

Triodos Sustainable Finance Foundation

Annual report 2018

Table of Contents

Page

Report by the Board of Management	3
General information	5
Annual accounts	6
Other information	23
Independent auditor's report	24
Annex A: Investment portfolio breakdown by currency	27
Address and publication details	28

Report by the Board of Management

This is the twenty-fifth annual report of Stichting Triodos Sustainable Finance Foundation (Triodos Sustainable Finance Foundation), known as Triodos-Doen Foundation until December 2013. During the year 2018 the foundation continued to fulfill its original mission, which is to finance initiatives that accelerate sustainable development worldwide.

This report has not been written with the intention to comply with Article 391 of Book 2 of the Dutch Civil Code ('Burgerlijk Wetboek'). Triodos Sustainable Finance Foundation qualifies as a small enterprise ('kleine onderneming'). As such, the foundation is exempt from the requirement to present an annual report in accordance with Article 391 of Book 2 of the Dutch Civil Code.

Strategic goals

Triodos Sustainable Finance Foundation intends to remain a relevant, innovative player in the rapidly evolving impact investment industry. For quite some years, the foundation's main focus lay on the inclusive finance sector in developing countries, in which it played a pioneering role. As the inclusive finance sector has reached a certain scale and the established financial institutions have gained access to a broader investor base, the foundation decided to broaden its investment focus within its mission as laid down in the Articles of Association and to include impact investments that accelerate sustainable development worldwide. For this reason, the foundation aims to reduce its portfolio in the inclusive finance sector.

Portfolio developments

Equity portfolio

At year-end 2018 the value of the equity portfolio amounted to EUR 35.5 mln (year-end 2017: EUR 35.8 mln). This slight decrease of EUR -0.3 mln is the balance of EUR 4.1 mln investments, EUR 1.3 mln divestments and EUR 3.0 mln revaluations (including currency results).

Further to its broader investment focus to include impact investments that accelerate sustainable development, Triodos Sustainable Finance Foundation invested in Bettervest. Bettervest is a crowd funding platform that offers private investors the opportunity to invest directly in small-scale sustainable energy projects in Germany as well as in developing countries across the globe. Apart from this, Triodos Sustainable Finance Foundation converted one loan to the People for Earth Foundation into shares of this Foundation's subsidiary Agriplace Holding BV and further invested in Dawn, a quite recently set-up microfinance institution in Myanmar (already a participation of Triodos Sustainable Finance Foundation).

In 2018, Triodos Sustainable Finance Foundation decided to divest its stakes in Banco Solidario SA and (only partially) Leapfrog Financial Institution Fund in line with its aim to reduce its portfolio in the inclusive finance sector.

Debt portfolio

At year-end 2018, the value of the debt portfolio stood at EUR 5.8 mln (year-end 2017: EUR 10.7mln). Since the foundation aims to reduce its portfolio in the inclusive finance sector, no investees received (additional) debt funding and no new microfinance institutions were added to the debt portfolio in 2018. Five investees reimbursed their outstanding loan amounts and one partly.

Financial results

The total invested portfolio of Triodos Sustainable Finance Foundation, including the value of currency hedge instruments, reduced from EUR 47.1 mln as per year-end 2017 to EUR 41.2 mln during 2018. This was mainly driven by the above-mentioned decrease of the foundation's debt portfolio.

The revenues from participations and loans were less than in 2017. Combined with an increase of the provision of loans, this led to a net financial loss of EUR 4.6 mln (2017: EUR -1.4 mln). As a result, the foundation's net asset value reduced to EUR 57.5 mln by year-end 2018 (year-end 2017: EUR 62.1mln).

Split into direct and indirect result

The direct result from investments, consisting of interest income from loans and dividend income from participations, amounted to EUR 3.4 million in 2018 (2017: EUR 5.3 million). The interest income from loans amounted to EUR 881,103 (2017: EUR 1,365,649). The decrease in interest income is in line with the decrease in the loan portfolio.

The indirect result (realized and unrealized value adjustments) from investments amounted to EUR -5.6 million (2017: EUR -3.8 million) and was mainly caused by the decrease in value of one equity investment and an increase in loan provisioning.

