

# Triodos Sustainable Finance Foundation

Annual report 2019

# Table of Contents

Page

---

Report by the Board of Management	1
General information	7
Annual accounts 2019	8
Other information	26
Annex A: Investment portfolio breakdown by currency	27
Address and publication details	28

## Report by the Board of Management

---

This is the twenty-sixth annual report of Stichting Triodos Sustainable Finance Foundation (Triodos Sustainable Finance Foundation), known as Triodos-Doen Foundation until December 2013. During the year 2019 the foundation continued to fulfill its 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.

The annual report of Triodos Sustainable Finance Foundation is prepared in accordance with Dutch Accounting Standard for small entities. The annual accounts of Triodos Sustainable Finance Foundation are not subject to mandatory audit by Dutch law and hence the audit by an independent auditor is considered a voluntary audit. For the financial year 2019, PwC Accountants N.V. ("PwC") has performed an audit on the annual report and noted no material findings as to the true and fair view of the annual accounts.

Based on new PwC policy (applicable as per 1 January 2020), the independent auditor's report is no longer enclosed in a situation in which the entity prepares its annual report accordance with accounting standards for small entities and PwC performs a voluntary audit (as is the case here). As a result, unlike in previous annual reports, this report is not enclosed in this 2019 annual report.

### 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 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, for new investments, shift its focus to impact investments that accelerate sustainable development worldwide. For this reason, the foundation reduced its portfolio in the inclusive finance sector and will continue to do so in the year ahead.

### Portfolio developments

#### Equity portfolio

At year-end 2019 the value of the equity portfolio amounted to EUR 32.2 million (year-end 2018: EUR 35.5 million). This decrease of EUR -3.3 million is the balance of EUR 1,7 million investments, EUR - 0.4 million divestments and EUR - 5.0 million revaluations (including currency results).

Triodos Sustainable Finance Foundation has not made any new equity investments in 2019, except for a small capital contribution of EUR 7,416.

In 2019, Triodos Sustainable Finance Foundation received an initial repayment from Triodos Vastgoedfonds further to the anticipated dissolution of Triodos Vastgoedfonds. The final amount was received in January 2020.

#### Debt portfolio

At year-end 2019, the value of the debt portfolio stood at EUR 2.8 million (year-end 2018: EUR 5.8 million). Since the foundation aims to reduce its portfolio in the inclusive finance sector, no microfinance institutions received (additional) debt funding and no new microfinance institutions were added to the debt portfolio in 2019.

Further to its broader investment focus to include impact investments that accelerate sustainable development, Triodos Sustainable Finance Foundation invested in Snowchange (Osk Luminuutos) and Stichting BioDynamisch Grondbeheer.

Snowchange is an innovative organisation that creates multidimensional impact on biodiversity, local communities and climate change mitigation in Finland. Stichting BD Grondbeheer is an independent foundation which acquires agricultural land and repays loans financing agricultural land with funds from perpetual bonds financed by donations. By this means, it wants to secure that more land is preserved for resilient initiatives that use nature-inclusive farming methods, while at the same time connecting communities, as they believe this will secure healthy food and lively earth for future generations.

Apart from this, Triodos Sustainable Finance Foundation provided a short-term loan to Stichting Hivos Triodos Fund of EUR 2,5 million, which was repaid in 2019.

In total, five investees completely reimbursed their outstanding loan amounts and one partially (remainder was written off). Two loans to one investee were fully written off (already provisioned for).

#### Financial results

The total invested portfolio of Triodos Sustainable Finance Foundation, including the value of currency hedge instruments, decreased from EUR 41.2 million as per year-end 2018 to EUR 34.9 million during 2019. This was mainly driven by the above-mentioned decrease of the foundation's debt portfolio.

The revenues from investments were slightly higher than in 2018, caused by higher revenues from participations. After deducting the (un)realised result of investments, other revenues, expenses and operating result, the net financial loss amounted to EUR -4.3 million (2018: EUR -4.6 million). As a result, the foundation's net asset value decreased to EUR 53.2 million by year-end 2019 (year-end 2018: EUR 57.5 million).

