings;
- providing finance to 107 emerging and well-established financial institutions working for inclusive finance in Latin America, Asia and Africa. These institutions reached approximately 20.3 million customers borrowing for a better quality of life (2016: 20.2 million). Approximately 15.1 million people living on low incomes use savings services offered by these institutions (2016: 13.7 million).

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 Triodos SICAV I funds), investors become part of a movement to make some of the world's largest corporations adopt more sustainable practices.

Engagement with companies is one of the cornerstones of Triodos Investment Management's SRI strategy. Through dialogue with the companies it invests in, it aims to maximise the positive impact of its investee companies on society. The organisation views engagement as an integral part of responsible shareholdership.

Portfolio companies are actively monitored on a continuous basis. If a concern emerges, an investigation into the controversy is undertaken and often a dialogue with the company follows.

In 2017, Triodos Investment Management engaged over 270 times with 176 companies (2016: 467 times with 215 companies).

Funds' performance

Triodos Investment Management's total assets under management grew by EUR 176 million to EUR 3.5 billion, a 5.4% increase (2016: 5.0% increase) during the year.

Triodos Organic Growth Fund increased its assets under management during the year by 21.1% to EUR 49.2 million. Triodos Fair Share Fund and Triodos Microfinance Fund grew by 7.5% and 3.2% to EUR 353.4 million and EUR 368.4 million respectively. The Triodos Sustainable Funds (Triodos SICAV I), which invest in listed companies, grew by 4.2% to EUR 1,403.9 million.

For both Triodos Cultuurfonds and Triodos Renewables Europe Fund the assets under management decreased, by 5.7% to EUR 91.5 million and by 5.2% to EUR 70.0 million respectively.

Assets under management in the Dutch Triodos Groenfonds increased by 9.9% to EUR 849.7 million. Triodos Groenfonds was temporarily closed to the inflow of new investments, as of 15 November 2017. This avoided jeopardizing its fiscal status as a green investment fund by dropping under the 70% limit of approved green investments. The fund reopened on 2 January 2018.

Triodos Vastgoedfonds (real estate) grew its assets under management by 10.9% to EUR 73.8 million, following a successful issue of new ordinary shares. The issue was executed by means of a private placement with qualified investors and a public placement with existing and new investors.

Triodos Multi Impact Fund, the Triodos fund-of-funds, increased its fund size by 17.2% to EUR 45.7 million by the year end. The fund enables private investors to invest directly in a mix of Triodos investment funds and impact bonds, meeting the increasing demand for accessible, scalable and daily tradable investment products with a positive impact.

Organisational and Operational developments

As per June 2017 the Management Board of Triodos Investment Management was strengthened with a fourth Managing Director, adding to the Chair of the Management Board, the Managing Director Risk and Finance and the third Managing Director. In October 2017, the position of Managing Director Risk and Finance at Triodos Investment Management became vacant with the leave of Laura Pool who has held this position since June 2015. The vacancy for this position has been filled in the first quarter of 2018, when Kor Bosscher joined Triodos Investment Management March 1st.

In the Spring of 2017, Triodos Investment Management announced it would take sustainable investing in listed securities a step further by integrating its sustainable and financial analysis within the investment process. The asset management of its SRI proposition has been brought in-house and its engagement activities intensified to help with the goal to maximize positive change. The asset management team has been built during 2017 in order to take on asset management activities as per 1 April 2018.

Triodos Investment Management paid attention to several new rules and regulations. An important one of these was MiFID II (Markets in Financial Instruments Directive). Although this regulation is not directly applicable to Triodos Investment Management's funds, a number of articles will be indirectly applicable. For instance, defining the Target Market and provisions regarding Cost Transparency.

New regulation has been designed to make sure retail investors in the European Economic Area receive clear and fair information before buying retail investment or insurance-based products. The new regulation introduces Key Information Documents (KIDs) and a new short form disclosure document to provide this information to retail investors. The fund manager is responsible for the production and regular updates of the KID. In 2017, Triodos Investment Management has developed a number of KIDs for some of the funds, effective as of January 1st, 2018.

Also in 2017, Triodos Investment Management has started a project to identify and analyse Data Protection regulation (GDPR). It will take necessary measures to comply with this set of rules, during the Spring of 2018. In addition, Triodos Investment Management has appointed a data protection officer.

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. The project resulted in an ISAE type I report as of 31 December 2016. In 2017, Triodos Investment Management worked on obtaining an ISAE type II report, which was obtained in March 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 920 million by the year end (2016: EUR 847 million)¹. The total renewable energy equity and loan portfolio of Triodos Renewables Europe Fund and Triodos Groenfonds contributed to the avoidance of over 1.5 million tonnes of CO₂-emissions in 2017, equivalent to the electricity consumption of 733,000 European households.

