

ANNUAL REPORT

2016



alterfin 
Investing in microfinance
& fair trade

HIGHLIGHTS 2016

CAPITAL INCREASE

5,916 shareholders in the North
58.1 million euros capital
+7.3 million euros in 2015

SUSTAINABLE INVESTMENTS

350 million euros disbursed since 1994
67 million euros invested at end 2016
146 partners in the South
31 countries

· MICROFINANCE

12.8 million euros disbursed in 2016
35.3 million euros invested at end 2016
71 microfinance institutions
29% agricultural portfolio

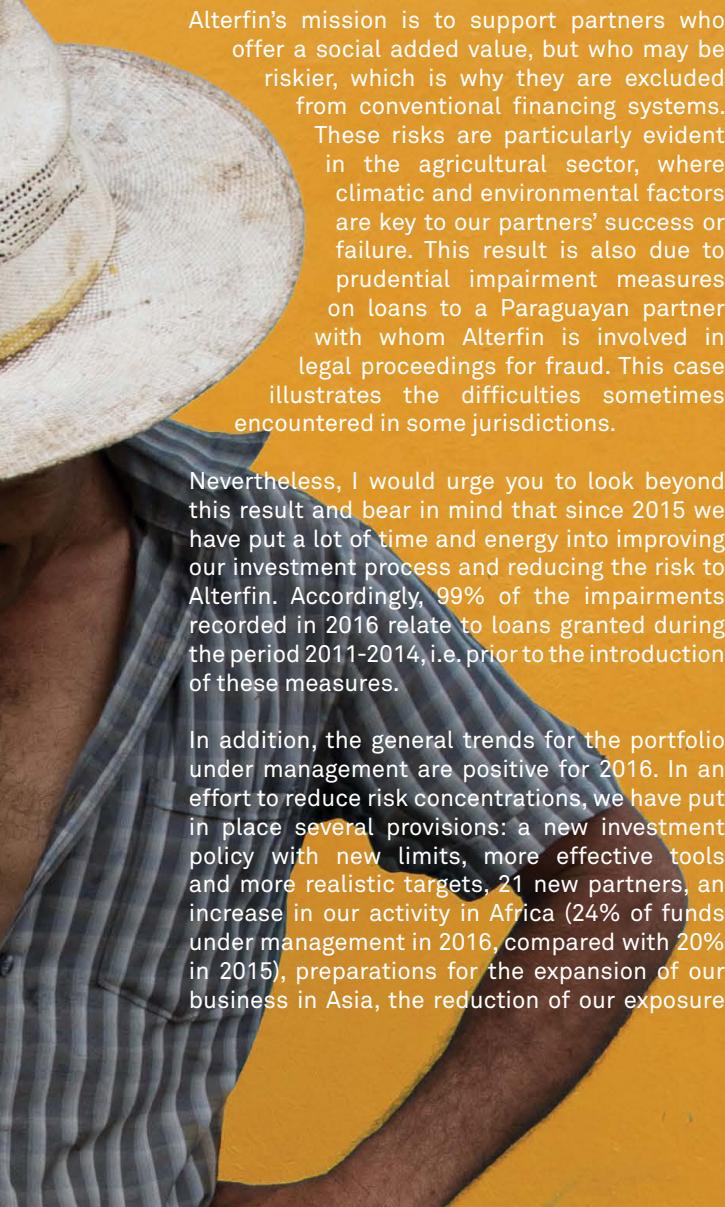
· SUSTAINABLE AGRICULTURE

28 million euros disbursed in 2016
29.6 million euros invested at end 2016
69 organisations
76% fair trade certified
71% certified organic
19 agricultural products

PEOPLE IN THE SOUTH

1,367,731 people benefit via Alterfin's partners
82,012 families benefit directly through Alterfin
70% living in rural areas
61% women





Dear Reader,

2016 was a challenging year for Alterfin, and the high level of impairments recorded during the year had a significant impact on our result, which prevents us from distributing a dividend this year. Naturally, this is not what we were hoping for, but we must look carefully at the causes of such a result and consider the prospects for the future.

Alterfin's mission is to support partners who offer a social added value, but who may be riskier, which is why they are excluded from conventional financing systems.

These risks are particularly evident in the agricultural sector, where climatic and environmental factors are key to our partners' success or failure. This result is also due to prudential impairment measures on loans to a Paraguayan partner with whom Alterfin is involved in legal proceedings for fraud. This case illustrates the difficulties sometimes encountered in some jurisdictions.

Nevertheless, I would urge you to look beyond this result and bear in mind that since 2015 we have put a lot of time and energy into improving our investment process and reducing the risk to Alterfin. Accordingly, 99% of the impairments recorded in 2016 relate to loans granted during the period 2011-2014, i.e. prior to the introduction of these measures.

In addition, the general trends for the portfolio under management are positive for 2016. In an effort to reduce risk concentrations, we have put in place several provisions: a new investment policy with new limits, more effective tools and more realistic targets, 21 new partners, an increase in our activity in Africa (24% of funds under management in 2016, compared with 20% in 2015), preparations for the expansion of our business in Asia, the reduction of our exposure

to coffee, which now represents 18% compared with 32% in 2015, and the granting of 11.5% of our loans in local currency against 3.9% in 2015.

In 2016, we issued no less than EUR 42 million of loans, up 23% compared with the previous year. 66% of these loan pay-outs relate to sustainable agriculture and are performing well. In this way, Alterfin directly affects more than 80,000 families in the South. For most of our partners, Alterfin remains a pioneer in solidarity financing. Together, we can continue to build a viable future with a positive social, economic and environmental impact and to rectify certain mistakes made in the past.

In 2017, we will continue the efforts we have been making since 2015 and aim for a positive result. On behalf of the entire team, thank you for your confidence and support.



Jean-Marc Debricon
General Manager

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21 NEW PARTNERS

Discover Alterfin's investment portfolio.



ALTERFIN IN THE WORLD



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SUPPORTING FARMERS IN CONFLICT ZONE

Discover Canaan,
our Palestinian partner of olive oil.



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MICROFINANCE IN WEST AFRICA

Meet PAMF, a rural microfinance institution and
its clients.

THE ALTERFIN COOPERATIVE

Alterfin is a cooperative society established in 1994 and resulting from an alliance between several NGOs and banks (including Triodos). Alterfin's shareholders include over 5,000 private individuals, a number of social organisations (such as SOS Faim, Vredeseilanden, Financité, Magasins du Monde Oxfam, the Fondation Damien, Entraide et Fraternité) and some companies.

Together,
**fighting financial exclusion
in the South**

Mission

Alterfin's objective is to help improve the quality of life of groups of socially and economically disadvantaged people in the South. To achieve this objective, Alterfin raises capital in Belgium and invests it in the South. Using this capital, Alterfin grants loans to microfinance institutions and organisations active in family and sustainable agriculture.

Microfinance

Alterfin issues loans to microfinance institutions (MFIs) in Latin America, Africa and Asia. These in turn offer microloans and other financial and non-financial services to small businesses and farmers, who use these services mainly to set up or develop their activities.

Sustainable agriculture

Alterfin also directly finances organisations active in family and sustainable agriculture in developing countries. Most of these organisations are part of the fair trade network and construct sustainable agriculture models.

Our contribution to the United Nations' Sustainable Development Goals

With its financing, Alterfin contributes to most of the UN's sustainable development goals (SDGs) (see symbols below). In particular the fight against poverty (1) and hunger (2), access to health (3), gender equality (5), access to decent work and economic growth (8), the reduction of inequalities (10), responsible consumption and production (12), the fight against climate change (13) and the protection of life on land (15) are encouraged by Alterfin's investments in sustainable agriculture and microfinance, and partnerships for the achievement of the goals. Throughout this annual report, look out for the symbols that indicate which goals are supported through our activities.

THE 17 SUSTAINABLE DEVELOPMENT GOALS



To find out more about the United Nations sustainable development goals, go to <https://sustainabledevelopment.un.org>.

Share capital *up*

Alterfin's capital rose by EUR 7.2 million in 2016 to reach EUR 58.1 million at the end of the year. A total of 343 shareholders joined the cooperative during the year.

