

Policy on External Auditors Independence

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1. Introduction

The independence of the external auditor, in fact and in appearance, is important. Triodos Bank Group¹ (further: Triodos) has sufficient controls in place to support the independence of the external auditor. Breaches to this policy will be sanctioned according to applicable laws and regulations.

2. Scope

The policy defines minimum requirements to ensure the independence of the external auditor. The most important applicable laws and regulation are:

- Audit Firms Supervision Act (Wet toezicht accountantsorganisaties, (Wta)), (30-12-2009, stb. 2009-607), lastly amended on 1-11-2016
- Dutch Audit Profession Act (Wet op het accountantsberoep (Wab)) (13-12-2012)
- Regulation (EU) no 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (*PB EU 2014, L 158*)
- Standards of the auditing profession (Beroepstandaarden), at least no. 240, 260, 265
- Book 2, title 9, Dutch Civil Code
- EBA revised Guidelines on Internal Governance EBA/GL/2017/11

This policy applies to all public interest entities and group(s) of public interest entities which form part of Triodos Group and are headquartered in the Netherlands. For these entities, the Dutch regulatory framework sets the basis for external auditors' independence.

3. Definitions

The following definitions are considered important in relation to this policy:

- **External auditor:** the external auditor is the audit firm which is engaged by a public interest entity (as defined in book 2, title 9 of the Dutch Civil Code) or a group of public interest entities, which form part of Triodos to perform the statutory audit(s) in accordance with applicable laws and regulations on the annual financial statements
- **External auditor independence:** the external auditor must be independent from the client audited, both in

¹ 'Triodos Bank Group' means the economic and organisational unity, under central control, constituted by a primary group consisting of Triodos Bank N.V. and all legal entities in which Triodos Bank N.V. owns more than 50% of the economic rights, and a secondary group consisting of all legal entities in which the primary group has effective management control, as well as the Triodos Investment funds incorporated in the Netherlands, and Luxembourg. Some funds, managed by Triodos Investment Management B.V. are also public interest entities, headquartered in the Netherlands, to which this policy applies. Triodos Investment Management B.V. can decide to let this policy apply to other funds.

mind as in appearance and the external auditor is someone who is able, in the light of all relevant facts and circumstances, to form an objective and impartial opinion on all matters that fall within the scope of his engagement.

• **Public interest entity:** a public interest entity is defined as:

- a legal entity with registered offices in the Netherlands and incorporated in accordance with Dutch law, the shares of which have been admitted to trading in a regulated market as referred to in Book 1, Section 1 of the Financial Supervision Act;
- a bank with registered offices in the Netherlands as referred to in Book 1, Section 1 of the Financial Supervision Act that has been granted a license pursuant to that Act;
- a central credit institution with registered offices in the Netherlands as referred to in Book 1, Section 1 of the Financial Supervision Act that has been granted a license pursuant to that Act;
- a life insurer or non-life insurer with registered offices in the Netherlands as referred to in Book 1, Section 1 of the Financial Supervision Act that has been granted a license pursuant to that Act;
- an enterprise, institution or public body that falls under one of the categories designated in accordance with Section 2.

When mentioning functions such as General Meeting, Supervisory Board, Executive Board, Audit and Risk Committee, Internal Auditor, Managing Director, CEO, CFO, COO, Director Risk and Director Finance, we also refer to the equivalent bodies for the funds to which this policy applies ².

4. Appointment, rotation and termination

4.1 Initial appointment of the external auditor

According to applicable laws and regulations, the external auditor is appointed by the General Meeting. The Supervisory Board selects and recommends the external auditor to be appointed, based on the advice of the Audit and Risk Committee and the Executive Board.

The yearly engagement letter is resolved on by the Supervisory Board and signed by the Executive Board.

4.2 Rotation of the external auditor

According to applicable laws and regulations, at least every 5 years, an audit partner with an essential task rotates, taking into account a cooling off period of 3 years.

In observance of above, laws and regulations require that, at least every 10 years, the external audit firm rotates, taking into account a cooling off period of 4 years³.

4.3 Termination of the relationship

Interim termination is only possible by the General Meeting and/or the Executive Board. In the latter, this is conditional to approval by the Supervisory Board, upon advice of the Audit and Risk Committee. Applicable laws and regulations must be taken into account when terminating a contract.

5. Services

5.1 Allowed services

External auditors of public interest entities are permitted to perform the following audit services⁴ on behalf of the public or the Supervisory Board:

- the statutory audit of the company or consolidated financial statements;
- the audit or review of interim and annual financial summaries;
- the provision of assurance with respect to other aspects of annual reporting, such as corporate governance, risk management or corporate responsibility;
- the provision of assurance and fact-finding services on behalf of reporting to supervisory authorities and the Tax Office;
- any other statutory task in relation to audit services that is imposed upon the external auditor or audit firm by the law;
- the provision of assurance and fact-finding services on behalf of external users (for example in the form of comfort letters);
- the provision of assurance and fact-finding services on behalf of the Supervisory Board (for example in the area of internal control, M&A and fraud).

5.2 Not allowed services

The external auditor is not allowed to perform any other services, other than listed in the paragraph 'Allowed services'. Among others, not allowed services include compilation engagements, transaction related advisory service, (management) advice services and tax (advice) services. This list is not exhaustive.

² Triodos Investment Management B.V. may translate this policy to the relevant funds. At some funds, relevant tasks and activities, as described in this policy, may be performed by other bodies as a result of the fund's governance structure.

³ This firm rotation will at the latest be effectuated for the first time for the financial year commencing January 1, 2016. Additional to that, this requirement is subject to review by the Minister of Finance in 2015 in the context of European auditors independence requirements at that time.

⁴ The NBA has 'translated' the overview of audit services into the NBA's professional engagement standards as codified in the Nadere voorschriften controle en overige standaarden (NV COS). By doing so the NBA aims to promote a uniform interpretation of the new rules among the audit profession and thereby also promote the quality of professional audit practice. On the basis of the above mentioned, the NBA observes that the following engagements can be provided in combination with the statutory audit of PIEs:

- Engagements to audit historical financial information (Standards 100-999)
- Engagements to review historical financial information (Standards 2000-2699)
- Assurance engagements other than audits or reviews of historical financial information (Standards 3000-3850)
- Engagements to perform agreed-upon procedures⁴ regarding financial information (Standard 4400).

5.3 Approval procedure for services

Audit services are determined in the yearly engagement letter and are signed by at least two members of the Executive Board and/or by the responsible co-worker and/or Managing Director in the business units following the applicable mandate structure and authorization levels within Triodos.

Services other than those determined in the yearly engagement letter may be required from the external auditor in accordance with this policy. In all these cases, Internal Audit must be consulted for compliance purposes before rendering these additional services.

6. Hiring employees

6.1 Employment at both Triodos and external auditor

An external auditor individual involved in an assurance assignment or any person, working at the external audit firm, who may have ability to influence the outcome of an assurance assignment, is not allowed to be employed at Triodos at the same time. This also includes management and supervisory functions and roles at Triodos or the funds managed by Triodos Investment Management B.V.

6.2 Triodos hires a co-worker from the external auditor

To prevent a potential conflict of interest, Triodos will not hire as a CEO, CFO, COO or any other member of the Executive Board and/or Supervisory Board, Director Risk, Director Finance, Head of Internal Audit or any person serving in an equivalent position, any employee of its external auditor firm, who participated in a significant capacity in a financial audit of Triodos in the preceding year.

6.3 Restrictions for hiring co-workers from Triodos by external auditor

The external auditor will not hire a Triodos co-worker who had an essential management function at Triodos and who will be involved in the audit of Triodos. A cooling off period of 2 years will be taken into account.

6.4 Co-operation in audits

Internal auditors and external auditors may work together in financial, sustainability, IT, operational and compliance audits. Both will keep its own independence and objectivity and due professional care. Combined reporting is allowed.

7. Roles, responsibilities and reporting

7.1 External auditor

The external auditor reports to Executive Board and Audit and Risk Committee.

On a yearly basis, the external auditor reports to the Audit and Risk Committee about:

- responsibility of the external auditor
- scope and timing of the work
- findings and issues

- independence, via a written confirmation
- all relationships that may impair external auditor's independence
- potential fraud
- significant shortcomings in internal control

The external auditor pro-actively informs Internal Audit about all assignments to be performed and about non-compliance with this policy.

The external auditor reports total fee with a break down in the audit for the financial statements and additional activities, in total and per business unit / business line. The external auditor is responsible to comply with all laws and regulations that govern the functioning of the external auditor, including its independence.

7.2 Audit and Risk Committee

The Audit and Risk Committee is the principal contact for escalation in case of irregularities in the content of financial reports.

The external auditor shall attend the meetings of the Audit and Risk Committee, unless the committee decides otherwise, ensuring this includes at least those meetings where decisions are made about the annual accounts. The Audit and Risk Committee reviews the follow up of the recommendations of the external auditor.

The Audit and Risk Committee of Triodos Bank (being a Public Interest Entity) must approve the provision of all permissible 'non-audit services' by the external auditor or by a member of the external auditor's network to Triodos Bank and to its EU controlled undertakings and advises the Supervisory Board on statements to be made in the annual report regarding the statutory external auditor's provision of non-audit services.

In relation to the external auditor, on a yearly basis the Audit and Risk Committee evaluates:

- performance of the external auditor
- scope of the audit
- independence, the relationships of the external auditor with Triodos that may impair independence
- external auditors' quality controls to maintain independence
- full overview of external auditor's services provided in previous years including fees

At least once a year, the Audit and Risk Committee meets with the external auditor without the presence of the Executive Board.

7.3 Internal audit

Internal Audit maintains a complete overview of all important external auditor's reports and contracts (in copy). Other responsibilities of Internal Audit in relation to the external auditor are listed in the Internal Audit framework.

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