



Triodos Investment Management BV

Annual report 2019

Triodos  Investment Management

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Annual Report by the Management Board of Triodos Investment Management

- 100% subsidiary of Triodos Bank
- Global leader in impact investing
- EUR 4.9 billion total assets under management
- Managing 16 funds
- Active in diverse sustainable sectors; from inclusive finance to energy & climate, and from sustainable food & agriculture to impact equities & bonds

Introduction

Triodos Investment Management is a globally recognised leader in impact investing and is a wholly owned subsidiary of Triodos Bank NV.

Triodos Investment Management manages direct investments in a variety of sectors including energy and climate, inclusive finance, sustainable food and agriculture and listed companies that materially contribute to the transition toward a sustainable society.

Triodos Investment Management manages 16 funds, both impact private debt and equity funds and impact equities and bonds funds. The impact private debt and equity funds invest in Europe and emerging markets with a range of risk-return profiles and financial instruments, the impact equities and bonds funds invest globally in listed equities and bonds, also with a range of risk-return profiles.

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 2019 it continued to focus on growing its investor base through third party distribution to retail investors, through other banks and Triodos Bank, High Net Worth Individuals, family offices and (semi-) institutional investors. In addition, it has further developed its international distribution network by adding new European markets to its network.

Triodos Bank and Triodos Investment Management have more than 25 years' experience in investment products that deliver social and sustainable environmental and economic change. As a result of this work Triodos Investment Management has become globally recognised as a front-runner in impact investing.

In 2019 this meant:

- attributing to the avoidance of over 0.4 million tonnes of CO₂ emissions (2018: 0.4 million) by the renewable energy projects we finance and, with a total generating capacity of 2,000 MW clean energy, producing the equivalent of the electricity needs of 3,821,000 households worldwide (2018: 1,687,000) or 250,000 based on an attribution approach;
- over 98,000 smallholder farmers (2018: 104,000) in 9 emerging market countries worldwide were paid directly and fairly upon delivery of their harvest through trade-finance facilities, bringing 10 different agricultural products to international markets from 64,000 hectares of certified organic farmland (2018: 56,000) and an additional 6,000 hectares in conversion (2018: 24,000);
- that the organically managed land on the European farms which Triodos Investment Management financed could produce the equivalent of 9.1 million meals, or enough food to provide a sustainable diet for approximately 8,300 people (2018: 9,100). Together approximately

10,700 hectares of organic farmland was financed across Europe;

- providing finance to 109 emerging and well-established financial institutions working for inclusive finance in Latin America, Asia, Eastern Europe and Africa. These institutions reached approximately 19.1 million customers borrowing for a better quality of life (2018: 19.2 million). Approximately 19.2 million people living on low incomes use savings services offered by these institutions (2018: 11.1 million).

Funds' performance

There were two notable success stories in the 2019 investment market: larger assets managers who saw their assets under management grow even further, and impact investing as a winning niche strategy built on increasing demand from investors aiming to invest with positive impact. Triodos Investment Management clearly benefited from this encouraging trend and realised an overall growth of the total assets under management by EUR 768 million to EUR 4.9 billion, a 18% increase (2018: 21% increase) during the year. This significant growth was the result of continued inflow in almost all funds, as well as a favourable market environment. The net inflow of funds was 11%. The investment funds overall gained 8% of their value following stock exchange movements in 2019. The significant growth over 2019, includes a decrease by EUR 102 million, as a result of ending the activities of Triodos Vastgoedfonds.

Triodos Renewables Europe Fund increased its assets under management during the year by 44.6% to EUR 119.9 million. Triodos Fair Share Fund and Triodos Microfinance Fund grew by 9.2% and 19.0% to EUR 399.4 million and EUR 453.9 million respectively. The Triodos Impact Equities & Bonds Funds (Triodos SICAV I), which invest in listed companies, grew by 36.5% to EUR 2,020.3 million.

Assets under management in the Dutch Triodos Green Fund increased by 9.6% to EUR 969.4 million. In 2020, investors showed a clear and

strong appetite to invest in the fund, leading to above-average inflow. As a result, Triodos Green Fund was temporarily closed for new investments, as of 5 August 2019. By doing so, the fund 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 2020.

Triodos Organic Growth Fund decreased its assets under management by 23.8% to EUR 42.1 million. Triodos Multi Impact Fund, the Triodos fund-of-funds, decreased its fund size by 5.2% to EUR 35.8 million by the year end.

Organisational and Operational Developments

In 2019, Triodos Investment Management's main focus was on strategy execution, more specifically on implementing the strategic goal to be the asset manager of choice for investors seeking solutions for building impact investment portfolios. By doing so, Triodos Investment Management remains competitive in an increasingly demanding external environment, whilst staying true to its aim to realise positive impact. In order to realise this ambition, Triodos Investment Management developed a more focused business development process, appointing a head of Product Development and strengthening its focus on solving investor's challenges.

In addition, Triodos Investment Management expanded its activities in existing and new markets by, for example, increasing its exposure and sales capacity in Belgium, Germany and Italy. It also launched two new Impact Mixed Funds, completing the range of profile funds that invest in listed equities and bonds.

2019 was also a year of change, both from a management and an operational perspective. Firstly, Jacco Minnaar took over the position as Chair of the Management Board as per the first of January, following in the footsteps of Marilou van

Golstein Brouwers, who left Triodos Investment Management as per 1 April 2019.

