



# Triodos Investment Management BV

Annual report 2018

Triodos  Investment Management

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# Annual Report by the Management Board of Triodos Investment Management

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- 100% subsidiary of Triodos Bank
- Global leader in impact investing
- EUR 4.2 billion total assets under management
- Managing 16 funds
- Active in diverse sustainable sectors; from inclusive finance to energy & climate

## Introduction

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

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

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

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 2018 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.

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.

# EUR 4.2 billion

In 2018, Triodos Investment Management's total assets under management increased to EUR 4.2 billion, a 21% increase (2017: 5% increase).

In 2018 this meant:

- contributing to the avoidance of over 2.0 million tonnes of CO<sub>2</sub> emissions (2017: 1.5 million) of which 0.4 million tonnes that can be attributed to Triodos' financing in the renewable energy projects and, with a total generating capacity of 1,885 MW clean energy, producing the equivalent of the electricity needs of 1,687,000 households worldwide (2017: 733,000);
- over 104,000 smallholder farmers (2017: 146,000) in 13 emerging market countries worldwide were paid directly and fairly upon delivery of their harvest through trade-finance facilities, bringing 12 different agricultural products to international markets from 56,000 hectares of certified organic farmland (2017: 60,000) and an additional 24,000 hectares in conversion (2017: 17,000);
- that the organically managed land on the European farms which Triodos Investment Management financed could produce the equivalent of 10 million meals, or enough food to provide a sustainable diet for approximately 9,100 people (2017: 7,300). Together approximately 11,700 hectares of organic farmland was financed across Europe;
- increasing the quality and sustainability of the built environment through the management of a portfolio of sustainable buildings amounting to more than 114,000m<sup>2</sup> for office and other commercial space (2017: 77,000m<sup>2</sup>), that emit almost 33% less CO<sub>2</sub> than the average for buildings;
- providing finance to 103 emerging and well-established financial institutions working for inclusive finance in Latin America, Asia and Africa. These institutions reached approximately 19.2 million customers borrowing for a better quality of life (2017: 20.3 million). Approximately 11.1 million people living on low incomes use savings services offered by these institutions (2017: 15.1 million).

## Engaging with listed companies

Besides providing impact investment solutions that provide investors the opportunity to invest directly in

sustainable projects and organisations through the Triodos impact investing funds, Triodos Investment Management also provides opportunities for people and institutions to invest in stock exchange listed companies that materially contribute to the transition toward a sustainable society.

Through these Impact Equity & Bonds funds (the SICAV I funds), investors become part of a movement to make some of the world's largest corporations adopt more sustainable practices.

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

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

## Funds' performance

Triodos Investment Management's total assets under management grew by EUR 727 million to EUR 4.2 billion, a 21% increase (2017: 5% increase) during the year. The strong growth was mainly the result from taking on the financial asset management of the discretionary portfolios of Triodos Bank Private Banking Netherlands.

Triodos Renewables Europe Fund increased its assets under management during the year by 18.5% to EUR 83.0 million. Triodos Organic Growth Fund increased its assets under management by 12.3% to EUR 55.3 million. Triodos Fair Share Fund and Triodos Microfinance Fund grew by 3.5% and 3.6% to EUR 365.6 million and EUR 381.6 million respectively. The Triodos Sustainable Funds (Triodos SICAV I), which invest in listed companies, grew by 5.5% to EUR 1,480.6million.

Assets under management in the Dutch Triodos Green Fund (Triodos Groenfonds) increased by 4.1% to EUR 884.9 million. Triodos Green Fund was temporarily closed to the inflow of new investments, as of 2 October 2018. This avoided jeopardizing its fiscal status as a green investment fund by dropping under the 70% limit of approved green investments. The fund reopened on 2 January 2019.

Triodos Real Estate Fund (Triodos Vastgoedfonds) grew its assets under management by 38.3% to EUR 102.1 million, following a number of acquisitions adding to the fund's existing portfolio.

Triodos Multi Impact Fund, the Triodos fund-of-funds, decreased its fund size by 17.4% to EUR 37.8 million by the year end.

## Organisational and Operational Developments

As per March 2018, Kor Bosscher was appointed as Managing Director Risk & Finance, filling the position which became vacant in October 2017. Furthermore, Triodos IM's Management Council was extended with a Director Food & Agriculture and a Director Impact Equity & Bonds (IE&B) in 2018.

