

Triodos  Bank

Annual Report 2020

1.1 Our stakeholders and material topics

Triodos Bank’s stakeholders are key to determining the focus and attention of the organisation’s efforts. This section identifies key stakeholder groups and highlights their most important material issues at Triodos Bank. We focus on these in our reporting.

Stakeholder dialogue: keeping us on our toes

Triodos Bank continually seeks to connect with the world around us. This is essential if we are to remain relevant, continue to progress and meet our frontrunner ambitions. All our business and financial decisions have an impact on our stakeholders. In turn, the societal themes embraced by our stakeholders have an impact on what we do and how we do it. Our essence defines us. It is the starting point of our conversations with the broader stakeholder community. How we bring our essence to life through our actions is informed by our engagement with key stakeholders and developments in society at large.

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 regular meetings for depository receipt holders. Our co-workers at Group level, in Triodos Investment Management and at our various country offices regularly engage in these and other activities.

In addition to numerous interactions throughout the year at all levels of our organisation, we follow a formal process to analyse which issues are most important both to our stakeholders and our organisation (materiality analyses). We integrate these issues into our management objectives. Our reporting on progress of these objectives follows the Global Reporting Initiative (GRI) Standards. For more information about how Triodos Bank engages with its stakeholders visit www.triodos.com/stakeholders.

Materiality analysis

Triodos Bank identifies three general stakeholder categories:

- Those that have economic relationships with the business
- Those without an economic relationship but with a close interest in Triodos Bank from a societal perspective
- Those that provide new insights and knowledge

For each category we have identified specific stakeholder groups, including the influence they exert on Triodos Bank and the expectations they have of us. The table below gives an overview of all major stakeholders and how they link with relevant topics.

Stakeholder table

Stakeholder	Definition	Most relevant topics (see Material topics)
<i>Category: stakeholders that engage in economic transactions with Triodos Bank</i>		
Clients	<p>Clients expect excellent banking and financial services.</p> <p>They expect Triodos Bank to put their interests first.</p> <p>Clients are essential to achieve our mission.</p>	<ul style="list-style-type: none"> - Protecting client data - Client relationships - Engaging with communities - Social inclusion - Sustainable investments - Thought leadership - Products with a purpose - Integrating mission/strategy - New sustainable ventures

Stakeholder	Definition	Most relevant topics (see Material topics)
Depository Receipt holders	Influence on and expectations regarding how Triodos Bank strikes a balance between return on investment and social, environmental and cultural returns.	<ul style="list-style-type: none"> - Social inclusion - Resilient financial institution - Thought leadership - Integrating mission/strategy - New sustainable ventures
Co-workers	<p>Influence on and expectations of Triodos Bank's ability to create a working environment that's inspiring, healthy and welcoming.</p> <p>Expect and contribute to a workplace where each co-worker finds room to address the important questions of our time and where each individual can work effectively in line with the mission and values.</p>	<ul style="list-style-type: none"> - Fair remuneration - Learning organisation - Responsible employer/diversity - Engaging with communities - Social inclusion - Sustainable investments - Thought leadership - Integrating mission/strategy - New sustainable ventures
Suppliers	<p>They expect Triodos Bank to a responsible and reliable business partner.</p> <p>They are partners in our mission for a more sustainable world.</p>	<ul style="list-style-type: none"> - Sustainable suppliers - Engaging with communities - Social inclusion - Responsible employer - Integrating mission/strategy
<i>Category: stakeholders that have a close interest in Triodos Bank</i>		
NGOs	Influence on and expectations of Triodos Bank's ability to execute its mission in a responsible and ethical way with a positive impact on society and the environment.	<ul style="list-style-type: none"> - Fair remuneration - Social inclusion - Sustainable investments - Responsible employer
Governments and regulators	<p>Influence on and expectations of Triodos Bank's ability to execute its mission in a responsible and ethical way</p> <p>Expect us to be compliant with laws and regulations.</p>	<ul style="list-style-type: none"> - Fair remuneration - Protecting client data - Resilient financial institution - Thought leadership - Integrating mission/strategy
Local communities	Local communities expect to benefit from our financial activities.	<ul style="list-style-type: none"> - Engaging with communities - Thought leadership - Products with a purpose - Social inclusion - Integrating mission/strategy
Financial sector	The financial sector is key to achieving our mission to increase the positive impact of finance on society and the environment (our mission to change finance).	<ul style="list-style-type: none"> - Social inclusion - Resilient financial institution - Thought leadership - Integrating mission/strategy
Media	The media influence public opinion about Triodos Bank and about the topics that are relevant for our mission	<ul style="list-style-type: none"> - All topics can be relevant