Also, an important development in 2019 was the process to end the activities of Triodos Vastgoedfonds. During an Extraordinary General Meeting of Shareholders on 17 December 2018, the shareholders in the fund voted in favour of the Board's proposal to end the fund's activities. In the third quarter of 2019, Triodos Investment Management successfully sold the portfolio of Triodos Vastgoedfonds and made a significant interim payment to the fund's shareholders. Concluding the fund's activities, including a final payment to shareholders, was executed early in 2020.

Finally, an important change also took place for Triodos Renewables Europe Fund and Triodos Organic Growth Fund. Both funds were initially domiciled in Luxembourg and were relocated to The Netherlands during the year. Although the funds remain unchanged, the relocation required approval by the fund's shareholders. A large majority of the shareholders opted for relocation to The Netherlands and to remain invested in the funds.

Co-worker report 2019

Triodos Investment Management strives to be an inspiring and sustainably 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 mission of our organization. In 2019 we moved to our new sustainable office, where we can collaborate and work together in a very inspiring environment. We continued and will continue coming year to invest in training our coworkers in agile way of working, smart cooperation between departments and creating more self-steering abilities. This will have an impact in 2020 for our processes and organizational structure.

Besides trainings on process improvement, coworkers participated in international Triodos Academy trainings on Management Development

and the Values based organisation. At Triodos Investment Management we organized trainings on specific Investment Management topics, Mindfulness, Triodos Identity study evenings, and Risk & Compliance. On average we invested two thousand euro per co-worker on education.

In 2019, 27 new co-workers were employed (2018: 17). The total number of co-workers at Triodos Investment Management at the end of 2019 was 186 co-workers (compared to December 2018 with 186 co-workers).

The balance of men and women is 54% and 46%, in management positions 40% is female. The average age of the co-worker group in 2019 remained the same as in 2018 at 42 years, with a balanced representation of all the age groups. The average period of service is 5,1 years at the year end. Absenteeism through sickness was below a target of 2,7%. The attrition rate increased to 11,7 % in 2019 (2018: 7,5%).

Financial results

Assets under management increased by 18.3% to EUR 4.9 billion at the end of 2019. The operating income, mainly driven by assets under management, increased by 29.9% to EUR 52.9 million (2018: EUR 40.7 million). The increase is primarily the result of carried interest received from Stichting Hivos-Triodos Fonds regarding the sale of an equity investment and the increase of management fee received from Triodos Sicav I, since assets under management grew over the year. For the amounts related to these increases we refer to note 9.1 and the note on Related parties in the Annual Accounts.

Expenses in 2019 increased by 11.4% to EUR 36.9 million (2018: EUR 33.1 million). The increase in costs is mainly due to the increase in ICT costs (increase EUR 1.2 million) as well as outsourced activities and general overhead costs charged by Triodos Bank (increase EUR 1.6 million). Due to the move to the new premises also the housing costs increased (increase EUR 0.6 million). Taking corporate income tax, financial income and cost into consideration the

Key financial figures Triodos Investment Management:

Amounts in EUR	Relative change	31-12-2019	31-12-2018
Turnover	29.9%	52,920,061	40,749,272
Operating expenses	11.4%	36,864,960	33,103,880
Profit after tax	109.4%	11,989,526	5,724,568
Shareholders' equity	46.1%	22,144,807	15,155,281

Amounts in EUR x million	Year end 2019 excluding result 2019	Forecasted: June 2020, including audited result 2019 distribution of EUR 11 million of the result of 2019
Available equity, including mandatory corrections	10.0	11.0
Required capital	8.5	9.4
Surplus capital	<u>1.5</u>	<u>1.6</u>

net result over 2019 amounts to EUR 12.0 million, 109.4% higher than in 2018 (EUR 5.7 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 increased by EUR 7,0 million to EUR 22,1 million. The increase is the net effect of the positive result over 2019 of EUR 12,0 million and the dividend distribution of EUR 5 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 8,5 million at the end of 2019 where the available capital including the audited result over 2019 amounts to EUR 22,0 million. The available capital differs from the equity position in the balance sheet due to mandatory corrections in, among others intangible fixed assets. The surplus of available capital can significantly change with the adoption of the annual accounts or in case of dividend distributions. The table above shows the impact of the forecasted dividend distribution of 2019 on the capital surplus.

With the surplus of EUR 1,5 million at year end 2019, the equity position of Triodos Investment Management can be considered as solid. Due to a positive financial forecast for the year 2020, the forecasted capital position of Triodos Investment Management is expected to stay stable and higher than the required capital. From a long-term conservative solvency approach Triodos Investment Management proposes to the Annual General Meeting to distribute EUR 11 million of its net profit and add the remaining EUR 1,0 million to the General Reserve (retained earnings).

Outlook

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.

In 2020, Triodos Investment Management's strategic focus will continue to be on retail investors, High Net Worth Individuals, family offices and (semi-) institutional investors through distributors. In light of the fact that institutional investors are increasingly looking for investment opportunities with positive impact, Triodos Investment Management will further focus on deep impact mandates in 2020. Furthermore, Triodos Investment Management aims to broaden its international distribution strategy by adding new European markets to its network, for instance in the Nordics.

In the context of its ambition to further increase its impact, 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. However, for 2020 it is expected that the impact of the COVID-19 pandemic will have a stabilising effect, leading to less steep growth of the funds and overall growth of Triodos Investment Management.

Remuneration policy

All staff members of Triodos Investment Management are employed by Triodos Investment Management. In 2019 the total remuneration of the 186 co-workers working for Triodos Investment Management amounted to EUR 18 million (2018: 186 co-workers, EUR 17 million). Triodos Investment Management believes 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.

