

For professional  
investors only

# Fit for the future

Triodos Future  
Generations Fund

In support of UNICEF

Triodos @ Investment Management

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# Fit for the future

“One child, one teacher, one book and one pen can change the world.”

Malala Yousafzai

## Our children's future starts with us

Parents want the best for their children. This strong instinct has always driven us as humans. Throughout history, we have always wished for our children and grandchildren to fare better than us: to become more prosperous, healthier, and better educated.

For the current young generation and the generations that will follow, a better future is not so obvious anymore. Climate change, loss of biodiversity, rising inequality in many parts of the world, and the depletion of natural resources threaten their future opportunities and their safety.

Times are changing, and so is our view of the future. To solve the challenges we face today, we need to transform our economy and society and make them regenerative and more inclusive. Whether we are parents or not, we can make a difference not only by fulfilling the basic needs of our children and helping them grow up into responsible adults, but also by preparing them for profound change. One way to do this, is by investing in a sustainable future.

In this paper, we explain why and how.

## Investing in the future of our children and grandchildren

Triodos Investment Management invests to facilitate intentional and measurable positive change. We use money as a driving force towards a society that is humane, ecologically balanced and works for the benefit of all. Triodos Future Generations Fund specifically invests for the benefit of children, now and in the future. The fund invests in companies that contribute to basic needs of children around the world, as well as to their development and to help them reach their full potential as adults. This includes areas that benefit children and adults alike, such as clean water, nutrition, healthcare, and education.

### Thematic approach – Future generations

To create a society that protects children and offers them equal opportunities to prosper and develop, we need to address **serious challenges**:

- 13,800 children under the age of five die every day, mostly from preventable causes.
- 58 million children worldwide do not receive primary education, or education of low quality.
- Many children do not have equal opportunities in life simply due to the place where they were born.
- 771 million people worldwide do not have access to clean water.

- 160 million children between five and 17 work in child labour around the world.

We take a thematic approach to advancing child prosperity, building a portfolio of companies whose business relates to one or more of the UN Sustainable Development Goals and particularly to five areas related to children’s rights and well-being, as outlined in UNICEF’s Strategic Plan.

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#### 1. Positively influence children’s survival and health

Children need a balanced diet, basic hygiene, and care. We invest in companies that provide such products and services to children, mostly focusing on companies in the food and beverages, healthcare, and household products industries. The companies we select ideally have considerable exposure to emerging markets, given the high need for such products and their often problematic availability in many countries. We specifically look for companies that focus on health and survival of children, but as care, food and hygiene are typically generic products, we do not limit ourselves to this aspect.

**These are the SDGs most directly related to children’s well-being. Other SDGs are also indirectly achieved through those themes.**

1. Every child survives and thrives, with access to nutritious diets, quality health care, nurturing practices and essential supplies.			
2. Every child learns and acquires skills for the future.			
3. Every child is protected from violence, exploitation, abuse, neglect and harmful practices.			
4. Every child has access to water, sanitation and hygiene and lives in a safe and sustainable climate and environment.			
5. Every child has access to inclusive social protection and lives free from poverty.			

## 2. Enable children's access to education

Education is key in preparing children for the future and providing them with equal opportunities to reach their full potential as adults. We invest in companies that provide educational services, especially for children. This includes (online) schooling, educational content, and childcare.

## 3. Promote equal opportunity and inclusion

Equality and inclusion largely depend on behaviour: what do companies, organisations, and governments do to promote equality and inclusion. Certain products and services, however, may also contribute to enabling or improving equality and inclusion. Good examples are telecommunication providers, especially in emerging markets, and technology companies that enable and support entrepreneurship (technology platforms, payment services providers, and so on). Telecom providers in many different countries have been instrumental in providing children access to education, while tech services and applications, such as financial services or entrepreneurial platforms, enable parents to run a business and lift their families out of poverty.

## 4. Enable children's access to basic services

Affordable and proper housing with good sanitation, access to clean drinking water and waste management services are essential to create a safe and clean

environment for children to grow up in. Related products and services are typically beneficial to all people, so our investments in this theme may not always specifically focus on children. Residential real estate focusing on affordable housing makes a viable investment case, as do building products, and sanitary products. Products and services related to clean water and waste management are also investable. We include renewable energy here, as it is a clean source of energy. In addition to reducing pollution and improving air quality, it is often a more reliable and cheaper energy source than the traditional sources, particularly in emerging markets.

## 5. Protect children from violence and exploitation

Violence and exploitation, often linked to child labour and other forms of abuse, may damage children for life and hamper the lives of their families. Policy and governance, rather than products and services, are the key criteria in this theme. Based on our minimum standards, we only invest in companies with a strong track record on eliminating child labour in their supply chains.

