

A woman in traditional colorful Mayan clothing is shown in profile, focused on her craft. She is kneeling and operating a large wooden loom. Her hands are positioned to manage the threads, which are woven into a vibrant, multi-colored fabric. The background is slightly blurred, showing other people in similar traditional attire, suggesting a communal or workshop setting. The overall scene is brightly lit, highlighting the intricate patterns and rich colors of the textiles.

Stichting Hivos-Triodos Fonds

Annual Report 2022

Stichting Hivos-Triodos Fonds is a joint initiative of Stichting Hivos and Triodos Bank.



Triodos Investment Management is a 100% subsidiary of Triodos Bank and is the manager of Stichting Hivos-Triodos Fonds.

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Key Figures

Amounts in euro	2022	2021
Participations value at the end of the year	28,767,552	21,886,161
<i>Number of contracts</i>	17	14
Loans provided	29,947,762	36,913,586
<i>Number of borrowers</i>	26	32
Subordinated loans provided	400,949	723,747
<i>Number of subordinated borrowers</i>	1	1
Total portfolio before deduction of specific provisions including loan claims and assets managed by third parties	61,188,869	60,547,661
Committed investments	7,391,141	12,100,248
Gross amount subordinated loan from Hivos	31,842,465	31,842,465
Net amount subordinated loan	31,842,465	31,842,465
Equity	17,869,271	16,510,305
Result	Over 2022	Over 2021
Income	4,390,829	6,890,526
Operating expenses	-3,323,075	-2,962,070
Operating result	1,067,754	3,928,456
Movement in general provision	-23,567	-397,702
Exchange rate result	455,887	301,453
Corporate income tax	141,108	-
Result	1,358,966	3,832,207

General Information

Stichting Hivos-Triodos Fonds (the Fund or the Foundation) was founded on 22 December 1994 by Stichting Hivos (Hivos) and Stichting Triodos Fonds.

The objective of the Foundation is defined in the articles of association as follows: 'The Foundation's aim is to contribute to the sustainable development of countries that have lagged behind in terms of prosperity and welfare, in the broadest sense of the word'. Stichting Hivos-Triodos Fonds has its registered office in Driebergen-Rijsenburg.

Board of Directors

The board of directors of Stichting Hivos-Triodos Fonds consists of:

Jacco Minnaar
Dick van Ommeren

Manager

Stichting Hivos-Triodos Fonds is managed by Triodos Investment Management B.V. Triodos Investment Management is licensed under the Financial Supervision Act. The board of Triodos Investment Management consists of:

Hadewych Kuiper (director)
Kor Bosscher (director Risk and Finance)
Dick van Ommeren (chair)

For the practical implementation of the investment management mandate, Stichting Hivos, Triodos Bank, Triodos Investment Management and Stichting Hivos-Triodos Fonds have concluded a cooperation agreement. Stichting Hivos-Triodos Fonds and Triodos IM have concluded an investment management agreement for this purpose.

Fund Manager

Triodos Investment Management has appointed a fund manager. Judith Santbergen has been fund manager of Stichting Hivos-Triodos Fonds since November 2021.

Supervisory Board

The members of Supervisory Board are:

Bernedine Bos
Michel Farkas
Diane Griffioen
Pat Pillai
Ylse van der Schoot
Johan van de Ven (chair)

Report of the Board

Stichting Hivos-Triodos Fonds (the Foundation) was set up in 1994 with the aim of contributing to sustainable socio-economic development in developing countries. Because access to financial services is an essential aspect of this, the initial focus of Stichting Hivos-Triodos Fonds was to finance microfinance institutions that provide financial services to people in the lower income strata of society. Those who have access to credit, savings products, payment services and micro-insurance can build a livelihood, use talents, and create jobs. An accessible and well-functioning financial sector thus forms an important foundation for building a solid local economy.

Since 2011, Stichting Hivos-Triodos Fonds has been committed to promoting access to renewable energy and contributing to the development of sustainable agricultural value chains in developing countries. Thus, Stichting Hivos-Triodos Fonds builds on knowledge and experience of Stichting Hivos (Hivos) and Triodos Bank in these sectors. Stichting Hivos-Triodos Fonds invests directly in companies and organisations active in sustainable agriculture and/or renewable energy. In addition, investments take place through local financial institutions and specialised funds that focus on small and medium-sized enterprises ('SMEs').

The formation of the United Nations Sustainable Development Goals and the 2015 Paris Climate Agreement reflect an increasing global awareness that sustainable change is needed. Access to finance, access to renewable energy and the greater sustainability of agricultural value chains are recurring themes that contribute to achieving the Sustainable Development Goals.

In this context, at the end of 2020, the Supervisory Board endorsed the Strategic Plan of Stichting Hivos-Triodos Fonds for the period 2021-2025. This strategy was jointly developed by Hivos and Triodos Investment Management (the Manager) and builds on the experience of recent years. Climate change and population growth are among the biggest challenges facing developing countries in the coming decades. Stichting Hivos-Triodos Fonds sees the transition to a green economy as crucial for sustainable development; inclusive economic progress, employment and poverty reduction while maintaining healthy ecosystems. In developing countries, energy and agricultural sectors are crucial in this respect, given their role in climate change and their socio-economic importance. SMEs play an important role globally as drivers of the economy and innovation; they contribute to half of the jobs and 40% of the gross national product in developing countries. At the same time, SMEs in these countries suffer from a chronic lack of access to finance.

Stichting Hivos-Triodos Fonds' strategy therefore focuses on financing green, inclusive SMEs in developing countries, particularly in the sustainable agricultural value chain and decentralised renewable energy solutions. With this, Stichting Hivos-Triodos Fonds aims to provide resilience to the effects of climate change and achieve socio-economic progress, especially for vulnerable groups such as women, youths, and rural communities. And, by proving that investments in this space can be successful, Stichting Hivos-Triodos Fonds can also inspire change: for investees, investors and the broader public. In its strategic plan 2021-2025, Stichting Hivos-Triodos Fonds also expresses its ambition for growth by attracting new funding from third parties.

There were no research and development activities during the year.

Special event

A dispute has arisen with the Uganda Revenue Authorities (URA) on the applicability of capital gains tax on an equity sale that took place in 2019.

In 2019, HTF sold its shares in Centenary Bank situated in Uganda to both Uganda resident and non-resident buyers. HTF obtained tax advice regarding this transaction from a local Ugandan reputable tax counsel stating that no capital gains tax should be due in Uganda over the realised capital gain resulting from the sales of shares in the bank.

In December 2021, the URA issued a private ruling stating that in their view capital gains tax would in fact be due in Uganda over the realised capital gain at a rate of 30%. On this basis, Stichting Hivos-Triodos Fonds requested legal advice and it appears it is more likely than not that the Foundation doesn't need to pay capital gains tax in Uganda and therefore no provision is included. Taking into account a scenario that Stichting Hivos-Triodos Fonds would need to enter into legal proceedings in Uganda, a provision has been included for the legal costs in 2021. We have been actively following up on our case with the URA. At the time of writing, there is no relevant update or change in the situation. Please refer to note 6 of the annual accounts for a further elaboration of the provision.

Market developments

The year 2022 was a year of consecutive shocks, starting with the war in Ukraine and the subsequent energy crisis, the broadening and surprising persistence of inflation, and the most aggressive rate hike campaign by major central banks in decades. Despite these shocks, generally, emerging markets have held up rather well.

The rise in inflation rates that began in 2021 persisted into 2022, driven initially by shortages caused by the COVID-19 pandemic, but exacerbated by Russia's invasion of Ukraine in February 2022. As Ukraine and Russia are major exporters of grain, the war caused food prices to soar. Additionally, as developed nations imposed sanctions on Russia, energy prices also rose throughout the year. Central banks around the world initiated or continued their monetary tightening cycles to curb inflation. Many central banks in emerging economies had already initiated interest rate increases before the Federal Reserve and ECB started their interest rate hikes. The resulting combination of high inflation, the Russia-Ukraine war, and rising interest rates led to significant economic hardship globally, from developed economies to net-importing countries such as Sri Lanka and Pakistan. At the same time, net exporting countries, such as Kazakhstan on energy or Colombia on agricultural products, benefited from increasing prices. India has become one of the fastest growing economies with GDP growth rebounded in 2022 and all sectors recovered to pre-pandemic levels.

In the latter half of 2022, the effects of the tight monetary policy started to materialise as inflation began to decrease slightly. However, the high borrowing costs and prices persisted, leading to decreased spending and a shift in global economic growth. Some regions, such as Europe, even saw their economies contract in the fourth quarter.

Currency movements

In 2022, the Federal Reserve of the United States implemented strict monetary policies, including significant interest rate increases to curb inflation. This move, along with a flight to safety amid uncertain times, caused the US dollar to strengthen significantly. However, as the European Central Bank raised their rates, the euro regained some strengths in the fourth quarter. Overall, the US dollar appreciated by 5.9% against the euro in 2022.

The recent external shocks have led to a stronger US dollar, exerting depreciation pressures on emerging market currencies including the Indian Rupee. The central bank of India used previously accumulated foreign exchange reserves to accommodate the impact of extraordinary shocks and smooth excessive market volatility, resulting in more limited rupee depreciation. The Indian rupee depreciated by 4.3% against the euro in 2022.

The performance of other local currencies in emerging markets was mixed. Commodity-exporting countries saw the biggest appreciation of their currencies.

Sector developments

Ecologically and socially resilient food & agri-systems

Stichting Hivos-Triodos Fonds focuses on investments to make agricultural value chains sustainable, inclusive and resilient from production to consumption. Key themes are: improving the welfare and prosperity of smallholder farmers, stimulating sustainable agricultural practices, promoting climate adaptation & mitigation measures, strengthening efficiency in the value chain and increasing local value creation and distribution.