(amounts in EUR)	Total staff of Triodos Investment Management		Identified staff in senior management positions		Identified staff not in senior management positions		Other staff	
	2019	2018	2019	2018	2019	2018	2019	2018
<i>Number of staff involved</i>	186	186	9	9	24	24	153	154
<i>Average FTEs</i>	158,3	158,6	8,8	8,5	20,2	22,1	129,4	128,3
Fixed remuneration	17,696,169	17,180,253	1,817,487	1,653,223	2,898,463	3,162,612	12,980,219	12,393,622
Variable remuneration	503,568	125,676	396,376	0	15,941	75,590	91,251	50,086
Total remuneration	<u>18,199,737</u>	<u>17,305,929</u>	<u>2,213,863</u>	<u>1,624,019</u>	<u>2,914,404</u>	<u>3,238,202</u>	<u>13,071,470</u>	<u>12,443,708</u>

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 the equivalent of the financial amount in depositary receipts in Triodos Bank. In 2019, no collective end-of-year token of appreciation was awarded. The increase in remuneration of 2019 versus 2018 can entirely be explained by a combination of a yearly increase in wages, a CLA impact and an increase in variable remuneration. The increase in variable remuneration is mainly caused by an increase in the number of one-off payments to leaving co-workers due to the termination of specific activities by the management company in 2019, and does not concern bonuses or distributions of profits.

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 Defence

Triodos Investment Management manages its business using a Three Lines of Defence 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, policymaking 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 defence 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 defence.

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 has a direct escalation line to the Chief Risk 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:

- **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 amount to a maximum of EUR 8.8 million for 2019 (2018: 7.6 million).

COVID-19

Triodos Investment Management considers the COVID-19 Pandemic as a significant event after closing the Annual Accounts 2019. The impact of the pandemic on people, companies and the economy at large cannot be assessed in full depth at this stage. However, for 2020 we are expecting the impact of the COVID-19 pandemic to have a less steep or stabilizing effect on the growth of our funds and the overall growth of Triodos Investment Management. The main identified risk for Triodos Investment Management is that a large number of employees or a highly concentrated group of employees become ill simultaneously and cannot perform their duties to the extent that (critical) processes cannot be performed. The management company has made an inventory of the critical processes and persons and has taken appropriate measures, including that employees work from home as much as possible and that (international) travel is prohibited. These are measures that have also been tested and work effectively in practice.

As to the impact on our funds, Triodos Investment Management expects that the impact of COVID-19 will be concentrated on the valuations of the investments and the possible outflow of investors.

A high level of outflow could lead to illiquidity of some of the funds, though it should be noted that the Impact Equities & Bonds funds maintain sufficient liquidity and currently have no illiquid positions in the portfolio. In general, these funds are well-positioned; a defensive positioning and a cautious asset allocation were already in place. However, this risk can also be controlled by applying a degree of gating, if required. Based on the conditions of the respective fund under management, trading in participations / shares can be suspended or the outflow could be dosed (“gating”).

It should be noted that short-term financial return is not the sole objective of the funds. The sustainable impact on people and nature goes hand in hand with achieving returns and this objective is often accompanied by a long-term investment horizon. The management company therefore expects that the potential outflow of shareholders will be relatively limited. The effects of COVID-19 on the funds are directly related to the performance of Triodos IM as manager, and Triodos IM has a relatively low amount of commitments and/or short-term liabilities which could potentially endanger its liquidity position. Therefore, the manager assumes that there is no material uncertainty with regard its continuity.

Significant risks in 2019

The top 5 significant risks in 2019 are linked to:

- **business risk** - resulting from among other things a low interest rate environment and increasing competitive pressure as Sustainable Investments are becoming more mainstream (pressure on AuM growth and cost/income ratio)
- **strategic risk** - resulting from not being able to execute the strategy,
- **operational risk** - resulting from failing (entity level) controls,
- **people risk** - in the sense of attracting and retaining employees,

- **reputational risk** - resulting from other risks, e.g. the materialization of operational or compliance risks.

During 2019, no significant incidents occurred, and smaller incidents did not result in substantial losses (mainly internal costs). In 2019 Triodos Investment Management further implemented a GRC Tool for the management of Operational and Compliance risks and started with the implementation of the Strategic Direction for the coming three years. For 2020 the above-mentioned significant risks are expected to be 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 an operational loss was expected to be high on impact however with a very low chance of occurrence. Mitigation is implemented by income and cost control and strategic initiatives to support further growth of Assets under Management and ensuring our acknowledgement in the market of being an acknowledged Impact Investor.

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 events¹ happening. It also works

¹ 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.

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. As Triodos Investment Management has defined its three years strategy and closely monitors the execution of it, this risk was expected to be high on impact however with a very low chance of occurrence.

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 behaviour or external events. Various initiatives were deployed to limit the operational risks in the organization. Co-worker training and involvement support 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 conduct applicable to its banking activities. This may result in sanctions,

material losses, and reputational damage. The risk appetite is low 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. Potential losses related to compliance risks were assessed as having a high impact with low chance of occurrence.

Financial Risk

Credit risk: This is the risk any party owing Triodos Investment Management liquidity and/or a receivable is not able to (re-)pay. This applies for Triodos Investment Management specifically to liquidity at bank accounts and debtors, being the funds under management.

The risk regarding bank accounts is partly mitigated by using multiple banks with high creditworthiness. At year end 2019 96% of the cash is stalled at Triodos Bank (2018: 92%). Since Triodos Bank is also the 100% shareholder of Triodos Investment Management, we consider the credit risk very low.

