

Stichting Triodos

Sustainable

Finance

Foundation

Policy Plan 2023

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Introduction

Stichting Triodos Sustainable Finance Foundation (“TSFF”) acts as a revolving wealth fund that invests its own capital and reserves for the common good.

In this policy plan, the Management Board of TSFF establishes the actual policy plan for TSFF. This plan has been approved in the Board by circular resolution dated 13 February 2023. If necessary, this policy plan will be amended on an annual basis.

We live in turbulent times, in which major issues arise. Themes such as nature and biodiversity, agriculture and food security and safety require a new approach. For that we will also have to transform the economy as we know it. We need to design an economic system that serves the necessary transitions. A system that puts the planet first and strengthens society. But this requires a different view on the role of money in society.

Since 2019, The TSFF Management Board has appointed Triodos Regenerative Money Centre (TRMC) as the Core Management Team to manage the day-to-day operations. TRMC is a new business unit within Triodos Bank NV. Besides TSFF, TRMC manages the day-to-day operations of three other vehicles with different qualities of money that aim to support projects and organizations that pioneer, catalyze, and build communities and partnerships with the explicit goal of regenerating society and the planet.

The initiatives that TRMC supports do not (yet) fit within traditional financial criteria. That is why TRMC reconsiders the built-in expectations about risk and return and puts natural and social returns first. These initiatives and pioneers contribute to accelerate necessary transitions or system change and whose activities are scalable or replicable and inspire others by giving insights or setting examples. For example, by paving a new path, by removing a blockage or by restoring something that the business community and the government do not yet address.

Within TRMC, we make a distinction between gift money and catalytic investments. TSFF focuses on catalytic investments that aim to maintain and restore a healthy ecosystem, in which people and nature live together in balance.

1. Mission, Strategy and Focus

1.1. Mission:

Triodos Sustainable Finance Foundation's mission is to finance initiatives that accelerate sustainable development worldwide. In practice, TSFF supports initiatives that dare to challenge and deviate from the status quo to regenerate society and the planet.

The Articles of Association describe the statutory objective in Article 2 as follows:

“ to finance projects aimed at social innovation, including projects in the field of environment, development cooperation and refugee aid, this in the broadest sense of the words used.”

The same Article stipulates that TSFF is a non-profit organization. TSFF uses its money to lend, invest and donate with the primary objective to regenerate, transform and benefit our society and our planet.

The quantitative objective of TSFF is to maintain its assets such that these can be invested time and time again. It strives to generate periodic income out of its activities to cover its general operating costs.

On the basis of this mission, TSFF aims to serve the common interest of society.

As described in article 14 of the articles of Triodos Sustainable Finance Foundation and referring to the agreement with DOEN Foundation dated 22 December 2011, any credit balance on dissolution will be applied in favour of a general utility institution who pursues the original objects of the foundation as described in its article 2.1.

1.2. Strategy:

TSFF acts as an investment vehicle that invests its own capital and reserves on a revolving basis through guarantees, loans, and investments (and various hybrid financial instruments) to achieve its objective. TSFF strives to have a portfolio composition that shows a turning point for transition: Moving towards a Regenerative (holistic and integrated) Economy. 100% of TSFF's capital and reserves are available to be invested towards reaching its objective. At the moment, TSFF does not have a strategy to donate.

Due to its own capital and reserves, that are temporarily liquid, TSFF does not have a strategy to raise new funding at this stage. For 2023, TSFF does not expect to receive any donation.

TSFF's portfolio composition is in transition itself. The last years, the focus has been on disposing of or exiting investments in microfinance institutions worldwide. The resulting liquidity will in the coming years be re-invested in the renewed investment strategy.

TSFF focusses on making investments that contribute to (a combination of):

- Natural Capital: Ecologically and socially resilient natural systems, including food and agricultural systems. A net positive carbon economy (meaning we will invest in (an enabling environment for realising) Co2 sequestration).
- Social Inclusion: An inclusive society, in which diversity is embraced and supported.
- Money & Society: An economy in which money serves earth & society as a whole, based on the principles of mutuality, balance and restoration. Introduction of new

financial models & intermediaries, but also in terms of innovative financing instruments.

The essence of the initiatives that TSFF is investing in are of the following nature:

Transition accelerator that has the potential to change the direction for a complete sector, by choosing a radically different business model or approach.

Regenerative frontrunner: A business model that is set up to 'heal' systems that are distorted (f.e. land, ecosystems, social inclusion/inequality).

Business/Financing model: Our investments lead to a larger opportunity, movement and/or inspiration. Scalable, replicable and/or very inspirational.

TSFF only considers investing if commercial sources (banks, investment managers) cannot adequately finance the initiative yet (additionality).