In 2022, the war in Ukraine disrupted global trade and production. This compounded the previous disruptions from COVID-19, which had left the fragilities of the agricultural value chain widely exposed. As a result, input prices skyrocketed, with fertilizer, energy, and food prices reaching unprecedented highs. These factors caused further volatility and uncertainty for businesses and farmers alike. At the same time, a fundamental transformation to a sustainable food and agricultural system that considers environmental, social and financial goals is required to meet the increased demand for food driven by global population growth, and to cope with long-term stresses, such as the climate crisis and environmental degradation.

The outcome of COP27 in November 2022 provided limited progress on key goals such as mitigation, compensation for loss and damage from climate change for developing countries as well as phasing out of gas and coal. This is very disappointing, particularly, amidst the alarming reports about the climate; the latest IPCC's Climate Change 2022 report indicated that adverse climate impacts are already more far reaching and extreme than anticipated. For example, climate change has slowed improvements in agricultural productivity, with crop productivity growth shrinking by a third in Africa since 1961.

Stichting Hivos-Triodos Fonds focuses on investing in organisations that work with smallholder farmers that promote sustainable agricultural practices to produce high quality products that generate a better price for farmers without damaging the quality of water & soil, and biodiversity. Like Caravela, a company that was added to the portfolio in 2022; Caravela focuses on responsibly sourcing and selling high quality coffee, while also striving to make the entire value chain of coffee carbon neutral in the coming years.

Stichting Hivos-Triodos Fonds also focuses on investing in climate smart solutions that enable smallholder farmers to adopt adaptation and mitigation measures that are critical to the protection and support of their livelihoods in the face of climate-related hazards. The investment in Ecozen Solutions in India is a good example; the company provides farmers access to solar powered cold chains and irrigation, operating at the nexus of agriculture and energy. In 2022, a follow-on investment was made to support the further scaling of the business in India and new markets.

Decentralised renewable energy solutions

Stichting Hivos-Triodos Fonds contributes to enabling access to clean, affordable and reliable energy and (productive use) appliances for low-income households, farmers and SMEs. Access to energy contributes to households' prosperity and wellbeing, and income generation for businesses with minimal greenhouse gas emissions, to minimise the impact of climate change.

In 2022, fossil fuel supply disruptions, triggered by the war in Ukraine, have underlined the energy security benefits of domestically generated renewable electricity. Higher fossil fuel prices have also improved the competitiveness of renewables. The International Energy Agency (IEA) identified an unprecedented growth momentum for renewables in its latest forecast.

However, a fundamental aspect of energy security is providing access to energy. COVID-19, inflation and the energy crisis have set back global progress on universal access to energy. The number of people who live without electricity is set to rise by nearly 20 million in 2022, reaching approximately 775 million. The rise is mostly in sub-Saharan Africa, where the number of people without access is almost back to its 2013 peak.

Off-grid solar solutions provide a fast and affordable way for basic electricity access from clean energy sources while rapidly reducing CO2 emissions. However, in 2022, off-grid access solutions faced headwinds, with inflation hitting consumer demand while prices of key components rose sharply. Affordability has decreased in the past 2 years, reversing a trend of consistent annual improvements in both the ability to pay and falling off-grid solar prices.

Off-grid solar companies had to adapt their product offering to cope with supply issues, absorb price increases to maintain affordability and awarded flexibility to reliable customers. Resilience was bolstered for companies that received crucial support from partners, including the continued backing by investors

There is no pathway to net zero without first achieving universal access to electricity; through its investments, Stichting Hivos-Triodos Fonds is therefore committed to contribute to rural electrification in, for example, Nigeria through Powergen and Benin through MyJouleBox. These investments contribute not only to access to energy, but also boost income generation through other solar powered solutions like irrigation and cold storage.

Access to financial services

Stichting Hivos-Triodos Fonds invests in local financial institutions or specialised funds through which financing is provided to end customers that cannot be reached via a direct investment strategy. Examples are funds that provide seed capital to early-stage companies, tech-enabled lenders, or microfinance institutions that finance farmers or small businesses.

In times of ongoing uncertainty, caused by rising interest rates, inflation, and the Ukraine war, the microfinance sector played a crucial role in supporting income smoothing and savings in emerging markets.

Also, the fintech industry remained relevant post-COVID. The innovative technology of fintech companies provided the unbanked population with easy and convenient access to banking facilities. This helped to improve financial inclusion in emerging markets and empowered people to escape poverty.

2022 has highlighted the resilience and adaptability of local entrepreneurs in the face of crisis. Their ability to swiftly adjust their activities during a crisis further strengthens the belief in the strength and potential of individuals and communities to recover and emerge strong from difficult situations. An accessible and well-functioning financial sector forms an important foundation for building a solid local economy.

Portfolio developments

The total portfolio size of Stichting Hivos-Triodos Fonds remained largely stable with EUR 59,116,263 as per 31 December 2022 compared to EUR 59,523,494 as per 31 December 2021. For a further explanation, please refer to the section headed 'participations' and 'loans'.

Regional spread

Stichting Hivos-Triodos Fonds has a highly diversified portfolio, distinguishing it from other investors in the sector by its relatively large 36.9% share in Africa and the Middle East.

Risk classification

Stichting Hivos-Triodos Fonds applies a risk classification system in which credit risks are systematically assessed. In 2022, an in-house credit risk scoring model for SMEs was introduced to assess counterparty risk. Various factors such as country risk, the degree of maturity and the profitability of the organisation are assessed. The Foundation focuses on medium to higher risk classes.

Participations

The participation portfolio on the Foundation's balance sheet increased by EUR 6.9 million to EUR 28.8 million, an increase of 31%.

The participation portfolio increased due to a combination of disbursements, the positive performance of the underlying assets and exchange rate movements.

The largest increase in the participation portfolio is related to the AlphaJiri Fund; a joint initiative between AlphaMundi, a local fund manager, and Stichting Hivos-Triodos Fonds in support of the Foundation's strategy to invest in sustainable agriculture and renewable energy businesses with a focus on East Africa. The Foundation set up a similar partnership with Caspian in India, for which the Foundation contributed equity in a joint vehicle as well as actively co-invested from its own balance sheet. With a combined increase in value of EUR 3.8 million throughout 2022, the largest contribution in growth of the participation portfolio comes from these two local partnerships. Please refer to note 1 of the annual accounts for a breakdown. For all participations, Stichting Hivos-Triodos Fonds as shareholder actively supervises, inter alia, the institution's social mission, by, for example, serving on the participation's supervisory body.

Portfolio by region

	2022	2021
Africa and the Middle East	36.9%	35.1%
East Asia and the Pacific	6.5%	6.4%
Eastern Europe and Central Asia	0%	0%
Latin America	25.8%	30.9%
South Asia	24.0%	22.4%
Other	6.8%	5.2%
Total	100.0%	100.0%

Loans

In 2022, Stichting Hivos-Triodos Fonds' loan portfolio decreased by 22% from EUR 36.9 million to EUR 30.3 million.

During 2022, Stichting Hivos-Triodos Fonds provided new loans to 13 portfolio companies, of which 11 trade finance loans (further discussed below) and 2 loans to support the further growth of Koinworks in Indonesia and Apollo Agriculture in Kenya, respectively. One new client was added to the loan portfolio, Caravela in Peru and a new commitment signed in December 2022, to WeLight Madagascar. In total, 6 organisations completely repaid their loans in 2022. In some cases, as they had outgrown the Foundation's portfolio, like Twiga Foods in Kenya, which company's revenues had grown significantly, since the Foundation initial investment in 2017. Another example is SunFunder that was successfully acquired in 2022, resulting in an early prepayment of the loan. Two financial institutions exited the portfolio, as part of the ongoing repositioning towards more direct SME investments.

Trade finance

Since August 2018, Stichting Hivos-Triodos Fonds has been providing trade finance to producers of organic and/or fair trade products in developing countries. Thanks to this trade financing from the Foundation, farmers can be paid directly upon delivery of their harvest.

In 2022, Stichting Hivos-Triodos Fonds provided trade finance to 13 companies for the processing and export of 7 different sustainably produced products, of which coffee constituted a significant part (48%). In the course of 2022, coffee prices started to normalise again from the very high levels recorded late 2021, and early 2022, resulting in a lower demand for trade finance explaining the reduction in outstanding loan exposure as per 31 December 2022.

Bad debt provisions

In 2022, Stichting Hivos-Triodos Fonds increased the total provisions to EUR 1.2 million (year-end 2021: EUR 0.2 million). There were no write-offs.

During the year, Hivos-Triodos Fonds increased loan provisions in Peru, following failed negotiations for a debt restructuring. There are now two loans in Peru fully provisioned for, while no write-off has taken place, as recovery efforts are still being undertaken. There is also a provision for a loan to a microfinance institution in Myanmar, which is operating under challenging conditions, due to the continued political uncertainty. This loan has partially been provisioned for. Stichting Hivos-Triodos Fonds is closely monitoring the situation and maintaining close contact with the organisation and co-financiers.

Result

Financial result

In 2022, there was no dividend income on equity investments (2021: no dividend income), while the proceeds on (subordinated) loans increased by EUR 318,889 to EUR 3,621,636 (2021: EUR 3,302,747). The unrealised results from changes in the value of participations (excluding exchange rate differences) was EUR 1,414,729. This combined with realised and unrealised results in Investments and other income, resulted in a total income of EUR 4,390,829.

Stichting Hivos-Triodos Fonds realised a positive operating result of EUR 1,067,754 (2021: EUR 3,928,456) and achieved a positive pre-tax result of EUR 1,500,074 (2021: EUR 3,832,207).