Stakeholder	Definition	Most relevant topics (see Material topics)
<i>Category: stakeholders that provide knowledge and insights</i>		
Advisors and influencers	They prompt us to reflect, rethink and explore new territory	<ul style="list-style-type: none"> - Engaging with communities - Social inclusion - Thought leadership - Integrating mission/strategy

Material topics and current developments

We performed a thorough analysis of our material topics in 2019, including a consultation with our stakeholders. This analysis led to 14 material topics. Triodos Bank co-workers in senior positions are topic owners and have responsibility for each of these topics and the associated stakeholder engagement.

Based on our thorough analysis last year, the material topics in 2020 remain unchanged. However, we have seen two relevant societal developments which have an impact on Triodos Bank. First, the Covid-19 pandemic confronted society, including our stakeholders, with unexpected challenges. Second, the Black Lives Matter movement increased the urgency of making progress towards a more diverse and inclusive society. These developments have been extensively discussed with stakeholders throughout the year, both internally and externally.

This year we have done interviews with a selection of our topic owners regarding developments and/or progress made in 2020 with regard to their specific topics. These topic owners represent the topics that were addressed in the central stakeholder meeting of 2019: thought leadership, social inclusion, responsible employer, and sustainable suppliers. The results of these conversations have been incorporated in the texts about these topics below.

Stakeholder meeting and survey

The 14 material topics, the COVID-19 pandemic and promoting diversity and inclusion were included in the annual stakeholder survey. This was distributed to representatives from all the specific stakeholder groups in the countries where we have banking

activities. We also asked stakeholders to identify other possible issues, which are not currently included.

The survey and the materiality matrix provided us with important input for this year’s materiality analysis. We also incorporated the feedback we received at the Annual General Meeting and our participation in various global strategic bodies. The analysis is supplemented by input from the topic owners and several stakeholder events and interactions during the year, including sector-specific events in various countries.

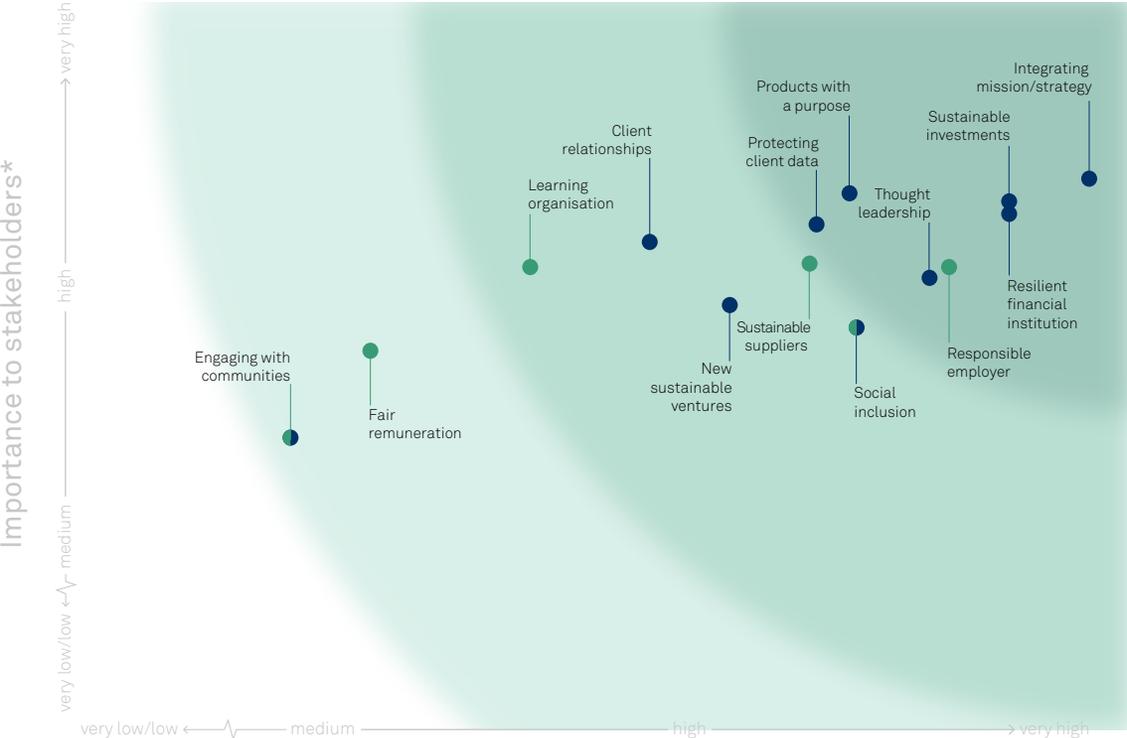
As a result of the pandemic, Triodos Bank’s annual stakeholder meeting was, for the first time in our history, held virtually in 2020. The 25 attendees represented all stakeholder groups. Several of Triodos Bank’s topic owners participated in discussions about the areas for which they have responsibility.

