

Triodos Bank

In September 2019 Triodos Bank signed the UN Principles of Responsible Banking. The Principles define the global banking industry's role and responsibilities in addressing current societal problems, including the climate emergency and inequality. Triodos Bank played a leading role in developing this global framework, as part of the core group of banks who developed the Principles and shaped the framework. Currently over 270 banks globally had signed up to the Principles.

This is Triodos Bank's report on implementing the Principles for Responsible Banking, using the self-assessment template provided by the UNEP FI.

March 2022

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)
<p>Principle 1: Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>		
<p>1.1 <i>Describe</i> (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>Since 1980, Triodos Bank makes money work for positive social, environmental and cultural change. Triodos Bank has assets under management of more than EUR 24 billion and 747 thousand customers. We have retail, business and private banking activities in The Netherlands, Belgium, Spain, Germany and United Kingdom. Triodos Investment Management is globally active with their investment funds. The outstanding loans and funds' investments are divided in the following six sectors: environment (27%), social (21%), culture (8%), residential sustainable mortgages (24%), municipalities (1%), and impact equity and bond funds (19%).</p>	<p><u>Annual Report 2021:</u></p> <ul style="list-style-type: none"> - Key figures (page 6) - Triodos Bank Group structure 2020 (page 8) - Loans and funds' investments by sector 2021 (page 58) - Segment reporting (page 221) - Lending by sector in 2021 (page 239)
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Triodos Bank is in business to help create a society that protects and promotes the quality of life of all its members, and that has human dignity at its core. Since 1980, we have enabled individuals, organisations and businesses to use their money in ways that benefit people and the environment. As a result, we only finance social, environmental and cultural sectors.</p> <p>Our annual report integrates relevant frameworks and goals throughout all chapters of the executive board report. Specifically, chapter Impact and financial results, and the Appendix III – UN Sustainable Development Goals highlights our work in relation to the Paris Agreement and other frameworks.</p>	<p>www.triodos.com/download-centre : Business Principles, Lending Criteria and Minimum Standards</p> <p><u>Annual Report 2021:</u></p> <ul style="list-style-type: none"> - Impact and financial results (page 44) - Appendix II – UN sustainable Development Goals (402)

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

- a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.
- b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.
- c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting

At Triodos Bank, we have been managing impact consciously since long before much of today's terminology existed. Our approach to impact management is to maximise our positive impact first; and minimise negative impact. To make sure that Triodos Bank *only* finances sustainable enterprise and enterprises transitioning to sustainable approaches, potential borrowers are first assessed on the added value they create in these areas. Triodos Bank uses a three-tier approach to making lending and investment decisions, which starts with evaluating the content of an activity and focuses on its sustainable impact. The first thing to consider is 'How does this contribute to positive social, environmental and cultural change?' Next, we ask 'Is it viable?' And finally, 'Is the idea rooted in society – is it supported by those around the entrepreneur?'

As a values-based bank, we lend and invest in the real economy because that is where we can have a positive impact on people's lives and safeguard the environment. We apply the Global Alliance for Banking on Values (GABV) scorecard using indicators like 'assets committed to Triple bottom line' and 'assets committed to real economy' to monitor and qualify impact. Triple bottom line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits. In 2021, Triodos Bank has 70% (2020: 74%) of its total assets committed to triple bottom line. This figure provides the best indication of a bank's commitment to sustainability.

Maximising positive impact

We aim to find qualitative evidence of impact and back it up with numbers when it's relevant. For the following sectors within our three main impact sectors (environmental, social and cultural impact) we measure positive impact:

- Renewable energy

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Annual Report 2021:

- Loans and funds' investments by sector 2021 (page 58)
- Impact by sector (page 67)
- Climate impact of our loans and funds' investments (page 71)
- Understanding impact (page 61)
- Appendix IV – Global Alliance for Banking on Values scorecard – quantitative evidence of our impact (page 422)

from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

- Organic farming and nature development
- Sustainable property and private sustainable mortgages
- Healthcare
- Community projects and social housing
- Financial inclusion
- Arts and culture
- Education

Minimising negative impact

We measure our own (direct) and financed (indirect) emissions during the lifecycle of a loan or investment. These results clearly indicate that financing a sustainable economy for many years has resulted in substantial avoided emissions relative to our generated and sequestered emissions. Although Triodos Bank believes that the emissions of our loans and investment portfolio are relatively low compared to other financial institutions, the analysis identifies high-emissions sectors in our portfolio that need effective plans to support a sustainable and inclusive transition towards a net-zero portfolio.