The credit risk regarding outstanding amounts at debtors is also considered to be very low, since the company performs the management of these funds which amongst others entails also management of its liquidity and solvency in accordance with prospectus' guidelines.

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 result 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 2019 due to currency rate differences amounts to EUR nil in 2019 (2018: EUR 13 thousand income).

Development of losses during 2019

As stated last year, there were no significant risk events in 2019, resulting in losses outside our risk appetite. Actual losses of EUR 314,478 (2018: EUR 397,427) were caused by 9 risk events. Mainly concerning errors in the hedging process and valuation errors that had an impact on the NAV of two Triodos Funds.

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. The main risk associated with financial reporting is that whether due to fraud or error, financial reports contain a material misstatement with respect to law or Dutch Accounting Standards. 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.

On March 5, 2020, Triodos Investment Management obtained an ISAE 3402 type II report for the period January 1, 2019 until December 31, 2019. During this period, a control measure regarding the timely review of investments made by the Alternative Investment Funds of Triodos Investment Management did not operate effectively. As a result, the auditor issued a qualified opinion related to the non-achievement of two control objectives. Triodos Investment Management has taken the necessary steps to perform timely review of the investments of the Alternative Investment Funds, in accordance with the implemented control measures going forward.

The Management Board has no indication that the risk management and internal control system has not functioned adequately and effectively in 2019. 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 addressed with the Audit and Risk Committee at group level. As a result of the COVID-19 crisis Triodos IM co-workers have to work from home. This has been implemented without any material issues. The functioning of the

risk and control framework was assessed by the control owners and with some adaptations in the way of working (f.e. digital signing instead of wet signature) is operating effectively.

Zeist, the Netherlands, 29 June 2020

Management Board of Triodos Investment
Management BV

Jacco Minnaar (chair)
Kor Bosscher
Dick van Ommeren

Balance sheet as at 31 December 2019

Before appropriation of result (amounts in euros)	Note	31-12-2019	31-12-2018
ASSETS			
Fixed assets			
Intangible fixed assets	1	155,723	570,002
Equipment	2	26,809	–
Total fixed assets		182,532	570,002
Current assets			
Receivables			
Debtors	3	3,125,915	944,304
Other receivables	4	11,600,894	10,442,054
		14,726,809	11,386,358
Cash at banks	5	20,206,217	9,532,932
Total assets		<u>35,115,558</u>	<u>21,489,292</u>
EQUITY AND LIABILITIES			
Equity			
	6		
Issued and paid-up capital		18,500	18,500
Share premium reserve		327,550	327,550
Legal reserves		66,300	259,780
General reserve		9,742,931	8,824,883
Result for the financial year		11,989,526	5,724,568
		22,144,807	15,155,281
Provisions	7	487,623	560,870
Short-term liabilities, accruals and deferred income			
Creditors		1,890,677	774,788
Payable company tax		3,996,509	1,908,189
Payable VAT		160,283	170,596
Other short-term liabilities, accruals and deferred income	8	6,435,659	2,919,568
		12,483,128	5,773,141
Total equity and liabilities		<u>35,115,558</u>	<u>21,489,292</u>

The accompanying notes form an integral part of these annual accounts.

Profit and loss account for the year ended 31 December 2019

(amounts in euros)	Note	2019	2018
Net turnover	9	52,920,061	40,749,272
Operating expenses	10	36,864,960	33,103,880
Operating profit		<u>16,055,101</u>	<u>7,645,392</u>
Financial income	11	–	12,552
Financial expenses	12	-69,066	-25,187
Result before tax		15,986,035	7,632,757
Corporate Income Taxes	13	-3,996,509	-1,908,189
Result for the financial year		<u>11,989,526</u>	<u>5,724,568</u>

The accompanying notes form an integral part of these annual accounts.

Notes to the balance sheet and the profit and loss account

(amounts in euros)

General

Triodos Investment Management BV ("Triodos Investment Management" or "the company") was founded on 12 December 2000 and is located in Driebergen-Rijsenburg, Hoofdstraat 10. 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. Triodos Investment Management is a 100% subsidiary of Triodos Bank NV (Triodos Bank), located in Zeist. These financial statements have been prepared for a reporting period of one year.

Group structure

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

Basis of preparation

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

Judgements, estimates and uncertainties

In applying the accounting principles upon preparation of the financial statements, management of the company performs several judgements and estimates which can be essential for the amounts presented. If deemed necessary to meet the requirements of article 2:362 paragraph 1 of the Dutch Civil Code, is the nature of these judgments and estimates including the underlying uncertainties included in the notes on the relevant annual accounts.

COVID-19

Triodos Investment Management considers the COVID-19 Pandemic as a significant event after closing the Annual Accounts 2019. The impact of the pandemic on people, companies and the economy at large cannot be assessed in full depth at this stage. However, for 2020 we are expecting the impact of the COVID-19 pandemic to have a less steep or stabilizing effect on the growth of our funds and the overall growth of Triodos Investment Management. The main identified risk for Triodos Investment Management is that a large number of employees or a highly concentrated group of employees become ill simultaneously and cannot perform their duties to the extent that (critical) processes cannot be performed. The management company has made an inventory of the critical processes and persons and has taken appropriate measures, including that employees work from home as much as possible and that (international) travel is prohibited. These are measures that have also been tested and work effectively in practice.