Outlook and policy for 2019 and beyond

Triodos Sustainable Finance Foundation continues to fulfill its original mission, which is to finance initiatives that accelerate sustainable development worldwide. In the years ahead, the foundation intends to focus on investments that accelerate sustainable development worldwide in an innovative manner while reducing its portfolio in the inclusive finance sector. In this respect, the Board of Management plans to further develop its new investment mandate in 2019. As was the case in the past, both debt and equity investments and both direct and fund-of-fund investments will be considered.

In order to protect the net asset value in real terms, Triodos Sustainable Finance Foundation remains to aim at generating a net financial return that equals the inflation rate. Expected net financial returns remain heavily dependent on revaluations of equity participations. In addition, financial returns remain to some extent exposed to capital markets, including interest rate and currency fluctuations.

Remuneration

The Board of Management of Triodos Sustainable Finance Foundation did not receive any remuneration in 2018.

Zeist, 27 June 2019

Board of Management
Peter Blom
Jellie Banga

General information

History

Stichting Triodos Sustainable Finance Foundation was formerly known as Triodos-Doen Foundation. On 22 January 1994, the DOEN Foundation and Triodos Bank joined together to form Triodos-Doen Foundation to enable innovation that would accelerate sustainable development world-wide.

On 10 December 2013, the Articles of Association were amended, and its name was changed to Triodos Sustainable Finance Foundation. Under its new name, Triodos Sustainable Finance Foundation maintains its aim to finance initiatives that accelerate sustainable development worldwide, including but not limited to inclusive finance.

Governance

The Board of Management of Triodos Sustainable Finance Foundation consists of Peter Blom and Jellie Banga. Pierre Aeby resigned on 17 May 2019 as Member of the Board. The Board decided to transfer the management of the Foundation from Triodos Investment Management to Triodos Regenerative Money Centre, a newly established business unit under Triodos Bank NV as per 1 April 2019. This unit is led by Marilou van Golstein Brouwers and Liesbeth Soer. The Executive Board of Triodos Bank NV consists of Peter Blom, Jellie Banga and Carla van der Weerd (as of 17 May 2019), whereas Jellie Banga is responsible for this new business unit. José van Pul is the Fund Manager of Triodos Sustainable Finance Foundation.

Annual Accounts 2018
Stichting Triodos Sustainable Finance Fund

Page

Balance sheet at 31 December 2018	7
Profit and loss account for the year ended 31 December 2018	8
Cash flow statement for the year ended 31 December 2018	9
Notes to the balance sheet and profit and loss account	10

Balance sheet at 31 December 2018

Before appropriation of results (amounts in EUR)	Note	31.12.2018	31.12.2017
Fixed Assets: Investments			
Participations	1	35,535,696	35,832,923
Subordinated loans	1	1,482,806	2,499,042
Senior loans	1	4,298,273	8,187,048
Collateral paid		560,000	-
Currency hedging instruments positive	1, 2	51,294	812,011
Currency hedging instruments negative	1, 2	-765,992	-258,195
Total of fixed assets		41,162,077	47,072,829
Current assets			
Receivables and deferred assets	3	741,798	3,279,912
Cash and cash equivalents	4	16,417,797	12,726,823
Total of current assets		17,159,595	16,006,735
Short-term liabilities	5	-833,239	-993,731
Result current assets and short-term liabilities		16,326,356	15,013,004
Result total assets and short-term liabilities		57,488,433	62,085,833
Equity			
Capital	6	32,128,869	32,128,869
Revaluation reserves	7	9,016,320	12,669,787
Other reserves	8	20,940,642	18,736,485
Unappropriated result	9	-4,597,398	-1,449,308
Total long-term liabilities and equity		57,488,433	62,085,833
Off-balance sheet commitments	10		
Committed loans		3,100,000	
Committed participations			178,592

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

Profit and loss account for the year ended 31 December 2018

(amounts in EUR)	Note	2018	2017
Revenues from investments			
Participations	11	2,532,848	3,957,623
(Subordinated) loans issued	12	887,242	1,372,952
		3,420,090	5,330,575
Realised result of investments			
Participations		60,552	201,825
Unrealised result of investments			
Participations		-3,047,833	-5,972,629
(Subordinated) loans issued		582,777	-1,626,631
Currency hedging instruments		-1,173,356	3,126,700
		-3,638,412	-4,472,560
Other revenues		250	–
Interest on cash and cash equivalents	13	-	1,640
Total revenues		-157,520	1,061,480
Expenses			
Management expenses	14	-1,556,549	-1,873,338
Transaction results currency hedging instruments	15	-808,640	-802,439
Interest expenses	16	-80,749	-26,681
Total expenses		2,445,938	2,702,458
Operating result		-2.603,458	-1,640,978
Exchange rate differences	17	-346,507	616,130
Movement in provision for loans	18	-1.647,433	-424,460
Corporate income tax	19	–	–
Net result	20	-4,597,398	-1,449,308