In the first half of 2018, Triodos Investment Management proposed to the shareholders in Triodos Culture Fund to sell and transfer the fund's portfolio to Triodos Bank Netherlands and to dissolve the fund. This proposal was accepted by the shareholders in the fund during the Annual General Meeting of Shareholders on 25 May 2018, after which the portfolio was sold and transferred to Triodos Bank Netherlands and the shareholders received the full intrinsic value of their investments in the fund. Triodos Culture Fund represented EUR 86 million in assets under management at the time it was dissolved.

In the spring of 2018, Triodos Investment Management has taken the financial asset management of its IE&B proposition in house and appointed a team of new fund managers and increased the number of analysts. Building on this

platform it will develop new investment solutions for investing in listed equities and bonds, enabling investors to increasingly invest with impact through stock markets.

Also, in 2018, Triodos Investment Management has taken on the fund management of Sustainability | Finance | Real Economies SICAV – SIF, also known as the SFRE fund (pronounced Sapphire), after taking on the portfolio management in 2017. The SFRE fund was launched in March 2015 by the Global Alliance for Banking on Values (GABV) and is designed to deploy substantial capital to financial institutions that play a key role in meeting human needs and advancing essential segments of real economies in their communities. The fund's mission is to invest in sustainability-focused financial institutions.

## Co-worker report 2018

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 2018 we invested in training coworkers in process improvements. These process improvement ambassadors encouraged their teams to step up in working efficiently.

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 2018, 17 new co-workers were employed (2017: 36). The total number of co-workers at Triodos Investment Management at the end of 2018 remained the same, staying at 186 co-workers (compared to December 2017).

The balance of men and women is 49.5% and 50.5%, in management positions 44.4% is female. The average age of the co-worker group in 2018 is 42 years (41 in 2017), 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 3%. The attrition rate decreased to 7,5% in 2018 (2017: 9,3%).

## Financial results

Assets under management increased by 21.0% to EUR 4.2 billion at the end of 2018. The operating income, mainly driven by assets under management, increased by 15.7% to EUR 40.7 million (2017: EUR 35.2 million). The increase is mainly caused by the increase in fees obtained from Triodos Groenfonds and Triodos Sicav I, as a result of the insourcing, the full management fee is received but also at higher FTE costs.

Expenses in 2018 increased by 16.8% to EUR 33.1 million (2017: EUR 28.3 million), primarily because of higher co-worker related costs related to insourcing the asset management of the IE&B offering. Taking corporate income tax, financial income and cost into

consideration the net result over 2018 amounts to EUR 5.7 million, 12.5 % higher than in 2017 (EUR 5.1 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 0.6 million to EUR 15.1 million. The Increase is the net effect of the positive result over 2018 of EUR 5.7 million and the dividend distribution of EUR 5.1 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

## Key financial figures Triodos Investment Management:

Amounts in EUR	Relative change	31-12-2018	31-12-2017
Turnover	15.7%	40,749,272	35,230,223
Operating expenses	16.8%	33,103,880	28,347,570
Profit after tax	12.5%	5,724,568	5,088,248
Shareholders' equity	4.4%	15,155,281	14,518,961

Amounts in EUR x million	Year end 2018 excluding result 2018	Forecasted: June 2019, including audited result 2018 distribution of EUR 5 million of the result of 2018
Available equity, including mandatory corrections	8.6	9.5
Required capital	7.6	8.8
<b>Surplus capital</b>	<b><u>1.0</u></b>	<b><u>0.7</u></b>

driven basis based on projected cash outflows within Triodos Investment Management. The required capital for Triodos Investment Management amounts to EUR 7.6 million at the end of 2018 where the available capital including the audited result over 2018 amounts to EUR 8.6 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 on page 6 shows the impact of the forecasted dividend distribution of 2018 on the capital surplus.

With the surplus of EUR 1 million at year end 2018, the equity position of Triodos Investment Management can be considered as solid. Due to a positive financial forecast for the year 2019, 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 5 million of its net profit and add the remaining EUR 0.7 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 (SDGs). It will focus on human dignity and development, social cohesion and inclusiveness, and responsibility and care for the earth.