As to the impact on our funds, Triodos Investment Management expects that the impact of COVID-19 will be concentrated on the valuations of the investments and the possible outflow of investors. A high level of outflow could lead to illiquidity of some of the funds, though it should be noted that the Impact Equities & Bonds funds maintain sufficient liquidity and currently have no illiquid positions in the portfolio. In general, these funds are well-positioned; a defensive positioning and a cautious asset allocation were already in place. However, this risk can also be controlled by applying a degree of gating, if required. Based on the conditions of the respective fund under management, trading in participations / shares can be suspended or the outflow could be dosed (“gating”).

It should be noted that short-term financial return is not the sole objective of the funds. The sustainable impact on people and nature goes hand in hand with achieving returns and this objective is often accompanied by a long-term investment horizon. The management company therefore expects that the potential outflow of shareholders will be relatively limited. The effects of COVID-19 on the funds are directly related to the performance of Triodos IM as manager, and Triodos IM has a relatively low amount of commitments and/or short-term liabilities which could potentially endanger its liquidity position. Therefore, the manager assumes that there is no material uncertainty with regard its continuity.

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.

Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of Triodos Investment Management B.V. or the ultimate parent company and close relatives are regarded as related parties. Further details on related parties are disclosed in the Notes to the annual accounts.

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. Conversion gains and losses are taken to the profit and loss account.

Leasing

The company has entered into an obligation for lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

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 2019 nor 2018. The book value approximates the fair value.

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

Equipment

Equipment is stated at acquisition price less straightline depreciation on the basis of estimated useful economic life. The depreciation period is three years. No impairment was recognized in 2019.

On each balance sheet date, Triodos Investment Management BV assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

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. The book value approximates the fair value.

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. The book value approximates the fair value.

Equity

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

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. The estimated settlement period for the provision is less than one year.

Pension schemes

Triodos Investment Management BV has a number of pension schemes. Premiums are paid based on contractual and voluntary basis to insurance companies. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities. There are no other obligations in addition to the premiums paid.

Current liabilities: Other 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. The book value approximates the fair value.

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.

Employee cost (employee benefits)

Employee costs (wages, salaries, social security contributions, etc.) are not presented as a separate item in the income statement. These costs are included in the other expenses of the income statement. For a specification, reference is made to the note 10.

Short-term employee cost

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

Pensions

Triodos Investment Management BV applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the result. Changes in the pension provision are also charged to the result. Please also refer to the valuation principles for assets and liabilities, under Provision for pensions. Reference is also made to the relevant notes with respect to pension schemes of foreign subsidiaries. There are no other obligations in addition to the premiums paid.

(Operating) Expenses

(Operating) expenses comprise of costs chargeable to the year and 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.

Intangible fixed assets

Upon termination of the development phase, capitalized costs are amortized over their expected useful life, which is 5 years. Amortisation takes place on a straight-line basis.

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.

Tax on the result is calculated based on the result before tax in the income statement taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets). Exempted profit items, (non) 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.

Risks

Currency risk

Triodos Investment Management BV mainly operates in the European Union. The currency risk for Triodos Investment Management BV concerns for a small amount in US dollars. Management has determined these currency risks do not need to be hedged.

Interest rate risk

Triodos Investment Management BV has, apart from cash at banks, no interest-bearing receivables or non-current and current liabilities (including borrowings) and therefore incurs very limited rate risk. Regarding cash at banks, the risk is partly mitigated by using multiple banks with high creditworthiness. At year end 2019 96% of the cash is stalled at Triodos Bank (2018: 92%). 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.

Credit risk

This is the risk any party owing Triodos Investment Management liquidity and/or a receivable is not able to (re-)pay. This applies for Triodos Investment Management specifically to liquidity at bank accounts and debtors, being the funds under management.

The risk regarding bank accounts is partly mitigated by using multiple banks with high creditworthiness. At year end 2019 96% of the cash is stalled at Triodos Bank (2018: 92%). Since Triodos Bank is also the 100% shareholder of Triodos Investment Management, we consider the credit risk very low.

The credit risk regarding outstanding amounts at debtors is also considered to be very low, since the company performs the management of these funds which amongst others entails also management of its liquidity and solvency in accordance with prospectus' guidelines.

Notes to the balance sheet as at 31 December 2019

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 2019 (nor) because Triodos IM intends to use the software at least up and until 2020, which is longer than the amortization period. The cumulative financial position of the materialized software is as follows:

	31-12-2019	31-12-2018
Purchase/Cost value	2,681,884	2,681,884
Cumulative amortization	-2,526,161	-2,111,882
	<u>155,723</u>	<u>570,002</u>

The movement in the software development costs is as follows:

	2019	2018
Balance as at 1 January	570,002	1,106,378
Capitalised expenses	–	–
Depreciation	-414,279	-536,376
Balance as at 31 December	<u>155,723</u>	<u>570,002</u>

2. Equipment

Equipment consists of telephones, monitors and computers.

The cumulative financial position of the equipment is as follows:

	31-12-2019	31-12-2018
Purchase/Cost value	33,334	–
Cumulative amortization	-6,525	–
Balance as at 31 December	<u>26,809</u>	<u>–</u>

The movement in the software development costs is as follows:

	2019	2018
Balance as at 1 January	–	–
Capitalised expenses	33,334	–
Depreciation	-6,525	–
Balance as at 31 December	<u>26,809</u>	<u>–</u>

3. Debtors

	31-12-2019	31-12-2018
Debtors	3,125,915	944,304
Balance as at 31 December	<u>3,125,915</u>	<u>944,304</u>

The higher value of debtors by the end of 2019 relates to a peak moment of invoicing in December 2019. Debtors are due in less than one year. There were no provisions for debtors in 2019 nor in 2018.