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

Cash flow statement for the year ended 31 December 2018

(amounts in EUR)	2018	2017
Cash flow from investment activities		
Receipt revenues from participations	209,414	189,780
Receipt revenues from (subordinated) loans	717,321	1,638,373
Paid settlements from currency hedging instruments	-817,159	561,385
Investments in participations	-680,555	-1,514,113
Sales of participations	1,493,312	668,959
Disbursement of (subordinated) loans	-791,397	-429,196
Repayment of (subordinated) loans	5,907,231	3,948,250
Collateral deposits	-560,000	
Payment of management fees	-1,547,472	-2,786,150
Other payments and receipts	-208,944	747,313
Total cash flow from investment activities		
Net Cash Flow	3,721,751	3,024,601
Exchange differences on cash and cash equivalents	-30,777	-39,083
Cash flow	3,690,974	2,985,518
Cash and cash equivalents at 1 January	12,726,823	9,741,305
Cash flow	3,690,974	2,985,518
Cash and cash equivalents at 31 December	16,417,797	12,726,823

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

Notes to the balance sheet and profit and loss account

The Foundation was established as Stichting Triodos-Doen on 22 February 1994. It changed its name to Stichting Triodos Sustainable Finance Foundation (Triodos Sustainable Finance Foundation) on 10 December 2013. The Foundation has its headquarters in Zeist and is registered at the Chamber of Commerce under number 41186686.

These annual accounts represent its twenty-fifth financial year. As a consequence of the foundation's mission, the activities can be characterized as not-for profit-activities. The foundation has no personnel.

General accounting principles

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2, of the Dutch Civil Code and the Dutch Accounting Standards applicable to small legal entities, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Recognition criteria

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 reliably measured.

Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting policies as set out in the relevant notes.

Valuation of investments

The investments are valued on the basis of fair value. Purchase costs of investments are capitalized. Selling costs with regard to divested investments are charged to the transaction result in the profit and loss account. All changes in the fair value of the investments are accounted for in the profit and loss account. The fair value is determined as follows:

Participations

Participations, being capital interests that are not permanently linked to the service's own activity, are valued at the last-known stock price if the participations concern securities listed on an active stock exchange. The fair value of participations that do not concern securities with a listing on an active stock exchange or without a regular market listing can be determined in various ways. Firstly, on the basis of the most recent market quotation, taking into account market developments that have already occurred. Secondly, on the basis of the profitability value, return value and / or net asset value, which may or may not be considered in combination, may be considered relevant in relation to the purpose for which the investment is held. Thirdly, based on the market value of comparable investments for which there is an active market with a regular market quotation. The first valuation consists of the cost price including transaction costs. After initial processing, participations are valued at fair value. Value changes are processed through the profit and loss account. When selling, transaction costs are deducted from the sales proceeds.

Loans

Loans are valued at amortized cost after deduction of specific provisions for bad debts in anticipation for non-recovery. Both loans and provisions are valued at the applicable exchange rate at the balance date. This method can be considered as the best estimate for the fair value of the loans.

Currency hedging instruments

The accounting policy for currency forward contracts is the fair value at initial recognition in the balance sheet, whereby all assets and liabilities arising from currency hedging instruments are calculated using market-based present value models. This calculation is made at the balance sheet date by discounting the future cash flows per contract using the interest rate curve of the relevant currency. In the absence of objective interest rate curves, the manager can use the valuations resulting from the reconciliations with counterparties. The outcome of this valuation is also used for the exchange of collateral in accordance with contractual provisions. Currency hedge instruments are also valued at fair value for subsequent valuations. Value adjustments are taken to the profit and loss account. Currency forward contracts were valued based on cost price hedge accounting up and until 2017. This transition has not affected the profit and loss accounts and the equity position.

Collateral

Collateral is exchanged with counterparties as a result of provisions from agreed forward exchange contracts. This exchange can be either a collateral to be paid or a collateral to be received and is recognized in the balance sheet at initial recognition and per subsequent valuation at nominal value. This method can be considered as the best estimate for the fair value of the collateral.