Alterfin's share capital maintained excellent growth during 2016. A total of EUR 7.2 million was added, bringing it to EUR 58.1 million at the end of the year. The capital is contributed by 5,917 shareholders (+343 in 2016): 5,704 private individuals and 213 institutional shareholders.

Shareholders' satisfaction survey

During 2016, Alterfin conducted a satisfaction survey of its shareholders. Nearly 500 took part. The results make interesting reading about their view of Alterfin.

The shareholders report an overall satisfaction rate of 82%.

'Ethical' shareholders

The clear majority of our shareholders (84%) say that they are primarily attracted by the ethical and sustainable character of Alterfin shares. The shareholders are motivated by Alterfin's social mission, and also expect a

financial return for their commitment. Our partners in the North (Triodos Bank, Oxfam, etc.) are also a factor in their interest in Alterfin. 82% of the shareholders in the survey give donations to charity, 73% hold a 'sustainable' savings account and one third also own shares in other cooperatives.

Delighted with the social results

81% of the shareholders surveyed believe that Alterfin's investments in the South have a positive or very positive social impact. They are also satisfied with the financial return.

In addition to sustainable agriculture and microfinance, our shareholders are in favour of investments in other sectors such as water and sanitation (58%), green energy (55%), education (50%) and health care (45%).

A SHAREHOLDER'S TESTIMONIAL



Georges-Pierre Tonnelier

"I decided some time ago to make my own contribution to development cooperation. After giving the matter some thought, I eventually chose to invest in a fund for social purposes, because of the Belgian state's endorsement of such funds' credibility. The state indirectly finances companies of this type by giving the Belgian shareholders tax breaks, both when capital is invested and when dividends are received.

I already had a positive impression of Alterfin, thanks to its high-quality communication. The first General Assembly I attended ended up convincing me of the seriousness and professionalism of the team that runs it and works there on a daily basis. I've been an Alterfin shareholder for four years now and they've unfailingly justified the trust I have put in them over that time. I'm pleased to see that the money I have invested is helping to make a lasting improvement to the situation of many people in the world."

2016: a year of diversification

In 2016, Alterfin diversified its portfolio in terms of partners and products, and in terms of the funds it manages for third parties and the currencies in which it provides its financing.

At the end of 2016, investments managed by Alterfin (including those managed for third parties) totalled EUR 67.3 million. The vast majority of the funds (72%) come directly from Alterfin's share capital. Alterfin also manages funds on behalf of third parties: these represent 28% of Alterfin's total investments.

The Alterfin portfolio stood at EUR 48.5 million at the end of the year, 5% higher than in 2015. This was despite the fact that the consolidation initiated in 2015 caused the portfolio to contract for much of the year before returning to growth in the last quarter. Attention was initially focused on the development of loan-granting procedures and risk analysis and management tools, as well as on the recovery of loans in default. The team also looked at the development of the portfolio managed for third parties. Although this slowed the growth of our business for several months, the resumption of diversified growth at the end of the year bodes well for 2017, when the fruits of this new growth can be harvested.

In 2016, Alterfin directed its efforts towards developing and adapting its services to meet the needs of its partners while improving its risk control. Thus it financed 21 new partners (see page 10) and expanded its portfolio on the African continent, specifically by initiating a number of partnerships in Uganda, both in the microfinance sector and in sustainable agriculture. We also expanded our business in Argentina, adding loans to three new microfi-

nance institutions to our existing support for La Riojana, a winegrowers' cooperative (see the example of Pro Mujer on page 10).

Increasing financing in local currency

There was also diversification regarding the currency in which loans are granted to our partners. Historically, Alterfin has issued loans primarily in dollars and euros. The volatility of national currencies in the countries where we operate makes it hard to issue loans in local currencies, as there is a high risk of financial loss due to exchange rate fluctuations, yet many of our microfinance partners require financing in their national currency. This is because the activities of the microfinance institutions are purely local, and for those who do not operate in "dollarised" economies such as Ecuador, Panama or El Salvador, the receipt of loans in foreign currency compels them to arrange costly insurance against the foreign exchange risk.

In order to adapt our services to our partners' needs, we therefore seek to issue loans in their respective currencies while hedging against the currency risk.

At Alterfin portfolio level, we are making increasing use of the Alterfin Guarantee Fund (see box), as well as specialists such as MFX Solutions. Five new currencies have been added in the Alterfin loan portfolio, illustrating Alterfin's ability to make investments in local currencies. Alterfin currently provides financing in 13 different currencies. At the end of 2016, 11.5% of current loans were in

Investments in euros	2014	2015	2016	Growth 2015-2016
Portfolio Alterfin	42,882,575	46,176,813	48,493,539	+5%
Third party portfolio	14,090,739	12,943,645	18,831,734	+45%
Total managed by Alterfin	56,982,313	59,120,458	67,325,274	+14%

local currency, compared with 3.9% a year earlier.

Alterfin Guarantee Fund

This non-profit association collects funds that can be used as a guarantee for weaker partners in the South who lack sufficient guarantees. These guarantees make it possible to reach smaller, more vulnerable partners who nevertheless have a major social impact. Since 2013, the fund has also been used to cover the exchange risk on loans granted by Alterfin in local currencies.

tors. The institution also provides low-cost medical services and professional training. Pro Mujer Argentina works on behalf of a segment of the population usually neglected by conventional financial institutions.

Alterfin also financed for the first time ICAM Uganda, an organisation specialising in cocoa harvesting and processing and chocolate marketing. Part of an Italian family business, ICAM works with more than 4,000 small Ugandan producers, providing them with technical assistance and bean collection services. ICAM's support is crucial for these producers, who see the quality of their output improving,

21 new partners

In 2016, Alterfin financed 21 new partners: 12 in Latin America and 9 in Africa. These new partners include Pro Mujer Argentina, a microfinance institution which issues microloans exclusively to women. Most of this financing takes the form of group loans, in which the women act as one another's guaran-

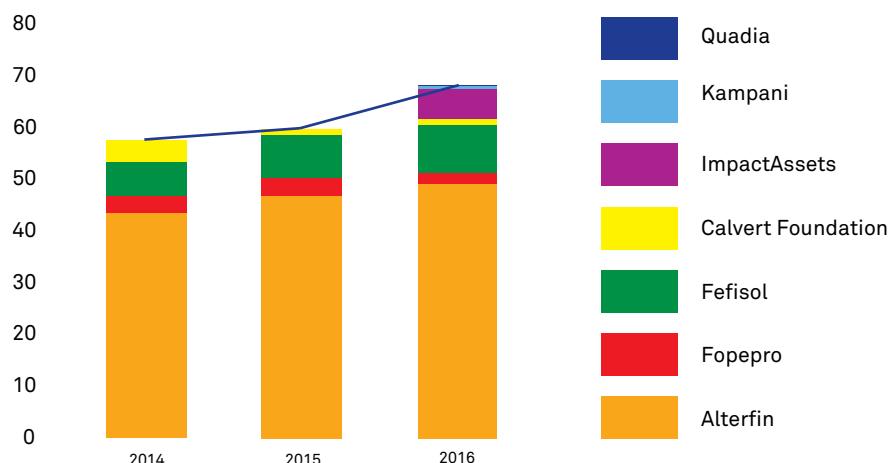
while benefiting from higher purchase prices than those on the local market. For Alterfin, this new partnership also represents a first step in Uganda as a new destination for our investments.

Joining forces to support people in the South

Alterfin finances most of its activities through the capital provided by its shareholders, but also manages funds for third parties, in order to develop its investment activities on a larger scale while diversifying its risk at the same time. In this capacity, Alterfin manages a portfolio of EUR 18.8 million for third parties, up 45% from last year. This strong growth is due in particular to the management of funds from ImpactAssets, an American social investment fund whose mission is to finance organisations with a high social and environmental impact. Alterfin's financing activity on behalf of ImpactAssets focuses exclusively on the sustainable agriculture sector, and amounted to nearly EUR 6 million at the end of 2016.



Portfolio managed by Alterfin (in million euros)



Agriculture is also the speciality of Quadia, a Swiss organisation with which we have initiated a partnership, and Kampani. The latter is a social impact investment fund created in 2015 by Alterfin, several Belgian NGOs, the King Baudouin Foundation and a few private investors. Kampani specialises in supporting small and medium-sized agricultural enterprises by acquiring a stake in the capital or granting subordinated loans. Alterfin acts as Kampani's investment portfolio manager, and initial investments totalling nearly EUR 500,000 were made in 2016.

Another perspective on our activities

On 31 December 2016, the total portfolio managed by Alterfin was EUR 67.3 million. The breakdown by activity sector indicates a slight preference for microfinance, which accounts for 52% of the active portfolio, compared with 44% for sustainable agriculture. 4% of the portfolio is used for loans to social investment funds.

However, this position represents no more than a snapshot of the investments in progress at a given moment. The volume of new financing over the year provides a different picture, related to the seasonal nature of our partners' activities, which is more representative of Alterfin's annual volume of activity (see box below).

In general, new loan issues are more frequent, and hence higher in volume, in the sustainable agriculture sector, because the loans reflect the progress of the agricultural season. An agricultural partner needs financing at the start of the season in order to prefinance

farmers and buy the agricultural produce at harvest time. The partner can repay Alterfin's loan once it has sold the produce on the market. This business is thus cyclical, and financing is generally renewed every year. This is not the case in microfinance, where loans are granted for a longer period (usually three years), potentially at any time of the year.

In total, including all funds that it manages, Alterfin issued EUR 42 million of loans during 2016, 23% more than the previous year, demonstrating a higher level of activity. EUR 28 million of loans were issued to organisations operating in family and sustainable agriculture, compared with EUR 12.3 million to microfinance institutions. In total, 66% of the funds issued were thus destined for sustainable agriculture.

In 2016, the average loan granted by Alterfin was EUR 418,720 per partner. However, this amount varies from sector to sector, and is lower in the agricultural sector (EUR 379,000 compared with EUR 540,000 in microfinance).

Portfolio breakdown by sector	Portfolio by 31 Dec. 16	Disbursements in 2016
Microfinance	35,293,858	12,881,879
Sustainable agriculture	29,564,609	28,021,134
Social investment funds	2,466,807	1,193,285
Total managed by Alterfin	56,982,313	59,120,458

Portfolio *quality*

In 2016, Alterfin continued to prioritise improving the quality of its portfolio.

The risk that a partner will not repay a loan is inherent to our activity. Alterfin's mission is to support partners who offer social added value, but who may be riskier, which is why they are excluded from conventional financing systems. Some organisations may be weaker institutionally, in terms of their governance or their ability to manage contingencies (internal risks). Some partners are more exposed to external risks, such as those active in the agricultural sector, who are simultaneously subject to climate risk, risk associated with epidemics on plantations and the vagaries of the international markets. Often a partner's default is due to a combination of several difficulties or weaknesses.

In this context, it is essential to identify all risks associated with a partner and its activity. However, it should be borne in mind that these risks are changing all the time. Alterfin works with partners over several years, and new risks may arise for them depending on the level of development of their business. Over-rapid growth can endanger an institution unless proper preparations are made. Entering new markets may present opportunities but also new risks. The environment has changed since Alterfin started out, and risk management systems that were adequate a few years ago now need to be adapted. Over the last two years, having observed a deterioration in the quality of its portfolio, Alterfin has taken a series of measures.

First, Alterfin has adapted and improved its management systems in order to identify internal risks more accurately.

- In organisational and human resources terms, internal controls and procedure compliance verification have been reinforced. New loan managers have also joined the team.
- Partners' risk analysis tools and procedures have been improved. In particular, a risk scoring system has been introduced.
- Alterfin has also strengthened the

financing selection process by improving the functioning of the Investment Committee, which is responsible for approving investment proposals. The Committee's organisational structure has been redesigned, and new experts have joined it.

Second, Alterfin has focused on diversifying its business to identify external risks more accurately.

- Alterfin has established new maximum investment limits per partner based on its risk level.
- Alterfin has developed new partnerships (ImpactAssets, Kampani), which reduce its exposure to certain partners.
- Financing has been developed in new countries, particularly in Africa, thus reducing the geographical concentration of our portfolio.
- Alterfin has also gradually reduced its exposure in the agriculture portfolio, particularly to organisations operating in the coffee sector. Coffee accounted for 30% of the investment portfolio in 2013, compared with 18% at the end of 2016.

Finally, the legal and administrative response to defaults has also been reinforced.

These measures are bearing fruit, with a much lower default rate on loans issued since 2015. However, in 2016 Alterfin had to record additional impairments which had a significant impact on the net result in 2016. As can be seen from the table below, 98.6% of the value of these impairments relates to investments made before 2015, i.e. before the introduction of the new measures. In addition, they are again particularly concentrated in the agricultural portfolio.

The case of our partner active in sesame has been a particularly difficult one. This sesame processing and exporting company, which at the time when financing was issued to it was working with nearly 20,000 Paraguayan producers, has been in default since 2015.

After unsuccessfully attempting to resolve the recovery of its debt amicably, and due to suspicions of fraud on the part of this organisation, Alterfin decided to initiate legal proceedings. The outcome of these proceedings is still uncertain, which is why it has been decided to write off the risk associated with this partner in full.

Improving the quality of the investment portfolio will remain a key priority for Alterfin in the years to come. However, the low number of defaults on new investments shows that the measures taken are starting to bear fruit.

Impairments in 2016 (in euros)

Sector	Country	Issuance	Reason of default	Impairment
Microfinance	Ecuador	2014	Fraud	185,281
Microfinance	Guatemala	2013	Misuse of funds	20,859
Microfinance	Honduras	2012	Poor managerial decision, unsustainable level of activity	1,580
Microfinance	Honduras	2014	Misuse of funds, governance problem	169
Coffee	Nicaragua	2014	Speculation on (volatile) coffee prices, insufficient equity, excessive level of indebtedness, over-rapid and uncontrolled growth	461,219
Coffee	Bolivia	2014	Speculation on (volatile) coffee prices, misuse of funds	162,592
Coffee	Peru	2014	Speculation on (volatile) coffee prices, coffee leaf disease	151,695
Coffee	Bolivia	2014	Speculation on (volatile) coffee prices, misuse of funds	149,970
Coffee	Mexico	2013	Poor managerial decision, misuse of funds	101,060
Coffee	Tanzania	2015	Excessive level of indebtedness, over-rapid and uncontrolled growth	31,333
Coffee	Peru	2013	Poor managerial decision, unsustainable level of activity	5,414
Coffee	Peru	2012	Speculation on (volatile) coffee prices, poor managerial decision	1,470
Sesame	Paraguay	2014	Excessive level of indebtedness, over-rapid and uncontrolled growth, insufficient equity, fraud	1,044,261
Total impairments in 2016				2,316,902
sector			microfinance	207,889
year			sustainable agriculture	2,109,013
year			issuance before 2015	2,285,570
year			issuance after 2015	31,333

Social performance: our raison d'être

Making a difference for thousands of people in the South is Alterfin's raison d'être. The social performance of the investments is the starting point for all financing undertaken by Alterfin.

82,012 families have benefited directly from Alterfin's work

At the end of 2016, our partners were working with over 1,367,000 clients or producers, of whom 82,012 people and their families directly benefited from the services provided by Alterfin (through its own investments or funds managed for third parties). Most of them are in Africa (50%), followed by Latin America, where 42% of our ultimate beneficiaries live. Southeast Asia and the Middle East represent a smaller number of clients (8% and 0.1% respectively). It is interesting to note that the scope of Alterfin's investments in Africa is broader than in Latin America: the volume of our investments there is lower, but because the average loan amount granted to microfinance institution clients is much lower, we therefore reach more people.

61% of Alterfin's work benefits women

Alterfin continues to focus on promoting women and supporting their independence. Several factors make us continue to pay attention to the scope of our financing for women. Economic inequalities between the sexes, which hold back economic growth and development, and the disproportionate presence of women among the world's poorest people, are both justifications for providing specific support for women. Moreover, women tend to spend more on their families, so that increasing their incomes means ensuring a financial autonomy which benefits the whole family.

In line with our ambition, 61% of our partners' clients or producers are women (SDG 5).





*61% of the clients
or producers of
Alterfin's partners
are women.*

ZOOM MICROFINANCE

Microcredits to help people take control of their lives

Alterfin finances microfinance institutions so that they have more resources to provide microcredits for local economic and social development purposes. Microfinance institutions (MFIs) provide a range of financial services (including microcredits) for people on low incomes who find it difficult to access the formal financial sector (ordinary banks).