4. Other receivables

	31-12-2019	31-12-2018
Accrued management fees	9,539,096	8,899,446
Cash in transit	232,154	299,014
Prepaid maintenance, portfolio monitoring and compliance fee FIA	258,383	255,563
Prepaid company profile information	256,940	234,330
Pension premiums	243,450	–
Current account Triodos Impact Strategies II	394,121	–
Current account Triodos Groenfond	81,657	92,800
Current account Triodos Fair Share Fund	53,555	83,681
Current account Triodos Vastgoedfond	30,064	50,639
Current account Triodos Multi Impact Fund	5,363	2,590
Current account Sustainability - Finance - Real Economics	5,266	9,486
Current account Triodos Cultuurfond	2,269	–
Current account Stg. Triodos Sustainable Finance Foundation	589	6,701
Current account Triodos Renewable Energy for Development Fund	–	6,027
Current account Stg. Hivos-Triodos Fond	–	5,398
Current account Triodos Sustainable Trade Fund	–	840
Current account Het Windfond Holding	–	115
Insurance premiums	43,339	72,841
Other receivables	454,648	422,583
Balance as at 31 December	<u>11,600,894</u>	<u>10,442,054</u>

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

5. Cash at banks

	31-12-2019	31-12-2018
Triodos Bank current bank account	18,887,279	8,307,367
Triodos Bank savings bank account	501,581	499,884
Rabobank current bank account	816,314	724,746
ING Bank current bank account	1,043	–
ABN-AMRO Bank current bank account	–	935
	<u>20,206,217</u>	<u>9,532,932</u>

The cash on bank accounts is at free disposal of the company. The interest rate on the current and savings account by Triodos Bank is 0.00% for a bank balance up to EUR 500,000 and -0.70% for a bank balance above EUR 500,000 (2018: interest rate on the current and savings account by Triodos Bank 0.00% for a bank balance up to EUR 500,000 and -0.50% for a bank balance above EUR 500,000).

The interest rate on the bank accounts by Rabobank is -0.65% (2018: -0.57%).

Two of the Rabobank current accounts are US dollar accounts with a balance at year-end of USD 130,249 (2018: USD 30,857). For the conversion to Euros an exchange rate was used of 1.1199 (2018: 1.14546).

6. Equity

The movement in the equity for 2019 is as follows:

	Issued and paid-up capital	Share premium reserve	Legal reserves	General reserve	Result for the financial year	Total
Balance as at 1 January 2019	18,500	327,550	259,780	8,824,883	5,724,568	15,155,281
Transfer to general reserve	-	-	-	724,568	-724,568	-
Transfer to statutory reserve for development cost	-	-	-193,480	193,480	-	-
Dividend pay out to share- holders	-	-	-	-	-5,000,000	-5,000,000
Result for the financial year	-	-	-	-	11,989,526	11,989,526
Balance as at 31 December 2019	<u>18,500</u>	<u>327,550</u>	<u>66,300</u>	<u>9,742,931</u>	<u>11,989,526</u>	<u>22,144,807</u>

The movement in the equity for 2018 is as follows:

	Issued and paid-up capital	Share premium reserve	Legal reserves	General reserve	Result for the financial year	Total
Balance as at 1 January 2018	18,500	327,550	507,259	8,577,404	5,088,248	14,518,961
Transfer to statutory reserve for development cost	-	-	-247,479	247,479	-	-
Dividend pay out to share- holders	-	-	-	-	-5,088,248	-5,088,248
Result for the financial year	-	-	-	-	5,724,568	5,724,568
Balance as at 31 December 2018	<u>18,500</u>	<u>327,550</u>	<u>259,780</u>	<u>8,824,883</u>	<u>5,724,568</u>	<u>15,155,281</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 share premium reserve is recognised in full for fiscal purposes. The legal reserves relate to capitalized internal costs triggered by development of new software for internal use.

7. Provisions

	31-12-2019	31-12-2018
Provision for vitality leave and other personnel costs	150,449	410,870
Other provisions	337,174	150,000
	<u>487,623</u>	<u>560,870</u>

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

The other provision relates to the best estimate calculation provision for an expense caused in 2019 and paid in 2020. A provision has been made for the amount of EUR 200,000 with regard to the exceeding of project costs for the account of Triodos Investment Management and therefore not chargeable as establishment costs to new established funds. Due to a possible tax obligation, a provision for the amount of EUR 137,174 has been made for part of the Carried Interest amount received in relation to the sale by Stichting Hivos-Triodos of the equity investment in Centenary Rural Development Bank Limited.

An amount of EUR 87,359 of the provisions can be classified as non-current (longer than one year).

The movement in the provisions is as follows:

	2019	2018
Balance as at 1 January	560,870	159,089
Addition	454,516	510,945
Withdrawal or release	-527,763	-109,164
Balance as at 31 December	<u>487,623</u>	<u>560,870</u>

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

	31-12-2019	31-12-2018
Current accounts Triodos Group	3,662,457	512,883
Payroll Tax	991,573	973,985
Payable termination fees	718,091	–
Payable vacation hours	385,267	335,094
Payable costs	385,059	270,276
Payable costs on behalf of related parties	50,732	–
Payable external audit costs	35,051	26,928
Payable marketing costs	30,000	10,000
Payable interest bank accounts	19,958	6,618
Payable management fees	8,500	99,125
Pension premiums	–	592,250
Other liabilities	148,971	92,409
	<u>6,435,659</u>	<u>2,919,568</u>

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

Payable termination fees relates to payable compensation for termination of employment of co-workers.