Use of estimates

The preparation of the annual accounts requires management to make judgments and estimates and assumptions. These assumptions determine how the annual accounts are reported. The actual outcomes may differ from the estimates made by the board of management. The estimates and assumptions are therefore reconsidered. If an estimate is reviewed, then it will be adjusted in the relevant period.

For the valuation of the investment portfolio, the board of management requires estimates and assumptions. The board of management uses multidisciplinary credit and valuation committees that are independent of operating the operational matters. They monitor the valuation methods and make the management estimates as thoughtful as possible.

Current assets

Current assets are recognised initially at the fair value and are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value and are partially at free disposal of the Foundation. Cash and cash equivalents represent cash in hand, bank balances and deposits with terms of less than twelve months.

Accounts payable and deferred liabilities

Accounts payable and deferred liabilities are recognised initially at the fair value and are subsequently measured at amortised cost. Short term liabilities do have a maturity date within one year.

Revaluation reserve

If revaluations have been recognised in the revaluation reserve after the deduction of relevant (deferred) tax liabilities, the gross result of the realised revaluations is recognised in the profit and loss account. The corresponding release of the (deferred) tax liabilities is charged to the operating result as tax on the result.

Currency

The annual accounts are presented in euros, the Foundation's functional 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 the functional currency as per month end. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the exchange rate applying on the transaction date. Exchange rate differences are also taken to the profit and loss account.

Principles for determination of profit

The result is the difference between the realisable value of the services provided and the costs and other charges during the year. The principle for determining profit is based on the attribution of income and expenses to the relevant period of realisation. The income from payments of profit on investments is accounted for in the year when payment is made available. The conversion of income and expenses into euros occurs at the exchange rate applying on the transaction date. Unrealised value adjustments of investments, currency hedging instruments, exchange rate differences and additions to and reversals of specific provisions are separately debited or credited to the profit and loss account. Unrealised positive revaluation results as a result of unrealized value adjustments of investments are added to the revaluation reserve.

Interest income and interest expenses

Interest income and expenses are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognised transaction expenses for loans received are taken into consideration.

(Operational) expenditure

Expenses are attributed to the corresponding period. When determining the accruals, expenditure paid in advance is also taken into consideration.

Other income and expenses

Other income and expenses are attributed to the corresponding period.

Taxes

Tax on the result is calculated based on the result before tax in the profit and loss account, taking account of the losses available for set-off from previous financial years (if applicable and to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Cashflow statement

The cash flow statement is presented by using the direct method.

Risks

Management of financial risks

The Foundation has a number of financial risks. The policy of Triodos Sustainable Finance Foundation regarding these risks is listed below.

Market risk

Market risk concerns the risk that the value of an investment fluctuates as a result of fluctuations of the following external factors, such as:

- I. Exchange rate (currency risk)
- II. Interest rate (interest rate risk)
- III. Market price (market price risk)

Ad I: The reference currency for Triodos Sustainable Finance Foundation is EUR, while its investments are predominantly made in USD or local currency. It is Triodos Sustainable Finance Foundation's policy to hedge currency exposures when possible and appropriate and it limits its open currency exposure to any single local currency to 15% of the Foundation's Net Asset Value. An overview of hedged and open exposure to single currencies can be found in Annex A.

Ad II: The result of Triodos Sustainable Finance Foundation is partly dependent on developments in the capital market. Depending on the composition of the portfolio, a change in the interest rate on the capital market may have a positive or negative effect on the results of Triodos Sustainable Finance Foundation. Given the nature of the loans, the fact that there is no active market for these loans, the subjective assumptions regarding the interest rate determination and the relatively short interest rate periods, the interest rate changes have a limited effect on the valuation. As a result, the interest rate risk expired by Triodos Sustainable Finance Foundation is also limited.

Ad III: Investments in participations involve market price risk. The value of these investments is influenced by external factors, such as the prospects of economic growth and inflation. The more fluctuation, the greater the market risk. The Foundation cannot defend itself from macroeconomic factors that affect the value of agricultural land and other financial investments.

Concentration risk

Triodos Sustainable Finance Foundation aims to keep single investee exposures below 10% and its single country exposure below 20% of its Net Asset Value. However, its exposure to ACLEDA Bank in Cambodia remains higher due to continuous positive revaluations. As the revaluations of equity participations are unrealised gains and do not comprise disbursements from Triodos Sustainable Finance Foundation, this so-called passive breach of concentration guideline is deemed acceptable.