Building on its significant growth of the assets under management in 2017, Triodos Groenfonds increased its positive impact on the transition towards a more sustainable society by investing in some front-running projects. For instance, Triodos Groenfonds financed Avri Solar, the largest solar park in the Dutch province Gelderland. The solar park, with the size of 18 soccer fields, is being built on a former garbage dump and contains 34,000 solar panels, which will generate enough energy to cover the average annual demand of 3,000 households and avoids the emission of 4,500 tonnes of CO₂. The location makes it a unique project by using otherwise useless acreage for the production of renewable energy.

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.

Triodos Renewables Europe Fund has taken a 100% stake in a German wind energy project in 2017. The wind energy project is located in Amöneburg-Roßdorf (Hesse), in the centre of Germany. It consists of two wind turbines that annually produce more than 15 GWh. This is the equivalent of the annual electricity demand of around 5,000 German households, roughly the number of inhabitants in Amöneburg. Compared to electricity generation with conventional power plants, the wind energy project realises a reduction of approximately 12,000 tonnes in CO₂-emissions.

Emerging Markets

The inclusive finance 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 25 million in 2017, an increase of 2.9% to EUR 883 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 and Triodos Renewable Energy for Development Fund, are all managed from the Triodos Investment Management offices in The Netherlands.

In 2017, Triodos Fair Share Fund and Triodos Microfinance Fund added several new equity investments to the portfolio. One of them is Varthana, based in Bangalore, India. Varthana provides short- and long-term loans to private schools to improve access to affordable quality

education for children from low-income families. In India, affordable private schools are playing an important role in serving children that have no access to public schools, while also delivering the same or even better quality of education. Varthana not only provides loans to schools, but also ties the loans to training programs that improve the quality of the education.

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 107 financial institutions working for inclusive finance in 44 countries in 2016. These institutions reached approximately 20.3 million low-income clients with loans (2016: 20.2 million). 83% of these are women. Approximately 15.1 million people were served with savings products (2016: 13.7 million). 44% 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's total assets decreased by 5.7% to EUR 91.5 million by the end of the year (2016: EUR 97.0 million). Triodos Cultuurfonds finance helped to make it possible for 2.1 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 2017. Also approximately 1,900 artists, participants and organisations active in the cultural sector took advantage of affordable arts and workshop spaces financed by Triodos Cultuurfonds during the year.

Proposal to dissolve Triodos Cultuurfonds

On April 12th 2018, Triodos Investment Management communicated to the shareholders in Triodos Cultuurfonds its intent to transfer the fund's portfolio to Triodos Bank Netherlands and to dissolve the fund.

Triodos Investment Management started Triodos Cultuurfonds in 2006 as an investment proposition for Dutch investors wanting to invest in the cultural sector. An important pillar of the fund was the Dutch fiscal scheme in place at that time for investments in the cultural sector. This fiscal scheme came to an end in 2012 and since then the fund's assets under management declined from EUR 165 million (end of 2011) to approximately EUR 87 million (end of March 2018).

Attempts have been made to increase the fund's return by further diversifying the fund's portfolio and by doing so to compensate the loss of fiscal benefits for investors. Unfortunately, given the ongoing outflow of investors, these attempts have proven to be successful to only a limited extent. The ongoing decline of the assets under management will eventually lead to a disproportional distribution of cost among the remaining shareholders. Also, it could lead to an increase of the portfolio risk which in turn could affect the fund's risk profile.

These developments have instigated a process within Triodos Investment Management to assess the fund's future. Combined with a strategic choice to focus more actively on a number of specific sectors, amongst others Energy & Climate, Inclusive Finance, Sustainable Food & Agriculture and Socially Responsible Investing, Triodos Investment Management has decided to present a proposal to dissolve Triodos Cultuurfonds to the shareholders in the fund.

The decision to present this proposal has been made jointly with the fund's Supervisory Board and will be voted on by the shareholders during the Annual General Meeting of Triodos Cultuurfonds on May 25th 2018.

The fund's portfolio will be transferred to Triodos Bank Netherlands when the proposal to dissolve the fund is accepted by the shareholders of Triodos Cultuurfonds. This reiterates Triodos Bank's strong commitment to financing the cultural sector. The fund's investees will continue to be serviced by their existing relationship manager.

In 2017, Triodos Cultuurfonds provided several loans to cultural institutions. These loans are aimed at stimulating entrepreneurship in the cultural sector. A good example is a loan provided to Lijsterij V.O.F. in Rucphen. In the old city hall of Rucphen, a cultural venue is realised with an art gallery, a frame maker and catering facilities. Triodos Cultuurfonds provided a loan to purchase and refurbish part of the building to make it more suitable as a cultural venue.

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 2017 with revaluations becoming better 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.

