



Catalysing green, inclusive prosperity in emerging markets

How Hivos-Triodos Fund made a difference in 2019

Triodos  Investment Management



In 1994, the joint initiative of Hivos and Triodos Bank started as one of the first movers worldwide in financial inclusion investments. From its early beginnings, Hivos-Triodos Fund, managed by Triodos Investment Management, invested in microfinance institutions, making small loans available to entrepreneurs in disadvantaged markets in developing countries. Now, more than 25 years later, the fund still plays a frontrunner's role through its support for renewable energy and sustainable agriculture initiatives, which enable tens of thousands of businesses to thrive.



Hivos-Triodos Fund is a joint initiative of Hivos and Triodos Bank, managed by Triodos Investment Management.

Catalysing green, inclusive prosperity

Established in 1994, Hivos-Triodos Fund is a joint initiative of Triodos Bank and Hivos Foundation and one of the first global movers in financial inclusion investments. The combination of public and private funding from Hivos and Triodos Bank respectively remains a great example of an effective and successful blended finance fund. Today, the fund invests in scalable enterprises in emerging markets to catalyse a sustainable, inclusive and green economy.

At the end of 2019, the fund had a portfolio of EUR 45 million in debt and equity to 40 companies in 20 developing countries and emerging economies worldwide. Since 2010, the fund has expanded its portfolio beyond financial inclusion into sustainable food and agriculture and (off-grid) renewable energy solutions. Hivos-Triodos Fund aims to further leverage Triodos' in-depth knowledge and expertise and grow its portfolio in these sectors significantly in the coming years.

Our goals

- 1 Make a values-driven contribution to the development of a sustainable financial sector in emerging markets.
- 2 Contribute to the development of inclusive, sustainable food value chains to ensure that small-scale farmers also benefit.
- 3 Enable access to clean, affordable and reliable energy for low-income households and small and medium-sized enterprises (SMEs).

This publication highlights the broad scope of the Hivos-Triodos Fund in a context of stories and numbers. By zooming in on our investees in Latin America, Africa and Asia, we want to give you a flavour of how Hivos-Triodos Fund catalyses green, inclusive prosperity, and how they touch upon the United Nations Sustainable Development Goals¹.



^ The seventeen Sustainable Development Goals (SDGs), launched as the 'strategy of the world', in 2015, by the UN.

¹ The SDGs highlighted with each investee are not necessarily the only SDG that a particular investment contributes to. Instead, we chose to highlight one SDG per investee which we deem most relevant for the specific investment. We include a short description of a challenge related to the SDG we aim to tackle or contribute to with the specific investment.

Goal 1:

Make a values-driven contribution to the development of a sustainable financial sector in emerging markets.

A sustainable financial sector

Why do we invest in financial inclusion?

There are 1.7 billion people worldwide who have no or only limited access to basic financial products and services, such as loans, savings accounts and payment services. Most of these people live in developing and emerging economies.

We strongly believe that access to finance enables them to better manage their daily life, cope with unexpected difficulties, develop their entrepreneurial skills, and plan for the future. Furthermore, 65 million or 40% of the micro, small and medium-sized enterprises in developing countries, which are one of the strongest drivers of economic development, innovation and employment, have unmet financing needs. There is a strong correlation between the health of the small business community, economic growth, and poverty alleviation.

Clear link to agriculture and renewable energy

The financial institutions in our portfolio have a specific focus on reaching out to those traditionally excluded from access to affordable, effective and transparent financial products and services. These institutions fulfil a strong and instrumental role in society and their values-driven approach is crucial in developing an accessible, well-functioning and inclusive financial sector that fuels social and economic development. Hivos-Triodos Fund especially focuses on financial institutions that have a clear link to the agricultural and renewable energy sectors. Moreover, the fund increasingly focuses on financial institutions that offer financial services through technology to improve access and affordability exponentially. The financial institutions in our portfolio reach:

Key indicators as per end of 2019

256,000	248,000	1,241	91%	84%	2,063
Number of borrowers	Number of savings clients	Average loan amount (EUR)	Percentage of female borrowers	Percentage of rural clients	People employed by financial institutions

12 financial institutions in portfolio

Hivos-Triodos Fund financed 12 financial institutions in 2019. We highlight the new additions to the portfolio:

Maha Agriculture Microfinance in Myanmar

Agriculture is the backbone of the economy of Myanmar. However, many farmers' need remain unmet. Maha Agriculture Microfinance (Maha) provides farmers with affordable financing through microloans, with the aim to uplift them economically and socially. Farmers are Maha's key clientele, and the financial institution offers highly customised products that factor in crop season, region and crop type.

FinAktiva, Colombia

Finaktiva is a Colombian online lender (Fintech) targeting high impact micro, small and medium-sized enterprises (MSMEs) with nearly 40% of its portfolio outstanding in the creative and 'green' sectors (e.g. waste management, energy efficiency,

and renewable energy generation). Through its low-cost model, FinAktiva can service MSMEs and, as such, stimulate job creation, thereby having a direct impact on the available income of its clients' employees; the majority belonging to the base of the pyramid. The company is B-certified. Hivos-Triodos Fund's loan with warrants is partially earmarked (25%) towards FinAktiva's 'green' portfolio.

Accion Venture Lab, global

In 2019, Hivos-Triodos Fund became a shareholder in Accion Venture Lab. This venture capital fund invests in early stage fintech companies that share the end goal to further financial inclusion. Through this investments, Accion Venture Lab wants to catalyse breakthrough innovation in financial inclusion that will radically enhance the efficiency, reach and scope of products and services for the globally underbanked. Its portfolio includes companies on the nexus of financial inclusion and agriculture.

LulaLend, South Africa

Lulalend is South Africa's first fully digital short-term finance institution, with the mission to provide South African entrepreneurs who are excluded from formal banking channels to receive competitive funding to grow their businesses, which spurs

job creation. Electronic data and automated decision making enable loans to be disbursed within 24 hours of the initial request. Hivos-Triodos Fund provided a loan to the company. The investment team is working with the company to improve its environment and social impact

framework and stimulate 'green' sector lending.

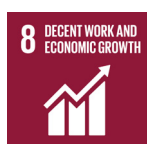


Other financial institutions in the fund's portfolio include:

- > Tienda Pago in Peru: offers inventory financing to small neighbourhood stores in Peru
- > Samunatti in India: offers customised financial services to smallholder farmers
- > Optima in El Salvador: the loan by Hivos-Triodos Fund is earmarked for Optima's finance facilities to 'green companies', including those with activities in biomass and drip-irrigation
- > CACMU in Ecuador: focuses on rural areas, serving female entrepreneurs and their families



AGRICULTURAL GROWTH IS AN IMPORTANT INSTRUMENT FOR POVERTY REDUCTION



2 IN 3 ADULTS HAVE ACCESS TO MOBILE MONEY AND SUCH, INCLUDING THE EXCLUDED IN THE FORMAL ECONOMY



BY 2030 ALL COUNTRIES WILL HAVE STRENGTHENED RESILIENCE TO CLIMATE RELATED HAZARDS AND NATURAL DISASTERS

Goal 2:

Contribute to the development of inclusive, sustainable food value chains to ensure that small-scale farmers also benefit.

Inclusive, sustainable food value chains

Why do we invest in small and medium-sized enterprises?

The International Finance Corporation (IFC) found that there are 36–44 million small and medium-sized enterprises (SMEs) in the world of which 65–70% are located in developing countries. Of these 25–30 million SMEs, 55–68% (14–20 million SMEs) are unserved or underserved. Small businesses are the engine of employment, contributing up to 85% of new full-time jobs in developing countries.