Triodos Bank Impact Prism

A prism breaks light up into its constituent spectral colours. In a similar way, Triodos Bank Impact Prism takes information about a project we finance, breaks it down and provides insights about its various parts. Relationship managers assess loans or investments at the outset and periodically against four different impact areas of the Prism: people, planet, prosperity and purpose.

The Prism scores awarded on all four areas provide insights into the sustainability value of our projects. This mechanism uncovers opportunities to increase the impact of the customers and projects we finance. This analysis allows us to understand, monitor and steer on impact in a more deliberate way. Ultimately, we can work with our clients to have a greater – and more targeted – impact.

In 2019 and 2020 we have focused on increasing the usage of the Prism. The tool was used for more new clients and the coverage of the total portfolio improved. In 2021, we further increase coverage and did research in both Spain and the Netherlands on how clients experience Prism. From this, we have learned that many clients underscore the uniqueness of having this type of conversation with your bank. For these clients it truly distinguishes Triodos Bank from other banks. Yet, other (of some) clients do not immediately see the added value of Prism; this requires further communication and development of the Prism. Specifically, we have learned that clients see more value in filling in the Prism for their company as a whole, rather than confining themselves to the specific project or part of the organisation being financed. In 2022, we aim to use these insights to develop the Prism further as a tool for stakeholder engagement.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

We mostly fulfilled the requirements regarding Impact Analysis. We show where we make positive and negative impact. However, as a frontrunner in responsible banking we want to raise the bar and are committed to have a more targeted impact analysis.

2.2 Target Setting

Show that the bank has set and published a minimum of two **Specific, Measurable** (can be qualitative or quantitative), **Achievable, Relevant and Time-bound** (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater

In 2021, Triodos Bank has set the target to be net-zero as soon as possible, at the latest in 2035. Our ambition is that the greenhouse gas emissions of all Triodos Bank's loans and funds' investments will be greatly reduced, using a science-based targets approach. The remaining emissions will be balanced or 'inset' by investing considerably in nature projects that remove greenhouse gases from the air. In formulating its target, Triodos Bank has adopted a holistic approach in support of its mission to create positive impact on people and nature. We want to reduce emissions, respecting the planetary boundaries and social inclusion of all people. We believe we can only get to zero as one. Triodos has committed itself to the Science Based Targets Initiative. Together with SBTi, in 2022 we will work towards a validated set of (intermediate) targets.

Annual Report 2021:

- Understanding impact (page 61)
- Appendix V– The United Nations Principles for Responsible Banking (page 428)

contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.

We have not fulfilled the requirements regarding Target Setting yet. Triodos Bank has set the target to be net-zero as soon as possible, at the latest in 2035 and has committed itself to the Science Based Targets Initiative. Together with SBTi, in 2022 we will work towards a validated set of (intermediate) targets.

2.3 Plans for Target Implementation and Monitoring

Show that your bank has defined actions and milestones to meet the set targets.

Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in

PCAF's harmonised approach on carbon accounting focuses on measuring the carbon footprint of loans and investments. Triodos Bank implemented the PCAF methodology for the first time in 2018 and extended the scope of our carbon accounting to 100% of our loans and funds' investments in 2019.

By mapping the emissions per asset class, we can see our current hotspots within our portfolio. This provides useful guidance for steering a (long-term) strategy that is in line with the Paris Agreement via the Science Based Targets initiative (SBTi).