There was a positive exchange rate result of EUR 455,887, caused by appreciation of, in particular, the US dollar against the euro. The equity increased to EUR 17,869,271. The equity is fully freely disposable and is used to contribute to the Foundation's objectives.

Costs

Stichting Hivos-Triodos Fonds pays a management fee to Triodos Investment Management and other third parties. The total management fee including non-deductible value added tax amounts to EUR 1.911.745 (2021: EUR 1.708.012) and is the largest cost item and concerns in particular personnel costs. Of the total amount EUR 1.824.251 is attributable to Triodos Investment Management (2021: EUR 1.603.910).

In addition, all efforts related to administration and reporting obligations are met from the management fee. In addition to the management fee, Stichting Hivos-Triodos Fonds pays interest and other expenses. The total interest cost increased to EUR 1.271.916 (2021: EUR 1.112.600), driven by the cooperation agreement with Stichting Hivos, which came into effect as per 1 January 2021 and in which parties agreed to start paying interest on the subordinated loan. The total operating expenses in 2022 amounted to EUR 3,323,075 (2021: EUR 2,962,070).

Financial risks

In 2022, the Foundation faced a number of financial risks. The main ones were:

- Market risk, including interest rate risk;
- Country risk ;
- Credit risk; and
- Sustainability risk.

Detailed information on the management of the financial risks in 2022 can be found under 'Controlling of financial risks' in the financial statements on page 19 and beyond.

Non-financial risks

As manager of the Foundation, Triodos Investment Management ensures adequate management of the relevant risks. To this end, the manager has set up an integrated risk management system. This includes the Foundation's risk management policy and the manager's integrated risk management framework.

Risk management has been set up in accordance with the three-lines-of-defence model. The first line (the manager's executive function), the second line (the risk management function) and the third line (the internal audit function) operate independently of each other. The risk management function in the second line and the internal audit function in the third line are functionally and hierarchically separated from the sub-fund's management.

For the financial risks, please refer to the section "Financial risks". The non-financial risks consist of 'operational risks' and 'compliance risks'. Operational risks include the risks that arise from human error, process, or system failure and external events. It includes the improper handling of confidential information and the so-called compliance risk of regulatory requirements not being met. Compliance risks are risks related to failure to comply with applicable laws and regulations. These risks are identified, assessed, managed and monitored on an ongoing basis through appropriate procedures and reports. These risks are assessed on the basis of a pre-defined and quantified risk appetite based on the risk appetite at Triodos group level.

Risk management function

Triodos Investment Management has a risk & compliance application that enables integrated management of all risk related issues. This includes an integral risk management system, internal 'Control Testing' and its outcomes, and procedures relating to risk event management. In addition, the results of risk and control self-assessments are recorded, as well as the translation of the results of these sessions into the integrated risk management system. The application provides a central capture ('audit trail') for all of the above. Knowledge sessions and awareness training sessions are organised for new employees.

Solvency

Triodos Investment Management complies with the minimum solvency requirements imposed on managers of investment institutions in accordance with the Dutch Decree on prudential rules under the Financial Supervision Act (BPR), AIFMD and the Dutch Civil Code.

This makes Triodos Investment Management a robust party that can absorb setbacks to a sufficient extent.

Outlook

Global inflation has been falling in the past few months. In 2023, central banks are expected to raise interest rates at a slower pace than last year. The global economy has become more fragmented and India and oil producing countries are showing quite exceptional performance. Despite the expected slowdown in global economic activity, overall emerging markets' growth is expected to be better than in advanced economies. Reversing commodity prices, especially for food and energy, is relieving pressure on real incomes.

In 2023, the debt portfolio is expected to continue generating a stable cash flow. In terms of interest rate risk, the relatively short duration of the portfolio allows Stichting Hivos-Triodos Fonds to follow global interest rate trends.

The equity portfolio is expected to continue to contribute positively to the results, even though performance is expected to slow down compared to 2022, due to a softening of the private equity markets, especially for early stage and tech investments.

The structural drivers behind Stichting Hivos-Triodos Fonds - to invest in inclusive economic progress, employment and poverty reduction while maintaining healthy ecosystems - have not changed. Climate change and population growth remain among the biggest challenges facing developing countries in the coming decades.

Stichting Hivos-Triodos Fonds expects to deploy available liquidity with an emphasis on growing its loan portfolio. There is a healthy investment pipeline with demand for financing coming from existing and new clients with a primary focus on Africa. Examples are a pre-export financing to a coffee processor sourcing from smallholder farmers in the remote South Western part of Uganda, and a loan to an early stage innovative SME in Ghana, connecting local farmers to global agribusinesses via its technology platform.

Stichting Hivos-Triodos Fonds investments remain as important in 2023 as ever.

Driebergen-Rijsenburg, 29 June 2023

Fund Manager Stichting Hivos-Triodos Fonds
Judith Santbergen

Board of Stichting Hivos-Triodos Fonds
Jacco Minnaar
Dick van Ommeren

Board of Triodos Investment Management
Dick van Ommeren (Chair)
Kor Bosscher
Hadewych Kuiper

Report by the Supervisory Board

The Supervisory Board convened seven times in 2022, up from three in the previous year.

In its meetings in 2022, the Supervisory Board extensively discussed the dispute that has arisen with the Uganda Revenue Authorities (URA) on the applicability of capital gains tax on an equity sale that took place in 2019. The Supervisory Board has discussed with the Board of Stichting Hivos-Triodos Fonds its assessment of the applicability of capital gains tax and agrees with the Board of Stichting Hivos-Triodos Fonds on the material assumption that no capital gains tax should be due in Uganda, and that provisioning is required in the annual accounts for legal costs only. In its meetings, the Supervisory Board discussed any new developments regarding the dispute with the URA, and agrees with the Board of Stichting Hivos-Triodos Fonds that there is no material change or update in the situation, and material assumptions and provisioning remain the same in the annual accounts 2022.

In its meetings in 2022, the Supervisory Board discussed relevant market and sector developments and the key developments in the investment portfolio of Stichting Hivos-Triodos Fonds. In line with the strategy 2021 – 2025, the progress towards a possible expansion of Stichting Hivos-Triodos Fonds by means of attracting new funding was discussed. The Supervisory Board supports the Board of Stichting Hivos-Triodos Fonds in its decision to postpone the fundraising discussions, despite significant progress made in building a pipeline of mission aligned funding partners, until the dispute with the URA has been sufficiently mitigated.

During 2022, the Supervisory Board agreed with extending the finalization of the annual accounts 2021 in order to address uncertainties related to the dispute with URA.

In the course of 2022, one Supervisory Board member, Diane Griffioen, reached the end of her first term and her appointment has been extended for another 4-year term.

In its meeting of 23 June 2023, the Supervisory Board discussed the annual report and annual accounts for 2022. The result for 2022 was [EUR 1,358,966] (2021: EUR 3,832,207). This amount comprises of operating profit of EUR 1,067,754 (2021: EUR 3,928,456), a change in general provision of EUR -23,567 (2021: EUR -397,702), EUR 455,887 (2021: 301,453) of exchange rate results and a corporate income tax expense of EUR 141,108.

The Supervisory Board extends its thanks to Triodos Investment Management, the Manager of Stichting Hivos-Triodos Fonds, for its diligent efforts over the financial year 2022.

Driebergen-Rijsenburg, 29 June 2023

Johan van de Ven (chair)
Bernedine Bos
Michel Farkas
Diane Griffioen
Pat Pillai
Ylse van der Schoot

Annual accounts 2022

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Balance sheet as at 31 December 2022

(amount in EUR)	Note*	31-12-2022	31-12-2021
Assets			
Non-current assets			
Participations	1	28,767,552	21,886,161
Loans provided	1	29,947,762	36,913,586
Subordinated loans provided	1	400,949	723,747
Derivatives (positive)	2	215,436	104,469
Paid Collateral	2	220,000	580,000
		59,551,699	60,207,963
Current assets			
Taxes and social securities	3	74,720	189,511
Receivables, prepayments and accrued income	4	544,962	795,636
Derivatives (positive)	2	304,817	22,302
Cash and cash equivalent	5	2,281,062	2,436,696
		3,205,561	3,444,145
Liabilities			
Non-current liabilities			
Provisions	6	421,269	397,702
Long-term liabilities			
Loans	7	10,000,000	10,000,000
Subordinated Loans	8	31,842,465	31,842,465
Derivatives (negative)	2	200,314	101,714
Current liabilities			
Corporate Income Tax	9	70,877	–
Current liabilities, accruals and deferred income	9	1,700,600	701,262
Amounts owed to lenders	9	401,681	3,487,625
Derivatives (negative)	2	250,783	611,035
Total liabilities		44,887,989	47,141,803
Result total assets and liabilities		17,869,271	16,510,305
Equity			
General reserve	10	16,510,305	12,678,098
Unappropriated result	10	1,358,966	3,832,207
		17,869,271	16,510,305

* See notes to profit and loss

Profit and loss account for the period 1 January 2022 to 31 December 2022

(amounts in euros)	Note*	2022	Budget 2022	2021
Direct results from investments				
Income from (subordinated) loans provided	12	3,621,636	3,869,000	3,302,747
		3,621,636	3,869,000	3,302,747
Indirect results from investments				
Realised results of investments				
in participations	13	-2,095		-6,598
in (subordinated) loans provided	13	1,768,103		-524,013
in derivatives	13	-1,701,482		-45,139
		64,526		-575,750
Unrealised results of investments				
in participations	14	1,414,729		3,147,182
in (subordinated) loans provided	14	-1,382,780		2,116,046
in derivatives	14	662,537		-1,099,868
		694,486		4,163,360
Other income				
Interest income	15	6,417	–	–
Other Income	16	3,764		169
Total income		4,390,829	3,869,000	6,890,526
Operating expenses				
Management fee	17	1,911,745	1,736,000	1,708,012
Audit Fees and consultancy fees	18	116,646	100,000	60,336
Interest expense	19	1,271,916	1,236,000	1,112,600
Other expenses	20	22,768	45,000	81,122
Total operating expenses		3,323,075	3,117,000	2,962,070
Operating Results*		1,067,754		3,928,456
Change in general provision	6	-23,567		-397,702
Exchange rate result	21	455,887		301,453
Results before tax		1,500,074		3,832,207
Corporate income tax	22	141,108		–
Net result for the year		1,358,966		3,832,207

* See notes to profit and loss

Notes to balance sheet and profit and loss accounts

(amounts in EUR)

General notes to the financial statements

Stichting Hivos-Triodos Fonds (the Foundation) was established on 22 December 1994. The annual report for 2022 has been prepared in accordance with the statutory provisions of Title 9 Book 2 of the Dutch Civil Code and the Guideline for Annual Reporting 640 (RJ 640) for non-profit organizations and the going concern assumption. The Foundation has its registered office in Driebergen-Rijsenburg and is registered in the trade register with the number 41.158.899.