Hivos-Triodos Fund already reaches SMEs indirectly through local financial institutions, but there is a clear gap between what local financial institutions can provide and what SMEs need. This is especially true for the larger financing needs of innovative SMEs active in sustainable food and agriculture, and renewable energy. This is due to a general lack of knowledge awareness and suitable financial instruments amongst local financiers which hampers a focus on these high impact segments. Hivos-Triodos Fund believes it can play a role in bridging the gap for innovative SMEs that lack access to the right financial services. It can catalyse their growth by investing directly and indirectly (via dedicated local funds) in SMEs, by means of equity, mezzanine debt and debt.

The case for sustainable food and agriculture

Agriculture provides a livelihood for 2.5 billion people worldwide; many of them in developing countries. Over the next 35 years, agriculture will face an unprecedented confluence of pressures, including a 30% increase in the global population, intensifying competition for increasingly scarce land, water and energy resources, and the existential threat of climate change.

Hivos-Triodos Fund subscribes to the need for a radical systemic transition from the current production-focused systems towards one that is ecologically and socially resilient and based on balanced ecosystems, a healthy society and inclusive prosperity.

The fund supports this transition by financing agricultural initiatives that work with nature rather than against it: by improving ecosystem elements such as biodiversity and soil quality, by supporting initiatives that provide nutritious and quality food products, by promoting a healthy society and by financing projects that improve livelihoods of many through income growth and support. Special focus is on smallholder farmers. In emerging economies, 500 million smallholder farmers producing food on less than two hectares supply 70% of the world's food. They represent the poorest and hungriest people in the world.

The fund applies a system-thinking approach in financing a variety of innovative organisations in emerging markets that support the transition to ecologically and socially resilient food systems.

Trade finance

In 2019, Hivos-Triodos Fund offered trade financing loans to sustainable agriculture companies that pay a fair price to their farmers. Hivos-Triodos Fund had the following aggregated impact from the trade financing loans we provide to our portfolio companies:

Key indicators as per end of 2019

98,998

Number of farmers reached

70,491

Hectares of sustainably cultivated land

64,339

Hectares of organically certified cultivated land

49

Millions of tonnes of sustainably grown products exported



Given the diversity of the sector, aggregated impact reporting does not always accurately reflect the impact of the individual companies. Besides the aggregated approach for its trade finance clients, Hivos-Triodos Fund adopts a case-by-case approach for other portfolio companies, which does not allow for aggregated reporting.

21 food and agriculture companies in portfolio

Hivos-Triodos Fund financed 21 food and agriculture companies in 2019. We highlight two of them: Biorganica and MA's Foods.

Biorganica, Brazil

Biorganica is a sourcing and export company which supports over 120 farmer families in the region of Parana, Brazil, on the organic production of soy, wheat, corn, cassava and its side and rotation crops, which are partly exported but mainly sold on the local market. It is one of the very few initiatives left that work with smallholder organic farmers in an ever-growing area of intensive and GMO driven agriculture. Hivos-Triodos Fund provides a trade financing facility to Biorganica to enable export to Western buyers. Triodos Organic Growth Fund's investee DO-IT is a buyer and shareholder in the company, which means that Triodos Investment Management provides finance throughout the value chain.

MA's Foods, Sri Lanka

MA's Foods in Sri Lanka evolved from a small backpackers' inn to one of the leading firms in premium processed food, seasonings and spice brand in the Sri Lankan market. Products are sold to domestic and international markets. MA's Foods' buyers in the Netherlands are DO-IT and Fair Trade Original through whose channels the coconut milk cans of MA's Foods find their way to the shelves of supermarket chains of Albert Heijn and Jumbo. Hivos-Triodos Fund has played a key role in linking MA's Foods to these international markets through a trade financing facility.