The first plenary session discussed the public role of Triodos Bank during the coronavirus pandemic. Our stakeholders advised us to establish a knowledge platform, which could function as an online community where stakeholders could get in touch with each other and we could share our vision on topics such as sustainability and social inclusion during the post-pandemic recovery.

The second plenary session considered initiatives Triodos Bank could finance to stimulate social inclusion. One interesting remark was that Triodos Bank should not view social inclusion as a separate topic, but instead include it in other themes, such as food and agriculture, and energy and climate.

We hosted a break-out session on diversity and social inclusion in Triodos Bank where stakeholders emphasised the importance of increasing diversity within the bank. Another session focused on digitalisation in society and the dilemmas this brings for Triodos Bank, for example regarding privacy and data protection. Many stakeholders agreed that Triodos Bank should give its customers more freedom in choosing which digital payment systems they want to use, as long as we inform them of the risks and costs.

Materiality Matrix 2020



- who we finance and how we deliver sustainable financial services
- how we operate as a responsible institution
- * influence on stakeholder assessments and decisions
- ** significance of Triodos Bank's economic, environmental and social impacts

Material topics

The goal of working towards a fair and just society and finance sector has been key to Triodos Bank's vision and mission since our foundation in 1980. Supported by our values and principles, we have defined our essence as a values-based bank that deals with money in a conscious way. This applies to everything we do, both in our business operations and within the organisation. The material topics are at the heart of our strategy and underpin management objectives. Since the very start of our operations, we have been engaging and working together with key stakeholders to accomplish our goals. Our stakeholders have repeatedly confirmed that our material topics are also the most important in their eyes.

All the topics identified in the materiality matrix relate directly or indirectly to Triodos Bank's purpose as an integrated sustainable bank using money to deliver positive change. Topics in blue are priorities for external stakeholders. They are defined by our business strategy and how we conduct client relationships. Material topics shown in green have a more internal focus. They are affected by how we operate as a responsible institution. We can have a direct impact on these topics; for example, by the way we select suppliers or through our remuneration policies.

Responsible, sustainable business is fully integrated in Triodos Bank's vision, mission and strategy. As such, there are no dedicated separate management plans for material topics. They are explicitly and implicitly interwoven in Triodos Bank's strategic plans and goals.

In line with GRI's mission to empower sustainable decisions, we engage in stakeholder dialogues to understand and incorporate their vision. We aim to integrate the outcomes of the various stakeholder engagements (including the survey and dialogue sessions) into our vision, strategy and policies, and implement them in our daily operations.

The results of the materiality matrix suggest Triodos Bank's stakeholders want and expect us to continue to be a leader in sustainable finance, with a strategy that reflects and supports that mission. Being a resilient

financial institution is considered important for Triodos Bank, as are protecting client data and working with sustainable suppliers. Material topics are discussed in more depth below and covered in relevant sections in the rest of the report.

Sustainable investments

Sustainable investments are at the heart of Triodos Bank's work. The organisation promotes change by financing sustainable initiatives in key sectors. Their combined impact gives Triodos Bank the credibility to change finance. By increasing our influence, we are better able to stimulate positive systemic change in the banking sector.

The boundaries of sustainable investments are determined by Triodos Bank's mission, business principles and minimum standards. These investments have a direct impact on entrepreneurs, businesses, sectors and society, which is further detailed in the key sectors (Impact by sector (see page 49)) of this annual report. The definition of sustainable investments and whether or not to finance a prospective customer is limited by Triodos Bank's lending and investment criteria and based on balanced decisions made by experts in Triodos Bank's lending and investment teams.