#### 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 3.8 million in 2019 (2018: EUR 3.4 million). The interest income from loans amounted to EUR 0.6 million (2018: EUR 0.9 million). 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 -6.0 million (2018: EUR -5.6 million) and was mainly caused by the decrease in value of equity investment and write-off loans.

#### COVID-19

For Triodos Sustainable Finance Foundation managed by Triodos Regenerative Money Centre, the manager expects that the impact of COVID-19 will be concentrated on the valuations of the investments. The current processes regarding the valuations of the foundation's investments periodically provide for adjustments to the valuations, including the impact of COVID-19 on the valuations if there is reason to do so and if this impact can be determined sufficiently in terms of quantity. Moreover, account is taken of an increased credit risk in the case of outstanding loans. There is a risk that a counterparty may not be able to meet its interest and repayment obligations, thus adversely affecting the foundation's profits and net assets. This risk is also periodically evaluated as part of the existing processes and, if there is reason to do so, measures and/or provisions will be taken.

The foundation's liquidity risk is estimated to be low, the foundation does not have periodic in- and outflow of participants and/or shareholders. Additionally, as a result of the reduction of its portfolio in the inclusive finance sector, the foundation currently has a relatively high liquidity rate.

In general, the foundation is well positioned. The foundation has a low correlation with developments on the financial markets. However, in times of crisis, correlations can increase, especially for the Emerging Markets part of the portfolio. Foreign currency risk of the Foundation is limited to significant developments of the US Dollar (of investments that are not hedged) compared to the Euro and is monitored on a periodic basis.

The interest rate risk of the portfolio is deemed low because of the current composition of the portfolio and other reasons as stated in the risk paragraph. However, market price risk of the Foundation's portfolio has increased because of changes in economic (growth-)levels and inflation. The impact of these developments on the valuation of the investment portfolio is still uncertain.

Since the outbreak of COVID-19, the concentration risk has not increased (significantly), and the manager monitors the development of concentration in the portfolio on a periodic basis. Valuation risk has not changed significantly given the thorough valuation process and application of the valuation methodology of the Foundation. If any, communication with parties wherein investments are held has only intensified as to gain further insight and to monitor developments.

For the above reasons, the manager assumes that there is no material uncertainty regarding the continuity of the foundation under its management.

The manager, Triodos Regenerative Money Centre, considers the COVID-19 pandemic a major event after the close of financial year 2019 as well. At this stage, it is not possible to fully assess the impact of the pandemic on people, businesses and the economy in general. However, we expect the manager's growth to be limited or to stabilise by 2020, due to the effects of the COVID-19 pandemic. The main risk identified for the manager is that staff, including staff at external service suppliers, such as Triodos Investment Management BV, may become ill and be unable to perform their duties to the extent that critical or other processes cannot be carried out. The manager has identified critical processes and persons and has taken appropriate measures, including making staff members work from home where possible and prohibiting international and domestic trips. These are measures that have also been tested and work effectively in practice.

## Outlook and policy for 2020 and beyond

Triodos Sustainable Finance Foundation continues to fulfill its 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 2020. As was the case in the past, both debt and equity investments and both direct and fund-of-fund investments will be considered. A renewed investment strategy, compliant with the mission of the Foundation while focusing on new developments that support the transition to a more resilient, circular and social Inclusive society and economy, has been discussed with and approved by the Board in August 2019. The investment team is now fully focused to roll out the new strategy and find projects that fit the adjusted investment profile.

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.

The designated COVID-19 section refers to the impact of COVID-19 on the manager and the foundation. As the situation regarding COVID-19 and the impact of COVID-19 may vary from day to day, the actual impact that COVID-19 may have on the foundation is difficult to predict and cannot be foreseen. At the moment, and based on impact analyses carried out by the manager, the impact of COVID-19 on the foundation and more specifically on the foundation's operations is not considered to be a material uncertainty with regard to the foundation's continuity.