In 2017, Triodos Vastgoedfonds grew its assets under management by 10.9% to EUR 73.8 million,

following a successful issue of new ordinary shares. The issue was executed by means of a private placement with qualified investors and a public placement with existing and new investors. In total, the fund issued 8.1 million new shares, which added EUR 22.7 million to the fund's capital.

Triodos Vastgoedfonds, Triodos Groenfond 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 77,000m² of office and other commercial space, buildings that emit almost 33% 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.

Global leader in impact investing

In 2017, Triodos Organic Growth Fund increased its volume of assets under management by 21.1% to EUR 49.2 million.

In 2017, Triodos Organic Growth Fund has acquired a significant minority stake in the Dutch sustainable food & groceries retailer Marqt. The investment enables Marqt to take further steps in realising its sustainability mission which is aimed to radically change the value chain of food by introducing an innovative business model based on a fair distribution model for growers, processors and retailers and by offering higher-quality food at a fair price. The company was established in 2008 and currently operates 15 stores in Amsterdam, Rotterdam, Den Haag and Haarlem.

In addition, Triodos Groenfonds financed approximately 9,400 hectares of organic farmland across Europe in 2017. This organically managed land could produce the equivalent of 8.0 million meals, or enough food to provide a sustainable diet for approximately 7,340 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 2017, the fund volumes of Triodos SICAV I increased by 4.2% to EUR 1,404 million (2016: EUR 1,347 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 recognized with several awards. For instance, Triodos Sustainable Pioneer Fund won with the prestigious Thomson Reuters Lipper Award for being the best performing fund over three years in the category Equity Global Small and Mid-Caps category.

In March 2017, Triodos Investment Management announced its plans to bring the asset management of its SRI proposition in-house, leading to an intensified and more integrated SRI investment approach. This applies to the four Triodos SRI funds (Triodos Sustainable Pioneer Fund, Triodos Sustainable Mixed Fund, Triodos Sustainable Equity Fund and Triodos Sustainable Bond Fund), and the discretionary portfolios of Triodos Bank Private Banking in The Netherlands. From the start of 2018, the asset management of the discretionary portfolios of private banking accounts is managed by Triodos Investment Management. The migration of the asset management of the four SRI funds was completed on 1 April 2018.

Co-worker report 2017

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.

In 2017 we executed a co-worker survey with a high participation amongst the co-workers of 89%. This survey provided good insights that helped be explicit about the organisation's strengths and points for improvement. Co-workers are very committed and passionate about the organisation (90%) compared to the European benchmark (68%). The feedback on efficiency was great input for our continuous (process) improvement program which started in 2017 on international group level as well as specifically for Triodos Investment Management. A specialist on this topic was recruited with the ambition to work on our working processes, for example the ISAE processes, and client satisfaction continuously.

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. Besides the trainings the international Triodos Academy offers, we organized professional trainings on specific Investment Management topics, Mindfulness, Triodos Identity study evenings, lean way of working and HR management classes. On average we invested 2,000 euro per co-worker on education.

In 2017, 45 new co-workers were employed (2016: 36). The total number of co-workers at Triodos Investment Management in 2017 increased by 16%, from 160 to 186, the majority was in our SRI department, but also in the investment teams and Risk & Finance.

The balance of men and women is 49% and 51%, in management positions 47% is female. The average age of the co-worker group in 2017 is 41 years (40 in 2016), 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 2017, below a target of 3%.

The attrition rate decreased to 9.3% in 2017 (2016: 15.8%). Last year we asked feedback and did research on reasons why co-workers left the organization and put our efforts on improving our onboarding, management attention and internal development and career opportunities.

Remuneration policy

All staff members of Triodos Investment Management are employed by Triodos Bank until December 31, 2017. As of January 1, 2018, all staff members of Triodos Investment Management are employed by Triodos Investment Management. In 2017 the total remuneration of the 186 co-workers working for Triodos Investment Management amounted to EUR 15,103,560 (2016: 160 co-workers, EUR 12,083,258). Triodos Bank and Triodos Investment Management believe good and appropriate remuneration for all of its employees is very important. The core elements of Triodos Bank's international remuneration policy are set out in

the annual report of Triodos Bank (www.triodos.nl). Triodos Bank and Triodos Investment Management have a salary system without bonuses or option schemes. Financial incentives are considered an inappropriate way to motivate and reward co-workers.

Managers are required to at least provide information on their remuneration practices for employees whose professional activities may have an impact on the risk profile of the fund (so-called 'identified staff'). This is mandatory under Article 22(2) of the Alternative Investment Fund Managers Directive (AIFMD) and section XIII (Guidelines on disclosure) of 'ESMA Guidelines on sound remuneration policies under the AIFMD'. Members of the board of directors, fund managers and managers of supporting departments qualify as 'identified staff'. The Management Board of Triodos Investment Management annually assesses the remuneration policy and the 'identified staff' and shall modify these where necessary.