Off-balance sheet items

Triodos Investment Management has entered into obligations for lease contracts for cars, contracts for research for the Impact Equity & Bond funds and contracts for office housing. The charges – besides costs regarding office housing - for the upcoming years are as follows:

Obligations to pay	EUR
Within one year	0.2 million
Between one and five years	0.3 million
After five years	–

The contract regarding the new office building at “Landgoed De Reehorst” in Driebergen-Rijssenburg is currently being negotiated with Triodos Bank NV; hence the amount of rent to be paid is not yet agreed upon (the cost for 2019 was included in a lump sum). The company expects to finalize the contract for office housing in 2020.

Notes to the profit and loss account for 2019

9. Net turnover

The breakdown of revenue by category is as follows:

	2019	2018
Management contracts	50,935,923	38,960,042
Asset management services	1,456,480	1,356,244
Research services	349,399	250,558
Commercial services	172,739	152,462
Other income	5,520	29,966
	<u>52,920,061</u>	<u>40,749,272</u>

9.1 Management contracts

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

	2019	2018
Triodos SICAV I	12,577,170	9,920,860
Stichting Hivos-Triodos fonds*	8,615,100	1,191,121
Triodos Fair Share Fund	8,487,597	8,109,762
Triodos Groenfonds	8,103,547	7,345,448
Triodos SICAV II – Triodos Microfinance Fund	6,837,693	6,405,058
Stichting Triodos Sustainable Finance Foundation	352,964	1,431,914
Triodos Renewables Europe Fund	2,052,213	1,398,492
Triodos Organic Growth Fund	1,063,942	1,085,696
Triodos Vastgoedfonds	1,969,072	816,902
Sustainability-Finance-Real Economies SICAV-SIF	688,972	499,472
Triodos Cultuurfonds	–	286,659
Triodos Sustainable Trade Fund	50,000	224,101
Stichting Renewable Energy for Development Fund	28,295	126,140
Triodos Multi Impact Fund	109,358	118,417
	<u>50,935,923</u>	<u>38,960,042</u>

* The amount is including carried interest ad EUR 7,089,557 for 2019 (2018 EUR: 28.408). In 2019 Stichting Hivos-Triodos fonds sold the equity investment of Centenary Rural Development Bank Ltd for which Triodos Investment Management received carried interest.

Triodos SICAV II – Triodos Microfinance Fund, Sustainability-Finance-Real Economies SICAV-SIF and Triodos SICAV I are located in Luxembourg; the rest of the entities under management contracts are located in The Netherlands. Hence, turnover is both generated from Luxembourg as well as The Netherlands.

9.2 Asset management services

Triodos Investment Management carries out the asset management for Triodos Private Banking NL and receives a fee for these services at market rates.

9.3 Research services

This relates to screening and research services for entities within the Triodos group and third-party suppliers.

	2019	2018
Within Triodos Group	234,330	181,500
Third-party suppliers	115,069	69,058
	<u>349,399</u>	<u>250,558</u>

9.4 Commercial services

	2019	2018
Consulting fee and board fee staff working for Triodos Investment Management	172,739	150,000
Advisory fees	–	2,461
	<u>172,739</u>	<u>152,461</u>

Consulting fee and board fee relates to investment management activities in relation to the management of assets of managed funds.

10. Operating expenses

	2019	2018
Wages and salaries	13,750,705	13,013,793
Social security charges	2,098,050	1,979,073
Pension contributions	2,193,425	2,650,996
Other personnel costs	2,609,981	2,718,302
ICT costs	3,418,024	2,260,452
Outsourced activities Triodos Bank NL	3,000,879	1,902,369
Charge of general overhead costs Triodos Bank	2,462,080	1,943,639
Housing costs	2,104,966	1,528,105
Travelling and accommodation expenses	1,174,205	1,198,731
Advisory fees	936,738	790,961
Obtaining company profile information	771,891	554,736
Hired co-workers Triodos Group	603,477	349,482
Publicity	506,428	339,043
Other charge of costs Triodos Bank	495,984	824,305
Depreciation intangible fixed assets	414,279	536,377
Contributions	141,676	161,476
Liability insurance	65,224	–
External audit	54,182	68,895
Banking costs	15,792	11,966
Depreciation of equipment	6,525	–
Cost compensation	–	150,000
Other operating expenses	40,449	121,179
	<u>36,864,960</u>	<u>33,103,880</u>

The total number of co-workers at Triodos Investment Management is 186 at year-end 2019 (2018: 186). The number of employees working outside of the Netherlands is 1.

The average number of employees over 2019 was 158,3 (2018: 166,3). Over 2019 the average number of employees were allocated to Energy & Climate 30,2 (2018: 31,6), Emerging Markets 70,2 (2018: 72,8), Impact Equity & Bonds 43,2 (2018: 37,1), Food & Agriculture 13,5 (2018: 14,2) and other 1,2 (2018: 10,6).

The main drivers behind the increase in personnel costs are periodic wage increase, collective labor agreement increase and an increase in variable remuneration. The increase in variable remuneration is primarily due to the increase in the number of termination fees.

The remuneration paid to the managing directors of the company including salary expenses, pension, use of company car and social expenses is EUR 714,920 in 2019 (2018: EUR 844,921). The main reason for the decrease in remuneration paid to the managing directors is that the number of board members decreased from four to three persons as Marilou van Golstein Brouwers has accepted a different position within the Triodos Group per 1st April 2019 until 31 March 2020. As per 1st April 2020 she no longer holds a position within Triodos Group.

Pension scheme

Triodos Investment Management's pension scheme in The Netherlands is a defined contribution scheme and administered by an independent party. The commitment to the participating co-workers consists of paying the outstanding contribution to a maximum of EUR 107,593. The pension expenses for the defined contribution scheme is based on the contributions owed for the financial year.

The following audit fees were expensed in the reporting period:

	2019	2018
Audit of the financial statements	53,159	51,801
Other assurance services: ISAE	1,023	17,094
Tax services	n/a	n/a
Other non-assurance services	n/a	n/a
	<u>54,182</u>	<u>68,895</u>

The audit fees concerning the audit of the financial statements amount to EUR 53,159 (2018: EUR 51,801). Of these fees, EUR 53,528 relates to the audit of the financial statements for the financial year 2019 (2018: EUR 49,932) and EUR -368 for 2018, irrespective of whether the activities have already been carried out during the financial year. Other assurance procedures performed by the independent auditor concern the ISAE 3402 Type II report.

The independent auditor has not rendered any consultancy services.

11. Financial income

	2019	2018
Exchange rate differences	–	12,547
Other Interest	–	5
	<u>–</u>	<u>12,552</u>

12. Financial expenses

	2019	2018
Paid interest on bank accounts	48,521	21,371
Exchange rate differences	15,539	–
Other interest expenditure	5,006	3,816
	<u>69,066</u>	<u>25,187</u>

13. Corporate Income Taxes

	2019	2018
Corporate income tax for the year (loss)	-3,996,509	-1,908,189
	<u>-3,996,509</u>	<u>-1,908,189</u>

Triodos Investment Management is part of the tax unity for corporate income tax purposes 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.

Tax on the result is calculated based on the result before tax in the income statement taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets). Exempted profit items, (non)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% (2018: 25%), with an effective tax rate equal to 25% for 2019 and 2018. The set-off for deferred taxes, if applicable, is recognized at the level of the fiscal unity at Triodos Headoffice.

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 8.8 million (2018: EUR 6.4 million). These charges relate to staff, office and overhead and are charged through transfer pricing 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 (2018: EUR 5,520).

3. Triodos Investment Management currently conducts management activities for Triodos Groenfonds, Triodos SICAV II – Triodos Microfinance Fund, Triodos SICAV I, Stichting Hivos-Triodos Fonds, Triodos Fair Share Fund, TIS II - Triodos Renewables Europe Fund, TIS II - Organic Growth Fund and Triodos Multi Impact Fund.

During the reporting year Triodos Investment Management also conducted management activities for Triodos Vastgoedfondsen, Triodos SICAV II – Triodos Renewables Europe Fund, Triodos, SICAV II – Organic Growth Fund, Stichting Triodos Sustainable Finance Foundation, Triodos Sustainable Trade Fund and Stichting Triodos Renewable Energy for Development Fund. However the management activities have

ended during the reporting year as funds have terminated their activities or the management of the funds have been taken over by a related party.

The fees paid by the funds, including carried interest payments, took place according to market rates. A specification of the fees is listed on page 28.

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 with remuneration of board fees and or reimbursement of travel expenses 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., Enda Tamweel SA, Financiers FAMA SA, Jain Sons Finlease Ltd, Kompanion Bank CJSC and Sonata Finance Pvt Ltd. Board fees received in 2019 amounts to EUR 172,739 (2018: EUR 150,000).
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 is the Fund Manager (AIFM) of Sustainability-Finance-Real Economies SICAV-SIF (Sapphire) and received a management fee amounting to EUR 688,893 (2018: EUR 499,472).

Subsequent events

Triodos Investment Management considers the COVID-19 pandemic as a significant event after closing the Annual Accounts 2019 (non adjusting). Since the situation and the impact of COVID-19 may differ per day, the actual impact that COVID-19 may have on the company's equity and results is difficult to predict and cannot be foreseen. At this point in time, the impact on the company - and more specifically the company's operations and financial performance is limited. For more information regarding the impact and possible consequences of COVID-19 for the company, please refer to page 16 of the Annual Accounts.

The proposed appropriation of the profit is as follows:

The Management Board of Triodos Investment Management proposes to distribute ad EUR 11,000,000 as dividend to its shareholder Triodos Bank NV and to add EUR 989,526 to the General Reserve (retained earnings).

Zeist, the Netherlands, 29 June 2020

Management Board of Triodos Investment Management BV
Jacco Minnaar (chair)
Kor Bosscher
Dick van Ommeren

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 2019

Our opinion

In our opinion, the financial statements of Triodos Investment Management B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019, 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 2019 of Triodos Investment Management B.V., Zeist.

The financial statements comprise:

- the balance sheet as at 31 December 2019;
- the profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework 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. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Triodos Investment Management B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij

assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Emphasis of matter - uncertainty related to the effects of the coronavirus (COVID-19)

We draw attention to notes COVID-19 and Subsequent events in the financial statements in which the management board has described the possible impact and consequences of the coronavirus (COVID-19) on the Company and the environment in which the Company operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

Report on the other information included in the annual report

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 management board of Triodos Investment 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 the 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 annual report by the management board of Triodos Investment Management and the other information in accordance with 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 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 and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material 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, 29 June 2020

PricewaterhouseCoopers Accountants N.V.

J. IJspeert RA

Appendix to our auditor's report on the financial statements 2019 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 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.