## Remuneration

The Board of Management of Triodos Sustainable Finance Foundation did not receive any remuneration in 2019.

Zeist, The Netherlands, 29 June 2020

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 Riella Hollander (as of 1 April 2020). The Executive Board of Triodos Bank NV consists of Peter Blom, Jellie Banga, Andre Haag (as of January 2020) and Carla van der Weerd (as of 17 May 2019), whereas Peter Blom (as of 1 April 2020) is responsible for this new business unit. José van Pul is the Fund Manager of Triodos Sustainable Finance Foundation.

## Annual Accounts 2019

### Stichting Triodos Sustainable Finance Foundation

Page

---

Balance sheet at 31 December 2019	8
Profit and loss account for the year ended 31 December 2019	9
Cash flow statement for the year ended 31 December 2019	10
Notes to the balance sheet and profit and loss account	11



## Balance sheet at 31 December, 2019

Before appropriation of results (amounts in EUR)	Note	31.12.2019	31.12.2018
<b>Fixed Assets: Investments</b>			
Participations	1	32,174,798	35,535,696
Subordinated loans	1	600,000	1,482,806
Senior loans	1	2,156,049	4,298,273
Collateral paid	1	-	560,000
Currency hedging instruments positive	1, 2	196,007	51,294
Total of fixed assets		35,126,855	41,928,069
<b>Current assets</b>			
Receivables and deferred assets	3	432,222	741,798
Cash and cash equivalents	4	18,589,909	16,417,797
Total of current assets		19,022,131	17,159,595
<b>Short-term liabilities</b>			
Short-term liabilities	5	-757,694	-833,239
Currency hedging instruments negative	1, 2	-180,668	-765,992
<b>Result current assets and short-term liabilities</b>		18,083,768	15,560,364
<b>Result total assets and short-term liabilities</b>		53,210,623	57,488,433
<b>Equity</b>			
Capital	6	32,128,869	32,128,869
Revaluation reserves	7	4,967,538	9,016,320
Other reserves	8	20,392,026	20,940,642
Unappropriated result	9	-4,277,810	-4,597,398
<b>Total long-term liabilities and equity</b>		53,210,623	57,488,433
<b>Off-balance sheet commitments</b>			
Off-balance sheet commitments	10		
Committed loans		200,000	3,100,000
Committed participations		500,000	-

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

## Profit and loss account for the year ended 31 December 2019

(amounts in EUR)	Note	2019	2018
<b>Revenues from investments</b>			
Participations	11	3,215,079	2,532,848
(Subordinated) loans issued	12	600,072	887,242
		3,815,151	3,420,090
<b>Realised result of investments</b>			
Participations		67	60,552
<b>Unrealised result of investments</b>			
Participations		-5,069,219	-3,047,833
(Subordinated) loans issued		333,669	582,777
Currency hedging instruments		386,678	-1,173,356
		-4,348,872	-3,638,412
Other revenues		143,868	250
<b>Total revenues</b>		-389,786	-157,520
<b>Expenses</b>			
Management expenses	13	-1,393,686	-1,556,549
Transaction results currency hedging instruments	14	-710,085	-808,640
Interest expenses	15	-86,571	-80,749
<b>Total expenses</b>		-2,190,342	-2,445,938
<b>Operating result</b>		-2,580,128	-2,603,458
Exchange rate differences	16	-1,110,955	-346,507
Movement in provision for loans	17	-586,727	-1,647,433
Corporate income tax	18	-	-
<b>Net result</b>	<b>19</b>	<b>-4,277,810</b>	<b>-4,597,398</b>

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

## Cash flow statement for the year ended 31 December 2019

---

(amounts in EUR)	2019	2018
<b>Cash flow from investment activities</b>		
Receipt revenues from participations	1,482,745	209,414
Receipt revenues from (subordinated) loans	839,071	717,321
Paid settlements from currency hedging instruments	-2,071,672	-817,159
Investments in participations	-7,416	-680,555
Sales of participations	-	1,493,312
Disbursement of (subordinated) loans	-3,500,002	-791,397
Repayment of (subordinated) loans	6,355,193	5,907,231
Collateral deposits	560,000	-560,000
Payment of management fees	-1,443,161	-1,547,472
Other payments and receipts	-46,503	-208,944
<b>Total cash flow from investment activities</b>		
<b>Net Cash Flow</b>	2,168,255	3,721,751
Exchange differences on cash and cash equivalents	3,857	-30,777
<b>Cash flow</b>	2,172,112	3,690,974
Cash and cash equivalents at 1 January	16,417,797	12,726,823
Cash flow	2,172,112	3,690,974
<b>Cash and cash equivalents at 31 December</b>	18,589,909	16,417,797

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-sixth 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.

### COVID-19

For Triodos Sustainable Finance Foundation managed by Triodos Regenerative Money Centre, the manager expects that the impact of COVID-19 will be concentrated on the valuations of the investments. The current processes regarding the valuations of the foundation's investments periodically provide for adjustments to the valuations, including the impact of COVID-19 on the valuations if there is reason to do so and if this impact can be determined sufficiently in terms of quantity. Moreover, account is taken of an increased credit risk in the case of outstanding loans. There is a risk that a counterparty may not be able to meet its interest and repayment obligations, thus adversely affecting the foundation's profits and net assets. This risk is also periodically evaluated as part of the existing processes and, if there is reason to do so, measures and/or provisions will be taken.

The foundation's liquidity risk is estimated to be low, the foundation does not have periodic in- and outflow of participants and/or shareholders. Additionally, as a result of the reduction of its portfolio in the inclusive finance sector, the foundation currently has a relatively high liquidity rate.

In general, the foundation is well positioned. The foundation has a low correlation with developments on the financial markets. However, in times of crisis, correlations can increase, especially for the Emerging Markets part of the portfolio. Foreign currency risk of the Foundation is limited to significant developments of the US Dollar (of investments that are not hedged) compared to the Euro and is monitored on a periodic basis.

The interest rate risk of the portfolio is deemed low because of the current composition of the portfolio and other reasons as stated in the risk paragraph. However, market price risk of the Foundation's portfolio has increased because of changes in economic (growth-)levels and inflation. The impact of these developments on the valuation of the investment portfolio is still uncertain.

Since the outbreak of COVID-19, the concentration risk has not increased (significantly), and the manager monitors the development of concentration in the portfolio on a periodic basis. Valuation risk has not changed significantly given the thorough valuation process and application of the valuation methodology of the Foundation. If any, communication with parties wherein investments are held has only intensified as to gain further insight and to monitor developments.

For the above reasons, the manager assumes that there is no material uncertainty regarding the continuity of the foundation under its management.

The manager, Triodos Regenerative Money Centre, considers the COVID-19 pandemic a major event after the close of financial year 2019 as well. At this stage, it is not possible to fully assess the impact of the pandemic on people, businesses and the economy in general. However, we expect the manager's growth to be limited or to stabilise by 2020, due to the effects of the COVID-19 pandemic. The main risk identified for the manager is that staff, including staff at external service suppliers, such as Triodos Investment Management BV, may become ill and be unable to perform their duties to the extent that critical or other processes cannot be carried out. The manager has identified critical processes and persons and has taken appropriate measures, including making staff members work from home where possible and prohibiting

international and domestic trips. These are measures that have also been tested and work effectively in practice.

## **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').

Assets and liabilities are generally valued at historical cost or at fair value at the time of acquisition. If no specific valuation principle has been stated below, valuation is at historical cost. In the balance sheet and profit and loss account, references are made to the notes. The accompanying notes form an integral part of the annual accounts, including the cash flow statement.

### **Judgements, estimates and uncertainties**

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

### **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.

## **Valuation of investments**

The investments are valued on the basis of amortised cost (loans) or fair value (participations and currency hedging instruments). 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.

### **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 unrealised 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.

In 2020 it has been decided that the foreign currency fluctuations of equity Investments are no longer hedged.

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 2019

### Assets

#### 1. Investments

Movements in the investments during 2019:

	Participations	Subordinated loans	Senior loans	Currency hedging instruments*	Total
<b>Position at 1 January</b>	35,535,696	1,482,806	4,298,273	-154,698	41,162,077
Investments / disbursements / Additions	1,708,321	3,277,704	2,900,002	-	7,886,027
Sales / repayments / releases	-	-5,336,666	5,884,101	-	-11,220,767
Provision	-	1,136,229	548,133	-	1,684,362
Revaluations	-5,503,935	-	-	-	-5,503,935
Revaluations as a result of exchange rate differences	434,716	39,927	293,742	730,037	1,498,422
Collateral deposits	-	-	-	-560,000	-560,000
<b>Position at 31 December</b>	<b>32,174,798</b>	<b>600,000</b>	<b>2,156,049</b>	<b>15,339</b>	<b>34,946,186</b>

\* This consists of a positive amount (EUR 196,007) and negative amount (EUR 180,668) and collateral (EUR 0) of currency hedging instruments.

Movements in the investments during 2018:

	Participations	Subordinated loans	Senior loans	Currency hedging instruments*	Total
<b>Position at 1 January</b>	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	-	-	-		
Revaluations	-3,783,111	-	-	-	-3,783,111
Revaluations as a result of exchange rate differences	741,477	119,993	464,513	-1,268,514	57,469
Collateral deposits	-	-	-	560,000	560,000
<b>Position at 31 December</b>	<b>35,535,696</b>	<b>1,482,806</b>	<b>4,298,273</b>	<b>-154,698</b>	<b>41,162,077</b>

\* This consists of a positive amount (EUR 51,294) and negative amount (EUR 765,992) and collateral (EUR 560.000) 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, which is detailed in the table below. The loans are mainly risk-bearing loans without mortgage security or other collateral.

Subordinated loans	2019	2018
Maturing < 1 year	-	1,482,806
Maturing > 1 year	600,000	-
<b>Total</b>	<b>600,000</b>	<b>1,482,806</b>

Senior loans	2019	2018
Maturing < 1 year	515,391	2,307,945
Maturing > 1 year	1,640,658	1,990,861
<b>Total</b>	<b>2,156,049</b>	<b>4,298,806</b>

Provision for loans	2019	2018
Balance as at 1 January	3,160,682	1,673,345
Additional provisions	438,357	1,477,559
Write-off	-2,241,499	-
Reversal	-	-47,335
Exchange rate differences	118,780	57,113
<b>Balance as at 31 December</b>	<b>1,476,320</b>	<b>3,160,682</b>

## 2. Breakdown currency hedging instruments

	31.12.2019	31.12.2018
Receivable legs EUR or USD	20,270,760	24,184,514
Payable legs foreign currency	-20,255,421	-24,899,212
Net value of the legs	15,339	-714,698
Collateral deposit	0	560,000
	15,339	-154,698

The maturity date of the currency hedging instruments is:

	31.12.2019	31.12.2018
Less than one year	7,746	-650,821
One to five years	7,593	-63,877
Total without collateral deposit	15,339	-714,698

Movements in foreign exchange forward contracts for the financial year:

	2019	2018
Value per 01.01	-714,698	553,816
Expiration	-2,071,672	-817,159
Revaluation due to exchange rate differences	2,801,709	-451,355
Value per 31.12	15,339	-714,698

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 29, annex A.

## 3. Receivables and deferred assets

	31.12.2019	31.12.2018
Accrued interest on loans	139,459	273,570
Corporate Income Tax	247,123	216,139
Interest and repayments charged	-	119,680
Value added tax	-	100,624
Other	45,640	31,785

	432,222	741,798
--	---------	---------

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

#### 4. Cash and cash equivalents

	31.12.2019	31.12.2018
Triodos Bank, current account EUR	7,126,823	6,389,337
Triodos Bank, savings account EUR	873	873
Rabobank, current accounts EUR	11,450,333	9,976,888
Rabobank, current accounts USD	11,880	50,699
	18,589,909	16,417,797

Cash and cash equivalents at 31 December 2019 are available for committed financings. All accounts are at free disposal of the foundation.

The balance per account held with Triodos Bank above EUR 500,000 is subject to interest of 0.70% at year-end 2019 (year-end 2018: 0.50% above EUR 500,000).

The interest rate in 2019 on the Rabobank EUR account and the Rabobank USD accounts was Eonia minus 0.2% (2018: Eonia minus 0.2%).

## Liabilities

#### 5. Short-term liabilities

	31.12.2019	31.12.2018
Management fee Payable	644,758	371,512
Accounts Payable	22,849	425,714
Interest Payable	28,395	22,919
Interest and repayments charged	20,635	-
Independent Auditor's and consultancy fees	13,175	9,197
Value added tax	26,724	-
Miscellaneous	1,158	3,897
	757,694	833,239

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

#### 6. Capital

	2019	2018
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

	2019	2018
Position at 1 January	9,016,320	12,669,787
Movement positive revaluations	-4,048,782	-3,653,467
Position at 31 December	4,967,538	9,016,320

## 8. Other reserves

	2019	2018
Position at 1 January	20,940,642	18,736,485
Movement positive revaluations	4,048,782	3,653,465
Result previous year	-4,597,398	-1,449,308
Position at 31 December	20,392,026	20,940,642

## 9. Unappropriated result

	2019	2018
Position at 1 January	-4,597,398	1,449,308
Movement to other reserves	4,597,398	-1,449,308
Unappropriated result current year	-4,277,810	-4,597,398
Position at 31 December	-4,277,810	-4,597,398

## Off-balance sheet items

### 10. Off-balance sheet commitments

	2019	2018
Participations: Bolsa Social Impacto FESE	500,000	–
Loan; On the Rocks B.V.	200,000	–
Loan: Hivos Triodos Fonds	-	2,500,000
Subordinated loan: Stg. Grondbeheer Biologisch Dynamische Landbouw	-	600,000
	<b>700,000</b>	<b>3,100,000</b>

## Profit and loss account for the year ended 31 December 2019

### Income

#### 11. Revenues from investments: participations

This item comprises cash dividend of EUR 1,514,174 (2018: EUR 240,919) of two companies (2018: three companies) in which participations are held and a stock dividend of EUR 1,700,905 (2018: EUR 2,291,929).

#### 12. Revenues from investments: (subordinated) loans issued

This includes interest income on subordinated and senior loans provided.

### Expenses

#### 13. Management expenses

	2019	2018
Management fee	1,361,423	1,521,466
Office expenses	5,374	8,344
Legal fees	947	7,342
Independent Auditor's fees	25,942	18,105
Publicity expenses	-	1,292
Total management expenses	1,393,686	1,556,549

Triodos Investment Management B.V. performed management activities for the period up until March 31, 2019 and received a management fee, 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.

As per April 1, 2019, Triodos Bank N.V. performed management activities and received the following fee:

- 2.25% (annually) of the value of the balance sheet total at the end of each quarter.
- Carried interest over cash dividends after hurdle rate.

#### **14. Transaction results currency hedging instruments**

This relates to the transaction costs on currency hedging instruments.

#### **15. Interest expenses**

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

#### **16. Exchange rate differences**

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

#### **17. Movement in provisions for loans**

Additions to, and reversals of the provisions are reported here. For the movement in the provisions for loans, please refer to note 1.

#### **18. Corporate income tax**

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

#### **19. (Appropriation of the) net result**

The negative result for 2019 of EUR - 4,3 million will be deducted from the other reserves.

### **Subsequent events**

#### **COVID-19**

The developments with respect to COVID-19 are considered by the foundation as a post-balance-sheet event (non-adjusting). The manager does not regard the impact of COVID-19 on the foundation under its management as a material uncertainty with regard to the foundation's continuity. The situation regarding COVID-19 and the impact of COVID-19 varies from day to day, making it difficult to predict and foresee how it may actually impact the foundation. For more information on the impact and possible consequences of COVID-19 for the foundation, please refer to page 4 of the report by the board of management and page 11 of the annual accounts.

Whilst uncertain, management of the Foundation, based on the facts and circumstances as described above, do not consider that the impact of the COVID-19 pandemic will have a material adverse effect on the Foundation's financial condition or liquidity for at least the next twelve months after signing the financial statements. Accordingly, management consider it appropriate that the Foundation adopts the going concern basis of accounting in the preparation of the financial statements.

#### **Revaluations**

The total portfolio of the Foundation has been reduced in the first quarter of 2020 with EUR 6.6 million as a result of downward revaluations.

### **Proposed appropriation of result**



The result of the year 2019 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 2019 and / or positions as at 31 December 2019 are:

### 1. Triodos Bank N.V.:

- From 1 April 2019, Triodos Bank N.V. 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 1,001,946 for 2019;). Until 1 April 2019, Triodos Investment Management carried out these activities, for an amount of 359,476 (EUR 1,521,466 for the whole of 2018).
- Triodos Bank NV is the sole shareholder of Triodos Investment Management BV.
- Triodos Sustainable Finance Foundation has deposited part of its cash and cash equivalents (38%) with Triodos Bank at arm's-length rates.

### 2. Triodos Organic Growth Fund:

- Triodos Organic Growth Fund is also managed by Triodos Investment Management BV. Triodos Sustainable Finance Foundation has made a EUR 3,000,000 investment in Triodos Organic Growth Fund.

### 3. 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.

### 4. Triodos Sustainable Trade Fund:

- Triodos Sustainable Trade Fund was also managed by Triodos Investment Management BV. Triodos Sustainable Finance Foundation made a USD 3,000,000 disbursement of subordinated loan to Triodos Sustainable Trade Fund. Triodos Sustainable Trade Fund was liquidated in 2019.

### 5. Triodos Vastgoedfonds

- Triodos Vastgoedfonds in liquidation (as per 31 December 2019) is also managed by Triodos Investment Management BV. In the past, Triodos Sustainable Finance Foundation did make an EUR 1,400,000 investment in Triodos Vastgoedfonds. Triodos Vastgoedfonds made its final payment to shareholders in the beginning of 2020.

### 6. 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 8% of its currency instruments with this institution at arm's-length rates.

### 7. 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 0,3 million at year-end 2019. It also jointly occurred in investments in shares, EUR 22,9 million at year-end 2019. Triodos Investment Management acts as syndicate leader and carries out the management of these entities.

Zeist, 29 June 2020

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. At the beginning of 2020, a request has been sent by the Foundation to cancel its registration since the use of this status was deemed limited.

## Annex A: Investment portfolio breakdown by currency

amounts in EUR	Investments	Hedged (or no exposure)	Open exposure	Percentage of total investment portfolio
India, Indian Rupee (INR)	741,858		741,858	2,12%
Nigeria, Nigerian Naira (NGN)	515,391	515,391	-	1,48%
Total local currency	1,257,249	515,391	741,858	3.60%
EUR	10,769,391			30.82%
USD	22,904,207	19,740,030	3,164,178	65.54%
Subtotal portfolio excl, value of currency hedging instruments	34,930,847	20,255,421	3,906,035	99.96%
Value of currency hedging instruments	15,339			0.04%
Collateral deposits	-			0%
Total value of investment portfolio	34,946,186			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.com](http://www.triodos.com)

### Production

Triodos Sustainable Finance Foundation Annual Report 2019

Published  
June 2020

### Contact

If you have any comments or questions about this report,  
please contact Triodos Regenerative Money Center.

This report can be downloaded from: <https://www.triodos.com/regenerative-money-centre>