The remuneration figures given in the table on the next page include all fees and charges paid in favour of staff, including wage tax, social security contributions, pension contributions and bonuses. Triodos Bank and Triodos Investment Management may grant staff additional individual remuneration amounting to up to one month's salary. In consultation with Human Resources, the management determines to whom these so-called Tokens of Appreciation, which are intended as a reward for extraordinary performances, are to be awarded. The Tokens of Appreciation are not based on predetermined targets (as is the case with conventional bonuses), but are offered exclusively in retrospect. There are no co-workers at Triodos Investment Management with a total remuneration of EUR 1 million or more.

Once a year, a collective token of appreciation may be awarded for the overall achievements and contributions of all members of staff. This modest amount is the same for every member of staff and is maximised at EUR 500 per staff member. Instead of cash, members of staff may choose to receive

(amounts in EUR)	Total staff of Triodos Investment Management		Identified staff in senior management positions		Identified staff not in senior management positions		Other staff	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Number of staff involved</i>	186	160	9	7	23	21	154	132
<i>Average FTEs</i>	161.1	128.1	7.1	6.5	18.6	17	135.5	104.7
Fixed remuneration	14,981,297	11,987,201	1,308,279	1,216,949	2,448,480	2,279,973	11,224,539	8,490,279
Variable remuneration	122,263	96,057	2,292	5,674	13,739	9,877	106,231	80,506
Total remuneration	<u>15,103,560</u>	<u>12,083,258</u>	<u>1,310,571</u>	<u>1,222,623</u>	<u>2,462,219</u>	<u>2,289,850</u>	<u>11,330,770</u>	<u>8,570,785</u>

the equivalent of the financial amount in depositary receipts in Triodos Bank. In 2017, no collective end-of-year token of appreciation was awarded. As an outcome of the collective labour agreement negotiations, however, every co-worker received a one-off benefit of EUR 500. This amount is reported under variable remuneration. The largest part of the variable remuneration awarded in 2016 was related to the collective token of appreciation.

Financial results

Assets under management increased by 5.4% to EUR 3.5 billion at the end of 2017. The turnover increased by 14.5% to EUR 35.2 million (2016: EUR 30.8 million). The total of net turnover and financial income was EUR 35.2 million.

Expenses in 2017 increased by 24.1% to EUR 28.3 million (2016: EUR 22.8 million), primarily because of higher co-worker related costs related to insourcing

Key financial figures Triodos Investment Management:

Amounts in EUR	Relative change	31-12-2017	31-12-2016
Turnover	14.5%	35,230,223	30,758,443
Operating expenses	24.1%	28,347,570	22,847,424
Profit after tax	-14.4%	5,088,248	5,944,263
Shareholders' equity	-5.6%	14,518,961	15,374,976

Amounts in EUR x million	Year end 2017	Forecasted: May 2018, with the distribution of the result of 2017
Available equity, including mandatory corrections	13.4	8.3
Required capital	7.2	7.2
Surplus capital	<u>6.2</u>	<u>1.1</u>

the asset management of the SRI offering. Taking corporate income tax, financial income and cost in to consideration the net result over 2017 amounts to EUR 5.1 million, 14.4 % lower than in 2016 (EUR 5.9 million).

Triodos Investment Management's balance sheet consists mostly of cash, short term debtors on managed entities and short-term liabilities to Triodos Bank.

Shareholders equity and Capital Requirements

The shareholders' equity decreased by EUR 0.9 million to EUR 14.5 million. The decrease is the effect of the positive result over 2017 of EUR 5.1 million and the dividend distribution of EUR 5.9 million to Triodos Bank (rounded).

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 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 amounts to EUR 7.2 million at the end of 2017 where the available capital with the audit of the result over 2017 amounts to EUR 13.4 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. The table on the previous page below shows the impact of the forecasted dividend distribution of 2017 on the capital surplus.

With the surplus of EUR 6.2 million at year end 2017, the equity position of Triodos Investment Management can be considered as solid. Due to

positive financial forecast for the year 2018, the forecasted capital position of Triodos Investment Management is expected to stay stable and higher than the required capital.