Procedures to assess and screen risks are undertaken by business managers supported by risk managers within Triodos Bank's European network of offices. This process is described in more depth in Risk and compliance (see page 75). Triodos Bank's relationship managers interact with our borrowing customers on these issues. And all of our assets are subject to positive and negative environmental and social screening.

New sustainable ventures

New sustainable ventures are pioneering new enterprises that tackle at least one of society's key challenges. For Triodos Bank, the transition to a regenerative economy is one of the most important, and a boundary for this material topic. Triodos Regenerative Money Centre (TRMC) aims to increase the conscious use of money through donations and

catalytic investments. The initiative's goal is to support a regenerative economy that serves people and is a steward of the Earth's ecosystems.

TRMC aims to deliver its goals by supporting initiatives that pioneer new business models with an explicit goal to regenerate society and the planet. It aims to support initiatives that can fulfil a catalytic role as potential game-changers. The goal of every donation and catalytic investment is to increase consciousness and provide new perspectives on current questions in areas where, for different reasons, traditional bank and investment products cannot provide an answer.

One such initiative is Aardpeer, which aims to support a transition in the farming and food industry by promoting nature-friendly farming in The Netherlands through acquiring farmland and securing it for future generations so that it can be used by regenerative farmers for a fair price. TRMC also financed Paper on the Rocks in 2020 to support transition in the paper industry by stimulating the production of tree-free paper.

TRMC manages four initiatives in one centre (Triodos Foundation, Triodos Sustainable Finance Foundation, Triodos Renewable Energy for Development Fund and Triodos Ventures). This creates a larger funding base and increases the focus of and synergies between the different teams of co-workers involved.

Integrating mission and strategy

Since inception, Triodos Bank has integrated mission and strategy. Unlike many other banks, we have always focused on risk, return *and* impact. That means this is a material topic, the boundaries of which encompass its entire activity.

This integration of mission and strategy influences everything: from our governance structure – which safeguards the mission of the bank – to our exclusive focus on sustainable investments. Two of Triodos Bank's three key strategic objectives, being a frontrunner in responsible finance and unlocking our purpose, reference our mission explicitly. The third strategic objective, to be one bank that's redesigned,

responsive and robust, links to our long-term resilience, a key principle of values-based banking.

Thought leadership

The analysis shows that our stakeholders emphasise the importance of Triodos Bank being a thought leader. As a frontrunner in the banking sector, the bank can stimulate change in others. This is true both for the activities we finance in specific sectors and for the debate about how the banking system can better serve society and meet the challenges we face. Our role in the development of the commitment in Germany of several financial institutions to the Paris climate agreement is an example of this in practice.

As a frontrunner, Triodos Bank aims to be a catalyst for change in the banking sector, beyond its immediate activities of financing sustainable sectors. Changing the financial system so that it is better able to serve people while taking care of the environment we depend on is fundamental to our mission, hence its inclusion as a material topic. To do this, we need to not just be experts in banking, but also specialists in financing specific sustainable sectors. That's why we include sector-specific knowledge, as well as being an expert in sustainable finance, within the boundary of this topic.

In 2020, we built on vision papers on the strategic themes of food and agriculture, and energy and climate (both published in 2019). We published a vision paper on managing the post-pandemic recovery that also addressed the important perspective of social inclusion. This argued that the coronavirus crisis had revealed substantial shortcomings in the current economic and social system and called for a reset of the global economy. Triodos Bank set out a concrete policy, business and finance agenda that could protect the world from future pandemics having similarly dire economic consequences. Our proposals included intensifying efforts to combat the climate emergency and other eco-crises, and working on a more socially inclusive society.

At a European level, we are involved in discussions about a sustainable finance action plan, specifically related to taxonomy, and the Non-Financial Reporting

Directive. We contributed to the development of a global standard to account for the carbon footprint of loans and investments via the Partnership Carbon Accounting Financials (PCAF), and are working on an accounting methodology for measuring the impact of the financial sector with the Partnership Biodiversity Accounting Financials. We signed the Finance for Biodiversity Pledge, committing ourselves to make a positive impact on biodiversity.

Our work on this topic is led by Triodos Bank's Chief Economist and a small team at Head Office as well as by senior management in Triodos Bank's country and Triodos Investment Management operations. Most of the resources applied to this work are in the form of people's time, typically via speaking opportunities, collaboration on working groups and in partnerships.

