

Triodos  Bank

Annual Report 2020

1.2 Strategic objectives

In this section, we reflect in detail on our strategic objectives for 2020. Our conclusions, along with some key issues raised in our materiality analysis, determine our strategic objectives for 2021.

Our strategic objectives and plans are informed by our mission and by input from both internal and external stakeholders. The overall direction of our 2019-2021 strategic plan remains valid, although – in line with the sector as a whole – there is increased pressure on our business model. We will continue to work on the improvement of our long-term, structural performance in line with our strategic plan, building on the substantial measures we took in 2020.

Strategic themes 2019-2021 and progress

The strategic objectives mentioned here are derived from our 2019-2021 strategic plan. Overall, our intention is to transform and make progress at three levels – internally, within the organisation; through our relationships and interactions with our clients and stakeholders; and externally, by extending our influence beyond the organisation. These areas are addressed sequentially in our three strategic themes.

Within these three strategic themes, we identified nine key objectives for 2020, which built on the progress made in 2019. The table that follows sets out Triodos Bank's key strategic objectives for 2020 and reviews progress made against each of them through related initiatives. The progress-at-a-glance column gives a summary assessment of 2020 for each objective, based on professional judgement and the opinions of co-workers with an overview of these topics.

Despite the difficult circumstances during the COVID-19 pandemic, we have met most strategic goals for 2020. At the same time, the external pressure on our business model has increased. As a result of this we recognise that although we are on track, additional steps will be necessary going forward. Strategic objectives for 2021 can be read in Strategic objectives for 2021 (see page 35).

Strategic themes 2019-2021

1. One bank	<i>Redesigned, responsive and robust.</i> We have been improving our operating model by acting as one (bank). We are introducing unified, digitally supported processes to enhance the customer experience and improve our responsiveness to customer needs. This is leading to a step-change in efficiency and control in our organisation.
2. Unlocking our purpose	<i>Enabling customer engagement; activating our communities.</i> We are empowering customers and communities to achieve impact through their actions. One way we are doing this is by becoming a reference platform for sustainable finance, offering carefully selected products from other providers as well as our own purpose-linked products and impact investment solutions.
3. Frontrunner in responsible finance	<i>Leading by example; innovating finance for impact.</i> We aim to take a leadership role in the transition of the financial system by taking a frontrunner position.

Progress on strategic theme: One bank

Our key objectives for 2020	How we did	Progress at a glance
1. Business model enhancement: safeguarding our long-term sustainable business model.		
Profitable lending growth	Lending growth determined by balancing the maximisation of our mission with the need to meet the minimum profitability hurdle.	● ● ●
Rates and fees	Measures have been taken in all banking entities to bring rates and fees more in line with economic reality.	● ● ●
Sales of Triodos Investment Management (T-IM) funds	Assets under management (AuM) and inflow growth were on track, but COVID-19 seriously hampered revaluations and volume development. We also postponed asset management mandates for institutionals and new product launches. Despite COVID-19 related impact, the actual profit exceeded budget due to related cost-control measures and lower fee erosion, which is relevant for sales.	● ● ○
Management information	Our project to improve the quality and depth of management information is on track as planned, but not yet finished.	● ● ○
Business model deep dive	Deep dives completed in Triodos Bank Germany (TBDE) and Belgium (TBBE). Deep dive commenced in Spain (TBES) and The Netherlands (TBNL); United Kingdom (TBUK) deep dive planned for Q1 2021	● ● ●
2. Operational optimisation: improving operational processes and the cultural foundations for optimisation.		
Operational process	Domains surpassed their KPI target of EUR 10 million in benefits, in a setting in which COVID-19 government measures changed customer interaction overnight, moving access, on-boarding, lending and servicing fully online.	● ● ●
LEAN continuous process	We continued to build a culture of improvement by providing training to co-workers and improving KPI steering for business units and functional departments, among other measures.	● ● ●
Digitalise	We completed the conceptual design of the digital operating model (DOM), and started execution, including moving towards the mobile app as the main communication channel for retail customers.	● ● ●
Data management	We finalised the implementation of data governance and of processes related to data quality reporting. Our data quality reporting tool, dashboard and processes are now available and in operation	● ● ○

Our key objectives for 2020	How we did	Progress at a glance
3. Risk management optimisation: safeguarding our licence to operate and managing inherent banking business risks to stay within our modest risk appetite.		
Strengthen compliance	Integrity (AML/CDD): a Group-wide shared vision and action plan have been defined and approved to last until 2023. In terms of reporting, portfolio risk visibility and transaction monitoring have improved.	● ● ●
In control via ICS	Internal sign-off in May 2020 of the bank's in-control statement (ICS) for 2019 with underlying control cycles and sign-offs for bank business units (BBUs) and Group functions.	● ● ●
4. Financial management optimisation: managing our balance sheet and profitability effectively and efficiently.		
IR risk and liquidity	We took measures to manage the bank's overall liquidity more actively, including a successful application for TLTRO.	● ● ●
Capital strategy	We continue to explore additional Tier-2 capital instruments; the actual MREL requirement has not yet been communicated to us.	● ● ○
Cost containment	We revisited our cost base, with EUR 5 million in cost-containment measures and by working out structural optimisation cases	● ● ●

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Progress on strategic theme: Unlocking our purpose