The Foundation does not employ any staff.

Criteria for recognition in the balance sheet

The Foundation recognises financial instruments in the balance sheet as soon as it irrevocably becomes a party to the contractual provisions of the financial instrument. The basis for the initial valuation of the financial instruments is fair value. A financial instrument is no longer recognised in the balance sheet if it is transferred to a third party. In that case, all or almost all beneficial rights and all or almost all risks regarding the financial instruments are then vested in that third party.

General notes to the principles of valuation and determination of the result

Reporting period

The Foundation's financial year is the same as the calendar year. The current year reporting period of the Foundation is 1 January 2022 to 31 December 2022.

Comparison with previous year

The accounting policies have been applied consistently throughout the reporting period and have remained unchanged compared to the previous year reporting period. The presentation of the primary statements has been updated in for improving the insights of the readers. In this context, the realised and unrealised results of all investments have been made explicit in the profit and loss accounts. Prior to the 2022 annual accounts, only the (un)realised changes in value of participations were presented under (un)realised results of investments in the profit and loss account. The change of (un)realised changes in loans and derivatives were presented below the operating results prior to the result before tax as individual line items in the profit and loss account. The presentation update has also been performed retroactively on the comparative figures of 2021. This update has no impact on the assets, liabilities or the results.

Accounting policies

Use of estimates, assumptions and judgments

The preparation of the annual accounts requires management to make judgments, estimates and assumptions. These help determine the way in which principles are applied and the value of the assets and liabilities is reported. The same applies to the reporting of income and expenses. The actual outcome may differ from the estimates made by the management. The estimates and assumptions are therefore re-assessed regularly. Whenever an estimate is revised, it is included in the relevant period.

According to management, the following aspects require estimates and assumptions:

- Valuation methods chosen for investments;
- The classification of loans according to risk categories and project-related variables;
- Valuations of other receivables, prepayments and accrued income and current liabilities;
- Creation of provisions
- Duration of settlement and likelihood of (Uganda) provision

The Manager uses multidisciplinary credit and valuation committees that operate independently from the operational departments. They monitor the valuation methodology and make the most prudent management estimates.

Valuation of investments

The investments are measured at fair value or amortised cost. Acquisition costs of investments are recognised in the profit and loss account. All changes in the fair value of investments are taken to the profit and loss account. The valuation of the investments is as follows:

Participations

Participations, which are equity interests that do not serve the Foundation's long-term operations, are valued at the last known stock exchange quotation in the financial year if the participations involve securities quoted on an active stock exchange. The fair value of participations that do not involve securities quoted on an active stock exchange or that do not have a regular market quotation can be determined in various ways: firstly, on the basis of the most recent market quotation, taking new market developments into account; secondly, by using the profitability value, return value and/or net asset value, individually or in combination, which may be considered relevant in relation to the purpose for which the investment is maintained; and thirdly, by using the market value of comparable investments for which there is an active market with regular market quotations. The first valuation consists of the cost price. Participations are valued at fair value after initial recognition. Value adjustments are taken to the profit and loss account. Upon sale, the transaction costs are deducted from the sales proceeds.

Loans provided and subordinated loans provided

Loans and subordinated loans provided are, taking into account exchange rates as at the balance sheet date, carried at the amortised cost price net of specific provisions for doubtful debts. This valuation method is also an approximation of the fair value. Due to the nature of the loans, interest rate risk has a limited impact on valuations. Projects financed with loans are by nature high-risk. Consequently, losses on the original investment must be taken into account.

A specific provision is made for anticipated loan losses and the associated interest payable in case a project has to be discontinued. Making provisions are based on estimates by Triodos Investment Management (the Manager). The Manager will use multidisciplinary credit and valuation committees acting independently from the operational matters to make the estimates in the most objective way possible. The existence of objective evidence of impairment is assessed at each balance sheet date.

Derivatives

Derivatives contracts are concluded to hedge the currency risk and interest rate risk. The valuation of derivatives is, on initial recognition in the balance sheet, based on fair value, with all assets and liabilities arising from currency hedging instruments being 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. Derivatives are valued at market value when first recognised. Subsequent to initial recognition, derivatives are measured at fair value. Value adjustments are taken to the profit and loss account. Derivatives with a negative fair value are recognised in the item derivatives on the liability side of the balance sheet.

Collateral

Collateral is exchanged with counterparties as a result of provisions in agreed currency forward contracts. This exchange can be either a payable or a receivable collateral and is recognised in the balance sheet at nominal value upon initial recognition and per subsequent valuation.

Current assets and liabilities

Assets and liabilities are valued at fair value when first recognised and are subsequently valued at amortised cost, being the amount to be received or paid, taking into account share premium or discount and transaction cost. The fair value of liabilities will be approximately equal to the nominal value.

Current liabilities have a term of less than one year.

Cash and cash equivalent

Liquid assets (funds) consist of cash, bank balances and deposits with a maturity of less than one year, at free disposal of the legal entity. Current account liabilities at banks are recognised under debts to credit institutions, under current liabilities. Liquid assets are valued at nominal value.

Loans and amounts owed to credit institutions

Loans and debts to credit institutions are measured at fair value upon initial recognition. After initial recognition, they are measured at amortised cost. The fair value of liabilities will therefore be almost equal to amortised cost (approximately the nominal value) less any provisions.

Provisions

A provision is recognised if the following applies:

- the company has a legal or constructive obligation, arising from a past event; and
- the amount can be estimated reliably; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset. Provisions are stated at the nominal value of the expenditures that are expected to be required to settle the liabilities and losses. The estimated settlement period for the provision is less than one year.

Functional currency

The annual accounts have been drawn up in euros; this is both the functional and the presentation currency of the Foundation.

Carry-over losses

If the exchange results at the end of the year produce a negative balance, this will be debited from the exchange reserve in subsequent financial year, entered under equity, by means of proposed profit appropriation in the financial year.

Foreign Currency

Transactions in foreign currency during the period under review are recognised in the annual accounts at the exchange rate applicable at the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate applicable at balance sheet date. The exchange differences resulting from settlement and conversion are captured in the profit and loss accounts.

Non-monetary assets that are valued at current value in a foreign currency are translated at the exchange rate applicable on the date of the current value.

Non-monetary assets that are valued at current value in a foreign currency are translated at the exchange rate applicable on the date of the current value. Currency hedging instruments are arranged, as described in note 2, to hedge foreign exchange differences on loans.

Principles for determining the results

The result is the difference between the realizable value of the services provided and the costs and other charges during the year. The results of transactions are recognised in the year in which they are realised.

Direct results from investments

Interest income and other income is credited to the financial year to which it relates on a time-proportionate basis. The proceeds from dividend distributions on participations shall be recognised in the year in which they are made available for payment.

Interest income is recognised on a time-weighted basis, taking into account the effective interest rate of the relevant assets and liabilities. In accounting for interest expenses, account is taken of the recognised transaction costs on the loans received.

Indirect results from investments (revaluations)

All movements as a result of realised/unrealised revaluations of investments are taken to the profit and loss account. To determine the realised results for partial sales of investments, composite historical cost is used.

Transaction costs for investments

Transaction costs may include broker's fees, transfer charges and notaries' fees. Transaction costs are charged directly to the profit and loss account. The cost of selling investments is recognised as part of the realised change in value upon sale. Where financial investments are subsequently valued, the cost of selling is disregarded. Subsequent valuations of financial investments do not take into account any selling costs.

Operating expenses

Expenses are allocated to the period to which the activities relate on the basis of the accrual principle. If the reservations are determined for costs, the costs still to be paid and prepaid will also be taken into account.

Other income and expenses

Other income and expenses are allocated to the period to which the activities relate on the accrual basis of accounting.

Exchange rate results

Results arising from the conversion of foreign currencies into the presentation currency in euros are taken to the profit and loss account. The result is determined by means of the conversion as described under 'Foreign currency'.

Transactions with related parties

Significant transactions with affiliates are explained in the notes, insofar as they have not been entered into at arm's length. The nature and scope of the transaction and any other information necessary to obtain an understanding are specified in the notes.

Managing financial risks

Stichting Hivos-Triodos Fonds is exposed to various financial risks. The Manager's policy on these risks is set out below.

The objective of Stichting Hivos-Triodos Fonds is to invest in companies and organisations active in sustainable agriculture and/or renewable energy in emerging markets. Typically, these are direct investments with a medium to high-risk profile. This is an inherent part of Stichting Hivos-Triodos Fonds' characteristics.

The Foundation's risk appetite is assessed on a qualitative basis.