Valuation risk

Valuation risk refers to the risk that the values of the participations do not reflect the fair market value because valuations are based on infrequent market-based data, assumptions and peer group comparisons. As Triodos Sustainable Finance Foundation invests almost exclusively in assets that are not traded on a regulated market and are not listed on any stock exchange, its investments may not have readily available prices and may be difficult to value. In order to determine the value of these investments, the foundation employs a consistent, transparent and appropriate valuation methodology, based on the International Private Equity and Venture Capital Valuation Guidelines (IPEV) as published by the IPEV Board and endorsed by the European Private Equity and Venture Capital Association (EVCA). To the extent that this methodology relies on periodic market-based data and peer group comparisons, the valuation of the assets may fluctuate with the variations in such data.

Credit risk

Credit risk is the risk that borrowers of Triodos Sustainable Finance Foundation cannot fulfill their debt service obligations. Most of the foundation's investees are characterised by a relatively high credit risk profile. This is mitigated by the strategy to diversify the portfolio, limiting the exposure to one single investee and limiting the aggregate exposure to a single country (see also the paragraph on 'concentration risk' above). In addition, the investments are subject to a strict approval and monitoring process. Portfolio-at-Risk (PAR) ratios (the percentage of non-performing loans in the total loan portfolio) of the financial institutions in the Triodos Sustainable Finance Foundation portfolio are a possible indicator of increased credit risk and are closely monitored on a continuous basis.

Liquidity risk

The investment portfolio of Triodos Sustainable Finance Foundation is relatively illiquid: it consists of participations in privately owned businesses or loans for which there is no active secondary market. Liquidity risk, or the risk that Triodos Sustainable Finance Foundation will not be able to attract the financial means necessary to satisfy certain obligations, is however in line with risk appetite of the Foundation. Recurrent financial obligations are mainly management fees and, in past financial years, interest payable on outstanding debt. Management expenses (including management fees) are covered by expected revenues from interest-bearing investments (loans). More volatile financial obligations are related to settlement of currency hedging instruments (which can lead to cash inflows or cash outflows). The value and due date of these instruments is monitored on a continuous basis and the Foundation maintains a minimum level of liquidity in order to ensure orderly settlement of such instruments.

Balance sheet at 31 December 2018

Assets

1. Investments

Movements in the investments during 2018:

	Participations	Subordinated loans	Senior loans	Currency hedging instruments*	Total
Position at 1 January	35,832,923	2,499,042	8,187,048	553,816	47,072,829
Investments / disbursements / Additions	4,102,581	–	774,447	–	4,877,028
Sales / repayments / releases	-1,358,174	–	-4,776,626	–	-6,134,800
Provision	–	-1,136,229	-351,109	–	-1,487,338
Movement term points	–	–	–	–	-378,758
Revaluations	-3,783,111	–	–	–	-3,783,111
Exchange rate differences	741,477	119,993	464,513	-1,268,514	436,227
Collateral deposits	–	–	–	560,000	560,000
Position at 31 December	35,535,696	1,482,806	4,298,273	-154,698	41,162,077

* This consists of a positive amount (EUR 51,294) and negative amount (EUR 765,992) and collateral (EUR 560,000) of currency hedging instruments.

Movements in the investments during 2017:

	Participations	Subordinated loans	Senior loans	Currency hedging instruments*	Total
Position at 1 January	36,957,670	3,508,987	15,631,344	-2,690,404	53,407,597
Investments / disbursements / Additions	5,278,539	–	946,547	–	6,225,086
Sales / repayments / releases	-430,657	-704,104	-7,408,618	–	-8,543,379
Provision	–	–	338,565	–	338,565
Movement term points	–	–	–	24,209	24,209
Revaluations	-3,609,116	–	–	–	-3,609,116
Exchange rate differences	-2,363,513	-305,841	-1,320,790	3,220,011	-770,133
Position at 31 December	35,832,923	2,499,042	8,187,048	553,816	47,072,829

* This consists of a positive amount (EUR 812,011) and negative amount (EUR 258,195) of currency hedging instruments.

The revaluations shown in the tables above, show the net amount of positive and negative revaluations of all participations during the year. In case there is a cumulative positive revaluation of an individual

participation, the revaluation is shown in the revaluation reserves and therefore no direct reconciliation can be made. The fair value of the investments is materially in line with the carrying value of these investments. The remaining term of the loans varies from 0 to 48 months. The loans are mainly risk-bearing loans without mortgage security or other collateral.