The year 2019 highlights an important transition, as Marilou van Golstein Brouwers has transferred

her role as Chair of the Management Board per 1 January 2019 to Jacco Minnaar and said goodbye to Triodos Investment Management as per 1 April 2019. Marilou van Golstein Brouwers started working at Triodos Bank nearly 30 years ago and has been Managing Director of Triodos Investment Management since 2003. She was responsible for laying the foundation of Triodos Bank's sustainable investing proposition and with her expertise and drive she has been instrumental in the rise and development of the global impact investing sector. As of 1 April 2019, the Management Board of Triodos IM consists of three board members.

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

At the same time, Triodos Investment Management will tilt its focus more to becoming an impact investment solutions provider, offering solutions for investors needs in building an impact investment portfolio. By doing so Triodos IM can remain competitive in an increasingly demanding external environment, whilst staying true to its aim to realise positive 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. In 2018 Triodos Investment Management has taken all its socially responsible investment activities in house and appointed a team of new fund managers and increased the number of analysts. Building on this platform it will develop new investment solutions for investing in listed equities and bonds, enabling investors to increasingly invest with impact through stock markets.

Triodos Vastgoedfondsen will be discontinued in 2019. During an Extraordinary General Meeting of Shareholders on 17 December 2018, the

shareholders in the fund voted in favor of the proposal by the board to end the fund's activities. This proposal was presented to the shareholders following the conclusion that a growth scenario was not likely to be successful in the near future. The board holds the opinion that the fund either needs to grow or end its activities. Continuation in its present form is not deemed in the interest of the fund's shareholders in the context of costs, return and tradability. After having received consent by the shareholders in the fund, the board has initiated the process to end the fund's activities. This can among others mean facilitating a public bid on the fund's shares, to sell the fund's portfolio and/or dissolution and liquidation of the fund. Due to the limited size of the fund and the limited number of people directly related to this, the effect for Triodos Investment Management is limited.

## Remuneration policy

All staff members of Triodos Investment Management are employed by Triodos Investment Management as of January 1st 2018. In 2018 the total remuneration of the 186 co-workers working for Triodos Investment Management amounted to EUR 17 million (2017: 186 co-workers, EUR 15 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](http://www.triodos.nl)). Triodos Bank and Triodos Investment Management have a salary system without bonuses or option schemes. Financial incentives are considered an inappropriate way to motivate and reward co-workers.

Managers are required to at least provide information on their remuneration practices for employees whose professional activities may have an impact on the risk profile of the fund (so-called 'identified staff'). This is mandatory under Article 22(2) of the Alternative Investment Fund Managers Directive (AIFMD) and section XIII (Guidelines on disclosure) of 'ESMA Guidelines on

sound remuneration policies under the AIFMD'. Members of the board of directors, fund managers and managers of supporting departments qualify as 'identified staff'. The Management Board of Triodos Investment Management annually assesses the remuneration policy and the 'identified staff' and shall modify these where necessary.

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

Once a year, a collective token of appreciation may be awarded for the overall achievements and contributions of all members of staff. This modest amount is the same for every member of staff and is maximised at EUR 500 per staff member. Instead of cash, members of staff may choose to receive the equivalent of the financial amount in depositary receipts in Triodos Bank. In 2018, no collective end-of-year token of appreciation was awarded. As an outcome of the collective labour agreement negotiations, however, every co-worker received a one-off benefit of EUR 500 in 2017. This amount is reported under variable remuneration. The largest part of the variable remuneration awarded in 2018 was related to one-off severance payments.



(amounts in EUR)	Total staff of Triodos Investment Management		Identified staff in senior management positions		Identified staff not in senior management positions		Other staff	
	2018	2017	2018	2017	2018	2017	2018	2017
<i>Number of staff involved</i>	186	186	9	9	23	23	154	154
<i>Average FTEs</i>	166,3	161,2	8,5	7,2	22,2	18,7	135,5	135,6
Fixed remuneration	17,459,477	14,981,298	1,653,223	1,308,280	3,191,370	2,448,481	12,614,885	11,224,540
Variable remuneration	128,173	123,263	0	3,292	78,014	14,739	50,159	107,231
<b>Total remuneration</b>	<b><u>17,587,650</u></b>	<b><u>15,103,561</u></b>	<b><u>1,653,223</u></b>	<b><u>1,310,572</u></b>	<b><u>3,269,384</u></b>	<b><u>2,462,220</u></b>	<b><u>12,665,043</u></b>	<b><u>11,330,771</u></b>

The main drivers behind the increase in the total remuneration of EUR 2.5 million in 2018 are as follows:

- 38% due to increase in employer charges
- 30% due to increase in average FTE while the total number of employees at the end of 2018 stayed at the same level as at the end of 2017
- 20% due to the new collective labour agreement
- 12% due to provisioned vacation hours

## 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).

## Significant risks in 2018

The top 5 significant risks in 2018 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 2018, no significant incidents occurred, and smaller incidents did not result in substantial losses (mainly internal costs). Due to the improvements in risk management and the incorporation of the IE&B asset management activities into the Internal Control Framework, evidenced in a clean opinion ISAE 3402 Type II report, the overall increase of operational risk in 2018 was limited despite the increase in business volume and complexity. In 2019 Triodos Investment Management will further implement a GRC Tool for the management of Operational and Compliance risks and will start with the implementation of the Strategic Direction for the coming three years. For 2019 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 events<sup>1</sup> happening. It also works with a transparent and stable business model. Furthermore, the exposure of Triodos Investment Management to reputational risk depends on the ability of management and co-workers to act consciously in accordance with the mission and values. For this reason, Triodos Investment Management has a very proactive human resources approach aimed to ensure the connection of all co-workers with the mission and values. In addition, Triodos Investment Management actively manages its engagement with the public and its clients, for example, via an online social media policy and

<sup>1</sup> 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.

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. During 2018 the operational risk framework was brought further in line with the current scale and complexity of the organization by improving the Internal Control Framework. Various other 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 is not able to (re-)pay. This applies for Triodos Investment Management specifically to liquidity at bank accounts. The risk is partly mitigated by using multiple banks with high creditworthiness. At year end 2018 92% of the cash is stalled at Triodos Bank (2017: 89%). 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 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 2018 due to currency rate differences amounts

to EUR 13 thousand income in 2018 (2017: EUR 90 thousand loss).

### Development of losses during 2018

There were no significant risk events in 2018, resulting in losses outside our risk appetite. Actual losses were EUR 397,427. Triodos Investment Management was not involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability during the year.

### In Control Statement

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

In 2018 Triodos Investment Management continued to develop the risk management and control framework in line with developments in the organisation (e.g. insourcing asset management activities). On 1 March 2019 Triodos Investment Management received an ISAE 3402 type II report for the period 1 January 2018 till 31 December 2018, expressing an unqualified opinion.

The Management Board has no indication that the risk management and internal control system has not functioned adequately and effectively in 2018. 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.

Zeist, the Netherlands, 20 June 2019

Management Board of Triodos Investment  
Management BV

Jacco Minnaar (chair)

Kor Bosscher

Marilou van Golstein Brouwers (until April 1, 2019)

Dick van Ommeren

## Balance sheet as at 31 December 2018

Before appropriation of result (amounts in euros)	Note	31-12-2018	31-12-2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	1	570,002	1,106,378
<b>Total fixed assets</b>		<u>570,002</u>	<u>1,106,378</u>
<b>Current assets</b>			
<b>Receivables</b>			
Debtors	2	944,304	1,634,061
Other receivables	3	10,442,054	8,615,005
		<u>11,386,358</u>	<u>10,249,066</u>
<b>Cash at banks</b>	4	<u>9,532,932</u>	<u>6,322,463</u>
<b>Total assets</b>		<u><u>21,489,292</u></u>	<u><u>17,677,907</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	5		
Issued and paid-up capital		18,500	18,500
Share premium reserve		327,550	327,550
Legal reserves		259,780	507,259
General reserve		8,824,883	8,577,404
Result for the financial year		5,724,568	5,088,248
		<u>15,155,281</u>	<u>14,518,961</u>
<b>Provisions</b>	6	560,870	159,089
<b>Short-term liabilities, accruals and deferred income</b>			
Creditors		774,788	306,354
Payable company tax		1,908,189	1,696,083
Payable VAT		170,596	105,450
Other short-term liabilities, accruals and deferred income	7	2,919,568	891,970
		<u>5,773,141</u>	<u>2,999,857</u>
<b>Total equity and liabilities</b>		<u><u>21,489,292</u></u>	<u><u>17,677,907</u></u>

## Profit and loss account for the year ended 31 December 2018

(amounts in euros)	Note	2018	2017
Net turnover	8	40,749,272	35,230,223
Operating expenses	9	33,103,880	28,347,570
<b>Operating profit</b>		<b><u>7,645,392</u></b>	<b><u>6,882,653</u></b>
Financial income	10	12,552	95
Financial expenses	11	-25,187	-98,417
<b>Result before tax</b>		<b>7,632,757</b>	<b>6,784,331</b>
Corporate Income Taxes	12	-1,908,189	-1,696,083
<b>Result for the financial year</b>		<b><u>5,724,568</u></b>	<b><u>5,088,248</u></b>

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

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(amounts in euros)

## General

Triodos Triodos Investment Management BV ("Triodos Investment Management" or "the company") was founded on 12 December 2000 and is located in Zeist, Arnhemse Bovenweg 140. Triodos Investment Management is registered at the Chamber of Commerce with number 30170072.