Other food and agriculture companies include:

- Twiga Foods in Kenya: a mobile-based supply platform for fruit and vegetables markets stall
- Norandino in Peru: a credit and savings cooperative working with smallholder coffee farmers
- Origo in India: an agri-business company in India, active in professional warehousing
- GraceBio in Thailand: women-owned agri-business that exports organic and fair trade rice



WOMEN WORK 70% OF THE WORLD'S WORKING HOURS, YET EARN ONLY 10% OF THE WORLD'S INCOME



LAND DEGRADATION, DECLINING SOIL FERTILITY AND UNSUSTAINABLE WATER USE ARE ALL LESSENING THE ABILITY OF THE NATURAL RESOURCE BASE TO SUPPLY FOOD



BY 2030 ALL COUNTRIES WILL HAVE STRENGTHENED RESILIENCE TO CLIMATE RELATED HAZARDS AND NATURAL DISASTERS

Goal 3:

Enable access to clean, affordable and reliable energy for low-income households and SMEs.

Clean, affordable and reliable energy

The case for renewable energy

Over 1 billion people in the world live without electricity, and 2.7 billion rely on wood, charcoal, and biomass for their home energy requirements. This lack of access to modern energy technology limits income generation, blunts efforts to escape poverty, affects the health of women and children, and contributes to global deforestation and climate change.

Decentralised renewable energy solutions can be particularly suitable for developing countries. According to the International Energy Agency (IEA), over half of new electricity provision required for universal energy access in developing countries in next few decades is likely to come through decentralised solutions, mostly related to lower technology and distribution costs. Most of these solutions are still in an early stage of their life cycle and need catalytic funding to further mature. Hivos-Triodos Fund invests in these decentralised renewable energy solutions to enable access to clean, affordable and reliable energy for residential and productive use.

Hivos-Triodos Fund added two new renewable energy companies to its portfolio in 2019:

SunFunder, global

SunFunder is a solar finance business driving a global energy transformation to solve energy

access and climate change. It does this by raising debt capital from HNWLs, family offices, impact investors and DFIs and deploying this debt capital by making inventory, structured finance and working capital loans to solar companies and small projects in emerging markets. It operates in a niche where there is limited access to funding. Hivos-Triodos Fund provided a loan to SunFunder to catalyse off-grid clean energy investments in relatively untapped geographies, such as Southern and Central Africa.

Ecozen Solutions in India

In 2019, Hivos-Triodos Fund became a shareholder in Ecozen Solutions in India. Ecozen provides renewable energy-based technology and innovation to strengthen the farm-to-fork value chain of perishable goods, such as vegetables, fruits and flowers. Products include Ecotron, a solar irrigation pump controller, and Ecofrost, a unique on-farm solar powered cold storage solution.



Other renewable energy companies in the fund's portfolio include:

M-KOPA Solar in East Africa

M-KOPA Solar is the global leader of pay-as-you-go energy for off-grid customers. The company sells solar home systems to low-income households in East Africa based on a leasing scheme serviced through mobile phones.

Sistema.bio, global

Sistema.bio produces and sells biodigesters, converting organic waste (animal manure) into biogas that can be used for cooking, heating, or electricity generation, and an organic fertiliser to support local agriculture ('creating value from waste').



1.4 BILLION PEOPLE
GLOBALLY LACK ACCESS TO
BASIC ENERGY SERVICES

BIOGAS LOWERS
HOUSEHOLD ENERGY
EXPENDITURE AND MAKES
THEM INDEPENDENT OF
UNRELIABLE POWER GRIDS

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About Triodos Investment Management

With over 25 years of experience as a globally active impact investor, and as a wholly-owned subsidiary of Triodos Bank, Triodos Investment Management has developed deep sector-specific insights across Energy & Climate, Financial Inclusion, Sustainable Food & Agriculture, and Socially Responsible Investing in listed equities and bonds. Assets under management as per 31 December 2019 amounted to EUR 4.9 billion.

Investing in positive change

For more information about Hivos-Triodos Fund, and other sustainable investment opportunities, please contact our Investor Relations team at:

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