Market risk

Market risk is the risk that the value of an investment fluctuates as a result of variation in the following external factors:

- I. exchange rate (currency risk)
- II. interest rate level (interest rate risk)
- III. market price (market price risk)

The policy pursued by the Manager of Stichting Hivos-Triodos Fonds with regard to these risks is set out below.

Participations

Investments in participations mainly involve currency risk and market price risk. The participations of Stichting Hivos-Triodos Fonds are listed in euros. Investments in participations by the Foundation and payments to the Foundation by the institutions in which it invests that are subject to currency risk are in US Dollars and local currency.

Exposure to volatile exchange rates may affect the value of the investments and thus the value of the capital of the Foundation. As a result, the Foundation runs a currency risk. The Foundation has a high risk appetite for currency risk.

The largest part of the Foundation's portfolio of non-euro assets is not covered by currency hedges. It has relatively high exposure to the Indian rupee and the US dollar. At year-end 2022, the currency risk assessment was 'high'. An overview of the exposure to foreign currencies is included on page 21.

The market price risk affects the value of the participations. The value of these investments is affected by external factors, including prospects for economic growth and the rate of inflation. The more fluctuation there is, the greater the market price risk, and the Foundation cannot defend itself against macro-economic factors that influence the value development. The Foundation values these participations at fair value, choosing an appropriate valuation method for each type of investment. An important aspect of the chosen valuation method is whether the participations are listed on an active stock exchange and/or have a regular market quotation. The Fund has an inherent high risk appetite for this kind of market price risk, as part of its objective to invest directly in companies and organisations active in sustainable agriculture and/or renewable energy in emerging markets. These are typically high-risk investments.

If the participation is not listed on an active stock exchange and/or has a regular market quotation, the valuation method is determined internally as described in the accounting policies for the valuation of participations.

In determining the fair value based on this internal valuation method, the Manager uses a number of elements to determine the valuation. Below is an overview of elements used in determining the fair value as at 31-12-2022:

- current financial situation of the investee;
- the chosen valuation method and the possible use of a market multiple;
- cash flows.

An associated risk with the above method of valuation of participations is the valuation risk. The valuation risk refers to the risk that the value of the investment is not a correct reflection of the fair market value. The reason for this is that the valuation is based on data from a non-regulated market, assumptions and peer group comparisons. The Foundation invests almost exclusively in investments that are not traded on a regulated market and that are not listed. The investments do not have directly callable prices and, therefore, are possibly difficult to value. In order to determine the value of the investments, the Foundation applies a consistent, transparent and appropriate valuation method.

Loans

The main risks that have been identified for the valuation of the loans are the credit and currency risks. Credit risk plays an important role in determining the provision for loans. Given the nature of the loans – the fact that there is no active market for these loans – the subjective assumptions with respect to determining the interest rate and the relatively short fixed interest rate periods, an interest rate risk has only a limited effect on their valuation.

Credit risk is the risk that a borrower will be unable to meet his interest and/or repayment obligations and is discussed more in-depth on page 22.

The loan portfolio is partly sensitive to currency risk. The currency risk associated with investments in US dollars is largely hedged, through currency forward contracts. The currency risk associated with investments in local currency is hedged, where possible, unless the costs are excessive. An overview of the exposure to foreign currencies is included on page 21. The Foundation has a high risk appetite for currency risk. The largest part of the Foundation's portfolio of non-euro assets is not covered by currency hedges. It has relatively high exposure to the Indian rupee and the US dollar. At year-end 2022, the currency risk assessment was 'high'. Interest payments are usually not hedged due to the high costs.

Loans are valued at amortised cost. In general, there is no active market for the Foundation's loans and the Manager periodically determines the fair value on the basis of internal valuation methods.

Below is an overview of elements that have been used in determining the amortised cost as at 31-12-2022:

- future cash flows;
- discount rate used: market interest rate for comparable financing with a maturity corresponding to the fixed-interest period;
- fixed-interest periods: the fixed-interest period for the loans issued is relatively short;
- project-related variables;
- subjective assumptions regarding the determination of interest rates.

If, in the opinion of the Manager, the market interest rate changes significantly during the reporting period, the fair value will be recalculated.

In view of the above variables, the fair value will be virtually equal to the nominal value. This is after deduction of any provisions, and taking account of exchange rates.

The provision is determined on a quarterly basis by the Manager at loan level, taking into account the following aspects:

- developments in both the regular and special management portfolio;
- debtors arrears.

An associated risk with the above method of valuation of loans is the valuation risk. The valuation risk refers to the risk that the value of the investment is not a correct reflection of the fair market value. The reason for this is that the valuation is based on data from a non-regulated market, assumptions and peer group comparisons. The Foundation invests almost exclusively in investments that are not traded on a regular market and that are not listed. The investments do not have directly callable prices and, therefore, are possibly difficult to value. In order to determine the value of the investments, the Foundation applies a consistent, transparent and appropriate valuation method.

Other Receivables and Accruals

The main risk identified for these annual accounts items is credit risk, which plays a role at debtor and country level. The receivables consist of interest receivables and repayments on loans. The determination of the provision for these receivables is carried out in close connection with the provisions on the loans, with the same elements playing a role.

Distribution of currency for the participation and loan portfolio as per year end 2022

Volume (amounts in euros)	Investments	Covered (or no exposure)	Not covered	Percentage of the portfolio
Colombia, Colombian peso (COP)	1,122,511	–	1,122,511	1.9%
India, Indian rupee (INR)	14,401,232	1,525,252	12,875,980	24.2%
Myanmar, Myanmar kyat (MMK)	361,960	361,960	–	0.6%
Peru, Peruvian sol (PEN)	905,110	482,725	422,385	1.5%
Tanzania, Tanzanian shilling (TZS)	34,330	–	34,330	0.1%
South Africa, South African rand (ZAR)	805,132	–	805,132	1.4%
Total in local currency	17,630,275	2,369,937	15,260,338	29.7%
Total investments in US dollars	38,861,124	9,896,956	28,964,168	65.4%
Total investments in euros	2,624,864	–	2,624,864	4.4%
Subtotal of portfolio excl. value of currency forward contracts	59,116,263	12,266,893	46,849,370	99.5%
Currency forward contracts	289,156	–	–	0.5%
Total value of portfolio at year-end 2022	59,405,419			100.0%

Distribution of currency for the participation and loan portfolio as per year end 2021

Volume (amounts in euros)	Investments	Covered (or no exposure)	Not covered	Percentage of the portfolio
Colombia, Colombian peso (COP)	1,267,275	–	1,267,275	2.1%
India, Indian rupee (INR)	13,094,720	–	13,094,720	21.9%
Myanmar, Myanmar kyat (MMK)	653,514	–	653,514	1.1%
Peru, Peruvian sol (PEN)	1,450,180	–	1,450,180	2.4%
Tanzania, Tanzanian shilling (TZS)	32,755	–	32,755	0.1%
South Africa, South African rand (ZAR)	806,032	806,032	–	1.4%
Total in local currency	17,304,476	806,032	16,498,444	29.0%
Total investments in US dollars	40,510,319	4,137,950	36,372,370	67.9%
Total investments in euros	1,893,293	–	1,893,293	3.2%
Subtotal of portfolio excl. value of currency forward contracts	59,708,088	4,943,982	54,764,106	100.01%
Currency forward contracts	–	5,977	–	-0.01%
Total value of portfolio at year-end 2021	59,702,111			100.0%

Credit risk

Credit risk is the risk that a creditor or counterparty cannot or will not fulfil its obligations. The Foundation issues finance facilities that are almost exclusively risk-bearing and are generally not backed by mortgage or other collateral.

Bad debt risk is based on the definition of reporting requirements for the entire balance sheet. From an economic perspective, credit risk is primarily present on the loan portfolio of EUR 30,348,711 (2021: EUR 37,637,333). The loan portfolio is diversified in such a way that there is no material concentration risk.

The Foundation selects its debtors carefully, among other things on the basis of management and governance, financial results, and social and sustainable impact. Based on an internally developed model, the organisations are assigned a risk classification whereby the Foundation invests in principle in medium to high-risk institutions. In line with this, the Foundation's risk appetite for credit risk is medium-high. This is partly reflected by the Foundation's provisioning for bad debt, which was EUR 1,212,976 at year-end. At year-end 2022, the credit risk assessment was 'medium-high'.

The Foundation maintains good relations with these institutions and carries out periodic reviews of debtors. In this way, the Foundation mitigates, to an extent, the risk that a debtor will not be able to meet its payment obligations to the Foundation on time. In addition, the Foundation closely monitors relevant financial indicators such as solvency, profitability and payment capacity and thus the ultimate credit risk associated with the Foundation's financings.

In order to mitigate credit risk, the loan portfolio is diversified in such a way that there is no high concentration risk.

In 2022, Stichting Hivos-Triodos Fonds provided finance facilities to a total of 40 customers (2021: 47).

Five largest holdings*

AlphaJiri, Mauritius	10.3%
Aldea Global, Nicaragua	7.9%
Caspian Impact Investments, India	5.3%
Caspian SME Impact Fund, India	4.9%
Novastar, Mauritius	4.4%

* as a percentage of the outstanding portfolio based on market value

Country risk

Country risk is the risk that political, fiscal or economic changes will adversely affect the Foundation's profit and assets.

Country risk is inherent in the objectives of the Foundation. Stichting Hivos-Triodos Fonds invests, inter alia, in countries which have high political risks, countries that may be in an economic recession and countries with a poorly developed judicial system. These may also be countries that due to a limited number of sources of income and a dependence on external financing, have a dependent economic structure. Price developments in the world markets and changes in international political policy may thus have a significant impact on the macroeconomic development of such a country. In addition, policy changes may lead to political measures with a significant impact on investment, such as restrictions on the tradability of currencies. Inflation and devaluation of a currency can be the result of such influences.