The main activities of Triodos Investment Management are investment management and fund management activities on behalf of several Triodos Funds. Triodos Investment Management is a 100% subsidiary of Triodos Bank NV (Triodos Bank), also 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](http://www.triodos.nl).

## Basis of preparation

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

## Accounting principles

### General

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

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

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

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

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



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

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

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

#### **Use of estimates**

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

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

#### **Principles for the translation of foreign currency**

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

#### **Intangible fixed assets - Development costs**

The development of an intangible fixed asset is considered commercially profitable if the following conditions are met: the completion of the asset is technically feasible, the company has the intention of completing the asset and then of using or selling it (including the availability of adequate technical, financial and other resources to achieve this), the company has the ability to use or sell the asset, it is probable that the asset will generate future economic benefits, and the costs during the development phase can be determined reliably. Development costs are stated at production cost, less accumulated amortisation and impairment losses. These costs mainly comprise out of pocket software license costs and the cost of direct internal costs. Upon termination of the development phase, the capitalized costs are amortized over their expected useful life, which is 5 years. Amortisation takes place on a straight-line basis. No impairment was recognized in 2018 nor 2017. The book value approximates the fair value.

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

#### **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

The 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.

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

Current liabilities are initially recognised at fair value. After initial recognition current liabilities are recognised at amortised cost price, being the amount received, taking into account any discount or premium and transaction costs. This usually is the nominal value. Current liabilities are due within one year. (Current) Liabilities are captured in the administration when contractual obligations arise. 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 9.

### **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.

### **(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.

### **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](http://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 2018 92% of the cash is stalled at Triodos Bank (2017: 89%). 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 is not able to (re-)pay. This applies for Triodos Investment Management specifically to liquidity at bank accounts. The risk is partly mitigated by using multiple banks with high creditworthiness. At year end 2018 92% of the cash is stalled at Triodos Bank (2017: 89%). Since Triodos Bank is also the 100% shareholder of Triodos Investment Management, we consider the credit risk very low.

## Notes to the balance sheet as at 31 December 2018

### 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 2018 (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:

	31-12-2018	31-12-2017
Purchase/Cost value	2,681,884	2,681,884
Cumulative amortization	-2,111,882	-1,575,506
	<u>570,002</u>	<u>1,106,378</u>

The movement in the software development costs is as follows:

	2018	2017
Balance as at 1 January	1,106,378	1,642,755
Capitalised expenses	-	-
Depreciation	-536,376	-536,377
<b>Balance as at 31 December</b>	<u><b>570,002</b></u>	<u><b>1,106,378</b></u>

### 2. Debtors

	31-12-2018	31-12-2017
Debtors	944,304	1,634,061
<b>Balance as at 31 December</b>	<u><b>944,304</b></u>	<u><b>1,634,061</b></u>

The relatively low value of debtors by the end of 2018 relates to a peak moment of invoicing in December 2017. Debtors are due in less than one year. There were no provisions for debtors in 2018 and 2017.

### 3. Other receivables

	31-12-2018	31-12-2017
Accrued management fees	8,899,446	8,065,283
Cash in transit	299,014	55,040
Prepaid maintenance, portfolio monitoring and compliance fee FIA	255,563	164,930
Prepaid company profile information	234,330	–
Current account Triodos Groenfond	92,800	–
Current account Triodos Fair Share Fund	83,681	11,826
Current account Triodos Vastgoedfond	50,639	2,144
Current account Sustainability - Finance - Real Economics	9,486	–
Current account Stg. Triodos Sustainable Finance Foundation	6,701	972
Current account Triodos Renewable Energy for Development Fund	6,027	–
Current account Stg. Hivos-Triodos Fond	5,398	1,261
Current account Triodos Multi Impact Fund	2,590	–
Current account Triodos Sustainable Trade Fund	840	384
Current account Het Windfond	115	–
Current account Triodos Cultuurfond	–	2,696
Insurance premiums	72,841	–
Other receivables	422,583	310,469
<b>Balance as at 31 December</b>	<b><u>10,442,054</u></b>	<b><u>8,615,005</u></b>

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

### 4. Cash at banks

	31-12-2018	31-12-2017
Triodos Bank current account	8,307,367	4,126,355
Triodos Bank savings account	499,884	1,500,000
Rabobank current account	724,746	597,910
ABN-AMRO Bank current account	935	98,198
	<b><u>9,532,932</u></b>	<b><u>6,322,463</u></b>

The cash on bank accounts can be freely disposed of. The interest rate on the current and savings account by Triodos Bank is 0.00% for a bank balance up to EUR 500,000 and -0.50% for a bank balance above EUR 500,000 (2017: interest rate on the current and savings account by Triodos Bank 0.00% for a bank balance up to EUR 2,500,000 and -0.50% for a bank balance above EUR 2,500,000).

The interest rate on the bank accounts by Rabobank is -0.57% (2017: -0.56%). The interest rate on the bank accounts by ABN-AMRO bank is -0.35% (2017: -0.33%).

Two of the Rabobank current accounts are US dollar accounts with a balance at year-end of USD 30,857 (2017: USD 692,017). For the conversion to Euros an exchange rate was used of 1.14546 (2017: 1.20046).

## 5. Equity

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 shareholders	-	-	-	-	-5,088,248	-5,088,248
Result for the financial year	-	-	-	-	5,724,568	5,724,568
<b>Balance as at 31 December 2018</b>	<b><u>18,500</u></b>	<b><u>327,550</u></b>	<b><u>259,780</u></b>	<b><u>8,824,883</u></b>	<b><u>5,724,568</u></b>	<b><u>15,155,281</u></b>

The movement in the equity for 2017 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 2017	18,500	327,550	754,739	8,329,924	5,944,263	15,374,976
Transfer to statutory reserve for development cost	-	-	-247,480	247,480	-	0
Dividend pay out to shareholders	-	-	-	-	-5,944,263	-5,944,263
Result for the financial year	-	-	-	-	5,088,248	5,088,248
<b>Balance as at 31 December 2016</b>	<b><u>18,500</u></b>	<b><u>327,550</u></b>	<b><u>507,259</u></b>	<b><u>8,577,404</u></b>	<b><u>5,088,248</u></b>	<b><u>14,518,961</u></b>

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.

## 6. Provisions

	31-12-2018	31-12-2017
Provision for vitality leave and other personnel costs	410,870	159,089
Other provisions	150,000	–
	<u>560,870</u>	<u>159,089</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 2018 and paid in 2019.

The movement in the provisions is as follows:

	2018	2017
Balance as at 1 January	159,089	165,473
Addition	510,945	111,997
Withdrawal or release	-109,164	-118,381
<b>Balance as at 31 December</b>	<u>560,870</u>	<u>159,089</u>

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

	31-12-2018	31-12-2017
Payroll Tax	973,985	–
Pension premiums	592,250	–
Current account Triodos Bank	512,883	145,718
Current account Triodos Groenfonds	–	20,026
Payable vacation hours	335,094	332,408
Payable management fees	99,125	100,272
Payable costs	270,276	155,618
Payable marketing costs	10,000	81,220
Payable external audit costs	26,928	23,869
Payable interest bank accounts	6,618	1,422
Other liabilities	92,409	31,417
	<u>2,919,568</u>	<u>891,970</u>

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



### Off-balance sheet items

Triodos Investment Management has entered into obligations for lease contracts for cars and contracts for research for the Impact Equity & Bond funds. The charges for the upcoming years are as follows:

2019: EUR 0.3 million

2020: EUR 0.2 million

2021: EUR 0.2 million

## Notes to the profit and loss account for 2018

### 8. Net turnover

The breakdown of revenue by category is as follows:

	2018	2017
Management contracts	38,960,042	34,453,992
Asset management services	1,356,244	–
Research services	250,558	644,637
Commercial services	152,462	126,074
Other income	29,966	5,520
	<u>40,749,272</u>	<u>35,230,223</u>