Risk Management

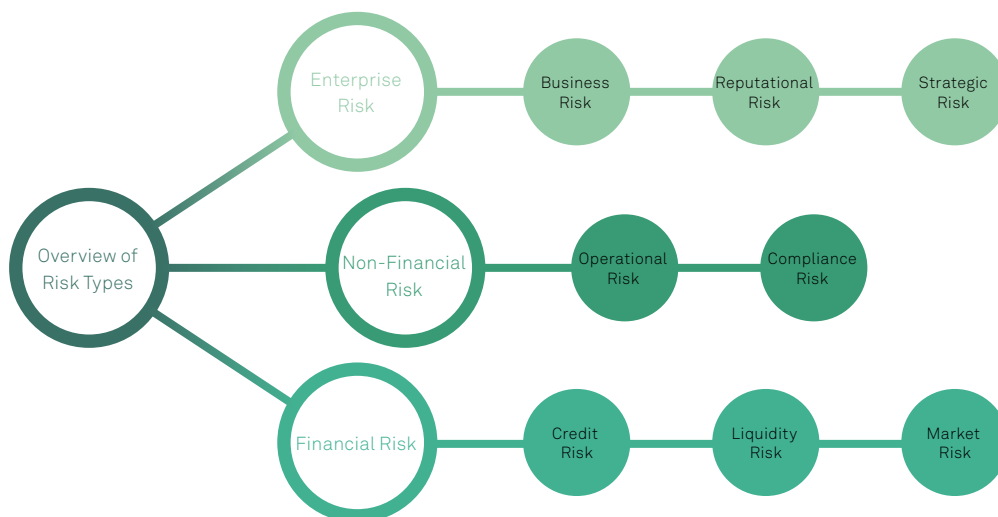
Objective of Risk Management

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 above):

- 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.

Solvency

Each year the Management Board of Triodos Investment Management assesses whether the organization has enough capital as a buffer for potential unexpected losses (solvency). The overall identified, expected and unexpected risks amounts to a maximum of EUR 4.500.000.

Significant risks in 2017

The top 5 significant risks in 2017 are linked to:

- strategic risks - resulting from regulatory changes,
- operational risks - resulting from failing (entity level) controls,
- people risk - in the sense of attracting and retaining employees,
- business risk - resulting from among other things a low interest rate environment and increasing competitive pressure and
- reputational risk - resulting from of materialization of operational or compliance risks.

During 2017, no significant incidents occurred and smaller incidents did not result in substantial losses (mainly internal costs). The strategic risk with regard to the strategic project to take all socially responsible investment (SRI) activities in-house is reduced due to the successful execution of the project. For 2018 operational risk is expected to increase somewhat as a result of the new SRI asset management activities. Due to the improvements in risk management and the incorporation of the SRI asset management activities into the Internal Control Framework the overall increase of operational risk is expected to be limited. For 2018 the above mentioned significant risks are expected to remain the most important for Triodos Investment Management.

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 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

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.

2017 the operational risk framework was brought further in line with the current scale and complexity of the organization by improving the Internal Control Framework and the implementation of ISAE 3402. 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 2017 89% of the cash is stalled at Triodos Bank (2016: 84%). 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 position 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 2017 due to currency rate differences amounts to EUR +/- 90 thousand in 2017 (2016: EUR 16 thousand).

Development of losses during 2017

There were no significant risk events in 2017, resulting in losses outside our risk appetite. Actual losses were < EUR 20.000. 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 2017 Triodos Investment Management continued to implement a ISAE 3402 project, in order to further develop a risk management and control framework. On 12 March 2018 Triodos Investment Management received an ISAE 3402 type II report for the period 1 July 2017 till 31 December 2017, expressing an unqualified opinion.

The Management Board has no indication that the risk management and internal control system has not functioned adequately and effectively in 2017. 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 will continue to build on over 25 years' experience in bringing together values, vision, and financial returns on investment, helping to meet the European demand for values-based investment solutions that are key in the transition to a more sustainable society. Through its funds, Triodos Investment Management aims to further increase its impact in key areas related to its mission and the UN Sustainable Development Goals (SDGs). It will focus on human dignity and development, social cohesion and inclusiveness, and responsibility and care for the earth.

Triodos Investment Management's strategic focus will continue to be on individual investors, distributors, High Net Worth Individuals, family offices and (semi-)institutional investors. In the context of the ambition to further increase its impact, Triodos Investment Management aims to broaden its international distribution strategy by adding new European markets to its network.

After taking on the portfolio management of Sustainability Finance Real Economies SICAV-SIF, also known as the SFRE fund (pronounced Sapphire), during 2017 Triodos Investment Management will also act as fund manager of the fund from 1 January 2018. The SFRE fund was launched in March 2015 by the Global Alliance for Banking on Values (GABV) and is 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. It is fully aligned with Triodos Investment Management's mission to provide growth capital to an expanding segment of financial institutions that are making a meaningful difference to the lives of millions of individuals, and small businesses, globally.

As per April 2018, Triodos Investment Management has brought the asset management of its SRI proposition in-house. This transition will lead to

an intensified and more integrated SRI investment approach. The transition will apply to the four Triodos SRI funds (Triodos Sustainable Pioneer Fund, Triodos Sustainable Mixed Fund, Triodos Sustainable Equity Fund and Triodos Sustainable Bond Fund), and the discretionary portfolios of Triodos Bank Private Banking in The Netherlands. From the start of 2018, the asset management of the discretionary portfolios of private banking accounts will be managed by Triodos Investment Management.