Country risk is monitored internally on an ongoing basis and is mitigated by geographical spread over a large number of countries. At the end of 2022, there is investment in 19 countries. As at 31 December 2022, Stichting Hivos-Triodos Fonds has the largest position in India with 23.0% of total assets. The Foundation's risk appetite for country risk is high. This is reflected by the 23.0% investment in India and the combined allocation of 54.5% of its assets to the top 5 countries. At year-end 2022, the country risk assessment was 'medium-high'. In 2022, dispute arose with the Uganda Revenue Authorities (URA) on the applicability of capital gains tax on an equity sale that took place in 2019.

Five largest countries*

India	23.0%
Mauritius	9.8%
Kenya	9.2%
Nicaragua	7.5%
Peru	5.0%

* as a percentage of the outstanding portfolio based on market value

Liquidity risk

Liquidity risk is the risk that Stichting Hivos-Triodos Fonds has no possibility of obtaining the financial means it needs to be able to fulfil its financial obligations at a certain moment. This scenario does not currently apply in the short term because the operating result from operating activities and the periodic repayments on loans granted are considered sufficient for the time being to cover short-term liabilities. Liquidity risk is managed internally on an ongoing basis by ensuring sufficient liquidity is available to support ongoing expenses and commitments. The credit facility available to the Foundation is an important instrument in managing liquidity risk, and the limit of EUR 7,400,000 is of adequate size to ensure sufficient liquidity is available. Although investments made by the Foundation are illiquid, they could be sold if there is a need for resources in the short term. The loan agreements contain a standard assignment right for Stichting Hivos-Triodos Fonds.

This is the lender's right to transfer (sell) the loan to another party without the borrower's consent being required and without the borrower being able to stop it.

In addition, the Foundation can negotiate early repayment. The Manager did not want to and did not have to make use of the option to sell loans in 2022. Stichting Hivos-Triodos Fonds also has a 'hold' strategy for its investments.

The investment policy of the Foundation is aimed at maintaining the financing for the entire term of the loan and not selling it, unless this is explicitly necessary due to the management of the Foundation. The Foundation has a medium liquidity risk appetite. At year-end 2022, the Foundation had EUR 2,281,062 in cash. The assessment of the Foundation's liquidity risk at year-end 2022 was 'low'.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a financial instrument will fluctuate in volume. Future income from participations is difficult to predict and can fluctuate. This cash flow risk for the Foundation is very limited and this risk is accepted.

Future cash flows from loans are primarily affected by currency exchange rates and market rates. Currency risk on the outstanding loan portfolio, however, is in principle hedged by currency derivatives. For insights into the degree of hedging of the investment portfolio see page 21.

Sustainability risks

The financial and non-financial performance of the portfolio depends on the financial and non-financial performance of its investments, which could be adversely affected by sustainability risks. A sustainability risk is an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investments of the portfolio.

The Manager distinguishes the following sustainability risks: physical and transitional environmental risks, social risks and governance risks. Physical environmental risks refer to sustainability risks due to e.g. ecological damage, social disruption, depletion of resources, extreme weather events or gradual climate change. Transitional environmental risks refer to sustainability risks resulting from required or desired changes from a societal perspective, e.g. due to policy or legal changes (including litigation claims), technological developments, market shifts, reputation issues, changing customer or community perception. Social risks arise when acute or chronic social disruption occur, related to for example human rights, labour practices, (data) privacy, diversity & inclusion, inequality and health & safety. To conclude, governance risks relate to business ethics, corruption & political instability and fair taxes.

To identify relevant sustainability risks of an investment, the Manager assesses sustainability (ESG) factors that could result in sustainability risks, in its investment decisions both before investing and during investment. All investments made by the Manager are carefully screened against the Triodos Bank Minimum Standards to minimise adverse impact.

The Manager considers sustainability factors that could lead to sustainability risks, such as:

- Natural resources as an environmental factor: the portfolio's assets are sensitive to variations in weather and climate. For example, droughts, extreme weather events, flooding and landslides can affect generation capacity, damage the asset or disrupt the service;
- Human rights as a social factor: the portfolio invests in emerging markets, often characterised by fragile governance structures with weak or inadequate legislation. This can lead to challenges related to human rights;
- Labour conditions as a social factor: unfair labour practices and principles might lead to a decrease in productivity, health, well-being and commitment of employees in the value chain;
- Corruption and instability as a governance factor: there is a risk that the emerging market economies in which the portfolio invests have high levels of corruption, which can lead to an uneven distribution of wealth, political instability, and other societal risks; and
- Fair taxes as a governance risk: companies with aggressive tax planning can face increased risks of investigations and penalties and increased legal and compliance costs. This could lead to reputational damage and affect profitability.

Furthermore, all investments are carefully screened against relevant sustainability factors and include an assessment of the relevant physical and transitional environmental risks. In contrast to the screening on Triodos Bank Minimum Standards, the aim is not to minimise the risk but to assess and manage it. The risk appetite of the portfolio determines the allowed level of exposure to sustainability risks and other types of risks.

In general, sustainability risks are complex and may occur in a manner that cannot reasonably be anticipated, resulting in potential negative impact on the value of an investment. However, the Manager considers the likely impact of sustainability risks on the returns of the portfolio to be limited as a result of the portfolio's approach to select investments for positive impact, which is a mitigating factor for transitional risks and the screening against the Triodos Bank Minimum Standard to avoid adverse impact.

For the assessment of sustainability risks, the Manager relies on information made available by investees and other third parties. The Manager has no guarantee that the information provided by these parties is at all times complete, accurate and up to date.

Assets

1. Participations, loans provided and (subordinated) loans provided

Participations

Movements of participations	2022	2021
Opening balance as at 1 January	21,886,161	16,142,834
Purchases	5,620,413	2,772,707
Sales	-151,656	-169,964
Unrealised revaluation	1,414,729	3,147,182
Realised revaluation	-2,095	-6,598
Balance as at 31 December	28,767,552	21,886,161

The revaluation of the investments consists of the positive and negative revaluations for the financial year.

Loans provided

Movement on loans provided	2022	2021
Opening balance as at 1 January	36,913,586	31,865,811
Disbursements	27,953,276	29,263,669
Repayments	-34,651,589	-25,819,075
Discount premium	-590,361	-
Unrealised revaluation	-475,065	2,236,301
Realised revaluation	1,768,700	-524,013
Subtotal	30,918,547	37,022,693
Loans provision	-970,785	-109,107
Balance as at 31 December	29,947,762	36,913,586

Movement schedule of loan provision	2022	2021
Opening balance as at 1 January	242,191	133,084
Additions	286,892	81,325
Exchange rate differences	683,893	27,782
Balance as at 31 December	1,212,976	242,191

Subordinated loans provided

Movement schedule of subordinated loans	2022	2021
Opening balance as at 1 January	723,747	733,732
Repayments	-422,968	-
Unrealised revaluation	100,767	-9,985
Realised revaluation	-597	-
Balance as at 31 December	400,949	723,747

Residual maturity of loans (including subordinated loans), overdue (repayable on demand)	31-12- 2022	31-12- 2021
- < 1 year	15,387,162	27,362,332
- > 1 year and < 2 years	10,377,256	2,375,818
- > 2 year and < 3 years	2,668,844	6,302,693
- > 3 year and < 4 years	230,369	–
- < 5 year	1,685,080	1,781,085
	30,348,711	37,821,928

The fair value of the (subordinated) loans approximates the carrying amount.

2. Derivatives

Currency forward contracts	31-12-2022	31-12-2021
To receive	520,253	126,771
To pay	-451,097	-712,749
Total	69,156	-585,978

The terms are divided as follows:

	31-12-2022	31-12-2021
Less than 1 year	54,033	-588,733
From 1 to 5 years	15,123	2,755
	69,156	-585,978
	2022	2021
As at 1 January	-585,733	101,028
Expiration	1,693,836	458,245
Fair value revaluations	-1,038,947	-1,145,007
As at 31 December	69,156	-585,733

The Foundation uses currency forward contracts with a value at year-end 2022 of EUR 69,156 (2021: EUR -585,978) in the form of currency forward contracts to hedge the currency risk of the investments. This concerns contracts in which Stichting Hivos-Triodos Fonds has made a commitment to buy or sell the agreed foreign currency amounts on the agreed dates.

During 2022, USD 27,189,435 of net sales contracts relating to (subordinated) loans were concluded (2021: USD 35,451,982, COP 5,817,044,400, INR 150,000,000, PEN 2,053,000).

Paid collateral on forward exchange contracts

With regard to the foreign exchange forward contracts concluded with Rabobank, agreements have been made with regard to mutual collateral exchange, i.e. liquidity deposited as security in connection with the fair value of derivative positions.

At the balance sheet date, the Foundation made a collateral payment to Rabobank amounting to EUR 220,000 in connection with the negative fair value of the forward currency contracts (2021: EUR 580,000 paid in connection with the negative fair value of the forward value contracts).

Current assets

3. Taxes and social securities

	31-12-2022	31-12-2021
Corporate Income Tax	–	189,511
VAT receivable	74,720	–
	74,720	189,511

The fair value of taxes and social securities approaches the carrying amount.

4. Receivables, prepayments and accrued income

	31-12-2022	31-12-2021
Interest due on loans	438,544	588,693
Principal repayments due on loans	79,568	184,594
Pre-paid project costs	22,349	22,349
Interest receivable on cash and cash equivalents	4,501	–
Total	544,962	795,636

5. Cash and cash equivalent

	31-12-2022	31-12-2021
Triodos Bank, collateral account	88	–
Rabobank, current account (EUR)	367,852	617,896
Rabobank, current account (USD)	1,471,983	1,565,847
Kotak Mahindra Bank, rekening-courant (INR)	441,139	252,953
	2,281,062	2,436,696

At balance sheet date all cash and cash equivalents are at free disposal of the foundation (2021: all cash and cash equivalents were at free disposal) are freely available to Stichting Hivos-Triodos Fonds.