At the end of 2016, investments in microfinance institutions stood at EUR 35.3 million, accounting for 52% of all investments managed by Alterfin. This financing is divided among 71 institutions: 50 in Latin America, 17 in Africa and 4 in Southeast Asia.

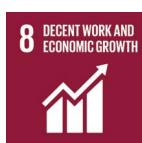


Our microfinance partners' social performance

At the end of 2016, our microfinance partners were financing 1,297,995 clients throughout the world.



By accessing a source of financing, these populations can initiate and develop income-generating activities, make a living from decent work and integrate into the local economic fabric (SDG 8). At the same time, loans for education or housing, as well as non-financial services (various forms of training, health care (SDG 3), etc.) respond to the more general needs of these people and their families, who experience an improvement in their quality of life as a result.



Client protection

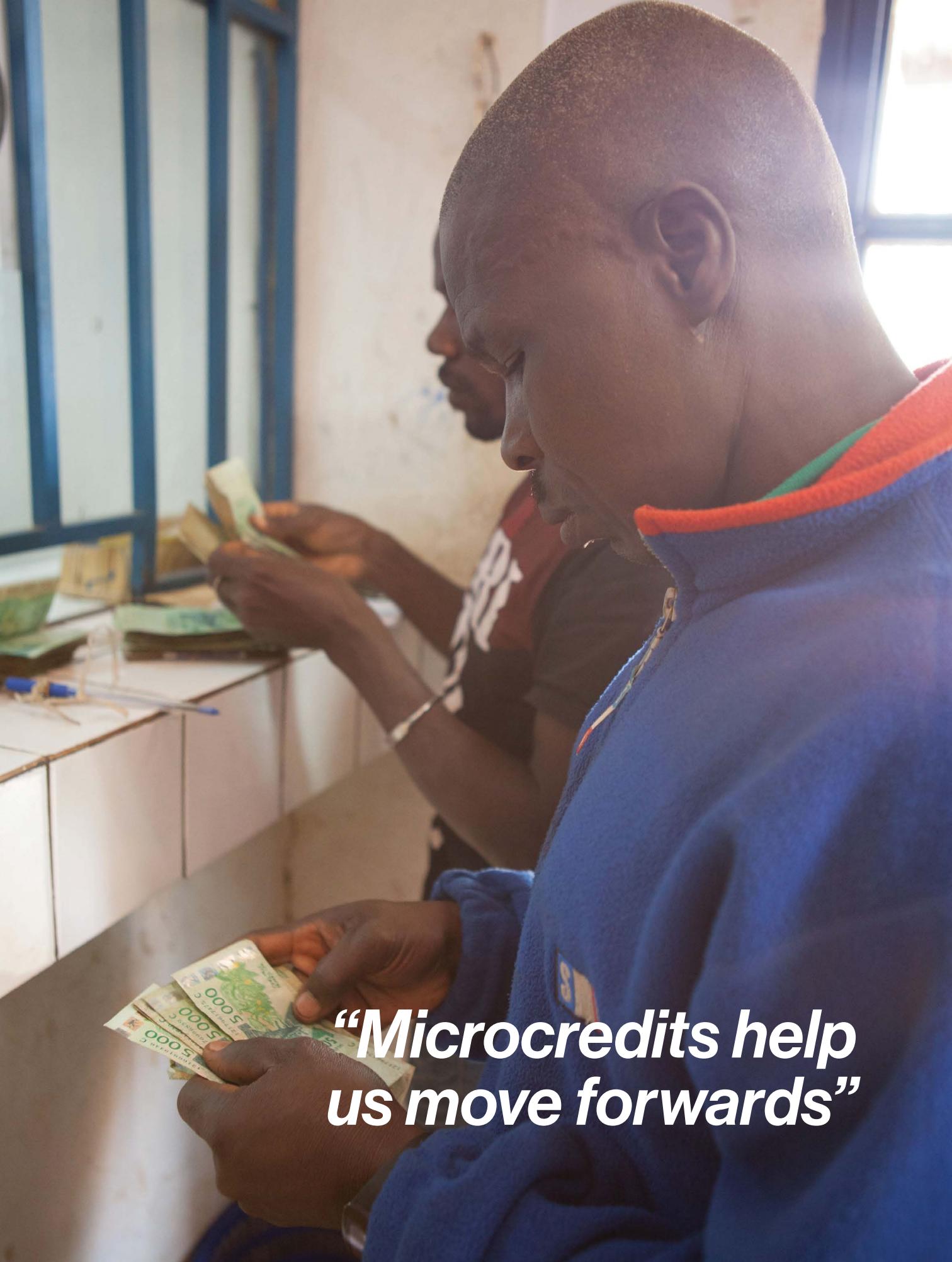
Alterfin supports the Smart Campaign, a global initiative that aims to unite stakeholders in the microfinance sector around a common goal: to ensure the protection of clients of microfinance institutions (MFIs) in all aspects of

their relationship with MFIs. This initiative has established itself as a benchmark in the world of microfinance through the definition of seven Client Protection Principles (see box) which are key to ethical and client-friendly microfinance. 67% of our partners have signed the Client Protection Principles. Moreover, during every visit, the credit manager checks on the microfinance institution's compliance with these principles. For example, he or she looks at the list of products and services provided by the MFI in order

Client Protection Principles

- 1 Appropriate product design and delivery
- 2 Prevention of over-indebtedness
- 3 Transparency
- 4 Responsible pricing
- 5 Fair and respectful relations with clients
- 6 Confidentiality of client data
- 7 Complaint resolution mechanisms

to assess whether the institution is meeting its clients' needs. He/she also examines how the terms and conditions are explained to clients and how the MFI assesses the client's repayment capacity so as to avoid situations of over-indebtedness.



**“Microcredits help
us move forwards”**

Responsible interest rates

The general public is often surprised by the interest rates that the clients of microfinance institutions have to pay, since at first sight they seem very high. However, there are many reasons why the interest rates charged by the MFIs are higher than those applied by ordinary banks. First, an MFI's operating costs are inevitably higher: granting 10,000 loans of USD 100 is operationally much more expensive than granting one loan of USD 1 million. Microcredit involves high costs on the ground (social and technical support, travel by loan agents visiting clients in their home or workplace, etc.), since as well as granting credit, providing support for micro-entrepreneurs lies at the heart of the relationship between the MFI and its clients. Moreover, Alterfin mainly focuses on MFIs working in rural areas. Their clients therefore often live in more remote areas, entailing higher travel expenses in order to finance them and manage their repayments. Other factors include the cost of financing for the MFI and the cost of protecting against the default risk of its clients, who provide little or no security.

To cover all its costs, which are much higher than those of a conventional bank, the institution applies interest rates that are necessarily higher. At Alterfin, we believe

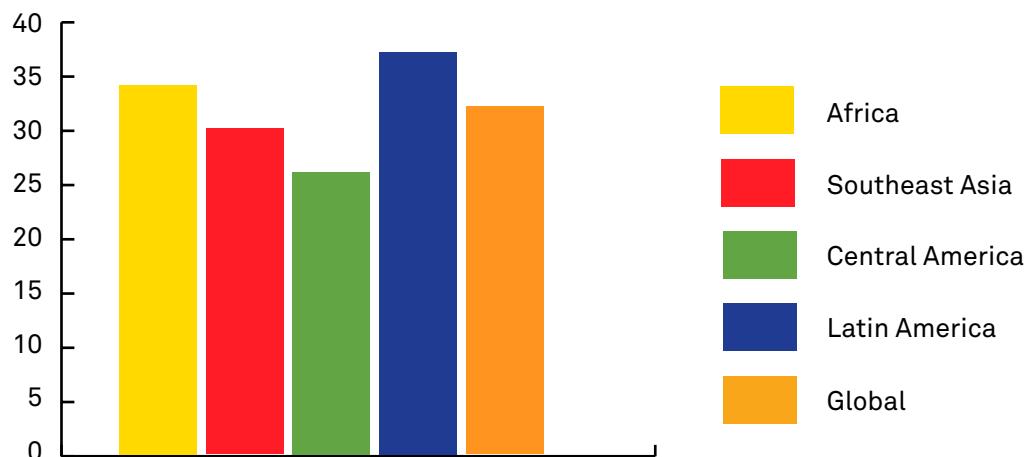
that MFIs must cover their operating costs legitimately, but we encourage them to improve their efficiency to keep these costs as low as possible. In addition, under no circumstances should high interest rates be used to pay fat profits to MFI shareholders. Alterfin therefore also keeps a close eye on the level of its partner MFIs' profits, and how those profits are used.

Beyond this general point relating to the microfinance sector as a whole, like the average amounts granted to clients, interest rates vary greatly from one local context to another. In Bolivia, national legislation limits the permitted interest rates that can be applied by MFIs. By contrast, in Argentina several factors specific to the country but also to the microfinance sector compel MFIs to apply high rates (galloping inflation and particularly high operating costs and financing costs). Annual interest rates in Bolivia are around 20%, while in Argentina they are close to 100%.

Services made to measure

Besides microcredit facilities, most of our microfinance partners offer other financial services: 77% of our partners also offer insurance services (life insurance, health insurance, etc.) and 54% of them offer savings services.

Annual interest rates of our MFI partners



MFIs generally practice weekly or monthly rates according to their clients' repayment schedule. These rates here are translated on an annual basis for comparative purposes.

In addition to financial services, most of our partner MFIs offer their clients a series of non-financial services. 75% of our partners offer adult education services to help their clients make better use of the financial products and



services provided. 53% of our partner MFIs offer women's empowerment services aimed at alleviating social inequalities and the constraints faced by women (SDG 5). Finally, 22% offer health-care services. It is the complementary nature of all these services that enables micro-entrepreneurs to develop their activities in the long term.

Support for marginalised groups: a priority for Alterfin

In the countries where Alterfin operates, the traditional banks often refuse to finance small-scale farmers as they cannot provide guarantees. Microfinance is therefore an alternative for these people whose activity is mainly agricultural, or more generally in rural areas. Supporting rural people making a living from family farming is essential to the fight against hunger in the world (SDG 2). Alterfin looks carefully at the rural reach of the activities of its microfinance partners. Thus

69% of our microfinance partners' clients live in rural areas.

In addition, the female population is particularly affected by financial exclusion and poverty. By providing women with the means to develop a business (SDG 5), microcredit represents a tool for their economic and social emancipation. Aware of this reality, many of our partners in microfinance have set themselves the goal of including a high percentage of women among their clients. Thus, 63% of our microfinance partners' clients are women.

Average microloans less than the average GDP per inhabitant

The average loan granted to our partners' clients varies considerably from region to region: EUR 435 in Africa, EUR 1,708 in Central America, EUR 1,980 in South America and EUR 2,000 in Asia.

In each country, the average loan is well below the average gross domestic product per inhabitant, which proves that our partners are working with relatively poor population groups.

Microfinance can be a tool for lifting people out of poverty (SDG 1) and reducing inequalities (SDG 10).



REPORT

“Microcredits allow us to move forwards”

PAMF ('Première Agence de Microfinance') is based in Burkina Faso and Côte d'Ivoire. Funded by Alterfin's investments, the institution is growing year by year. Today it is reaching more people who are excluded from access to financial services, mainly in rural areas.

The microfinance institution (MFI) PAMF opened in Burkina Faso in 2006. Côte d'Ivoire followed two years later. Since 2014, Alterfin has funded the MFI, enabling it to grow. Today, PAMF has some ten branches and more than 30,000 customers across the two countries.

An rural MFI

PAMF's customers are mainly located in rural areas: 86% of the financing is used for agricultural activities in Burkina Faso and 60% in Côte d'Ivoire. PAMF has a very rural profile and reaches a population with little access to financial services. In the course of a few years, the institution has become a driving force for development in both countries.

Sustainable microloans

The institution has an extremely responsible loan management policy. A cautious approach is taken to the selection of customers, the amounts given out and the rate of increase of loan amounts in order to avoid repayment difficulties or over-indebtedness. At the heart of its lending methodology is the joint guarantee – loans granted to a group of people who guarantee one another's repayments. Collective responsibility is thus



promoted and the risks to PAMF are reduced considerably, as the exceptional quality of the portfolio confirms.

This sustainable and responsible management makes PAMF an actor with high social potential and a viable economic model.

TESTIMONIALS

“Microcredits allow us to move forwards”

Lou Tra Irie (picture left) is part of a group of 97 women in Côte d'Ivoire who together grow maize, peanuts and chili peppers. Together, they have received a loan from PAMF to buy a mill in order to process their rice and maize into flour.

‘With the mill, we produce more and can support our families’ needs,’ Lou Tra tells us. ‘We are going to ask for a second loan to install a fence so that the cattle do not eat our produce and we also plan to build a well. Thanks to microloans and to God, we are able to move forwards.’

“PAMF teaches me how to run my barber’s shop better”

Finally, Kolo Soro (picture above) is a barber in the Korhogo suburb in northern Côte d'Ivoire. With his brother, he received a microloan from PAMF to complete their barber's shop. ‘Previously, there was no microfinance agency you could ask for a loan from, so it was difficult for families and young people to start businesses. A few years back, PAMF set up in this area, and we have been able to borrow small amounts towards which we make a payment every month. PAMF is also teaching me how to run my barber’s shop better and we have opened a savings account with it so as not to spend everything.

“The loans are adapted to the harvest seasons”

‘The loans are adapted to the harvest seasons’ Yardjouma Yeo (picture below) also feels the positive nature of this development. He is a fisherman and cashew nut grower, and it is thanks to microloans that he manages to make both ends meet. ‘Life isn’t easy, but thanks to PAMF’s microloans I have been able to buy larger fishing nets. The loans are also arranged according to the harvest season. When I sell my nuts, I make a repayment on my loan too.’



ZOOM SUSTAINABLE AGRICULTURE

Investing in smallholder farmers in the South

Over two billion of the poorest people on the planet depend on agriculture as a means of subsistence. However, as long as the terms of trade in the small-scale agriculture sector are unfavourable to them, smallholders will remain the poorest. A closer look at our activities in sustainable family farming.



Supporting smallholder agriculture is one way of stimulating local economies and fighting extreme poverty (SDG 1). As such, it also reduces rural emigration, which, in contexts where there are no economic alternatives, contributes to chaotic urban growth. With the proper support, family farming is also an agricultural model that can improve the food and nutritional security of populations (SDG 2), while conserving natural resources over time (SDGs 13 and 15). For these reasons, above and beyond supporting microfinance, Alterfin is also committed to financing sustainable smallholder agriculture.

Alterfin finances organisations involved in sustainable agricultural activity because of its interest in their social and environmental impact. Thanks to the loans provided by Alterfin, these organisations can prefinance producers' harvests, ensuring their ability to farm their land in accordance with the agricultural calendar. In addition, the relationship which is formed between agricultural organisations and producers ensures the producers access to the market. Thus, by collecting and processing the agricultural output of small

farmers, the organisation can deal in larger volumes with its buyers. The balance of power on the market is restored, allowing small farmers to receive a higher price for their harvest and to make a living (SDGs 8 and 10).

In addition to these short-term loans for the crop year, Alterfin also provides long-term financing that allows these organisations to invest in infrastructure, such as tools for processing the agricultural products received from producers.

Our investments in sustainable agriculture in 2016

At the end of 2016, investments in producers' organisations or businesses focusing on sustainable small-scale farming amounted to EUR 29.6 million, accounting for 44% of all investments managed by Alterfin. In total, including all funds that it manages, Alterfin issued a total of EUR 28 million of new financing to agricultural organisations during 2016.

This financing is spread among 69 partners. Of these, 52 are in Latin America, 15 in Africa, one in Southeast Asia and one in the Middle East.

A close-up photograph of a man with a beard and a blue cap, smiling as he pours a large metal bucket full of green and black olives onto his head. He is wearing a light-colored, long-sleeved shirt. The background is filled with olive branches.

*« Thanks to the
cooperative, I can
take care of my
family »*

19 agricultural products

Alterfin finances 19 agricultural products. Coffee is still the main product financed, accounting for 18% of the investments managed by Alterfin. Since 2013, Alterfin has worked to diversify and reduce the proportion of investment in coffee (which stood at

Together, these investments amounted to EUR 720,000 at the end of 2016.

What type of partners does Alterfin finance?

Although historically Alterfin has given wide-ranging support to organisations active in fair



more than 30% in 2013). Thus a substantial proportion of our investments also goes to the cocoa sector (8%). This is followed by sesame (3%), honey (3%) and wine (2%). Other products include fruit and vegetables, rice, nuts, cane sugar, olive oil, quinoa, textiles (alpaca wool), tara, milk and soya.

It should also be noted that in 2016 Alterfin strengthened its partnerships with organisations whose agricultural output is intended for the local market. Food sovereignty is a challenge for many countries in the South, which is why supporting domestic production capacities that supply local distribution channels makes sense. Thus rice in Senegal and mango pulp in Kenya, both of which are destined for local markets, are the subject of investment by Alterfin.

trade, we also finance organisations that are not certified but that adopt practices that are respectful of people and the environment. At the same time, while Alterfin's partners in the sustainable agriculture sector were mainly farmers' cooperatives in the 2000s, Alterfin is now turning to small and medium-sized enterprises (SMEs) focusing on small farming, which bring added value to producers in the South. Such businesses are usually too large to benefit from microfinance but too small to be granted loans by commercial banks.

Social performance of our sustainable agriculture partners

At the end of 2016, 38 partner organisations shared their social results. Together they represent nearly 69,736 producers, including more than 20,000 women farmers and almost

2,100 permanent employees. Collectively, their sales amounted to EUR 369 million in 2016, 66% of which were certified (as fair trade and/or organic farming products, or by means of another type of certification such as UTZ or the Rainforest Alliance) (SDG 12).



Using fair trade premiums to secure the future

In addition to the minimum price, fair trade buyers also agree to pay a premium. The total premium granted to our fair trade partners amounted to EUR 15.5 million in 2016.

The producers decide democratically how to use the premiums within the farmers' organisation. In 2016, the premiums were mainly paid out to the producers (41%), but a large proportion was also used to improve infrastructure (33%), enhance the quality of the products and ensure certification (17%), or for projects linked to education (3%) or health (2%).

More than a business relationship

Our partners in the sustainable agriculture sector plan to establish long-term relationships with farmers, as is clear from

several key aspects of these relationships. A very large majority of our partners offer producers services in addition to the collection and processing of harvested produce. Thus, 91% provide technical assistance to support producers and enable them to grow better quality products but also to obtain better yields. More than 80% of them also provide financial services, an essential contribution for farmers whose investments prior to the crop year are often high. It should also be noted that producers often benefit from inputs in kind, such as seeds or fertilisers. Finally, various education and health care services and women's and community projects are provided by the organisation, which seeks in this way to help improve the quality of life of farmers and their families.



REPORT FROM PALESTINE

Supporting farmers in a conflict zone

Canaan is a company which processes and export fair trade olive oil in Palestine, supporting 1,300 farmers. In a world of increasing radicalisation and polarisation, Canaan advocates intercultural, inter-religious and multi-ethnic ties.

Canaan mainly processes and exports olive oil. Its product range also includes almonds, almond oil, dried tomatoes, maftoul and freekeh (see page 27). Olives, olive oil and almonds are purchased from 50 producer groups with a total of 1,300 farmers.

Social and economic autonomy

Initiated in 2004 by an anthropologist, Dr Nasser Abufarha, Canaan has been receiving financing from Alterfin since 2010 for the purchase of olives, olive oil, almonds, freekeh and maftoul.



Processed products (dried tomatoes, maftoul, etc.) are bought from several women's cooperatives. 96% of the products sold by Canaan come from organic farming. Although based in a conflict zone, the organisation operates peacefully, forging ties around the world without regard to its partners' religious, cultural or ethnic identity.

Canaan's products carry the fair trade label. This label allows marginalised rural communities in this conflict zone to maintain their livelihoods and culture. To this end, Canaan has established direct working relationships with these communities. It buys their products at fair prices. In addition, the company helps farmers improve their production and their product quality, and to reinforce their ability to work collectively and to sell on international markets. Producers also receive training in sustainable practices and receive support with the process of converting to certified organic production. This ensures high standards of quality while implementing social and economic empowerment programmes.

The example of Um Hikmat

Um Hikmat Khaled (pictured above) is part of a women's cooperative that sells maftoul to Canaan. The purpose of her cooperative is to improve women's economic position. But Um



Hikmat's vision goes even further: "We want our work to show people around the world that we are strong and admirable women, unlike the way we are often described. For me, such descriptions are cultural misunderstandings."

Um Hikmat serves as a model to the many young women in her village. Divorced, she runs her small farming business on her own and is also a member of the cooperative. "Many fathers are unemployed. We, as women, can find alternative ways to support our families. That's why we have recently started selling handicrafts. It is important to show the girls that they are not prisoners of their situation. They may not be able to completely reverse the situation, but with plenty of hard work and determination, they can have more control over their lives."

For Um Hikmat, life is not simply a question of survival. She enjoys working alongside the other women in the cooperative.

"Since we started selling maftoul to Canaan, we have all spent a lot of time together. Maftoul gives us a perfect excuse to get together, cook and work together. This gives us a sense of accomplishment. We love life and want to enjoy it to the full."

Long-term partnership

Canaan has set itself the goal of enabling these populations living in fragile areas to take charge of their lives and to market quality organic products, in a spirit of solidarity and humanity. This is why Alterfin hopes to finance Canaan for many years to come.

What are maftoul and freekeh?



Maftoul, also known as Palestinian couscous, is a wheat-based dish. The grain is cooked and then dried in the sun. The bulgur which is obtained in this way is rolled in wheat flour and kneaded with a little water and salt before acquiring a granular texture. It is then dried in the sun again for two or three days. The entire process is artisanal.



Freekeh is the traditional roasted green wheat of Palestine. Green wheat is harvested in the spring, dried in the sun and flame-roasted, then rubbed and cracked. Freekeh has three times more fibre than brown rice and more vitamins and minerals.

Green initiatives in 2016

With its financing, Alterfin stimulates sustainable agriculture that protects biodiversity and natural resources. Alterfin also encourages various environmental initiatives implemented by its partners in the South. Finally, everyday environmentally friendly actions in the office also help reduce our ecological footprint. An overview of green initiatives carried out in 2016.



Supporting sustainable agriculture and agricultural microfinance

Alterfin is investing EUR 29.6 million in 69 partners who work in sustainable smallholder agriculture. These partners account for almost 87,700 hectares of sustainably farmed land (with or undergoing organic certification) – the equivalent of 120,000 football fields.

If the loans granted by our microfinance partners to farmers are included, nearly EUR 40 million is used to finance sustainable family farming, a model of agriculture that respects natural resources over time (SDG 15).

Regeneration and rehabilitation of cocoa trees in the Ivory Coast

Ivory Coast accounts for 40% of the world supply of cocoa, generating work for more than a million inhabitants. The country's economic and social prosperity thus depends heavily on this sector. However, a number of constraints threaten the sustainability of cocoa farming in Ivory Coast. One of these is the ageing of the trees and the difficulties of renewing them given the shortage of forest.

To deal with this problem, our partner Ecookim has started up a pilot project for the regeneration and rehabilitation of cocoa trees in Ivory Coast, together with the Rainforest Alliance. Alterfin and ImpactAssets are contributing to the project financing and responsibility

is providing technical assistance. A total of 335 farmers member of Ecookim have renewed and rehabilitated their plantations. This project is thus helping to preserve or rejuvenate trees (SDG 13), as well as to improve farmers' yields.

Solar power and reductions in wood use through microloans

Some microfinance institutions also offer financial services for environmental purposes. Although marginal compared with the overall offer, green microfinancing makes it possible to promote sustainable development for micro-entrepreneurs. For instance, our Peruvian partner Fondesurco grants microloans for the purchase of solar panels or improved cook stoves that use less wood. Although energy consumption is lower in the developing countries, 50% of consumption goes on cooking and 20% of the income of families living in rural areas is used to buy wood and coal for cooking. With these improved cook stoves, much less wood has to be taken from the forests (SDG 13).