### 8.1 Management contracts

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

	2018	2017
Triodos SICAV I	9,920,860	6,115,180
Triodos Fair Share Fund	8,109,762	7,740,207
Triodos Groenfonds	7,345,448	6,433,485
Triodos SICAV II – Triodos Microfinance Fund	6,405,058	6,212,893
Stichting Triodos Sustainable Finance Foundation*	1,431,914	1,835,050
Triodos SICAV II – Triodos Renewables Europe Fund	1,398,492	1,443,117
Stichting Hivos-Triodos fonds	1,191,121	1,372,957
Triodos SICAV II – Triodos Organic Growth Fund	1,085,696	886,953
Triodos Vastgoedfonds	816,902	457,442
Sustainability-Finance-Real Economies SICAV-SIF	499,472	383,712
Triodos Cultuurfonds	286,659	747,711
Triodos Sustainable Trade Fund	224,101	608,886
Stichting Renewable Energy for Development Fund	126,140	82,266
Triodos Multi Impact Fund	118,417	134,133
	<u>38,960,042</u>	<u>34,453,992</u>

\* The amounts are including carried interest ad EUR nil for 2018 (2017 EUR: 5,242).

### 8.2 Asset management services

From 1st January 2018 Triodos Investment Management carries out the asset management for Triodos Private Banking NL and receives a fee for these services at market rates.

### 8.3 Research services

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

	2018	2017
Within Triodos Group	181,500	641,304
Third-party suppliers	69,058	3,333
	<u>250,558</u>	<u>644,637</u>

#### 8.4 Commercial services

	2018	2017
Consulting fee and board fee staff working for Triodos Investment Management	150,000	124,000
Advisory fees	2,461	2,074
	<u>152,461</u>	<u>126,074</u>

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

#### 9. Operating expenses

	2018	2017
Wages and salaries	13,013,793	11,612,636
Social security charges	1,979,073	1,538,838
Pension contributions	2,650,996	1,829,824
Other personnel costs	2,718,302	2,201,897
ICT costs	2,260,452	2,032,671
Charge of general overhead costs Triodos Bank	1,943,639	1,561,941
Outsourced activities Triodos Bank NL	1,902,369	1,145,491
Housing costs	1,528,105	1,499,538
Travelling and accommodation expenses	1,198,731	1,073,762
Advisory fees	790,961	1,198,204
Other charge of costs Triodos Bank	824,305	964,044
Depreciation intangible fixed assets	536,377	536,377
Hired co-workers Triodos Group	349,482	441,707
Publicity	339,043	324,553
Obtaining company profile information	554,736	185,372
Contributions	161,476	156,455
External audit	68,895	97,669
Banking costs	11,966	8,728
Cost compensation	150,000	-
VAT refund prior years regarding operating expenses	-	-183,265
Other operating expenses	121,179	121,129
	<u>33,103,880</u>	<u>28,347,570</u>

The total number of co-workers at Triodos Investment Management is 186 at year-end 2018 (2017: 186). The remuneration paid to the managing directors of the company including salary expenses, pension, use of company car and social expenses is EUR 844,921 in 2018 (2017: EUR 721,695). The main drivers behind the

increase in personnel costs are increase in employer charges, increase in FTE while staff members stayed same and the Introduction of the new collective labour agreement.

The average number of employees over 2018 was 166,3 (2017: 161,2). Over 2018 the average number of employees were allocated to Energy & Climate 31,6 (2017: 36,3), Emerging Markets 72,8 (2017: 75,2), Impact Equity & Bonds 37,1 (2017: 25,1), Food & Agriculture 14,2 (2017: 13,8) and other 10,6 (2017: 10,8).

The pension expenses for the defined contribution schemes and the defined benefit pension schemes are based on the contributions owed for the financial year.

Triodos Investment Managements pension scheme in The Netherlands is a combination of a defined benefit pension scheme and a defined contribution scheme. For the part of the gross annual salary up to EUR 53,706 a defined benefit pension scheme applies; the obligation vis-à-vis the participating co-workers consists of the granting of the accrued pension. For the part of the gross annual salary above EUR 53,706, a defined contribution scheme applies; the commitment to the participating co-workers consists of paying the outstanding contribution to a maximum of EUR 105,075.

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

The following audit fees were expensed in the reporting period:

	2018	2017
Audit of the financial statements	51,801	79,674
Other assurance services: ISAE	17,094	17,995
Tax services	n/a	n/a
Other non-assurance services	n/a	n/a
	<u>68,895</u>	<u>97,669</u>

The audit fees concerning the audit of the financial statements amount to EUR 51,801. Of these fees, EUR 49,932 relates to the audit of the financial statements for the financial year 2018 and EUR 1,869 for 2017, 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 2018. The independent auditor has not rendered any consultancy services.