No interest is received on the balance of the current accounts with Triodos Bank (year-end 2021: -0.70% above EUR 100,000). The interest rate on the current account with Rabobank is 1.73% at year-end 2022 (2021: -0.7%).

The balances on the Rabobank USD current accounts amounted to USD 1,572,372 at year-end 2022 (2021: USD 1,771,756). The balances on the Kotak Mahindra Bank INR current account amounted to INR 38,869,966 at the end of 2022 (2021: INR 21,366,133). Rabobank's current accounts in USD and Kotak Mahindra Bank's INR have no interest rate.

Liabilities

6. Provision

In relation to the sale of shares in Centenary Bank, in the case a Tax assessment is raised by the Uganda Revenue Authorities, Stichting Hivos-Triodos Fonds will enter into legal proceeding before the relevant court. The provision relates to an estimate of the legal costs including VAT that might be incurred if the above realises. Please refer to note 12 "Off-balance sheet liabilities" for more information on this topic.

Provisions	2022	2021
Opening balance as at 1 January	397,702	–
Provisions for legal proceedings	–	397,702
Increase as a result of exchange rate difference	23,567	–
Balance as per 31 December	421,269	397,702

Long term liabilities

7. Loans

	Interest rate	Interest rate fixed until	31-12-2022	31-12-2021
Triodos Bank, loan 04.382, maturity 1 January 2027	3.15%	1 januari 2027	10,000,000	10,000,000
			10,000,000	10,000,000

The principal amounts outstanding at the balance sheet date will be repaid in full at the end of the term. The fair value of the loans approaches the carrying amount.

8. Subordinated loans

	Interest rate	31-12-2022	31-12-2021
Stichting Hivos	2.6%	31,842,465	31,842,465
		31,842,465	31,842,465

Schedule of subordinated loans

	2022	2021
Balance as at 1 January	31,842,465	22,985,989
Finance provided	–	–
Balance as at 31 December	31,842,465	31,842,465

In accordance with the framework agreement signed on 18 December 2020, the current subordinated loans, the Hivos financing received in advance and the balance of the sold 'off balance' participations as of 1 October 2020 have been incorporated into one subordinated loan amounting to EUR 31,842,465. The interest rate per year is 2.6%, starting from 1 January 2021. The duration is equal to the duration of the collaboration between Hivos and Stichting Hivos-Triodos Fonds. The loan is subordinated to other debts. This loan was granted by Hivos to enable the Foundation to pursue its objective as a foundation through investments. There is a limited market for subordinated loans provided by a cooperation partner – for a certain duration in the field of impact investing – and therefore the fair value of these subordinated loans cannot be reliably determined. As a result, the fair value of subordinated loans is not disclosed in the financial statements. The subordinated loan provides the necessary security for Triodos Bank to provide a loan to the Foundation. Stichting Hivos-Triodos Fonds thus uses a blended finance construction that enables the Foundation to pursue its objective with a combination of different types of financing and non-profit financiers.

Current liabilities

9. Current liabilities, accruals and deferred income

	31-12-2022	31-12-2021
Amounts received on behalf of third parties	980,055	36,733
Management fee	533,020	525,049
Amount to be paid regarding the sale of investments	65,173	65,173
Interest payable on (subordinated) loans	46,360	26,656
Legal fees	35,381	–
Independent auditor's fees	34,582	36,511
Publicity cost	5,000	8,000
VAT payable	–	2,007
Bank charges	998	1,133
Miscellaneous	31	–
	1,700,600	701,262

Due to the nature of the trade finance, amounts due for products supplied by borrowers of Stichting Hivos Triodos Fonds to their customers are transferred to Stichting Hivos Triodos Fonds by the customer based on invoices issued by the borrowers. Stichting Hivos Triodos Fonds will deduct any interest and / or principal repayment amounts from the funds received. Any remaining amount will be transferred to the borrower. Per year end, a total amount of EUR 980,055 (2021: EUR 36,733) was received on behalf of the borrowers. This amount was transferred to the borrowers early January 2023.

Amounts owed to lenders

This concerns the negative cash balance at Triodos Bank. At year-end 2022, the balance amounted to EUR –401,681 (year-end 2021: EUR –3,487,625). At balance date, the debit interest rate on this account was 5.25% in 2022 (2021: 3.00%).

At the balance sheet date, the available credit facility amounts to EUR 7,400,000 (2021: EUR 7,400,000). An extension of the credit facility was granted until 1st January 2027.

10. Equity

General reserve

	2022	2021
Balance as at 01 January	12,678,098	15,542,821
Results of previous financial year	3,832,207	-2,864,723
Balance as at 31 December	16,510,305	12,678,098

Unappropriated result

	2022	2021
Balance as at 1 January	3,832,207	-3,296,092
Movement in general reserve	-3,832,207	2,864,723
Movement in exchange rate differences reserve	–	431,369
Results of the financial year	1,358,966	3,832,207
Balance as at 31 December	1,358,966	3,832,207

11. Off-balance sheet liabilities

Committed investments

Committed investments concerns loans and participations that have been approved and/or committed by Stichting Hivos-Triodos Fonds, but have not yet been (fully) drawn by the organization in which it has invested.

Committed participations	31-12-2022	31-12-2021
AlphaJiri Investment Fund, Africa	–	5,515,749
Caspian SME Impact Fund, South Asia	1,147,515	1,512,518
Eco Enterprises III, South America	916,171	1,447,272
PowerGen, Africa	–	704,172
Accion Venture Labs, Worldwide	165,050	336,119
Leapfrog Financial Inclusion Fund, Worldwide	–	164,277
Novastar Ventures, East Africa	8,811	46,806
	2,237,547	9,726,913

Committed loans	31-12-2022	31-12-2021
San Fernando, South America	–	618,648
SunCulture, Africa	82,427	456,391
Tiendo Pago, South America	–	455,029
Sistema.bio, South America	–	441,891
Etico, Europe	–	358,138
ProAji, South America	–	26,159
Villa Andina, South America	–	17,079
Capitol Foods, Africa	1,986	–
Aldea Global, Central America	1,664,950	–
Caravela, South America	1,404,231	–
WeLight Madagascar, Africa	2,000,000	–
	5,153,594	2,373,335

Contingencies

A dispute has arisen with the Uganda Revenue Authorities (URA) on the applicability of capital gains tax on an equity sale that took place in 2019.

In 2019, HTF sold its shares in Centenary Bank situated in Uganda to both Uganda resident and non-resident buyers. HTF obtained tax advice regarding this transaction from a reputable local Ugandan tax counsel stating that no capital gains tax should be due in Uganda over the realised capital gain resulting from the sales of the shares in the bank.

In December 2021, the URA issued a private ruling stating that in their view capital gains tax would in fact be due in Uganda over the realised capital gain at a rate of 30%. On this basis, Stichting Hivos-Triodos Fonds requested legal advice and it appears that it is more likely than not that the Foundation does not have to pay capital gains tax in Uganda and therefore no provision is included. Taking into account a scenario that Stichting Hivos-Triodos Fonds would need to enter into legal proceedings in Uganda, a provision has been included for the legal costs (refer to note 6).

In the event Stichting Hivos-Triodos Fonds enters into legal proceeding before the Tax Appeal Tribunal (TAT) in Uganda, a refundable deposit of 30% of the tax assessed, the amount of which is not clear at the time of writing, needs to be paid.

Others

In 2018, the Tax And Customs registered Stichting Hivos-Triodos Fonds for corporate income tax with effect from 1 January 2018. Until 2017, Stichting Hivos-Triodos Fonds was not a corporate tax entity.

The provisional tax result for the financial year 2022 amounts to EUR 712,280 (2021: EUR 847.895). Stichting Hivos-Triodos Fonds owes corporate income tax for the financial year 2022 for the amount of EUR 141,108 (2021: EUR nil due to loss compensation).

Income

12. Income from (subordinated) loans provided

Interest received on loans provided and subordinated loans provided, as well as arrangement fees charged to borrowers when loans are granted and the release of any discount premiums during the year under review are recognised here. Any costs directly attributable to the revenues have been deducted from the revenue.

13. Realised results of investments

The realised results are calculated on the basis of the actual sales transaction compared to the historical cost. In the case of incomplete sale of investments, the average cost is used.

14. Unrealised results of investments

The unrealised results are calculated as the difference between the value at year-end and the value at the start of the financial year. In the case of a sales transaction, the cumulative unrealised results are adjusted in the profit and loss account.

15. Interest Income

This includes interest income received from Triodos Bank and Rabobank as a result of positive interest on the current account balances.

16. Other income

This includes the interest intended by Triodos Bank clients for Stichting Hivos-Triodos Fonds, other miscellaneous income as well as donations received from third parties.

Expenses

17. Management fee

The management fee charged by Triodos Investment Management B.V. consists of a fee of 3.00% per annum on the outstanding investment portfolio of the Foundation, calculated on a quarterly basis. Management fees paid to other third parties include 1% to 2% per annum on the outstanding investment portfolio and 10% performance fee on net income generated.

18. Audit fees and consultancy fees

	2022	2021
Audit fees	65,668	56,076
Consultancy fees	50,978	4,260
	116,646	60,366

Independent auditor's remuneration

Audit fees	2022	2021
	Pricewaterhouse Coopers Accountants NV	Pricewaterhouse Coopers Accountants NV
Audit of the annual report	65,668	56,076
Other assurance services	–	–
Tax advisory services	–	–
Other services	–	–
Total	65,668	56,076

The audit fees amounted to EUR 65,668 (2021: EUR 56,076). These fees amounting to EUR 55,674 related to the audit of the financial statements for the financial year 2022 and EUR 9,994 for 2021 (2021: 37,982), regardless of whether the work has already been carried out during the financial year.