[Annual Report 2021:](#)

- Climate impact of our loans and funds' investments (page 71)

these definitions, and any rebasing of baselines should be transparent.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

We partially fulfilled the requirements regarding Plans for Target Implementation and Monitoring, as we have put in place the means to measure and monitor against the targets we aim to set.

2.4 Progress on Implementing Targets

As we have not disclosed a detailed net-zero strategy, including science-based targets, yet, we don't have progress to report.

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

We have not fulfilled the requirements regarding Progress on Implementing Targets.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 *Provide an overview* of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

Our lending criteria, business principles and minimum standards focus on working with clients to achieve more impact.

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<https://www.triodos.com/governance>

3.2 *Describe* how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

Given the sustainable orientation of Triodos Bank's business we have always engaged in dialogue with clients about optimising sustainability impact. With the Impact Prism we have a starting point for a high-quality conversation about customers impact and opportunities to improve this. This includes working with clients to help them think more cross-sectorally to increase their positive social and environmental impact.

Annual Report 2021:

- Appendix V - The United Nations Principles for Responsible Banking (page 428)

We also offer products to incentivise more sustainable outcomes, such as a mortgage which offers a discounted interest rate for more energy efficient houses and additional discounts to help customers make environmental improvements to their home.

Since 2018, The European Investment Fund (EIF) and Triodos Bank have worked on the Social Entrepreneurship guarantee agreement in The Netherlands under the EU Programme for Employment and Social Innovation (EaSI). Through this agreement, Triodos Bank has until the end of 2021 been able to finance EUR 87 million to 412 Social Enterprises in the Netherlands, Belgium, France and Spain. This was more than expected as we originally started with the aim of EUR 65 million.

In 2021, Triodos Bank and the European Investment Fund (EIF) signed a guarantee agreement for the creative and cultural sector. The guarantee facility allows Triodos Bank to provide up to EUR 200 million in loans to entrepreneurs in the creative and cultural sectors in the EU Member States where Triodos Bank operates, namely the Netherlands, Belgium, Spain and Germany.

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 *Describe* which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

Since the very start of our operations, we have been engaging and working together with key stakeholders to accomplish our goals. Triodos Bank identifies three general stakeholder categories:

- Those that have economic relationships with the business: clients, depository receipt holders, co-workers and suppliers
- Those without an economic relationship but with a close interest in Triodos Bank from a societal perspective: NGOs, governments and regulators, local communities, financial sector, media
- Those that provide new insights and knowledge: advisors and influencers

Engaging with key stakeholders and developments in society at large informs how we bring our essence to life through our strategy and actions. We have benefitted from free-flowing discussions with our stakeholders over many years and in varied ways. We invite NGOs and citizens to participate in evening debates, we conduct surveys and organise meetings for Depository Receipt holders and other stakeholders. Our business units and co-workers at Group level regularly engage in these and other activities.

In 2021, we took additional steps to better embed stakeholder engagement in our corporate strategy cycle. We consulted with key stakeholders in preparing the Group strategic plan. Key objectives from the Group Strategic Plan 2019-2021, which define the framework for strategic choices and development for that period, and the Group Year Plan 2022, which details the strategic direction in the coming year, were agenda items at our annual stakeholder meeting. This was our first international stakeholder meeting with participants from the Netherlands, Belgium, the UK, Spain and Germany.

Annual Report 2021:

- Our stakeholders and material topics (page 25)

Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 *Describe* the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

To safeguard our principles, values and objectives, Triodos Bank has been structured and is managed in such a way as to ensure we can achieve our mission.

Triodos Bank believes it is crucial that its mission and identity is protected. For that reason, all Triodos Bank's shares are held in trust by SAAT, the Foundation for the Administration of Triodos Bank Shares. SAAT then issues Depository Receipts for Triodos Bank shares to the public and institutions. These Depository Receipts embody the economic aspects of the shares of Triodos Bank. SAAT exercises the voting rights attached to the Triodos Bank shares. The Board of SAAT's voting decisions are guided by Triodos Bank's object and mission, its business interests, and the interests of the Depository Receipt holders. Triodos Bank Depository Receipts are not listed on any stock exchange. Instead, Triodos Bank maintains its own platform for trading in Depository Receipts.