Products with a purpose

This topic refers to all our products because they all contribute to the development of sustainable sectors. Products with a purpose are an important part of our strategic effort to 'unlock our purpose'. They increase our relevance to clients and society. The products we offer serve to prompt or stimulate actions from our clients. For example, private mortgages are available in Triodos Bank Netherlands, Spain and Belgium, which incentivise clients to improve energy efficiency by offering a discount on their mortgage rate as the environmental performance of their home improves.

Products are developed and managed at a business unit level by specialists in relevant fields. Platforms at Group level also provide a space to agree significant new products, share best practice and evaluate their performance across business units. This ensures that we can respond to local demand with appropriate, mission-linked products and services.

Client relationships

Client relationships are a material topic, not least because strong relationships limit the chances of loans and investments going wrong and make working through challenges with clients easier when problems do occur. This is especially true of, and important

to, values-based banks, who engage closely with the people they finance and the sectors they work in.

As a bank with a stakeholder rather than shareholder focus, our impact on this topic applies to different types of personal client. As part of this approach, we focus on improving the customer experience. Deepening our relationships has been a key strategic objective and is an integral part of Triodos Bank's model. Indicators of our engagement on the topic include Net Promoter Scores, a mechanism to determine how positively, or otherwise, our clients regard their relationships with Triodos Bank. In addition, a grievance mechanism is in place for clients of all types.

Social inclusion

Sustainability is not only about environmental issues, but also about social inclusion – and social inequality, which is increasingly dividing society. Triodos Bank aims to support a society that protects and promotes quality of life for all with human dignity at its core.

We support those that contribute to a thriving, mutually supportive community and society, within the boundaries of this planet. The social and environmental transitions we face are inextricably connected and this makes social inclusion a key strategic theme. Triodos Bank is stepping up efforts to put social inclusion into practice for our clients, stakeholders and within the organisation (see also Social (22% of total portfolio) (see page 51)). The latter is highlighted in more detail below in 'Responsible employer (see page 28)' and in the Co-worker report (see page 66).

The Covid-19 pandemic has also shown that social inclusion and sustainability go hand in hand. We cannot and must not see these two parts as being separate. Everyone is affected by the pandemic, but the extent to which people are affected varies widely for individuals all around the world. Our vision paper 'Reset the economy', published in 2020, stressed the importance of a green and just recovery as a way to reduce the imbalance in society.

Resilient financial institution

Being a resilient financial institution is important for all banks and an explicit principle of values-based banking. It forms the bedrock upon which values-based banks can deliver positive impact. An effective approach to risk management is a key element ensuring the long-term resilience of Triodos Bank. The boundaries of this topic include our institution and our clients.

The importance of being a resilient financial institution assumed more prominence in 2020, because of the negative impact on clients of the coronavirus pandemic.

Trading in Triodos Bank Depository Receipts was temporarily closed in 2020 in response to the heightened uncertainty in the economy as a whole, including the financial sector, caused by the pandemic. We have since intensified engagement with Depository Receipt holders on this topic through webinars and personal conversations in both 2020 and 2021. Addressing the strategic challenge presented by the suspension is an urgent focus in 2021.

Financial resilience is a topic highlighted in many places throughout the annual report. This includes the Impact and financial results (see page 36), Risk and compliance (see page 75), and Financials (see page 97) sections.

Protecting client data

Privacy of client data is important to both Triodos Bank's stakeholders and the organisation itself. Triodos Bank believes money can help change the world and that data can have an impact as well. Data can be used to better understand both the world and people. This understanding can prevent waste, reduce costs and create benefits for society. Data helps Triodos Bank become a better bank by improving our service offerings and operations. It helps us discover or predict risks and fraud, and enhance the reliability of our services. Triodos Bank knows the (personal) data it processes can be sensitive and can impact the privacy of clients and employees. As such, we are committed to respecting privacy and ensuring data protection.

When it comes to privacy and data protection, Triodos Bank believes:

- That data is an abstraction, reduction of reality and an interpretation of behaviour. The world cannot be captured in abstractions. People should not be reduced to the data collected about them. And since data refers to the past it is not always a reliable predictor of the future.
- That every individual has the right to be different in different situations, in other roles or at different times.
- That each individual should maintain power and control over their own life, including personal data. This calls for freedom of choice, fairness and transparency on data collection, processing and usage.
- That data is valuable; therefore, Triodos Bank has an obligation to keep the data it holds accurate, secure and confidential.

In addition to the issues we highlight here, we also publish an extensive data protection policy: 'Respecting privacy and protecting personal data' is available at www.triodos.com/download-centre.