Our key objectives for 2020	How we did	Progress at a glance
5. Reference sustainable finance platform: connecting with people and communities and supporting their desire to make a difference by dealing consciously with their money.		
Relationship tools	Aggregator functionality (for retail customers' impact) and the Impact Prism (impact of lending) are largely on track.	● ● ○
Third-party products – investments	<ul style="list-style-type: none"> - TBES investment fund offering ready to launch in H1 2021: a product suite of equity, mixed and bond funds, with Triodos Investment Management, Mirova and GLS as providers - TBES pension plan: two additional risk profiles available with third-party providers Mirova, GLS and Etica Sgr - TBDE added GLS as a provider 	● ● ●
6. Unlocking our purpose via products: focusing on purpose-driven propositions that actualise our impact themes; developing strategies of transition per impact theme and building business lending and impact investment propositions onto them.		
Impact theme	Food and agriculture paper published in June 2020. A draft of the social inclusion paper is under review.	● ● ○
Impact investment solutions	<p>Sales expansion in DACH and Nordics, expansion in Spain and France postponed to 2021.</p> <p>On the product side, the mixed funds were successfully launched, a United Kingdom bond fund went live on 1 November 2020.</p>	● ● ●
Purpose products	New product development has not advanced as much as we would have liked, as a result of changed priorities due to COVID-19.	● ○ ○
7. Resilient and vibrant co-worker community: embedding consistent practices in local offices that conform to the Group Strategic Plan 2019-2021; fostering a leadership culture at all levels that enhances change effectiveness.		
Monitor governance project on international alignment	This continues to be embedded with special attention for Group Directors and management teams, while taking account of the impact of COVID-19.	● ● ○
Strengthen change effectiveness	<p>The COVID-19 crisis has stress-tested our change effectiveness. We proved our ability to maintain operations and adapt rapidly to new working conditions.</p> <p>An online learning platform has been introduced; its current focus is on legally required training.</p>	● ● ●

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Progress on strategic theme: Frontrunner in responsible finance

Our key objectives for 2020	How we did	Progress at a glance
<p>8. Participate in global debate: influencing the public’s perception of the role of money by leveraging our networks and partnerships and participating in public debate on topics that relate to our mission; not just financing change, but changing finance.</p>		
Leverage sustainable networks	Our active involvement with the Club of Rome and support for its new Finance Impact Hub extend coverage for our stance on sustainable finance. For our frontrunner activities, see Changing finance (see page 63)	● ● ●
Influencing public debate	‘Reset the Economy’, our vision paper on the global pandemic, and our response to the European Commission’s Renewed Sustainable Finance Strategy proposals were both widely cited, inviting opportunities for advocacy.	● ● ●
Crowdfunding	The United Kingdom crowdfunding platform continues to develop. It is building its investor base and optimising its platform.	● ● ○
Promoting local initiatives	Given COVID-19 developments in 2020, relatively few initiatives have come to fruition.	● ○ ○
<p>9. Triodos Regenerative Money Centre (TRMC): leveraging impact through TRMC, positioned alongside Triodos Bank and Triodos Investment Management.</p>		
Leverage impact via TRMC	<p>TRMC has published its manifesto and executed its first transformative investments according to the key performance indicators defined in 2019.</p> <p>In addition, its strategy for Gift Money was finalised and the focus areas for Regenerative Money defined.</p>	● ● ●

● ● ● Met ● ● ○ Mostly met ● ○ ○ Partially met ○ ○ ○ Not met

Strategic objectives for 2021

The strategic objectives for 2021 aim to ensure we meet the three-year objectives in the final year of our 2019-2021 strategic plan. We have identified 13 key objectives, which are summarised below within our three strategic themes. We intend to progress and transform within each of these themes by realising these objectives.

One bank: redesigned, responsive and robust

We are improving our operating model by acting as one (bank), enhancing the customer experience and responsiveness to customer needs via unified, digitally supported processes, leading to a step-change in efficiency and control.

Within this theme, managing the potentially extensive effects of COVID-19 on our business model is the current priority. There are consequences for revenues, provisions, cost considerations and capital. We also need to maintain focus on the longer-term business model as the underlying drivers of low interest rates and high regulatory costs have not changed. For 2021, eight key objectives have been formulated:

1. Maintain strong focus on profitable lending growth and stringent monitoring of the lending portfolio.
2. Enlarge our assets under management and related fee income by growing Triodos IM in a profitable way and rolling out the bank investment distribution strategy.
3. Pursue balanced growth in mortgages, carefully considering impact, risk and return.
4. Mitigate excessive inflow of funds.
5. Invest in functionality to:
 - digitalise the banking operating model;
 - safeguard our licence to operate;
 - improve customer experience;
 - and reduce costs.
6. Improve effectiveness and contain costs from centralisation and efficiency measures.
7. Refine the Group's capital strategy based on recent economic developments, with DRs at its core.
8. Continue to improve our customer integrity monitoring processes.

Unlocking our purpose: enabling customer engagement; activating our communities

We are bringing purpose into our customer propositions by connecting them more explicitly to impact. In doing so, we empower customers and communities to take action to realise that impact.

We intend to become the reference platform for sustainable finance, offering carefully selected products from other providers as well as our own purpose-linked products and impact investment solutions.

We have specified three objectives for 2021:

1. Create a prototype of a sustainable finance platform design, including its value case and realisation roadmap and start executing on it.
2. Use our vision of how societal change will occur per impact theme (energy and climate, food and agriculture, social inclusion) to create scalable business propositions, primarily for the bank and Triodos Investment Management.
3. Invest in measuring, managing and unlocking impact information.

Frontrunner in responsible finance: leading by example; innovating finance for impact

We aim to take a leadership role in the transition of the financial system, moving from niche player to frontrunner.

We have identified the following two key objectives under this theme:

1. Execute our Change Finance Strategy 2020-2022
2. Position the Triodos Regenerative Money Centre to increase and leverage our impact