Provision for loans	2018	2017
Balance as at 1 January	1,673,345	1,994,762
Additional provisions	1,477,559	749,100
Write-off	–	-440,009
Reversal	-47,335	-852,208
Exchange rate differences	57,113	221,700
Balance as at 31 December	3,160,682	1,673,345

2. Breakdown currency hedging instruments

	31.12.2018	31.12.2017
Receivable leggs EUR or USD	24,184,514	32,268,641
Payable leggs foreign currency	-24,899,212	-32,307,858
Net value of the leggs	-714,698	-39,217
Term points	-	593,033
Collateral deposit	560,000	-
	-154,698	553,816

The maturity date of the currency hedging instruments is:

	31.12.2018	31.12.2017
Less than one year	-650,821	721,982
One to five years	-63,877	-168,166
Total without collateral deposit	-714,698	553,816

Triodos Sustainable Finance Foundation uses forward currency hedging instruments and cross currency interest rate swaps only for hedging foreign exchange risks in outstanding investments or the cash flow of these investments. A breakdown of currency hedging of all investments and currency hedging instruments can be found on page 27, annex A. The fair value of the currency hedging instruments approximates the book value. At year-end 2018, the fair value of the currency hedging instruments (without the collateral deposit) amounted to EUR -723,876.

3. Receivables and deferred assets

	31.12.2018	31.12.2017
Accrued interest on loans	273,570	400,207
Corporate Income Tax	216,139	184,662
Interest and repayments charged	119,680	2,495,193
Value added tax	100,624	179,377
Other	31,785	20,473
	741,798	3,279,912

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

4. Cash and cash equivalents

	31.12.2018	31.12.2017
Triodos Bank, current account EUR	6,389,337	4,435,200
Triodos Bank, savings account EUR	873	873
Rabobank, current accounts EUR	9,976,888	8,271,320
Rabobank, current accounts USD	50,699	19,430
	16,417,797	12,726,823

Cash and cash equivalents at 31 December 2018 are available for committed financings. All accounts are at free disposal of the foundation.

The interest rate on the Triodos Bank current and savings account was 0.0% (2017 0.0%).

The interest rate in 2018 on the Rabobank EUR account and the Rabobank USD accounts was Eonia minus 0,2%, (2017: Eonia minus 0.2%).

Liabilities

5. Short-term liabilities

	31.12.2018	31.12.2017
Management fee payable to Triodos Investment Management	371,512	411,964
Accounts Payable	425,714	555,067
Interest Payable	22,919	12,718
Independent Auditor's and consultancy fees	9197	8,354
Miscellaneous	3,897	5,628
	833,239	993,731

The amounts payable are expected to be paid within one year.

6. Capital

	2018	2017
Position at 1 January	32,128,869	32,128,869
Result previous year	–	–
Position at 31 December	32,128,869	32,128,869

The total equity is on a going concern basis at free disposal of Triodos Sustainable Finance Foundation.

As described in article 13.6 of the Articles of Triodos Sustainable Finance Foundation, in case the Management Board would decide to wind up the Foundation, any credit balance remaining shall accrue to the DOEN-Postcodeloterij Foundation.

Also described in the Articles is the right of the Foundation to change the destination of any credit balance on dissolution and to amend the articles subject to the condition that the Foundation makes a supplement donation to DOEN-Postcodeloterij Foundation of EUR 10,000,000, which amount will be corrected with a fixed inflation percentage of 2% on an annual basis commencing per 2014 and that any credit balance that remains can only be applied in favour of general utility institutions who pursue the original objects of the Foundation as described in article 2.1.