Fair remuneration

Despite continued public debate about remuneration, this topic does not have the highest priority for our stakeholders and the bank. This may reflect satisfaction with the prevailing approach to remuneration at Triodos Bank and suggests that our policy is well understood. Remuneration within Triodos Bank is based on the principle that the bank's results are the joint accomplishment of all co-workers. Remuneration within Triodos Bank is neutral for all co-workers, without regard to gender, ethnic background, age, sexual orientation or distance from the labour market. Triodos Bank does not offer bonuses and has a relatively low differential between its median and highest salary. For more details of our remuneration policy and our performance as a responsible employer, please see 'Remuneration Report 2020 (see page 90)' in this annual report.

Responsible employer

As a responsible employer, Triodos Bank focuses on creating a welcoming, inclusive environment. We believe each individual is important. Everyone should feel welcome, appreciated, safe and respected in our organisation.

The developments of last year have shown us even more the importance of our personal health and well-being and that of our friends, family and colleagues. Triodos Bank takes the health and safety of co-workers seriously. We have paid considerable attention over the past year to supporting co-workers in this area, as can also be read in the Co-worker report (see page 66). In some countries, following local practice, we have Health and Safety committees focusing on these topics.

Adverse co-worker community contributes positively to Triodos Bank's effectiveness and vitality. We must therefore be aware of our own (unconscious) prejudices and how they are expressed in our culture and behaviour. This topic was brought to the fore in 2020 – both within Triodos Bank and among stakeholders – by the Black Lives Matter movement.

Triodos Bank's role as a responsible employer is governed by a Director of Human Resources at Head Office and specialists in its business units who have primary responsibility and resources to ensure the organisation delivers as a responsible employer, including the vitality and development of co-workers and a culture which supports our ambitions and mission. Their efforts are underpinned by policies, including on remuneration, and grievance mechanisms. Goals and targets are defined at Group level in the annual report's Co-worker report (see page 66) and in local plans in the business units.

Engaging with communities

By directly engaging in business relationships with entrepreneurs, personal customers and Depository Receipt holders, Triodos Bank mobilises deposits and investments and uses them to finance values-driven entrepreneurs. This is delivering on our mission to be a catalyst for cultural, social and environmental change.

Engaging with communities is a material topic, whose boundaries are defined by Triodos Bank's positive lending criteria. These criteria and our broader business model ensure that a very high percentage of our operations involve engagement with communities. We also ensure that potential borrowers and investees are subject to a social and environmental assessment. As a bank that does not have a branch network in most countries where we operate, many of the communities we serve are not local to the business. For this reason, we do not conduct significant local community development programmes.

Triodos Bank discloses the results of its own social, environmental and cultural assessments in its annual report and other reports. This work is supported by a stakeholder engagement plan that's underpinned by a detailed description of our stakeholder groups, as set out in 'Materiality analysis (see page 20)'.

Triodos Bank has a grievance process that makes it accountable to third parties.

Learning organisation

Being a learning organisation is a strategic priority for Triodos Bank. Collective learning brings positive energy, drives innovation, enhances our efficiency and our capacity to develop and change. Learning and development is relevant for all co-workers, regardless of their role or seniority.

Our stakeholders consistently urge us to be a frontrunner in finance. We will continuously develop to ensure we fulfil this objective and truly live our mission. As covered in the Co-worker report (see page 66), in line with adapting to virtual ways of working, the challenges of 2020 have accelerated our shift to learning in a more blended way.

Each Group Director is responsible for developing craftsmanship within their responsible functions. The Group Director Human Resources is responsible for developing and managing Group-wide learning and development approach, including our Triodos Academy, talent and leadership development. This topic is

covered in more depth in the Co-worker report (see page 66).

Sustainable suppliers

Working with sustainable suppliers is an important material topic for Triodos Bank. These relationships allow us to extend our positive impact. We consider our role to be about creating awareness on impact improvement among suppliers. For this to succeed, we also need to build internal awareness on the interconnectedness of procurement and sustainability when selecting and maintaining relationships with our suppliers. This will be an area of focus in 2021.

We seek to maintain good relationships with our suppliers and business partners. We strive to build connections between suppliers to help them share best practice and gain insights into making a positive impact. In 2020, our impression was that the majority of our contracts were not adversely affected by COVID-19. We further discuss this topic and the impact it has in the Environmental report (see page 71) of this annual report.