Triodos Investment Management will continue to pursue development and growth, both through expansion and further development of existing funds and by creating new impact investment products.

Zeist, the Netherlands, 7 May 2018

Management Board of Triodos Investment
Management B.V.

Marilou van Golstein Brouwers (chair)

Dick van Ommeren

Kor Bosscher

Jacco Minnaar

Balance sheet as at 31 December 2017

Before appropriation of result (amounts in euros)	Note	31-12-2017	31-12-2016
ASSETS			
Fixed assets			
Intangible fixed assets	1	1,106,378	1,642,755
Total fixed assets		<u>1,106,378</u>	<u>1,642,755</u>
Current assets			
Receivables			
Debtors	2	1,634,061	3,583,320
Receivable VAT		–	14,184
Other receivables	3	8,615,005	9,137,465
		10,249,066	12,734,969
Cash at banks	4	6,322,463	4,715,960
Total assets		<u>17,677,907</u>	<u>19,093,684</u>
EQUITY AND LIABILITIES			
Equity			
	5		
Issued and paid-up capital		18,500	18,500
Share premium reserve		327,550	327,550
Legal reserves		507,259	754,739
General reserve		8,577,404	8,329,924
Result for the financial year		5,088,248	5,944,263
		14,518,961	15,374,976
Provisions	6	159,089	165,473
Short-term liabilities, accruals and deferred income			
Creditors		306,354	710,987
Payable company tax		1,696,083	1,981,421
Payable VAT		105,450	–
Other short-term liabilities, accruals and deferred income	7	891,970	860,827
		2,999,857	3,553,235
Total equity and liabilities		<u>17,677,907</u>	<u>19,093,684</u>

Profit and loss account for the year ended 31 December 2017

(amounts in euros)	Note	2017	2016
Net turnover	8	35,230,223	30,758,429
Operating expenses	9	28,347,570	22,847,424
Operating profit		<u>6,882,653</u>	<u>7,911,005</u>
Financial income	10	95	16,974
Financial expenses	11	98,417	2,295
Result before tax		6,784,331	7,925,684
Corporate Income Taxes		-1,696,083	-1,981,421
Result after tax		<u>5,088,248</u>	<u>5,944,263</u>

Notes to the balance sheet and the profit and loss account

(amounts in euros)

General

Triodos Investment Management B.V. (Triodos Investment Management or the company) 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 N.V. (Triodos Bank), also located in Zeist. These financial statements have been prepared for a reporting period of one year.

Group structure

Triodos Investment Management B.V. is part of the Triodos Group. The head of this group is Triodos Bank N.V. The financial statements of Triodos Investment Management B.V. are included in the consolidated financial statements of Triodos Bank N.V. 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 euros 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 2017 or 2016.

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 than 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. Receivables are captured in the administration when contractual rights arise.

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 N.V.

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. (Current) Liabilities are captured in the administration when contractual obligations arise.

Provisions

A provision is recognised if the following applies:

- the company has a legal or constructive obligation, arising from a past event; and
- the amount can be estimated reliably; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

Provisions are stated at the nominal value of the expenditures that are expected to be required to settle the liabilities and losses.

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 2017

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 2017, nor 2016.

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

	31-12-2017	31-12-2016
Purchase/Cost value	2,681,884	2,681,884
Cumulative amortization	-1,575,506	-1,039,129
Balance as at 31 December	<u>1,106,378</u>	<u>1,642,755</u>

The movement in the software development costs is as follows:

	2017	2016
Balance as at 1 January	1,642,755	1,975,141
Capitalised expenses	–	186,389
Depreciation	-536,377	-518,775
Balance as at 31 December	<u>1,106,378</u>	<u>1,642,755</u>

2. Debtors

	31-12-2017	31-12-2016
Debtors	1,634,061	3,583,320
Provision for debtors	–	–
Balance as at 31 December	<u>1,634,061</u>	<u>3,583,320</u>

The relatively high value of debtors by the end of the reporting period relates the invoicing of management fees in December. Debtors are expected to be received in less than one year.

3. Other receivables

	31-12-2017	31-12-2016
Accrued management fees	8,065,283	7,985,537
Prepaid maintenance fee FIA	164,930	136,956
Cash in transit	55,040	168,609
Current account Triodos Fair Share Fund	11,826	152,250
Current account Triodos Cultuurfonds	2,696	52,884
Current account Triodos Vastgoedfonds	2,144	22,326
Current account Stg. Hivos-Triodos Fonds	1,261	6,617
Current account Stg. Triodos Sustainable Finance Foundation	972	5,063
Current account Triodos Sustainable Trade Fund	384	2,978
Current account Triodos Groenfonds	–	319,900
Current account Triodos Multi Impact Fund	–	1,223
Current account Triodos Renewable Energy for Development Fund	–	235
Accrued interest	–	873
Other receivables	310,469	282,014
Balance as at 31 December	<u>8,615,005</u>	<u>9,137,465</u>