7. Revaluation reserves

	2018	2017
Position at 1 January	12,669,787	19,279,866
Movement positive revaluations	-3,653,467	-6,610,079
Position at 31 December	9,016,320	12,669,787

8. Other reserves

	2018	2017
Position at 1 January	18,736,485	10,610,119
Movement positive revaluations	3,653,465	6,610,079
Result previous year	-1,449,308	1,516,287
Position at 31 December	20,940,642	18,736,485

9. Unappropriated result

	2018	2017
Position at 1 January	1,449,308	1,516,287
Movement to other reserves	-1,449,308	-1,516,287
Unappropriated result current year	-4,597,398	-1,449,308
Position at 31 December	-4,597,398	-1,449,308

Off-balance sheet items

10. Off-balance sheet commitments

	2018	2017
Participations: LeapFrog Financial Inclusion Fund	–	178,592
Loan: Hivos Triodos Fonds	2,500,000	–
Subordinated loan: Stg. Grondbeheer Biologisch Dynamische Landbouw	600,000	–
	3,100,000	178,592

Profit and loss account for the year ended 31 December 2018

Income

11. Revenues from investments: participations

This item comprises dividend payments of EUR 240,919 (2017: EUR 215,471) of three companies (2018: three companies) in which participations are held and a stock dividend of EUR 2,291,929 (2017: EUR 3,742,152).

12. Revenues from investments: (subordinated) loans issued

This includes interest income on subordinated and senior loans provided.

13. Interest on cash and cash equivalents

This relates to the interest earned on bank account balances.

Expenses

14. Management expenses

	2018	2017
Management fee	1,521,466	1,829,874
Office expenses	8,344	18,167
Legal fees	7,342	2,365
Independent Auditor's fees	18,105	21,664
Publicity expenses	1,292	1,268
Total management expenses	1,556,549	1,873,338

- The management expenses contain the management fee for Triodos Investment Management B.V., which is
- 4.50% (annually) of the value of the outstanding participations and convertible loans at the end of each quarter;
 - 2.75% (annually) of the value of the outstanding subordinated and senior loans and (net) currency hedging instruments including, interest and repayments in arrears, at the end of each quarter;
 - 1.00% (annually) of the value of the investments in funds managed by or loans to related parties, at the end of each quarter.
 - Carried interest over cash dividends after hurdle rate.

15. Transaction results currency hedging instruments

This relates to the transaction costs on currency hedging instruments.

16. Interest expenses

This relates to the interest costs on current accounts and to corporate income tax and value added tax previous years.

17. Exchange rate differences

Exchange rate differences on current assets, accounts payable, provisions, deferred liabilities and forward currency hedging instruments are reported here.

18. Movement in provisions for loans

Additions to, and reversals of the provisions are reported here.

19. Corporate income tax

This item concerns the corporate income tax expense through the profit and loss account.

20. (Appropriation of the) net result

The negative result for 2018 of EUR 4,597,398 will be deducted from the other reserves.

Subsequent events

There were no events after balance sheet date with material impact on Triodos Sustainable Finance Foundation or figures in this report.

Proposed appropriation of result

The result of the year 2018 is proposed to be deducted from the other reserves.

Related parties

Triodos Sustainable Finance Foundation is related to other legal entities. The relevant related parties and corresponding transactions over 2018 and / or positions as at 31 December 2018 are:

1. Triodos Investment Management B.V.:
 - Triodos Investment Management carries out management activities for Triodos Sustainable Finance Foundation and receives a competitive management fee and carried interest for these activities from the profit (after deduction of a hurdle rate) realised from sales of participations and over received dividends (amounting to EUR 1,521,466 for 2018; EUR 1,829,874 for 2017)
2. Triodos Bank N.V.:
 - Triodos Bank NV is the sole shareholder of Triodos Investment Management B.V.
 - Triodos Sustainable Finance Foundation has deposited part of its cash and cash equivalents (39%) with Triodos Bank at arm's-length rates.
3. Triodos Organic Growth Fund:
 - Triodos Organic Growth Fund is also managed by Triodos Investment Management B.V.
 - Triodos Sustainable Finance Foundation has made a EUR 3,000,000 investment in Triodos Organic Growth Fund.
4. Triodos Renewables Europe Fund:
 - Triodos Renewables Europe Fund is also managed by Triodos Investment Management BV. Triodos Sustainable Finance Foundation has made a EUR 3,000,000 investment in Triodos Renewables Europe Fund.
5. Triodos Sustainable Trade Fund:
 - Triodos Sustainable Trade Fund is also managed by Triodos Investment Management BV. Triodos Sustainable Finance Foundation has made a USD 3,000,000 disbursement of subordinated loan to Triodos Sustainable Trade Fund.
6. Triodos Vastgoedfonds
 - Triodos Vastgoedfonds is also managed by Triodos Investment Management BV. Triodos Sustainable Finance Foundation has made a EUR 1,400,000 investment in Triodos Vastgoedfonds.