Better production thanks to organic fertilisers

The Peruvian cooperatives Frontera and Divisoria and the Honduran cooperatives Cocafcal and Comsa produce organic fertilisers which they sell to their members at a reduced price. These fertilisers have a positive effect on crops. Luis Rodriguez, member of Divisoria, explains: "Thanks to the fertilisers, I have been able to considerably increase my coffee production. Using 'green' products also lessens the risk of diseases. For example, my plants withstood the shock of coffee leaf rust (a fungus that attacks coffee crops) three years ago."

Eco-gestures in the office

Finally, it is important to remember that even in the office, we can do many things that are good for the environment. At Alterfin, all paper is recycled and we print on recycled paper. Our electricity comes from sustainable sources, and the cleaning products we use have a minimal impact on the environment. All the waste is sorted and Alterfin staff travel to work by public transport, by bicycle or on foot.

5,614 trees planted in the Peruvian Amazon

The total amount of CO₂ emissions linked to the running of our business was 305 tonnes in 2016. Aware of this impact, which is mainly related to trips to monitor our partners' activities, Alterfin seeks to offset its emissions as far as possible. For this reason, for the past three years it has financed the reforestation project conducted by our partner, the cooperative Acopagro, in the San Martin region of the Peruvian Amazon. The project involves planting native trees within the producers' cocoa plots to develop model agroforestry systems which will ensure the long-term future of cocoa crops (SDG 13). A total of 13,614 trees have been planted by Alterfin in the past three years.

Emissions de CO₂ (in kilo of CO₂ per full time employee)	2014	2015	2016
Utilities (gas and electricity)	348	317	337
Paper	74	96	80
Commuter traffic	103	946	869
Travel by plane for follow-up South partners	13.239	17.433	14.388
Total emissions	13.763	18.793	15.674

Governance and team

Board of Directors

Name	represents
Laurent Biot	SOS Faim Belgium
Chris Claes	Vredeseilanden
Vincent de Brouwer	private shareholders
Frederick De Gryse	Triodos Invest scrl
Mark Lambrechts	independent director
Jean Matton	private shareholders
Dominique Morel (chairwoman)	independent director
Klaartje Vandersypen	private shareholders

The directors are elected by the General Assembly, which gives them a mandate to manage Alterfin. In 2015, the Board of Directors met four times.

The Alterfin team



From above to below and from left to right : Virgilio, Jean-Marc, Marie, Caterina, Julie, Georges, Tom, Jan, Irène, Alex, Joan, Hugo, Steven, Loes, Mauricio, Louis, Bernard, Karin and Audrey.
Absent from the picture : Sofie, Saul, Nilton and Flavio.

Alterfin: a key-player

Alterfin belongs to numerous working groups and international platforms made up of various players in the sector, whose aim is to identify and share best practices, promote their standardisation and discuss developments and innovations in the sector (SDG 17).

17 PARTNERSHIPS
FOR THE GOALS



Ethical finance

Alterfin is a member of Financité and FairFin, French- and Dutch-speaking Belgian networks that aim to promote ethics and solidarity in money matters to contribute to a fairer, more humane society. Alterfin shares are also certified by the Financité & Fairfin labels.



Microfinance

Alterfin is a founding and active member of the European Microfinance Platform (e-MPF). In 2016, during Microfinance Week, e-MPF members met and Alterfin gave a presentation on 'The realities of financing small farmers in the South'.



Alterfin is also a member of the Social Performance Task Force (SPTF), a worldwide network of parties involved in microfinance whose role is to promote good practices in terms of social performance.

Sustainable agriculture

In 2013, Alterfin and six other social investors launched the Council on Smallholder Agricultural Finance (CSAF). Alterfin attended two meetings in 2016. CSAF members meet to share their knowledge, identify best practices and create standards for the sector. In this context, Alterfin is actively involved in the harmonisation of financial metrics of clients in microfinance and in the development of a common monitoring tool.



Since 2013, Alterfin has also acted as vice-president of FAST (Finance Alliance for Sustainable Trade), a network of producers' and financing organisations which aims to facilitate the financing of sustainable agriculture.

Alterfin also takes part in the main international forums bringing together players in the coffee or organic farming sectors.

Cooperative values and principles



From its inception, Alterfin has been recognised as a cooperative company by the Belgian Ministry of Economic Affairs. Since then, Alterfin has continued to develop its activities in accordance with cooperative values and principles. Approved cooperatives such as Alterfin are represented on the National Cooperation Council, which is the custodian and promoter of the cooperative philosophy at federal level.

Financial performance

Balance sheet in euros

	Presented before the distribution of results	2015	2016	Difference 2015-2016
ASSETS	Fixed assets	1,827,779	2,998,533	64%
	Intangible fixed assets	-	-	0%
	Tangible fixed assets	19,333	408,771	2.014%
	Financial fixed assets	1,808,446	2,589,762	43%
	Current assets	90,316,209	93,272,900	3%
	Credit portfolio	42,575,914	40,527,882	-5%
	Cash and cash equivalents	47,097,275	52,304,206	11%
	Other account receivable	643,020	440,812	-31%
	Transitory accounts	1,368,477	1,364,832	0%
	Accured dividend / interests	1,368,477	1,364,832	0%
LIABILITIES	Total assets	93,512,465	97,636,264	4%
	Equity	53,313,142	58,857,168	10%
	Paid-in capital	50,869,188	58,124,250	14%
	Legal reserve	305,373	348,425	14%
	General risk reserve	1,247,042	1,252,907	0%
	Accumulated results	30,503	14,483	-53%
	Results of the period	861,036	-882,897	-203%
	Liabilities	39,989,689	38,536,300	-4%
	Long term liabilities (>1 year)	590,349	5,373,161	810%
	Short term liabilities (<1 year)	38,841,136	32,318,250	-17%
	Other liabilities	558,204	844,889	51%
	Transitory accounts	209,634	242,797	16%
	Interests / tax due	209,634	242,797	16%
	Total liabilities and equities	93,512,465	97,636,264	4%

As at 31 December 2016, Alterfin's balance sheet total was EUR 97.6 million, up 4% from the previous year.

On the same date, Alterfin's equity stood at EUR 58.9 million, compared with EUR 53.3 million as at 31 December 2015. The share capital increased from EUR 50.9 to EUR 58.1 million thanks to the arrival of new shareholders and an increase in the holdings of current shareholders. However, equity was impacted by the year's net loss.

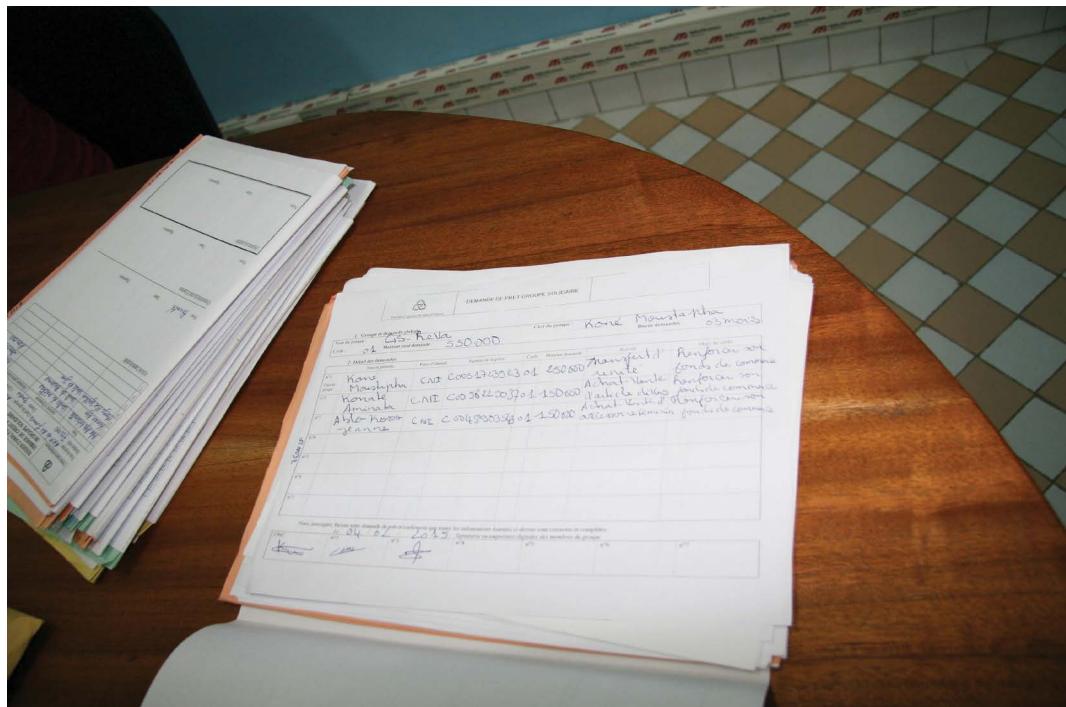
On the asset side, the rise in tangible fixed assets is due to the acquisition of a property in Paraguay which was given to Alterfin instead of a defaulted loan.