Cyber security is one of the few examples of a concrete product or service connected with this theme. Online abuse, especially on social media, has been a growing concern over the past decade. We invest in companies providing online protection tools and firewalls.



## How we generate impact through listed equity

Done consciously and with purpose, investing in listed companies can have a meaningful and positive impact on society and our planet. Our Impact Equities and Bond strategy (IE&B) invests in listed equities and bonds of companies and organisations that materially contribute to the transition toward a sustainable society. We invest in companies that develop solutions to the world's most critical sustainability challenges, while delivering a healthy financial return.

We go beyond conventional environmental, social and governance (ESG) and norms-based exclusions to ensure our portfolio is rooted in solutions. Thus our Impact Equities and Bond funds – including our new Triodos Future Generations Fund - offer high impact portfolios that meet the impact, risk, and return needs of our investors.

	Triodos IM listed impact strategies	ESG best-in-class	Negative and ethical exclusions
Targets companies offering viable solutions for the transition to a sustainable economy.	✓	✗	✗
Screens destructive and exploitative industries (e.g., fossil fuels, arms)	✓	✗	✓
Assesses company ESG practices and sustainability policies	✓	✓	✗
Encourages company transparency and public disclosure	✓	✓	✓

### Transition themes

Based on the challenges presented by global mega-trends – such as climate change, loss of biodiversity, inequality, and unstable social systems – we have distilled seven key transition themes. These interconnected themes derive from demographic, technological, environmental, geopolitical, social, and economic trends that we believe will shape our world in the coming years. Within these seven themes, we invest in companies and organisations that materially contribute to the transition towards a sustainable society, through their products and services, or through their business practices.



**Sustainable Food and Agriculture**  
How to feed the world sustainably?



**Innovation for Sustainability**  
How to innovate for a sustainable future?



**Renewable Resources**  
How to limit the use of finite resources?



**Prosperous and Healthy People**  
How to become and stay happy and healthy?



**Circular Economy**  
How to make use of resources as efficiently as possible?



**Social Inclusion and Empowerment**  
How to create a society in which all people can participate?



**Sustainable Mobility and Infrastructure**  
How to be mobile, live and work in a sustainable way?

## Triodos Future Generations Fund

Triodos Future Generations Fund aims to generate positive impact and healthy financial returns by investing in a concentrated portfolio of global listed small and midcap companies that support an ecosystem of equal opportunity, health and wellbeing, education, and safety for children. Actively managed and with a long-term investment horizon, the fund has a high-conviction portfolio with 30-40 companies across sectors, regions, and company sizes. The fund is part of our IE&B strategy and is managed accordingly.

### Focus on small and midcaps

The fund purposely invests in small and midcaps, as these usually offer a more focused investment exposure. When looking for solutions to address the world’s most pressing challenges, especially in impact investing, it is easier to find companies focused on a single product or a single service, as is often the case with small and midcap companies. Known as pure play companies, these small and midcaps are an attractive way to get exposure to a single investment theme or angle, such as child welfare. Moreover, smaller companies with a strong and viable strategic proposition are in a position to grow, making them the winners of tomorrow.

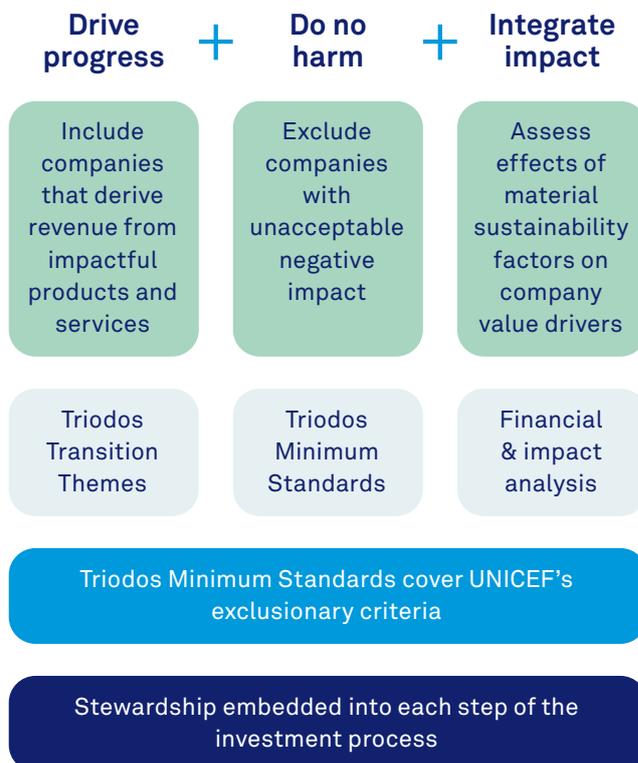
The fund will mainly have exposure to sectors such as sanitation and hygiene products, education, food and household products, healthcare, telecommunication, and utilities. Given its thematic focus, the geographical exposure is mainly an outcome of the allocation over sectors. However, the fund still aims for a balanced exposure across different regions.

### Portfolio characteristics

Large-cap global equities	Maximum of 25%
Small- and mid-cap global equities	Minimum of 75%
Portfolio cash and cash equivalents	Maximum 10%
Geographies	Maximum 25% emerging markets
Benchmark	MSCI World Impact ESG Select Children’s Rights Index
Sectors	No formal sector allocation limits
Exclusions	In line with Triodos minimum standards which cover UNICEF’s exclusionary criteria

## Company selection

Company selection for the fund builds on the strong foundation of our IE&B strategy and follows a multi-layered process.



### Risk and reward profile

Lower risk ← Higher risk  
Typically lower rewards ← Typically higher rewards



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## Drive progress

Through integrated financial and sustainability analysis we identify the drivers of a company's long-term value creation and assess the impact of ESG materiality on these drivers. We select companies for their contribution to one or more of our transition themes.

Our Future Generations strategy, inspired by the five areas related to children's rights and well-being outlined in UNICEF's Strategic Plans, is closely linked to five of our seven transition themes:



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## Do no harm

We assess companies to ensure their business practices do not jeopardise market adoption of sustainable solutions. We apply our industry-leading product, process, and precautionary minimum standards to confirm alignment. Companies that do not meet our Minimum Standards are ineligible for investment. Every company is subjected to a thorough analysis and is continuously monitored to see whether it still meets the **Minimum Standards**.

### Product exclusions

Weapons, nuclear, tobacco, gambling, petrol, oil, gas, coal, or other extraction, unsustainable cotton, fur or leather, fishery products and beef that do not comply with international standards.

### Process exclusions

Violations of conventions on labour and human rights, environment, WHO code on marketing of breast-milk substitutes, and corporate governance. This includes corporate taxation, fair wages, executive pay, and animal testing.

### Precautionary exclusions

For companies in sectors with increased sustainability risk, unless they actively try to prevent controversies by having policies in place to reduce this risk.

UNICEF's exclusionary criteria have also been integrated in the selection process for the fund portfolio. These criteria are for large part covered by our own.

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## Integrate impact

We conduct an integrated financial and sustainability analysis on each prospective investment, focusing on the potential impact of internal and external sustainability factors on a company's future financial value. Our approach is both solutions-focused and forward-looking.

The actual portfolio construction is based on a comprehensive risk/return analysis. Stocks or bonds from the sustainable investment universe with the best risk/return perspectives and that complement the existing portfolio's composition will be added to the portfolio. Based on a long-term investment horizon, this investment approach results in concentrated portfolios with a low turnover.

## Stewardship

Stewardship is embedded in each step of our investment process. Our general stewardship strategy rests on four pillars:

- Company specific engagement
- Thematic engagement
- Collaborative engagement
- Proxy voting

We aim to engage with companies to ensure and improve enactment of children's rights in their business operations, focusing on company-specific and thematic engagement as a priority.

- For company specific engagement we will identify relevant engagement topics when researching a company. These could range from environmental topics (derived from the general IE&B objectives) to topics that relate specifically to the five objectives of the fund.
- When setting the priorities for thematic engagement, we will focus on topics that relate to the fund's five goals and then identify the companies for which the topics are relevant.

**Triodos Future Generations Fund aims to generate positive impact and healthy financial return by investing in globally listed small and mid-cap companies that support an ecosystem of equal opportunity, health and well-being, education, and safety for children. It offers:**

- A unique social investment theme: child welfare and development.
- A strong conviction portfolio of listed small and midcaps - as the winners of tomorrow, they are key for building an economy fit for the future.
- A donation by Triodos IM of the equivalent of 0.10% per annum of the fund's NAV to UNICEF's programmes, such as the Building Bricks for the Future project in Côte d'Ivoire (see page 10). The voluntary donation from Triodos IM will not affect the performance of the fund for investors.
- Separate to the fund management, a collaboration with UNICEF aiming to amplify the voice of children and further their rights in the assets management world.

## Investment examples

	Country	Impact area	
	The Netherlands	Positively influence children's survival and health	Key supplier of food ingredients which improve the nutritious value of food and beverages. The company makes a clear contribution to the health and survival of people in general and thus also to the health and survival of children. It is the number one producer of vitamin A in the world. This vitamin plays a key role in the prevention of pneumonia, which still kills 800.000 children each year.
	Japan	Positively influence children's survival and health and enable access to basic needs	Producer of household dental, personal care, and cleaning goods with a significant presence in emerging Asian countries. The company actively promotes tooth brushing and hand washing habits to children. Its affordable hygiene products can be life savers in developing countries, as they contribute to a healthy living environment.
	Brazil	Enable access to basic needs	Water utility active in 372 municipalities in the state of São Paulo. The company designs and constructs water distribution infrastructure and water treatment systems. Only 52% of Brazil's homes currently have access to a sewage system and 83% to drinking water supply. Water infrastructure benefits the health of both children and their parents.
	Finland	Enable access to education and promoting equality and inclusion	Media and learning solutions company. Sanoma's learning segment offers learning solutions for primary, secondary and vocational education (K12), including books, online learning and teaching platforms, school management systems and distribution of learning materials. Sanoma Learning serves over 20 million students in 11 European countries.
	United States	Protect children from violence and exploitation	The company is a key player in consumer cybersecurity. It provides protection against cyberattacks, and identity theft. It also enables parents to control their children's internet activity to protect them from potential online dangers.
	United States	Positively influence children's survival and health	OrthoPediatics is a medical device company. By developing implants specifically for children, Orthopediatrics contributes to a better and more mobile future for children that need implants. Historically, there have been a limited number of implants and instruments specifically designed for the unique needs of children. As a result, pediatric orthopedic surgeons often improvise with adult implants repurposed for use in children. These improvisations may lead to undue surgical trauma and morbidity.
	Kenya	Promote equal opportunity and inclusion	Safaricom is the largest telecommunications provider in Kenya, servicing around 40 million business and private clients. The company has 6,000 employees and is headquartered in Nairobi, Kenya. Given the importance of mobile connectivity for the rural communities and in urban areas for business development, Safaricom's communication services are key to ensure economic and social inclusion. The company also has a positive contribution to child prosperity given Kenya's young population and Safaricom enabling access to education.

# In support of UNICEF

In support of UNICEF, Triodos IM donates the equivalent of 0.10% per annum of the Fund's NAV to UNICEF's programmes.

As the sole organisation mentioned in the Child Rights Convention, the United Nations Children's Fund has worked for 75 years in some of the world's toughest places, to reach the world's most disadvantaged children.

With a presence in over 190 countries and territories, UNICEF is the world's largest provider of vaccines, supporting child health and nutrition, safe water and sanitation, quality education and the protection of children from violence and exploitation. In 2020 alone, UNICEF provided critical Water-Sanitation and Hygiene services and supplies for 106 million people, including 58 million children in 153 countries.

During the global COVID-19 pandemic, UNICEF supported more than 301 million children with remote learning. UNICEF also provided leadership in the COVAX Facility, resulting in the financing of COVID-19 vaccines for 92 low- and middle-income countries and preparing countries to deliver the vaccine.

Beyond COVID-19, UNICEF responded to 455 new and ongoing humanitarian situations in 152 countries.



## Building bricks for the future

At the launch of the sub-fund, Triodos IM and UNICEF have agreed that the donation of Triodos IM will go towards UNICEF's "Building bricks for the future" project in Côte d'Ivoire.

This project addresses two major challenges in Côte d'Ivoire. Plastic pollution is a serious problem in the West-African country. The capital city of Abidjan alone produces 288 tons of plastic waste per day, of which only 5% is recycled. Improper waste management is responsible for 60% of malaria, diarrhea and pneumonia. The second major challenge are the close to 2 million children who cannot go to school and thus do not receive proper education.

A solution for this double challenge is found in transforming the plastic waste into bricks. The bricks are used to build classrooms. Easy to assemble – only a hammer is required – they allow for a much faster construction, reducing construction time to 3 weeks instead of 6 months on average. Moreover, the bricks are 20% lighter, and more durable than conventional bricks. They are waterproof, fire retardant, well insulated, wind resistant, and are considerably cheaper in maintenance.

Thanks to this revolutionary concept, many more children in Côte d'Ivoire will be able to go to school. And for their parents 10,000 jobs will have been created. The schools will also provide access to water and sanitary facilities.

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**unicef**   
for every child

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

We have built up in-depth knowledge throughout our 25+ years of impact investing in sectors such as Energy and Climate, Financial Inclusion and Sustainable Food and Agriculture. Triodos IM also invests in listed companies that support sustainable solutions for the future. Assets under management as per end of December 2021: EUR 6.4 billion.

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

### Investing in positive change

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