7. MFX Solutions LLC:

- MFX Solutions LLC is a financial institution with a focus on currency hedge instruments. Stichting Triodos Sustainable Finance Foundation has a minority stake in and fulfills supervisory tasks related to MFX Solutions LLC. Triodos Sustainable Finance Foundation has 16% of its currency instruments with this institution at arm's-length rates.

8. Triodos Sustainable Finance Foundation provided together with Triodos Fair Share Fund, Stichting Hivos-Triodos Fund and Triodos SICAV II-Triodos Microfinance Fund financing (syndicated loans) for EUR 1.8 million at year-end 2018. It also jointly occurred in investments in shares, EUR 25.0 million at year-end 2018. Triodos Investment Management acts as syndicate leader and carries out the management of these entities.

Zeist, 27 June 2019

Board of Management

Jellie Banga
Peter Blom

Other information

Agreement with DOEN Foundation

As described in its articles of Triodos Sustainable Finance Foundation and referring to the agreement with DOEN Foundation dated 22 December 2011, the Foundation has the right to change the destination of any credit balance on dissolution and to amend the articles subject to the condition that the Foundation makes a supplement donation to DOEN-PostcodeLoterij Foundation of EUR 10,000,000, which amount will be corrected with a fixed inflation percentage of 2% on an annual basis commencing per 2014 and that any credit balance that remains can only be applied in favour of general utility institutions who pursue the original objects of the Foundation as described in article 2.1

ANBI-status

Stichting Triodos Sustainable Finance Foundation has a charitable status in the Netherlands (ANBI-status). Stichting Triodos Sustainable Finance Foundation is registered under RSIN: 802577313.

Independent auditor's report

The independent auditors' report is included on the next page.

Independent auditor's report

To: The Board of Management of Stichting Triodos Sustainable Finance Foundation

Report on the financial statements 2018

Our opinion

In our opinion, Stichting Triodos Sustainable Finance Foundation's financial statements give a true and fair view of the financial position of the Foundation 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 Stichting Triodos Sustainable Finance Foundation, Zeist ('the Foundation').

The financial statements comprise:

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

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of Stichting Triodos Sustainable Finance Foundation in accordance with 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 report by the Board of Management;
- general information;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- annex A: Investment portfolio breakdown by currency; and
- address and publication details.

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 Board of Management 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 Board of Management for the financial statements

The Board of Management 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 Board of Management 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 Board of Management is responsible for assessing the Foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Management should prepare the financial statements using the going-concern basis of accounting unless the Board of Management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the Foundation'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, 27 Juni 2019
PricewaterhouseCoopers Accountants N.V.

J. IJspeert RA

Appendix to our auditor's report on the financial statements 2018 of Stichting Triodos Sustainable Finance Foundation

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 Foundation's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Concluding on the appropriateness of the Board of Management'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 Foundation'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.
- 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 board of management 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: Investment portfolio breakdown by currency

amounts in EUR	Investments	Hedged (or no exposure)	Open exposure	Percentage of total investment portfolio
Cambodia, Cambodian Riel, KHR	288,810		228,810	0.70%
India, Indian Rupee (INR)	752,043		752,043	1.83%
Jordan, Jordanian Dinar (JOD)	867,137		867,137	2.11%
Kazakhstan, Kazakh Tenge (KZT)	779,697	779,697	-	1.89%
Nigeria, Nigerian Naira (NGN)	504,294	504,294	-	1.23%
Peru, Peruvian Sol (PEN)	372,302		372,302	0.90%
Total local currency	3,564,283	1,283,991	2,280,292	8.66%
EUR	11,016,004			26.76%
USD	26,736,488	23,615,222	3,121,266	64.95%
Subtotal portfolio excl, value of currency hedging instruments	41,316,775	24,889,212	5,401,559	100.38%
Value of currency hedging instruments	-714,698			-1.74%
Collateral deposits	560,000			1.36%
Total value of investment portfolio	47,072,829			100%

Address and publication details

Address

Triodos Sustainable Finance Foundation
Nieuweroordweg 1
PO Box 55, 3700 AB Zeist
The Netherlands
Telephone +31 30 693 65 00
www.triodos-im.com

Production

Triodos Sustainable Finance Foundation Annual Report 2018

Published
June 2019

Contact

If you have any comments or questions about this report,
please contact Triodos Investment Management.

This report can be downloaded from: www.triodos-im.com