As part of its overall investment strategy, TSFF considers it to be indispensable to actively pursue and co-create new financial instruments that align with its objective to put impact first. TSFF is, for example, able to accept payments in the form of carbon credits and to work with outcome-based payment schemes. This with the aim to inspire and demonstrate that investing in nature is possible with creative new perspectives on value creation.

1.3. Focus 2023:

For 2023, TSFF focusses on evaluating prospects in Natural Capital and specifically in the themes of Blue Economy, carbon sequestration and circular economy. Starting 2023, TSFF has a promising pipeline; it is actively evaluating 10 prospects and expects to receive around 100 applications during the year. In addition, various of the existing clients are expected to request a follow-up investment.

2. Financial Budget 2023

Due to divestments in previous years, TSFF has sufficient liquidity to continue its strategy to invest in new initiatives with both equity and debt instruments.

Assumptions to grow the portfolio:

- Increase equity positions with EUR 2 million new disbursements.
- Increase loan portfolio with EUR 5 million new disbursements.

Triodos Sustainable Finance Foundation - Fund plan			
Portfolio			
(x1.000 EUR)	2021 Audited	Forecast 2022	2023 Budget
Total equity outstanding	19.928	5.638	7.638
Total debt outstanding	3.991	7.684	12.684
- Subordinated Loans	1.125	2.250	4.750
- Convertible Loans	200	160	160
- Senior Loans	916	3.524	6.024
- Impact bonds	1.000	1.000	1.000
- Other Investments (prepayments ERPA)	750	750	750
Receivable and Deferred Assets	824	PM	PM
Liquidity	19.835	31.678	24.678
Short term liabilities	-952	PM	PM
Total assets	43.626	45.000	45.000

2.1. Expected income and expenses:

On average, TSFF expects to be able to generate income to cover both the management fee for TRMC and expenses (once TSFF's assets are 80-90% invested). TSFF does not budget any income/dividend on the equity participations as TSFF typically invests in initiatives that need their capital for growth. Income resulting from divestments is only accounted for once a divestment has taken place. TSFF does not aim to be financially profitable.

As of end 2022, TSFF has placed EUR 5 million in 6 months and EUR 5 million in 12 months deposits with Triodos Bank.

2.2. Assumptions:

Income

- Income (directly or indirectly) out of equity participations is not budgeted.
- Average 3% income over average outstanding loan portfolio in different loan instruments.
- Average 1.5% income over deposits.
- Average 0% income over liquidity.

Expenses

- Management fee of 2.25% (plus VAT) of total assets.
- Expenses range between 0.25% and 0.5% of total assets depending on the complexity of the transactions.

2.3. Projections after 2023

Based on the developments in the market, and assuming no further divestments in equity positions, we foresee that the current liquidity will be invested in new initiatives that fit TSFF's objective within three years after 2023.

3. Other

3.1. Governance and Decision-making:

TSFF has a Management Board consisting of three members who have been nominated and appointed in their personal capacity based on their capabilities by Stichting Triodos Holding. The practice is to take decisions on a consensus basis. None of the members has decisive powers. In case a voting process is needed, it is stipulated in the Articles that a decision is taken by the majority.

The Management Board has appointed Triodos Regenerative Money Centre to act as the Core Management Team of TSFF and manage the day-to-day operations.

3.2. Remuneration Policy

The members of the TSFF Management Board do not receive any remuneration.

TSFF does not have any personnel. TSFF pays a market conform management fee, as a percentage of total assets, to Triodos Bank NV to cover part of the TRMC teams' salary costs, administrative services and office expenses. The TRMC team consists of 10 team members who are on the payroll of Triodos Bank NV and they are responsible for managing the day-to-day operations of four vehicles, namely TSFF, Triodos Ventures B.V., Triodos Renewable Energy for Development Fund and Stichting Triodos Foundation.

A team of 4 full-time employees (FTE) are dedicated to executing the activities of TSFF. The TRMC team is responsible for sourcing new initiatives, building networks, and partnerships to fill the pipeline. Once a prospect passes the first selection, the team performs due diligence and executes all necessary negotiations and transaction documentation. Once the investment has been made, the team is responsible for the relationship and monitoring of the initiative. For equity investments, the team is also responsible for all the activities related to divesting investments.

3.3. Administrative Organisation

The portfolio administration and the financial administration is managed by Triodos Investment Management B.V. (T-IM). Jointly with the TRMC team, the periodic internal reporting is drawn up.

The annual financial accounts of TSFF are drafted by T-IM and externally audited at the level of a "Beoordelingsverklaring" (Assessment Statement) by Grant Thornton.

The annual report is publicly available and published on the TRMC website.

3.4. Publication

TSFF publishes the required information of its financial performance and activities on <https://www.triodos.com/en/regenerative-money-centre#downloads>

4. Finally

As in previous years, TSFF aims to continue its important work, and to continue building a network of people involved in impact first investing and promoting quality of life. And together building a world that is regenerative, fair, and social.

Management Board and Core Management Team