The independent auditor did not render any consultancy services.

The consultancy costs consist of legal advice costs, tax advice costs and project costs.

19. Interest expense

This includes (penalty) interest charges on Triodos Bank's loans as well as interest charged by Stichting Hivos (Hivos) on the subordinated loan. It also includes the interest expenses charged by Triodos Bank and Rabobank as a result of negative interest on the current account balances.

20. Other expenses

	2022	2021
Loan administration fee	–	43,500
Bank charges	9,624	10,886
Contribution and levies	5,744	6,263
Publicity costs	4,158	6,038
Office costs	3,242	3,817
Investment transaction costs	–	10,429
Other	–	189
	22,768	81,122

Stichting Hivos-Triodos Fonds does not pay remuneration to (former) directors and/or (former) supervisors. Stichting Hivos-Triodos Fonds has also not provided loans, advances and guarantees to (former) directors and (former) supervisors.

21. Exchange rate results

This includes exchange rate differences in cash, other receivables and provision for legal fees.

22. Corporate income tax

	2022	2021
Corporate income tax for the financial year	141,108	–
Corporate income tax in previous years	–	43,793
	141,108	43,793

As of 1 January 2018, Stichting Hivos-Triodos Fonds is liable to tax for the corporate income tax within the meaning of the Corporation Tax Act 1969. The provisional fiscal result for the financial year 2022 is EUR 712,280 (2021: EUR 847,895).

Comparison of operating result with budget

The Supervisory Board approved the budget for 2022 at the end of 2021, which showed a budgeted operating profit of EUR 753,000. The actual operating profit is EUR 1,067,754.

The operating profit 2022 includes unrealised changes in the value of investments, which was not included in the budget. When excluding these, the operating profit is below budget.

Appropriation of result

The articles of association of Stichting Hivos-Triodos Fonds do not give any indication of the appropriation of result. The result for 2022 was EUR 1,358,966 (2021: EUR 3,832,207). This amount comprises of an operating result of EUR 1,067,754 (2021: EUR 3,928,456) plus an exchange result on cash and other receivables of EUR 455,887 (2021: EUR 301,543), corporation tax of EUR 141,108 (2021: EUR nil) and a movement in the general provision of EUR -23,567 (2021: EUR -397,702).

The result of EUR 1,358,966, will be added the general reserve.

Related parties

Stichting Hivos-Triodos Fonds has relationships with the following legal entities:

1. Triodos Investment Management BV manages Stichting Hivos-Triodos Fonds for which it receives a competitive management fee. Triodos Investment Management BV is also entitled to a carried interest fee on the sale of participations if the conditions for this are met. The parties have agreed that no carried interest fee will be charged to the sale of the Hivos participations to Stichting Hivos-Triodos Fonds.
2. Triodos Bank NV is the sole shareholder of Triodos Investment Management BV.
3. Triodos Bank NV has provided a credit facility at market rates. The used part of the credit facility at year end date is EUR 401,681.
4. Triodos Bank NV has made one loan available at market rates. The outstanding amount at balance sheet date is EUR 10,000,000.
5. Stichting Hivos-Triodos Fonds, together with Triodos Groenfonds and Triodos SICAV II - Triodos Emerging Markets Renewable Energy Fund provides capital (syndicated equity) managed by Triodos Investment Management BV. At year-end 2022, the value of the syndicate equity was EUR 1,467,969 (2021: 621,502).
6. Stichting Hivos-Triodos Fonds, together with Triodos Fair Share Fund and Triodos SICAV II - Triodos Microfinance Fund provides financing (syndicated loans) managed by Triodos Investment Management BV. At year-end 2022, the value of the syndicate loans was EUR 5,463,687 (2021: EUR 9,644,009).

MXF Solutions LLC is a financial institution with a focus on trading currency instruments. Triodos Investment Management performs a supervisory function on this entity. During 2022 Stichting Hivos-Triodos Fonds and Stichting Triodos Sustainable Finance Foundation were shareholders of MXF Solutions. Both foundations had a minority stake. In September 2022, Triodos Sustainable Finance Foundation disposed its minority stake in full.

Stichting Hivos-Triodos Fonds remains shareholder and concludes currency forward contracts with MXF Solutions. The balance sheet value of all contracts concluded at year-end 2022 was EUR 292,936 (2021: EUR 53,915). With regard to the concluded contracts, no collateral has been paid at the end of 2022.

Driebergen-Rijsenburg, the Netherlands, 29 June 2023

Board of directors of Stichting Hivos-Triodos Fonds
Dick van Ommeren
Jacco Minnaar

Other information

Appropriation of results

The articles of association of Stichting Hivos-Triodos Fonds do not give any indication for the appropriation of the results.

Independent auditor's report



To: the board of directors and the supervisory board of Stichting Hivos-Triodos Fonds

Report on the financial statements 2022

Our opinion

In our opinion, the financial statements of Stichting Hivos-Triodos Fonds ('the Foundation') give a true and fair view of the financial position of the Foundation as at 31 December 2022, and of its result for the year then ended in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

What we have audited

We have audited the accompanying financial statements 2022 of Stichting Hivos-Triodos Fonds, Driebergen-Rijsenburg.

The financial statements comprise:

- the balance sheet as at 31 December 2022;
- the profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

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 Hivos-Triodos Fonds 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 regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

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; and
- contains all the information regarding the directors' report that is required by the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

We have read the other information. Based on our knowledge and the 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 the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report pursuant to the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors and the supervisory board for the financial statements

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board; and for
- such internal control as the board of directors 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 directors is responsible for assessing the Foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Foundation or to cease operations or has no realistic alternative but to do so. The board of directors should disclose in the financial statements any event and circumstances that may cast significant doubt on the Foundation's ability to continue as a going concern.

The supervisory board is responsible for overseeing the Foundation's financial reporting process.

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 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, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered 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, 29 June 2023
PricewaterhouseCoopers Accountants N.V.

A. van der Spek RA

Appendix to our auditor's report on the financial statements 2022 of Stichting Hivos-Triodos Fonds

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 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 directors.
- Concluding on the appropriateness of the board of directors' 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. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluating the overall presentation, structure, and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Personal details

Reference date: 29 June 2023

Supervisory Board

J. van de Ven

Johan van de Ven is Chair of the Supervisory Board of Stichting Hivos-Triodos Fonds. Johan currently acts as an independent innovation consultant and executive. In addition to his role as chair of the supervisory board to HTF, he is CEO of i-Med Technology, and industrial partner at Oraxys. Previously, he held executive board positions at Bosal and Royal Philips, a professorship at Utrecht University and served in the Supervisory Board of Hivos Foundation. Johan is a Dutch national.

B. Bos

Bernedine Bos is a senior advisor Ecosystems and public-private partnerships at KplusV consultancy. Before joining KplusV, she worked as a programme manager at MVO Nederland and as director business transformation at CSR Europe. Bernedine is a Dutch national.

M. Farkas

Michel Farkas is Chief Operations Officer and (interim) CEO of Stichting Hivos. Prior to joining Stichting Hivos, Michel was director resources at Médecins sans Frontières and a managing director at SNV. He is a Dutch national.

D. Griffioen

Diane Griffioen is the head of private equity at PGGM Investments. She is also a member of the investment committee at the DNB (the Dutch Central Bank) and of the supervisory board of the stichting Pensioenfondsen Huisartsen. Previously, she was head of investments at ABP, a director at ASN Investment Funds and a director at Triodos Investment Management. She is a Dutch national.

D.S. Pillai aka

Pat D.S. Pillai is the Founder/Director of LifeCo UnLtd SA and FireDog Skyy Investments. He is a non-executive director: Impact Investing SA (NAB / GSG-II), Dorper Wind Farm Holdings, Hivos Impact Investments. Previously, Founding Director of the African Venture Philanthropy Network (sister to EVPA and AVPN). He was also a television news anchor and current affairs executive producer for eNews / Channel. He is a South African national.

Y.C. van der Schoot

Ylse van der Schoot is the Chief Operations Officer at Cordaid. Previously she held a variety of (board) management positions, amongst others executive director of North Star Alliance, and director investor relations at Oikocredit International. Ylse is a Dutch national.

Fund manager

J. Santbergen

Judith Santbergen has been the fund manager of Stichting Hivos-Triodos Fonds since November 2021. She joined Triodos Investment Management in May 2014 as an Investment Officer for Africa and subsequently worked as a Senior Investment Officer since July 2016. Prior to joining Triodos, Judith worked in various roles for Rabobank. Judith is a Dutch national.

Management Board Triodos Investment Management

Stichting Hivos-Triodos Fonds is managed by Triodos Investment Management B.V. The Board of Triodos Investment Management B.V. consists of:

D.J. van Ommeren

Dick van Ommeren is a Managing Director of Triodos Investment Management B.V.. In addition, Dick van Ommeren is a member of the Board of Directors of Triodos SICAV I and a member of the Board of Directors of Triodos SICAV II. He was also Chair of the Board of DUFAS until 1 March 2022. Dick van Ommeren is a Dutch national.

H. Kuiper

Hadewych Kuiper is a Managing Director of Triodos Investment Management B.V.. Hadewych Kuiper is a Dutch national.

K. Bosscher

Kor Bosscher is Managing Director Risk & Finance of Triodos Investment Management B.V.. Kor Bosscher is a Dutch national.

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

This report is also available and can be downloaded from www.triodos-im.com

Stichting Hivos-Triodos Fonds is a joint initiative of Hivos and Triodos Bank.