Alterfin's total investment portfolio is divided between loan financing (EUR 40.5 million in 2016) and financial fixed assets (EUR 2.6 million in 2016).

The change in financial fixed assets is explained by the combination of the following movements:

- a new financial stake in a microfinance institution in Nicaragua, amounting to almost EUR 900,000;
- the increase in Alterfin's shareholdings in the Fefisol and Kampani funds;
- an impairment of nearly EUR 110,000 on its holding in the Fopepro fund.

As most of the partner organisations' financing needs are in dollars but the capital raised is in euros, Alterfin's policy is to invest the capital raised and use these investments as collateral to obtain dollar credit lines from banks. In this way, Alterfin can meet the partners' needs while hedging the exchange rate risk between the euro and the dollar. This policy explains the high level of debt (EUR 38,536,300) and of investments and available resources (EUR 52,304,206) in our balance sheet.



Profit and losses statement in euros	2015	2016	Difference 2015-2016	Budget 2016
Income from Alterfin portfolio	3,620,095	3,152,367	-13%	3,941,899
Income from portfolio managed for third parties	320,436	366,588	14%	299,534
Income from consultancy and other commissions	914	380	-58%	-
Income from deposits	1,600,417	1,170,678	-27%	980,639
Total operational and financial income	5,541,863	4,690,014	-15%	5,222,072
Financial costs	-1,246,030	-1,117,911	-10%	-1,584,795
Financial margin	4,295,833	3,572,103	-17%	3,637,277
Total operational costs	-1,708,890	-2,140,262	25%	-1,925,954
- Personnel	-1,088,255	-1,145,497	5%	-1,175,117
- Office and marketing	-274,537	-263,124	-4%	-341,555
- Services	-35,834	-42,418	18%	-72,115
- Monitoring portfolio	-310,264	-689,223	122%	-337,166
Gross operational margin	2,586,943	1,431,841	-45%	1,711,323
Provisions for risks	-1,604,015	-2,316,902	44%	-941,000
Recoveries	73,788	136,983	86%	565,000
Insurance Credendo (country risk)	-66,281	-74,588	13%	-66,000
Commission for Alterfin Guarantee Fund	-15,163	-16,017	6%	-17,500
Net operational margin	975,271	-838,683	-186%	1,251,823
Current exchange result	5,864	13,836	136%	-
Extraordinary result	-119,735	-58,050	-52%	-
Taxes	-364	-	-100%	-
Net margin	861,036	-882,897	-203%	1,251,823

In 2016, Alterfin's total financial and operating income amounted to EUR 4.7 million, 15% less than in 2015. This decrease was due to:

- the decrease in income from our loan portfolio in the South, which came to EUR 3.2 million (-13%), resulting from the decrease in the size of our loan portfolio during a significant part of the year;
- the decrease in income from our investments in euros (in the North), which came to EUR 1.2 million (-27%), resulting from the decrease in the investment returns in euros in a context of exceptionally low interest rates, or even zero interest rates for certain savings accounts. It should be noted that loan portfolio growth picked up again in the last quarter of 2016, and the prospects for 2017 look good.

Financial charges amounted to EUR 1.1 million, 10% less than in 2015, due to the decrease in our loan portfolio, and hence our dollar borrowing requirements, for a significant part of the year, as well as to the lower cost of financing in dollars.

Operating costs came to EUR 2.1 million, 25% more than in 2015, owing to the growth in our activities but also to an increase in the cost of recovering defaulted loans.

The amount of impairments booked in 2016 rose compared with 2015 (+44%). As explained on page 19, a large proportion of these impairments concerns a loan granted to a sesame processing and exporting company in Paraguay. This company has been in default since 2015. After attempting to resolve the recovery of its debt amicably, and due to suspicions of fraud on the part

of this organisation, Alterfin decided to initiate legal proceedings. The outcome of these proceedings is still uncertain, which is why it has been decided to write off the risk associated with this partner in full. To this end, the Alterfin Guarantee Fund has issued a guarantee worth USD 200,000 (EUR 189,833), and the rest of the outstanding loan has been written off (EUR 1,044,261).

Reversals of impairments also increased compared to 2015 (+86%). However, this amount remains low relative to our expectations and efforts. The experience of 2016 shows that recovering loans in default is a difficult exercise which, given the characteristics of the different countries in which Alterfin works, can take a very long time.

The financial year 2016 resulted in a loss of EUR 882,897. A proposal will be made to the General Assembly that the reserves be used to compensate for this loss. The loss is mainly due to the impairments on our portfolio. However, as explained on pages 12 and 13, these mainly derive from investments made before 2015. The various measures taken since 2015 should improve the quality of the investment portfolio in future years.

About this report

Alterfin is providing a full report for the fourth time, covering the cooperative's financial, social and environmental performances. This report is presented in accordance with the guidelines laid down in the Global Reporting Initiative (GRI, a non-profit organisation that has developed the world's most frequently used set of sustainability reporting guidelines). The GRI indicators published in this report were selected in accordance with the principles of relevance and feasibility. The table summarising the GRI indicators can be found on pages 38 and 39.

This report was prepared by a working group comprising representatives of each Alterfin department, under the supervision of the General Manager and the Board of Directors.

The contents of this report were defined based on elements considered material by our various stakeholders:

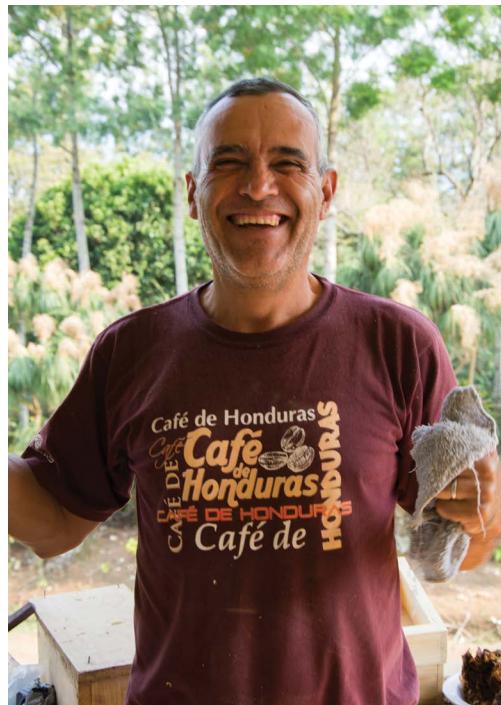
- Our shareholders were invited to express their views at the Annual General Assembly of 19 March 2016, as well as in an online survey to which almost 500 of them responded.
- Our shareholders and some of our partners in the North (SOS Faim, Vredeseilanden, Bank Triodos) are represented on our Board of Directors. Board meetings give Alterfin directors an opportunity to express their concerns and opinions. In 2016, the Board of Directors met four times.
- Our partners in the South are invited to share their views with us each year when the social performance indicators are collected. Moreover, a survey carried out in 2013 enabled us to determine in greater detail the factors they consider vital in their relations with Alterfin.

The sections giving details of our investment portfolio and its social and environmental performance take into account all the portfolios managed by Alterfin as at 31 December 2016.

The financial results are based on the Alterfin balance sheet and profit and loss statement for the 2016 financial year. These results,

together with the Alterfin social balance sheet, have been audited by KPMG and published at the balance sheet centre of the National Bank of Belgium.

For any further information, please contact Audrey Timmermans (audrey.timmermans@alterfin.be).



Important points for our stakeholders



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Report prepared in accordance with the GRI (Global Reporting Initiative) Guidelines - G4 - Core
More information on www.globalreporting.org.



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Investing in microfinance
& fair trade

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