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

4. Cash at banks

	31-12-2017	31-12-2016
Triodos Bank current account	4,126,355	1,476,768
Triodos Bank savings account	1,500,000	2,505,942
Rabobank current account	597,910	733,250
ABN-AMRO Bank current account	98,198	–
	<u>6,322,463</u>	<u>4,715,960</u>

The cash on bank accounts can be freely disposed of. The interest rate on the current and savings account by Triodos Bank is 0.00% for a bank balance up to EUR 2,500,000 and -0.50% for a bank balance above EUR 2,500,000 (idem 2016). The interest rate on the bank accounts by Rabobank is -0.56% (2016: -0.33%). The interest rate on the bank accounts by ABN-AMRO bank is -0.33% (2016 not applicable).

Two of the Rabobank current accounts are US dollar accounts with a balance at year-end of USD 692,017 (2016: USD 743,946). For the conversion to Euros an exchange rate was used of 1.20046 (2016: 1.05166).

5. Equity

The movement in the equity for 2017 is as follows:

	Issued and paid-up capital	Share premium reserve	Legal reserves	General reserve	Unappropriated profit	Total
Balance as at 1 January 2017	18,500	327,550	754,739	8,329,924	5,944,263	15,374,976
Transfer to statutory reserve for development cost	-	-	-247,480	247,480	-	0
Dividend pay out to shareholders	-	-	-	-	-5,944,263	-5,944,263
Result for the financial year	-	-	-	-	5,088,248	5,088,248
Balance as at 31 December 2017	<u>18,500</u>	<u>327,550</u>	<u>507,259</u>	<u>8,577,404</u>	<u>5,088,248</u>	<u>14,518,961</u>

The movement in the equity for 2016 is as follows:

	Issued and paid-up capital	Share premium reserve	Legal reserves	General reserve	Unappropriated profit	Total
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 for the financial year	-	-	-	-	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 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.

6. Provisions

	31-12-2017	31-12-2016
Provision for vitality leave and other personnel costs	159,089	79,653
Other provisions	–	85,820
	<u>159,089</u>	<u>165,473</u>

Provision for vitality leave relates to leave arrangements for personnel based on collective labour agreements.

The movement in the provisions is as follows:

	2017	2016
Balance as at 1 January	165,473	71,631
Addition	111,997	93,842
Withdrawal or release	-118,381	–
Balance as at 31 December	<u>159,089</u>	<u>165,473</u>

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

	31-12-2017	31-12-2016
Current account Triodos Bank	145,718	552,714
Current account Triodos Groenfonds	20,026	–
Payable vacation hours	332,408	–
Payable management fees	100,272	119,941
Payable costs	155,618	154,622
Payable marketing costs	81,220	25,000
Payable external audit costs	23,869	8,550
Payable interest bank accounts	1,422	–
Other liabilities	31,417	–
	<u>891,970</u>	<u>860,827</u>

The amounts payable are expected to be paid within one year. There is no interest payable on the current accounts.

Off-balance sheet items

Most of the contracts, including 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:

2018: EUR 5.8 million

2019: EUR 6.7 million

2020: EUR 6.8 million

Notes to the profit and loss account for 2017

8. Net turnover

The breakdown of revenue by category is as follows:

	2017	2016
Management contracts	34,453,992	30,626,049
Research services	644,637	–
Commercial services	126,074	126,635
Other income	5,520	5,745
	<u>35,230,223</u>	<u>30,758,429</u>

8.1 Management contracts

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

	2017	2016
Triodos Fair Share Fund	7,740,207	7,247,453
Triodos Groenfonds	6,433,485	5,474,768
Triodos SICAV II – Triodos Microfinance Fund	6,212,893	5,727,390
Triodos SICAV I	6,115,180	4,624,583
Stichting Triodos Sustainable Finance Foundation*	1,835,050	1,794,318
Triodos SICAV II – Triodos Renewables Europe Fund	1,443,117	1,350,481
Stichting Hivos-Triodos fonds	1,372,957	1,775,430
Triodos SICAV II – Triodos Organic Growth Fund	886,953	686,830
Triodos Cultuurfonds	747,711	765,262
Triodos Sustainable Trade Fund	608,886	720,243
Triodos Vastgoedfonds	457,442	277,763
Sustainability-Finance-Real Economies SICAV-SIF	383,712	–
Triodos Multi Impact Fund	134,133	98,874
Stichting Renewable Energy for Development Fund	82,266	82,654
	<u>34,453,992</u>	<u>30,626,049</u>

* The amounts are including carried interest ad EUR 5,242 for 2017 (2016 EUR: 19,132).