Our values and our mission are continuously reinforced within our culture by being fully integrated into our operations. We have not separated sustainability as a department or a function – it is intrinsic to everything we do in the organisation. We have established strict business principles, lending criteria and minimum standards to safeguard our mission.

5.2 *Describe* the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

Triodos Bank is not just an organisation, it is part of a growing community with a shared sense of mission. Clients, businesses, investors, and co-workers are all connected through a shared belief in a more sustainable society. The members of our co-worker community are ambassadors for that mission. Each of us made a conscious decision to work for Triodos Bank and to contribute to the change we want to see in the world. Our co-workers are the head, heart and hands that are realising our ambition.

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Annual Report 2021:

- Governance structure (page 10)
- Corporate Governance (page 113)
- Appendix V - The United Nations Principles for Responsible Banking (page 428)

Annual Report 2021:

- Co-worker report (page 84)
- Remuneration Report 2021 (117)

Triodos Bank maintains a relatively low ratio between the lower and higher level of salaries paid. Variable components are modest and discretionary and are not an incentive to favour the co-workers' or the bank's own interest to the detriment of Triodos Bank's customers. This all contributes to a strong sense of being jointly responsible for realising the mission of Triodos Bank.

5.3 Governance Structure for Implementation of the Principles

Show that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

In 2020, we embedded impact management explicitly in our governance with the creation of the Triodos Group Impact Committee (TGIC). Since its establishment in September 2020, the TGIC focuses on: target setting (As One to Zero); streamlining our impact data capture; external commitments which are in line with our mission; embedding growing regulatory requirements, resulting from the EU Action Plan on Sustainable Growth (Sustainable Finance Action Plan, SFAP) and further developing our minimum standards.

In 2021, Triodos Investment Management (T-IM) set up a more extensive impact management structure enabling a flexible response to the quickly developing area of managing and measuring impact of investments. An Impact Management and Measurement domain was established in the spring of 2021. This domain functions as a multidisciplinary team, and acts as an interface between internal ambition, external requirements and implementation within the organisation when it comes to impact. During 2021, the domain mainly focused on its ambitions and internal organisation, on further development of impact frameworks of the funds and on the implementation of European legislation. In 2022, we will continue to build on this foundation, with an added focus on internal education and the implementation of our impact management ambitions. In 2021, we started a Group-wide Impact Strategy and Management project to embed impact management explicitly in our governance. In 2022, we will further improve and develop it, aiming for:

[Annual Report 2021:](#)

- Understanding impact (page 61)

- a fine-tuned Group-wide impact strategy;
- more coordination and cooperation between business units on impact management;
- streamlined monitoring and reporting processes;
- an even better capacity to implement new impact initiatives and regulatory requirements.

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

We have fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Progress on Implementing the Principles for Responsible Banking

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

The annual report of 2021 details our progress in the implementation of our mission, which focuses on delivering positive impact for people and the environment. As such it meets these goals.

We have made a deliberate choice to use impact-based targets sparingly to ensure that we 'hit the target without missing the point'. We aim to assess both the positive and negative impacts on sustainability of all the loans and investments we make, via Triodos Bank's Impact Prism and our PCAF report. Together with the Science Based Targets Initiative, in 2022 we will work towards a validated set of (intermediate) targets. These validate targets will substantiate our ambitious but necessary plans to support a sustainable and inclusive transition towards a net-zero portfolio.

Also, the steps we make with imbedding impact management explicitly in our governance supports the implementation of the Principles for Responsible Banking.

Annual Report 2021:

- 2021 – A challenging year with resurging pandemic (14)
- Impact and financial results (page 44)
- Appendix V - The United Nations Principles for Responsible Banking (page 428)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

We have fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking