

Triodos Sustainable Finance Foundation Policy Plan 2024



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

In this document, the Management Board of TSFF establishes the actual policy plan for TSFF. This plan has been approved in the Board Meeting of 13 December 2023. If necessary, this policy plan will be amended on an annual basis.

Introduction

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. Besides TSFF, TRMC manages the day-to-day operations of three other vehicles that work with donated money and that aim to support projects and organizations that pioneer, catalyse 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 accelerating necessary transitions or systemic 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.

Management Board and Core Management Team



Mission, strategy and focus

Mission

TSFF'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.

Articles of Association

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.

Quantative objective

The quantitative objective of TSFF is to maintain its assets under management in a revolving way 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. Based on this mission, TSFF aims to serve the common interest of society.

As described in article 14 of the articles of TSFF 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.

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 2024, TSFF does not expect to receive donations.

TSFF's portfolio composition is in transition itself. In 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.

Contribution

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, based on the principles of mutuality, balance, and restoration. Introduction of new financial models & intermediaries, but also in terms of innovative financing instruments.

Mission, strategy and focus

Essence of initiatives

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. For example, 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 is combined with the aim to inspire and demonstrate that investing in nature is possible with creative new perspectives on value creation.

Focus for 2024

For 2024, TSFF focusses on evaluating prospects in Natural Capital and specifically in the themes of Blue Economy, carbon sequestration and circular economy. In 2024, TSFF will continue to explore new investment opportunities. In addition, various of the existing clients are expected to request a follow-up investment.

In addition, TSFF is involved in a broader project to enhance the efficiency of its operations and to further improve its governance structure. The implementation phase is expected to start in 2024 and to be completed during the course of 2025.

These improvements will help TSFF to better achieve its goal of contributing to a world that is environmentally friendly, fair, and socially responsible.



Financial budget

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.

Fund plan

Portfolio	2021 audited	2022 audited	2023 forecast	2024 budget
Total equity outstanding	€ 19.928.000	€ 5.638.000	€ 5.400.000	€ 7.400.000
Total debt outstanding	€ 3.991.000	€ 7.685.000	€ 8.350.000	€ 12.350.000
Subordinated loans	€ 1.125.000	€ 2.250.000	€ 2.625.000	€ 4.625.000
Convertible loans	€ 200.000	€ 160.000	€ 120.000	€ 120.000
Senior loans	€ 916.000	€ 3.525.000	€ 3.480.000	€ 5.105.000
Impact loans	€ 1.000.000	€ 1.000.000	€ 1.000.000	€ 1.000.000
Other investments (prepayments ERPA)	€ 750.000	€ 750.000	€ 1.125.000	€ 1.500.000
Receivable and deferred assets	€ 824.000	€ 870.000	PM	PM
Liquidity	€ 19.835.000	€ 33.513.000	€ 32.000.000	€ 26.000.000
Short term liabilities	- € 952.000	- € 1.097.000	PM	PM
Total assets	€ 43.626.000	€ 46.609.000	€ 45.750.000	€ 45.750.000

Financial budget

Expected income and expenses

On average, TSFF expects (once TSFF's assets are 80-90% invested) to be able to generate income to cover both the management fee which it pays to TRMC for management activities and its other expenses. 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 2023, TSFF has placed EUR 5 million in 6 months and EUR 5 million in 12 months deposits with Triodos Bank.

Assumptions

Income

- Income (directly or indirectly) out of equity participations is not budgeted.
- Average 5% (2023: 3%) income over average outstanding loan portfolio in different loan instruments.
- Average 3.5% (2023: 1.5%) income over deposits.
- Average 0% income over liquidity.

Expenses

- The management fee of 2.25% (plus VAT) of total assets will be increased to a range of 2.5% to 3.5% reflecting the actual costs of managing the entity.
- Expenses range between 0.25% and 0.5% of total assets depending on the complexity of the transactions.

Projections after 2024

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 2024.



Other

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 Triodos Holding. The practice is to take decisions on a consensus basis. None of the members has decisive powers. When a voting process is needed, it is stipulated in the articles that a decision is taken by the majority.

The management board has appointed TRMC to act as the Core Management Team of TSFF and manage the day-to-day operations.

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. 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 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.

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.

Publication

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

Triodos Sustainable Finance Foundation

As in previous years, TSFF aims to:

- continue its important work
- continue building a network of people involved in impact first investing and promoting quality of life
- build a world together that is regenerative, fair, and social

Management Board and Core Management Team

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Contact us to learn more about the work of Triodos Sustainable Finance Foundation.

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