8.2 Commercial services

	2017	2016
Consulting fee and board fee staff working for Triodos Investment Management	124,000	125,000
Advisory fees	2,074	1,635
	<u>126,074</u>	<u>126,635</u>

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

8.3 Research services

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

	2017	2016
Asset management	616,308	–
Other	28,329	–
	<u>644,637</u>	<u>–</u>

9. Operating expenses

	2017	2016
Direct personnel costs	14,981,297	12,083,258
Other personnel costs	2,201,897	2,036,858
ICT costs	2,032,671	1,465,940
Charge of general overhead costs Triodos Bank	1,561,941	1,482,115
Housing costs	1,499,538	1,475,031
Advisory fees	1,198,204	803,097
Outsourced activities Triodos Bank NL	1,145,491	1,021,704
Travelling and accommodation expenses	1,073,762	904,713
Other charge of costs Triodos Bank	964,044	676,942
Depreciation intangible fixed assets	536,377	518,775
Hired co-workers Triodos Bank	441,707	116,440
Publicity	324,553	235,010
Obtaining company profile information	185,372	8,837
Contributions	156,455	117,567
External audit	97,669	42,768
Banking costs	8,728	6,372
VAT refund prior years regarding operating expenses	-183,265	-365,526
Other operating expenses	121,129	217,523
	<u>28,347,570</u>	<u>22,847,424</u>

The total number of co-workers at Triodos Investment Management increased by 16% to 186 at year-end 2017 (2016: 160). 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 721,695 in 2017 (2016: EUR 655,088).

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:

	2017	2016
Audit of the financial statements	79,674	14,970
Other audit services: ISAE	17,995	3,463
Other non-audit services	-	24,335
	<u>97,669</u>	<u>42,768</u>

The audit fees for the financial statements concern the financial year 2017, without taking into account whether these assurance procedures are performed in 2017. Other assurance procedures performed by the auditor concern the ISAE 3402 Type II report 2017. The auditor did not perform consultancy work. The fees included in 2017 of the audit of the annual accounts include additional fees invoiced for the audit procedures related to the financial statements 2016. These additional fees amount to EUR 30,033 and have been invoiced by the auditor after finalisation of the financial statements 2016.

10. Financial income

	2017	2016
Interest saving accounts Triodos Bank	95	873
Exchange rate differences	–	16,087
Other	–	14
	<u>95</u>	<u>16,974</u>

11. Financial expenses

	2017	2016
Exchange rate differences	90,470	–
Paid interest on bank accounts	6,492	2,295
One off payment due to VAT for mixed services	1,455	–
	<u>98,417</u>	<u>2,295</u>

Related parties

Pursuant to the definition of affiliates of Article 381(3) of Part 9 of Book 2 of the Dutch Civil Code and Dutch GAAP guideline RJ 330, Triodos Investment Management has the following relevant relationships and transactions with related parties. All transactions are performed fulfilling the at-arms-length-principles.

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 21.4 million (2016: EUR 18.0 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 (2016: EUR 5,520).

3. Triodos Investment Management conducts management activities for Triodos Groenfonds, Triodos Vastgoedfond, 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 29.
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, Aavishkaar Venture Management Company, Caspian SME Impact Fund, Centenary Bank, MFO Credo LLC, Dawn Myanmar Microfinance Pte. Ltd., Jain Sons Finlease Ltd and Kompanion Bank CJSC. Board fees received in 2017 amounts to EUR 124,000 (2016: EUR 125,000).
5. Global Alliance for Banking on Values
 - The Global Alliance for Banking on Values is an independent network of banks using finance to deliver sustainable economic, social and environmental development.
 - Triodos Bank is a member of the Global Alliance. Triodos Bank is the sole shareholder of Triodos Investment Management and therefore Triodos Investment Management also aims to contribute to the goals of the Global Alliance.
 - Triodos Investment Management was the portfolio manager of Sustainability-Finance-Real Economies SICAV-SIF (Sapphire) during 2017 and received a management fee for portfolio management amounting to EUR 383,712. As from January 1st 2018 Triodos Investment Manager is the Fund Manager (AIFM).

Subsequent events

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

The proposed appropriation of the profit is as follows:

The Management Board of Triodos Investment Management proposes to distribute the profit of over 2017 ad EUR 5,088,248 as dividend to its shareholder Triodos Bank NV.

Zeist, the Netherlands, 7 May 2018

Management Board of Triodos Investment Management B.V.
Marilou van Golstein Brouwers (chair)
Dick van Ommeren
Kor Bosscher
Jacco Minnaar

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.

To: the general meeting of Triodos Investment Management B.V.

Report on the financial statements 2017

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 2017, 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 2017 of Triodos Investment Management B.V., Zeist ('the company').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- 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 of 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 of 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, 7 May 2018

PricewaterhouseCoopers Accountants N.V.
Original has been signed by J. IJspeert RA

Appendix to our auditor's report on the financial statements 2017 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.