## 10. Financial income

	2018	2017
Interest saving accounts Triodos Bank	0	95
Exchange rate differences	12,547	–
Other Interest	5	–
	<u>12,552</u>	<u>95</u>

## 11. Financial expenses

	2018	2017
Exchange rate differences	–	90,470
Paid interest on bank accounts	21,371	6,492
One off payment due to VAT for mixed services	–	1,455
Other interest expenditure	3,816	–
	<u>25,187</u>	<u>98,417</u>

## 12. Corporate Income Taxes

	2018	2017
Corporate income tax for the year (loss)	-1,908,189	1,696,083
	<u>-1,908,189</u>	<u>1,696,083</u>

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.

### 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 6.4 million (2017: EUR 21.4 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. The significant decrease in charged costs is due to the fact that all staff of Triodos Investment Management is now employed by Triodos Investment Management BV. Until 31st December 2017 all staff was employed by Triodos Bank NV. As per 1st January 2018 there are no longer charged costs from Triodos Bank NV to Triodos Investment Management BV in relation to employment.

- 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 (2017: EUR 5,520).
  3. Triodos Investment Management conducts management activities for Triodos Groenfond, Triodos Vastgoedfond, Triodos SICAV II – Triodos Renewables Europe Fund, Triodos SICAV II – Triodos Microfinance Fund, Triodos SICAV II – Organic Growth Fund, Triodos SICAV I, Stichting Hivos-Triodos Fonds, Stichting Triodos Sustainable Finance Foundation, Triodos Fair Share Fund, Triodos Sustainable Trade Fund, Stichting Triodos Renewable Energy for Development Fund and Triodos Multi Impact Fund. The fees paid by the funds took place according to market rates. A specification of the fees is listed on page 26.
  4. Triodos Investment Management receives board fees for supervisory roles related to the management of assets of managed emerging market funds. Co-workers of Triodos Investment Management are fulfilling board positions in the following companies: ACLEDA Bank Plc., Akiba Commercial Bank, LLC Microcredit Deposit-Taking Organization Arvand, Aavishkaar Venture Management Company, Caspian SME Impact Fund, Centenary Bank, MFO Credo LLC, Dawn Myanmar Microfinance Pte. Ltd., Jain Sons Finance Ltd and Kompanion Bank CJSC. Board fees received in 2018 amounts to EUR 150,000 (2017: EUR 124,000).
  5. Global Alliance for Banking on Values
    - The Global Alliance for Banking on Values is an independent network of banks using finance to deliver sustainable economic, social and environmental development.
    - Triodos Bank is a member of the Global Alliance. Triodos Bank is the sole shareholder of Triodos Investment Management and therefore Triodos Investment Management also aims to contribute to the goals of the Global Alliance.
    - Triodos Investment Management was the portfolio manager of Sustainability-Finance-Real Economies SICAV-SIF (Sapphire) during 2017 and received a management fee for portfolio management amounting to EUR 383,712. As from January 1st 2018 Triodos Investment Manager is the Fund Manager (AIFM) for a fee amounting EUR 499,472.

### Subsequent events

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

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

The Management Board of Triodos Investment Management proposes to distribute ad EUR 5,000,000 as dividend to its shareholder Triodos Bank NV and to add EUR 724,568 to the General Reserve (retained earnings).

Zeist, the Netherlands, 20 June 2019

Management Board of Triodos Investment Management BV

Jacco Minnaar (chair)

Kor Bosscher

Marilou van Golstein Brouwers (until April 1, 2019)

Dick van Ommeren

## Other information

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### Appropriation of the profit

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

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

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

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

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

### 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 2018

### Our opinion

In our opinion, Triodos Investment Management B.V.'s financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 2018 of Triodos Investment Management B.V., Zeist ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2018;
- the profit and loss account for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework 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 – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

## 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 board of management;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and
- annex A.

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

- is consistent with the financial statements and does not contain material misstatements;
- contains 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 directors' report 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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to

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

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 20 June 2019

PricewaterhouseCoopers Accountants N.V.

J. IJspeert RA

## Appendix to our auditor's report on the financial statements 2018 of Triodos Investment Management B.V.

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

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

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

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

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

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

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

# Annex A

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## Responsible Investing

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

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

