Triodos Bank

Annual Report 2020

1.3 Impact and financial results

This section describes the main results achieved in 2020, at Group level as well as detailed per Triodos Bank division, its products and services, their broader impact and the prospects for the coming years. Because Triodos Bank integrates its values-based mission and strategy, these results combine both financial and non-financial performance. They provide insight into how our mission and strategic objectives performed in 2020.

First, we present consolidated financial results. This is then broken down into results by division, including an overview of our loan and investment portfolio. Loans and investments are then linked to their impact, which includes positive impact and any negative impact from additional emissions generated by financed activities.

1.3.1 Consolidated financial results

IFRS

From 2020, our financial reporting standard has changed from Dutch Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS). Triodos Bank's continued growth and increasing internationalisation, as well as wanting to align ourselves with reporting developments in the banking sector, were the key factors driving this decision.

IFRS-9 and the Expected Credit Loss Model

With the introduction of IFRS at the beginning of this financial year, Triodos Bank had to apply initial and subsequent measurement rules in line with the underlying IFRS framework. Consequently, Triodos Bank replaced the credit provisioning model under Dutch GAAP with the expected credit loss (ECL) model in line with IFRS-9 for all loans and debt securities. The ECL model calculates credit risk costs by anticipating potential credit losses in future periods for performing loans (stages 1 and 2) and loans in default (stage 3). The underlying calculation parameters in the model and the overall ECL provision are closely monitored and updated on a monthly basis. The calculation for ECL stages 1 and 2 for potential future credit losses (not yet incurred) are particularly sensitive to forward-looking macro-economic parameters, like gross domestic product, unemployment rate, house prices, etc., for the countries in which Triodos Bank is active.

In 2020, the economic outlook worsened as a result of the COVID-19 pandemic. The forward-looking macro-economic parameters adjusted accordingly. This resulted in higher ECL provisions, which reduced bank profitability. The build-up of the ECL provision in 2020 was mainly related to the influence of these forward-looking macro-economic parameters on our stage 1 and stage 2 ECL provisions. Additions, in 2020, to stage 1 and stage 2 provisions, i.e. expected losses, make up 57% of our total addition to the ECL provision, with just 43% relating to stage 3, incurred, losses. The risk profile of our portfolio also implies that any improvement in the forward-looking macro-economic parameters, perhaps because of better-than-expected post-COVID-19 economic conditions, might result in a reduction in Triodos Bank's overall ECL provision. Further details can be found in the following paragraphs on our financial results.

Consolidated financial results

At the start of 2020, Triodos Bank anticipated a year of stable development, building on the results of 2019. By the end of February it was apparent that this year would be different.

On 11 March 2020, the World Health Organization declared that the coronavirus outbreak was a global pandemic. The disruption to lives, livelihoods and our business has been unprecedented. As the scale of the global crisis became clear, economic outlooks worsened and financial markets became very volatile. Triodos Bank had to take some exceptional decisions:

- On 18 March 2020, the Executive Board voted to suspend trading in Triodos Bank Depository

Receipts (DRs). Trading resumed on 13 October 2020 with a new prospectus and restrictions in place, limiting the number of DRs investors can sell in one transaction.
- Despite the mitigating measures we took, the patterns of buying and selling of Depository Receipts did not return to the balance we were expecting. The ongoing uncertainty around the corona crisis and its longer-term economic effects have not disappeared; on the contrary, further lockdown measures and other restrictions were seen globally in the last two months of 2020. The trading pattern we were experiencing put into question whether the balance in trade in Depository Receipts will be restored in the current economic context. It also poses the question of what measures we can take to achieve balanced trading, as we must now assume that previous trading patterns will likely not recover in the foreseeable future. DR trading was therefore suspended on Tuesday 5 January 2021.
- On 1 April 2020, the Executive Board decided to withdraw the dividend proposal which was published in the Annual Report 2019. This was a direct response to the recommendation made by the European Central Bank and De Nederlandsche Bank on 27 March to all banks not to pay out dividends so as to prioritise supporting the real economy by lending to customers during the COVID-19 pandemic.

We focused first on the implications for customers of the global pandemic, especially our borrowing customers. We have been in close contact with most of our business customers to assess and address their short-term needs. We have contributed to initiatives with other banks, governments and regulators to advance measures to assist business, particularly in the SME sector. Triodos Bank has been doing its utmost to reinforce our customers' economic resilience during the crisis by facilitating repayment holidays and payment deferrals across countries. We have helped other companies and organisations to remain active with government-guaranteed loans and other special agreements.

In light of these developments, the consolidated financial results are summarised below.

Impact drives our ‘impact, risk, return’ model

In essence, Triodos Bank aims to maximise sustainability. It embraces the need to be profitable but only as a means to a sustainable end. Profit can be seen as a yardstick. It shows an organisation is working efficiently but says nothing about the content and the impact of what it is doing.

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?' If the professional judgement is correct, financial and social profit should follow almost automatically.

Income

In 2020, Triodos Bank’s income grew by 4% to EUR 305 million (2019: EUR 292 million). Triodos Investment Management contributed EUR 45 million to this figure (2019: EUR 51 million). The growth of Triodos Bank’s income was mainly driven by the growth in the loan portfolio. This was achieved in a low interest rate environment and despite the economic effect of the first, second and third waves of COVID-19. In 2020, net commission income amounted to 35% (2019: 36%) of total income, in line with expectations. Further, Triodos Bank participated in the TLTRO tender III.5 of the ECB for EUR 750 million. In 2020, this resulted in additional income of EUR 1.9 million.

Balance sheet

Triodos Bank’s balance sheet total grew by 15% to EUR 13.9 billion (2019: 12.1 billion) caused by a significant growth of funds entrusted and lending during the year in all banking entities. This compares with expected growth of between 5% and 10%. Triodos Bank’s funds under management grew by 12% to EUR 6.4 billion (2019: 5.7 billion).

Continuing growth in loans, deposits and equity, although hampered by the three waves of COVID-19 and despite low interest rates and returns, shows that Triodos Bank's commitment to values-based banking remains relevant for people and businesses who choose to make a more conscious choice about their bank and the sustainable contribution their money makes to the economy.

Customers

The total number of Triodos Bank customers increased by 1% to 728,000 during the year (2019: 721,000). Surplus liquidity led to a reduced marketing spend in 2020; our main focus was on assisting borrowing customers through the COVID-19 crisis and on data quality. These priorities likely reduced the rate of customer growth during the year.

Operational expenses

In 2020, our operational cost base increased by 5% to EUR 245.4 million (2019: EUR 234.4 million). Technology and efficiency improvements further optimised our cost base, but these cost reductions were more than offset by external factors over which Triodos Bank has little direct influence. Increased regulatory requirements, the deposit guarantee scheme (DGS), and managing know your customer/customer due diligence (KYC/CDD) and anti-money laundering (AML) processes all imposed additional costs during the year. Furthermore, the new way of working, which is a combination of working from home and working from the office, triggered an impairment of the office building in Zeist. This resulted in a non-recurring cost of EUR 5 million.

Regulatory expenses increased by EUR 2.2 million to EUR 16.6 million at the end of the year 2020. This was mainly driven by higher DGS costs as a result of the significant growth of our funds entrusted. Compliance costs also increased, with additional co-workers being assigned to CDD and AML improvements and related IT investments.

Operating profit before tax decreased in 2020 to EUR 35.5 million (2019: EUR 54.1 million).

In 2020, our ratio of operating expenses against income remained stable at 80% (2019: 80%). This is an exceptional achievement in a year in which our income ambitions could not be fully realised, with the coronavirus crisis dampening the pace of our loan volume development. We managed to compensate for unavoidable cost increases with cost-containment measures and efficiency gains. Consequently, we were able to achieve a stable cost/income ratio in 2020.

Improving our efficiency continues to be a key focus area for the bank. Given the challenges faced in this context we are pleased to have achieved a reasonable return on equity during the year, despite the consequences of COVID-19.

ECL provision and impairments methodology

The current economic environment has, as a result of the COVID-19 pandemic, affected the credit risk of financial instruments. These changes in credit risk resulted in changes in expected credit losses (ECL). We have applied the ECL model in line with IFRS-9 based on underlying forward-looking macro-economic parameters. We have updated these parameters to factor in the consequences of COVID-19. This affected GDP growth and unemployment rates, which are key sensitivities for the stage 1 and 2 provisions in the ECL model.

Several judgements and estimations are made in order to calculate ECL. The accounting policies and ECL model are consistent with the 2019 pro forma IFRS consolidated financial statements. Nevertheless, the COVID-19 pandemic has had an impact on the judgements and estimations used in the ECL model. Triodos Bank has incorporated the current economic environment in its forward-looking macro-economic scenarios. This is done by using external market information and adding internal, specific information. GDP growth is a key driver of credit risk. The section Critical judgements and estimates (see page 112) in the annual accounts section presents the future outlooks implied by the different scenarios defined by Triodos Bank.

Triodos Bank uses the three-stage model to classify the ECL for financial instruments. Stage 1 includes the financial instruments that have maintained similar credit risk status since origination. The ECL for this category is determined by looking forward 12 months. Stage 2 includes financial instruments where there has been a significant increase in credit risk since origination. Stage 2 ECL is assessed by looking over the entire lifetimes of the financial instruments. The ECLs for stages 1 and 2 are determined by a model that includes various metrics, some are client-specific others are based on macro-economic scenarios.

Stage 3 includes financial instruments which are in default. The ECL for this stage is also determined over the entire lifetime but calculated individually considering default-specific scenarios.

In the macro-economic scenarios, Triodos Bank has taken into account that some sectors are expected to be more affected by the COVID-19 pandemic than others. Consequently, Triodos Bank has placed some sectors fully into stage 2 in the course of 2020.

In 2020, the provision for ECL was materially impacted by the effects of COVID-19. The ECL provision was recalculated in line with the subsequent measurement rules under IFRS-9 by considering forward-looking macro-economic parameters, such as GDP growth and unemployment numbers in Europe. The balance sheet provision for expected credit losses increased by EUR 18.7 million in 2020 to EUR 53.3 million. Fifty-seven percent of this provision increase was related to ECL stages 1 and 2, anticipating potential credit losses in future periods rather than actual, incurred losses. The calibration of this provision is carried out continuously, considering the changed forward-looking macro-economic parameters, as well as changes to support measures taken by governments and regulators and the creditworthiness of our clients in our loan portfolio.

Impairments

In the profit and loss account, the increased ECL provision is reflected in higher impairments for the financial instruments. These increased sharply to EUR 24.2 million from EUR 3.7 million in 2019. The impairments represent 0.27% of the average loan book (2019: 0.05%). This relatively high impairment ratio is primarily caused by increased stage 1 and stage 2 provisions as a result of the downward revision in macro-economic parameters caused by the COVID-19 pandemic. The resulting increase in ECL impairments has had a significant influence on year-on-year profit levels. Furthermore, the new way of working, which is a combination of working from home and working from the office, triggered an impairment of the office building in Zeist. This resulted in a non-recurring cost of EUR 5 million.

Profit and return on equity

Despite the impact of COVID-19 on our loan book, income and impairments, Triodos Bank was able to achieve a net profit of EUR 27.2 million, down by 30% (2019: EUR 39.0 million), primarily caused by the EUR 24.2m (2019: EUR 3.7 million) impairments for the financial instruments in 2020 driven by the worsened macro-economic parameters that drive the ECL calculation model. These parameters worsened as a result of the COVID-19 pandemic and the economic consequences related to that crisis. This resulted in a positive return on equity of 2.3% in 2020 (2019: 3.4%).

Triodos Bank considers a return on equity of 3-5% as a realistic medium-term objective for the type of banking activity that Triodos Bank engages in. This has not been modified in light of the recent development.

Triodos Bank will continue to work on improving its profitability while maintaining a solid equity base, capital ratio and a substantial liquidity surplus. The bank recognises that this risk-averse strategy imposes constraints on its return on equity.

Earnings per share, calculated using the average number of outstanding shares during the financial year, were EUR 1.91 (2019: EUR 2.80), a 32% decrease. Triodos Bank proposes a dividend of EUR 0.65 per share, subject to policy recommendations and guidelines of the ECB and/or DNB. The remaining profit will be attributed to the retained earnings of the bank, which is part of the net asset value of the bank, the basis for the value of the Depository Receipts.

Depository Receipts

The number of individual Depository Receipt holders decreased overall in 2020. The number of Depository Receipt holders decreased from 44.401 to 43,614, despite a closed DR market for a significant period of time during 2020.

The price of the Depository Receipts for Triodos Bank shares (the issue price) is based on a financial model that derives the calculated net asset value (NAV) of Triodos Bank divided by the number of Depository Receipts (NAV per DR). As of 1 January 2020, the NAV of Triodos Bank is calculated in accordance with IFRS.

The Issue Price under Dutch GAAP, corrected for the estimated IFRS impact, was set on 3 July 2019 at EUR 82, in line with the new prospectus. This was EUR 1.00 lower than when trading was suspended on 4 June 2019. At the end of 2019, the net asset value for each Depository Receipt was EUR 83, based on the NAV including the estimated IFRS impact. In our pro forma IFRS consolidated Financial Statements 2019, as published on 3 July 2020, the net asset value on 31 December 2018 has been adjusted from EUR 84 to EUR 82 in line with the new IFRS accounting principles.

Equity

Triodos Bank increased its equity by 1%, or EUR 7 million, from EUR 1.201 million to EUR 1.208 million. This increase includes net new capital by DR growth and retained net profit.

The growth in equity, in combination with the implementation of capital requirements regulation measures and the strong capital base of Triodos Bank, ensured sufficient capital to meet the capital requirements set by the regulator.

At the end of 2020 the total capital ratio was 18.8% (2019: 17.9%) and the common equity tier-1 ratio was 18.7% (2019: 17.9%). In December 2020, Triodos Bank issued tier-2 capital in the amount of EUR 6.4 million.

Triodos Bank aims for a common equity tier-1 ratio of at least 15.5% in the current regulatory context.

Dividend

The Executive Board decided on 1 April 2020 to withdraw the dividend proposal which was published in the Annual Report 2019. Initially, the proposal was to distribute 50% of the profit for 2019 as a dividend. Given the uncertainty of the wider impact of COVID-19 on society and the economy at large, the regulatory authorities (ECB and DNB) strongly advised banks to provide a clear signal to the public that they would make maximum efforts to ensure the continuity of lending and to retain prior year profits until the extent of the crisis was known. Triodos Bank, which is embedded in the Dutch and European financial sector, felt it could not ignore such a request. We remain committed to our dividend policy, which under normal conditions aims to distribute to depository receipt holders a fair share of the profits realised.

For 2020, Triodos Bank proposes a dividend of EUR 0.65 per share (2019: EUR 0.00), equivalent to a maximum of 15% pay-out ratio (the percentage of total profit distributed as dividends) for the 2019 to 2020 two-year period, in compliance with the latest DNB guidelines following the instruction of the ECB.

In due course, as the economy recovers from the COVID-19 pandemic, Triodos Bank expects the ECB to end its restrictive regulations on dividend payments. We plan then to return to our long-term policy of maintaining a 70% pay-out ratio.

1.3.2 Triodos Bank divisions and results

Triodos Bank's activity is split between three core divisions: Triodos Bank Retail and Business Banking; Triodos Investment Management; and Triodos Regenerative Money Centre (see Triodos Bank Group structure, page X).

The following section provides an overview of each division in 2020, including a short description of their work, how they performed during the year and prospects for the future. The last part zooms in on our loans and investments in our main sectors. In short:
- Retail and Business Banking, including Private Banking, was responsible for 76% of Triodos Bank's net profit in 2020 (2019: 70%).
- Triodos Investment Management makes up 24% (2019: 30%) of Triodos Bank's overall net profit.
- Triodos Regenerative Money Centre became more established during 2020 after its start in mid-2019. It sets out to manage non-consolidated entities that lend, invest or donate money with an impact-first perspective and a main goal to make pioneering, transformative initiatives possible.

Products and services are offered to investors and savers enabling Triodos Bank to finance new and existing companies that contribute to the improvement of the environment or create social or cultural added value.

Retail and Business Banking: European network

Triodos Bank provides values-based financial services that reach hundreds of thousands of business and personal customers across Europe, growing sustainable banking's impact and scale. While Triodos Bank's values bind customers and co-workers, there are important differences between countries. Regulations, tax incentives and government approaches to sustainability are sometimes markedly different. Local culture, within and between countries, also affects how Triodos Bank approaches its work.

Retail activities developed further in 2020 as people and sustainable enterprises continued to choose to partner with Triodos Bank.

Triodos Bank in The Netherlands, United Kingdom and Belgium contributed to the Group's profitability in line with positive expectations. Triodos Bank Spain unfortunately suffered the most significant impact of loan impairments based on the negative change to the macro-economic parameters due to the COVID-19 pandemic. In addition, Spain's loan production lagged in combination with a modest funds entrusted growth. In Germany, Triodos Bank progressed further in 2020, despite the COVID-19 effects, and is close to making a positive contribution to the Group's overall profitability. In the United Kingdom, the smooth transition to become a subsidiary executed in 2019 continued during the year 2020. Triodos Investment Management made a significant contribution to the Group. Finally, the closing down of the French activities has further progressed. This process has resulted in a partial release of EUR 1.3 million of the provision that was created in 2019 (EUR 3.4 million).

Assets committed to the triple bottom line (TBL) and real economy

Triodos Bank is 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 TBL' and 'assets committed to real economy' to monitor and qualify impact. For more information and the complete GABV scorecard see section Understanding impact (see page 58)and Appendix IV– Global Alliance for Banking on Values scorecard – quantitative evidence of our impact (see page 369).

Real economy assets in a values-based bank should be relatively high. In 2020, this was 75% (2019: 76%). Triodos Bank targets a ratio of loans (in the real economy) to deposits of 75% to 85% to make sure it always has enough money available (i.e. liquidity) to support its clients in case of disruptions in the market. The total loan portfolio, as a percentage of the total amount of funds entrusted, was 78% in 2020 (2019: 77%).

Triodos Bank has 74% (2019: 75%) of its total assets committed to triple bottom line. This figure provides the best indication of a bank's commitment to sustainability. Triple bottom line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits.

The Impact by sector (see page 49) and Climate impact of our loans and funds' investments (see page 53) sections describe this impact in the main (sub-)sectors Triodos Bank finances.

Total lending

Despite the challenges to grow in all sectors caused by COVID-19, the overall growth of the loan portfolio amounted to EUR 948 million (or 12%) in 2020. This includes the growth of the residential mortgage portfolio by EUR 762 million (or 39%). The increase in business loans was 3% (2019: 6%).

The low interest rate environment encourages customers to refinance at lower rates and to pay back their credit facilities earlier than planned. Both these trends continued in 2020 and had a downward effect on interest margins. The Expected Credit Loss (ECL) on loans and advances to customers increased by EUR 18.7 million in 2020 to EUR 53.3 million, influenced by the COVID-19 pandemic which has significant negative effect on the macro-economic parameters used to calculate the Expected Credit Loss (ECL).

Competition between banks in the lending market was strong in 2020. Mainstream banks are increasingly embracing sustainability as a business opportunity and competing aggressively to take advantage of available lending opportunities.

The Loans and funds' investments by sector (see page 46)section describes the relative volume of our loans and investments in the main sectors where Triodos Bank is involved.

Funds entrusted

More people want to use their money consciously to deliver positive change by depositing and investing with Triodos Bank. This reflects a wider trend in society and increasing interest in sustainability in general, and sustainable finance in particular. Funds entrusted, including savings, enable Triodos Bank to finance companies and organisations that benefit people, the environment and culture.

Triodos Bank's banking entities offer a variety of sustainable financial products and services as part of its key strategic objective of offering services that allow customers to participate in the transition to sustainable finance.

The Group derived detailed retail and business customer research during 2020 using Net Promoter Score (NPS) methodology. This technique is widely used across the business sector to measure customer satisfaction.

Triodos Bank's overall NPS on all indicators for the retail group is 25 (2019: 28). This is much better than the average for large banks. Triodos Bank's principles as a sustainable bank are the main reason to recommend the bank. The equivalent figure for business clients is 1 (2019: 12). The decline in the NPS score for business clients is primarily due to the perception of costs associated with banking with Triodos Bank. The detailed results are now being used as a key performance indicator to allow Triodos Bank continuously to measure its customers' views and gather better insights.

Together, this resulted in continuing growth in all the countries where Triodos Bank operates due in part to a growing profile, more efficient and customer-friendly account opening processes, and a receptive market keen to use their money more consciously.

Prospects for Retail and Business Banking

Triodos Bank expects to grow its bank balance sheet more modestly, maintaining a stable loan-to-deposit ratio. It aims to grow its fee income with particular emphasis on growing Triodos Investment Management activities.

The bank will focus on the impact, profitability and diversification of its loan portfolio. In that context, we will put extra effort into identifying loans to frontrunners in their fields; the entrepreneurs developing the sustainable industries of the future. Persistent low interest rates and increasing regulatory costs continue to pose a serious challenge. And yet, there are significant opportunities for Triodos Bank as a frontrunner in responsible finance. With a controlled growth strategy, we aim to generate maximum impact and stable profit levels.

Triodos Investment Management

Investments take place through investment funds or investment institutions which are managed by Triodos Investment Management (Triodos IM), a 100% subsidiary of Triodos Bank.

Triodos IM is responsible for 16 funds, for both individual and professional investors. The funds invest in sustainable themes such as inclusive finance, food and agriculture, energy and climate, or in listed companies that materially contribute to the transition toward a sustainable society. The investment funds publish separate annual reports and most have their own annual general meetings.

Developments in 2020

The COVID-19 pandemic has had a huge impact on the global economy and society, affecting lives and livelihoods almost everywhere. The range of mitigating measures, from full lockdown to no lockdown, resulted in disruptions to commodity markets, global trade, supply chains and tourism, ultimately leading to economic downturn.

At the start of the pandemic, Triodos IM took steps to ensure the well-being and safety of its co-workers and maintain operational resilience, swiftly followed by measures to preserve the financial health of the organisation. COVID-19 also affected its investments, both positively and negatively. On the positive side, the Triodos Investment funds were less sensitive to the downward appreciation of those sectors impacted most by the pandemic, such as the oil and aviation industry, as they are excluded from investments due to Triodos' investment beliefs. As a result, especially at the beginning of the crisis, the funds showed a relative outperformance compared to the benchmark. On the other side, some investments were negatively impacted as the economic downturn increased counterparty risk and uncertainties about recovery dominated financial markets, which put pressure on equity and bond prices. To mitigate the increased risk and volatility, Triodos IM intensified the monitoring of all its investments throughout the year.

As a result of the mitigating measures and continued confidence among its investor base, Triodos IM was able to realise an overall growth in assets under management by 10% (2019: 18%) to EUR 5.4 billion. The net inflow of funds was 8%. The investment funds overall gained 3% of their value following stock exchange movements in 2020.

In challenging conditions, Triodos IM continued to focus on strategy execution, and specifically on implementing its strategic goal of becoming the asset manager of choice for investors seeking solutions for building impact investment portfolios.

In addition, Triodos IM expanded its activities in existing and new markets. It has increased its exposure and sales capacity in the Nordics. It also launched the Triodos Sterling Bond Impact Fund, bolstering the pact investment portfolio in the United Kingdom market.

The process to end the activities of Triodos Vastgoedfonds N.V. was completed in January 2020 through a final payment to shareholders. Following this final step in the liquidation process, the registration with the Trade Register of the Chamber of Commerce was terminated and the fund was removed from the register of collective investment schemes of the Autoriteit Financiële Markten.

At the end of 2020, Triodos IM renamed two of its funds. Triodos Renewables Europe Fund was renamed Triodos Energy Transition Europe Fund and Triodos Organic Growth Fund became Triodos Food Transition Europe Fund. These name changes more effectively and accurately convey their impact investment approach and align the funds more closely with the accelerating transition in energy and food.

Prospects for Triodos Investment Management

2021 will likely continue to be centred around the challenges resulting from the COVID-19 pandemic. Although a vaccination programme may ultimately lead to a rebound in economic activities, we expect that the global challenges for our society and economy resulting from the pandemic will continue to dominate in 2021. COVID-19 has so far proved a major setback for the global sustainability agenda as articulated in the UN Sustainable Development Goals (SDGs) and private investors are needed more than ever to help to realise those goals.

Within this context, Triodos IM will continue to build on more than 25 years' experience of bringing together values, vision, and financial returns in investment. It is helping to meet the European demand for values-based investment solutions that are critical for the

EUR 5.4 billion

In 2020, Triodos Investment Management's total assets under management increased to EUR 5.4 billion, a 10% increase (2019: 18% increase).

transition to a more sustainable society. Through its funds, Triodos IM aims to extend its impact in the key areas related to its mission and the SDGs.

Triodos IM's strategic focus in 2021 will continue to be on retail investors through distributors, high-net-worth Individuals, family offices and (semi-) institutional investors. Impact mandates that accommodate institutional investors seeking investment opportunities with positive impact will have a strong focus in 2021. In addition, Triodos IM's international distribution strategy will be broadened by adding more European markets to its network, including France and Spain.

Triodos Investment Management will continue to pursue development and growth, both through expansion and development of existing funds and by creating new impact investment products.

Triodos Regenerative Money Centre

Triodos Regenerative Money Centre (TRMC) has functioned as a distinct business unit within Triodos Bank since 2019, managing both donations and catalytic investments. These assets under management are not consolidated in the balance sheet of Triodos Bank but are included in our total funds under management. In 2020, the assets related to catalytic investments were EUR 57 million. The assets under management related to donations were EUR 9 million. In 2020 EUR 2.2 million was donated to 156 initiatives.

The TRMC's primary objective is to manage entities that lend, invest or donate money that have, as its main goal, making pioneering, transformative initiatives possible. Financing transformational change requires both gift money (or donations) and the development of more blended (and/or higher risk) finance products.

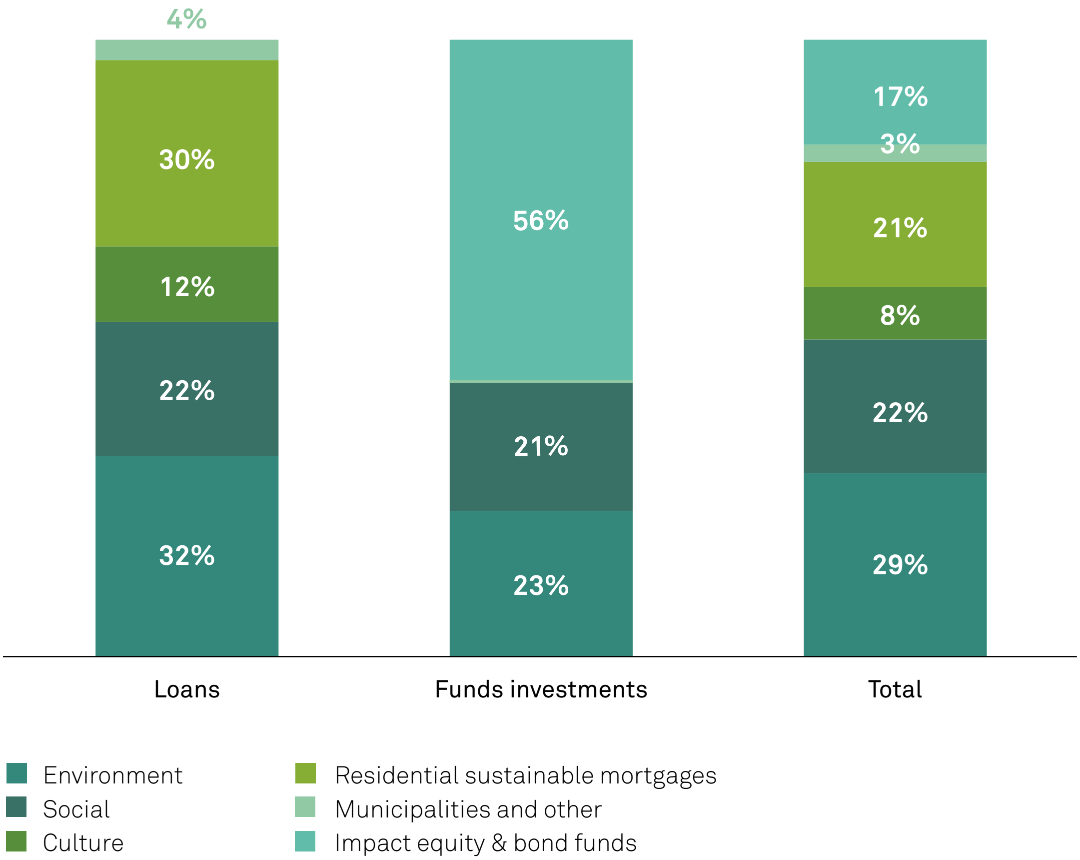
As part of the Centre, Stichting Triodos Foundation raises gift money from its clients and donates it to initiatives aligned with Triodos Bank's core transition themes. Catalytic investments are provided through three funds of which Triodos Sustainable Finance Foundation is the largest entity. This entity lends to and invests in change-makers from the perspective of impact first.

TRMC is a relatively new division within Triodos Bank. Therefore 2020 has been a year of strategic development, defining optimal ways to put gift money and catalytic money to work to regenerate society and the planet in close collaboration with Triodos Bank and Triodos Investment management.

The main goal for 2021 is to bring the strategic direction into practice and to optimise cooperation with Triodos Bank and Triodos Investment Management in order to jointly accelerate our activities on our transition themes.

Loans and funds' investments by sector

Total outstanding loans and funds' investments by sector 2020



The improved quality and growing size of the loan and investment portfolio are important indicators of the contribution Triodos Bank makes towards a more sustainable economy. All the sectors it works in qualify as sustainable and the companies and projects it finances contribute to delivering Triodos Bank's mission.

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. The commercial feasibility of a prospective loan is then evaluated, and a decision made about whether it is a responsible banking option. The criteria or guidelines Triodos Bank uses to analyse companies can be viewed at www.triodos.com and www.triodos-im.com for investment management.

Triodos Bank's focus remains on the existing sectors in which it has already developed considerable expertise and where it considers more growth, diversification and innovation is possible.

Impact, risk and return

Traditionally, banks have focused on risk and return, primarily to avoid negative outcomes, and to enable investors to understand the performance of the institution. But when an institution sees its main goal as maximising returns to shareholders, risk and return are often viewed in a short-term context. This neglects the company's wider relationship with – and effect on – society and the environment. Triodos Bank uses three parameters – impact, risk and return – to understand its overall development and place in the world. This promotes a long-term perspective. The focus on delivering sustainable social, environmental and cultural impact as well as risk and return implies a positive, holistic outlook and a horizon that is inherently longer term.

Impact: We want to deliver sustainable impact. When we talk about 'impact', we are concerned with what our actions, in particular financing and investing, mean to people in concrete terms. Impact means delivering positive outcomes, not only at a transactional level but also at a social and ecological system level.

Risk: Because our starting point is to deliver greater impact over the long term, it is essential that we are financially resilient. We therefore focus on maintaining a consistently high-quality loan portfolio. Triodos Bank's modest risk appetite is an important building block for this resilience.

Return: We have been able to deliver stable, fair returns over a sustained period. For us, financial performance is important because being a resilient financial institution is essential for the delivery of lasting, sustainable change.

Environment 29% (2019: 31%)

The subsector 'Energy and Climate' consists of renewable energy projects such as wind and solar power, hydro-electric, heat and cold storage, and energy-saving projects. It also includes environmental technology projects, for instance through recycling companies.

Within the subsector 'Sustainable Property' we finance new buildings and renovation projects to reach high sustainability standards. It also includes nature-conservation projects.

The subsector 'Sustainable Food and Agriculture' also includes organic agriculture and projects in Europe and emerging markets, across the entire agricultural chain – from farms, processors, wholesale companies and sustainable trade to natural-food shops.

Social 22% (2019: 23%)

This sector contains loans and funds' investments to a scale of businesses and (non-profit) organisations with clear social objectives, such as social housing, community and social-inclusion projects. It also covers the health and elderly care sector and the inclusive finance and fair-trade businesses sector.

Culture 8% (2019: 9%)

This sector covers loans and funds' investments to organisations working in education, retreat centres, religious groups, recreation, cultural centres and organisations, and artists.

Residential sustainable mortgages 21% (2019: 17%)

The retail sector of the loan book is primarily comprised of residential sustainable mortgages, including a small amount of other private loans and overdrafts on current accounts.

Municipalities 3% (2019: 4%)

Under municipalities we include sustainable loans and funds' investments to local authorities without a specific sector classification and some limited short-term loans to municipalities. These investment-type loans in the public sector are included in the loan portfolio in accordance with regulations related to financial reporting.

Impact Equities and Bonds 17% (2019: 16%)

The Impact Equities and Bond funds that are managed by Triodos Investment Management focus on direct investments into listed equities and bonds of companies, institutions and projects that drive the transition to a sustainable society. Each investment in our Impact Equities and Bonds strategy has been hand-selected for its contribution to our sustainable transition themes, while applying our strict minimum standards.

1.3.3 Impact by sector

Our vision on measuring impact reflects a focus on delivering our mission. We aim to find qualitative evidence of impact and back it up with numbers when it's relevant. Our more qualitative impact can be found in the case studies online (www.annual-report-triodos.com). This section summarises the positive impact in numbers our loans and investments generate within our three main impact sectors (environmental, social and cultural impact).

Impact information is mostly collected through the interaction of our relationship and investment managers and their clients and projects. For 2020, this interaction was, for affected sectors, primarily about assessing clients' immediate needs as a result of the COVID-19 pandemic. Gathering impact data was therefore challenging for our clients and relationship managers. The pandemic resulted in significant changes in some impact indicators, mainly in the cultural sector and to a more limited extent in the social sector. Nevertheless, Triodos Bank maintains a positive outlook on the impact our finance makes possible.

Triodos Bank's approach to measuring and managing impact is described in 'Understanding impact (see page 58). Our main guidelines for impact by sector are:

- Our calculations only measure projects with a direct relationship to our finance or investment activities.
- For the impact indicators we use the contribution approach. This means that we include 100% of the impact when we co-finance a project unless this represents the results unfairly.
- The impact data included in the Executive Board report is in scope of the review procedures performed by the independent external auditor. Subjecting our impact performance to the audit process (limited assurance) is a logical step for an integrated business with sustainability at the core of its financial activity.

For more detailed information on the measurements per sector, see www.triodos.com/impact-themes.

The data that Triodos Bank collects for the Impact by Sector section will be essential for the adaptation of the EU Sustainable Finance Disclosure Regulation (SFDR) from 10 March 2021 onwards. More on this topic can be found in Understanding impact (see page 58)'.

Sustainable Development Goals and Triodos Bank

The United Nations launched the 17 Sustainable Development Goals (SDG) in 2015. The SDGs are a universal set of targets and indicators designed to help countries end poverty, protect the planet and ensure prosperity for all. They have quickly become an established framework with relevance for businesses, government and civil society. They resonate strongly with Triodos Bank and our identity as a values-based bank. We have been working on this agenda since our founding in 1980.

Triodos Bank is asked to describe its approach to the SDGs by various stakeholders. This is the fifth year that Triodos Bank will include the SDGs in its reporting. We do this in three distinct ways:

1. By linking relevant content throughout the report to specific SDGs with an SDG icon.
2. Via the mapping exercise that follows inAppendix III – UN Sustainable Development Goals (see page 343), including updates where we have made specific progress.
3. By identifying and reporting against several specific targets, which underpin each of the SDGs.

And while we continue to plot our own path on a journey to a sustainable, low-carbon and inclusive future, we welcome a framework that enables us to communicate better with our fellow travellers. The SDGs do just that. They provide powerful language to communicate integrated sustainability goals that are more urgent now than ever.

Environment, including mortgages (50% of total portfolio)

Renewable energy

A fundamental transition is needed to decarbonise our economy. By lending and investing in solar, wind and hydro energy, Triodos Bank stimulates this transition. We finance and co-finance projects that increase the use of renewable resources and projects that reduce the demand for energy and promote energy efficiency.

By the end of 2020, Triodos Bank and its climate and energy investment funds were financing 561 projects (2019: 504) in the energy sector. This included:
- 484 sustainable power-generating projects related to wind (201), solar (252), hydro (30), or a combination of wind and hydro (1)
- 42 sustainable power projects in a construction phase
- 35 energy-efficiency projects including 23 heat and cold storage projects, 1 greenhouse gas-neutral biomass project and a diverse range of energy-efficiency initiatives.

Through our share in these renewable energy projects, about 0.9 million tonnes of CO_2 equivalent emissions were avoided (2019: 0.9 million tonnes).

The total capacity of the power-generating projects was 5,100MW (2019: 3,900 MW), producing the equivalent of the electricity needs of 4.8 million households worldwide or 0.7 million based on an attribution approach (2019: 0.7 million).
Despite a 30% higher total capacity our share in the avoided emissions and the number of households did not increase. This is due to a change in the emission factors (from International Energy Agency to International Financial Institutions Framework), an update of the number of households conversion factor (World Energy Council) and changes in finance and attribution percentages per project.

Organic farming and nature development

Our relationship with the soil and the Earth requires a systemic perspective. A world view that views agricultural land as the starting point for a limitless process of extraction is unsustainable. Instead, agriculture needs to be seen within the context of a natural system. This system includes nutrients, water, biodiversity, animal welfare and social conditions.

The organically managed land on the farms which Triodos Bank and Triodos Investment Management financed in 2020 could produce the equivalent of 33 million meals in 2020, enough food to provide a sustainable diet for approximately 30,000 people (2019: 28,000). Together they financed approximately 32,000 hectares of organic farmland across Europe. This equates to farmland the size of a football pitch for every 14 customers, each one producing enough for 610 meals per year.

We also financed 30,000 hectares of nature and conservation land (2019: 31,000 hectares), representing around 400m^2 of nature and conservation land per customer. This land is important for the sequestration or absorption of CO_2 from the atmosphere.

In 2020, over 35,000 smallholder farmers (2019: 98,000) in eight emerging market countries worldwide were paid directly and fairly upon delivery of their harvests as a result of the trade finance that Triodos Investment Management funds provide to farmers' cooperatives and agribusiness. The lower number of smallholder farmers in 2020 is related to one company that did not receive trade finance during 2020.
The farmers' harvests brought 10 different fair-trade and organic products to international markets, including cocoa, coffee, rice and quinoa. In 2020, the funds' clients had 56,000 hectares of certified organic farmland under cultivation (2019: 64,000).
An additional 8,000 (2019: 6,000) hectares was in conversion – a significant indicator of future growth as it takes time before conventional farmland is ready to be certified organic.

Sustainable property and private sustainable mortgages

As well as offering green mortgages that incentivise households to reduce their carbon footprint, Triodos Bank and Triodos Investment Management finance new building developments and renovation projects for properties to reach high sustainability standards. In 2020, Triodos Bank and Triodos Investment Management financed directly via retail banking and via sustainable property approximately 17,600 homes and apartments (2019: 13,700), an increase of 28%. We also financed about 480 commercial properties (2019: 480) comprising approximately 830,000 m^2 for office and other commercial space (2019: 921,000m^2) and about 981,000 m^2 of buildings and brown-field sites (2019: 1,022,000 m^2).

Social (22% of total portfolio)

Healthcare

Triodos Banks believes good physical and mental health and well-being are fundamental to a better quality of life. That's why we finance medical centres that offer complementary health services and care for the elderly and terminally ill people.

As a result of its finance across Europe around 45,000 individuals (2019: 43,000) were residents at 570 elderly care homes financed by Triodos Bank and Triodos Investment Management in 2020, representing the equivalent of 22 days of care per Triodos Bank customer.

Community projects and social housing

Help realising social inclusion is one of the strategic themes of Triodos Bank. We finance the development of disadvantaged individuals through businesses that address specific social objectives: for example, in not-for-profit employment programmes, youth help centres, integration programmes and other community projects. We also lend to organisations that provide affordable housing for the people most in need.

In 2020, Triodos Bank and Triodos Investment Management financed approximately 720 community projects (2019: 600), and 210 social housing projects, which directly and indirectly provide accommodation for approximately 59,000 people (2019: 58,000).

Financial inclusion

We believe that social inclusion improves with financial inclusion. We finance values-based organisations working for inclusive finance across the world, because they provide access to fair and transparent financial services for people and small businesses. Bringing people into the financial system spurs social and economic development and contributes to achieving multiple SDGs.

At year-end 2020, Triodos Investment Management's specialised emerging markets funds financed 109 institutions (2019: 109) providing inclusive finance in 47 countries. These values-based institutions vary from very small NGOs working in underdeveloped markets, to fully-fledged banks that offer a wide range of products and enable access to fair and transparent financial services for people and small businesses.

Together, these institutions reached approximately 20.2 million individuals saving for their future in 2020 (2019: 19.2 million). COVID-19 and the accompanying economic downturn led to withdrawals of savings for some companies. However, there was an overall increase in the number of savers, mainly attributable to a limited number of institutions with a large saving base that were able to grow despite the challenging circumstances.

Some 18.2 million borrowers were reached who used the funds to start or expand their business, generate income and better manage their daily lives (2019: 19.1 million). The decline in the number of borrowers compared to last year can be explained by increased focus of institutions on managing existing loans through the crisis, and less focus on providing new loans.
Of these loan clients, 76% are female. Women are often in a disadvantaged position in many developing countries and emerging economies. Giving women the freedom to manage their income and to support their families empowers their position.

Culture (8% of total portfolio)

Arts and culture

Arts and culture play an important role in the personal development of individuals and in social cohesion. They reveal new perspectives and inspire and connect people. The global pandemic has radically reduced mobility and increased social restrictions. As a result, many planned activities in the arts and culture sector became difficult or impossible after March 2020.

Triodos Bank has been in close contact with its customers to assess their immediate needs. We have prioritised this above gathering impact data.

Therefore, where actual impact data was not available, the impact figures were reported based on conservative estimates for this sector. These are mostly derived from the first three months of 2020 and are, understandably, in many cases below the 2019 figures, while a handful of organisations managed to develop online streaming programmes and even increased their number of visitors and spectators. In Spain, we have accessed new clients who we have helped to continue with their activity through this crisis, with the assistance of Spanish Government guaranteed loans and other special agreements in the culture sector.

As a result of our lending and investment activity during 2020, Triodos Bank helped make it possible for 8.4 million visitors (2019: 25.8 million) to enjoy cultural events including cinemas, theatres and museums, a reduction of 67% compared to last year. The number equates to 11 cultural experiences per Triodos Bank customer.

Triodos Bank and Triodos Investment Management finance also helped approximately 4,100 artists and creative companies remain active in the cultural sector (2019: 3,600), an increase of almost 14%, mainly from new loans in the Spanish market, supporting creative companies through the COVID-19 pandemic. Theatre, music and dance productions from these creative companies were attended live or online via streaming by 3.5 million people (2019: 1.7 million). New productions from the film and media sector financed by Triodos Bank (most importantly in Spain) were seen by more than 11 million people (2019: 9 million).

Triodos Bank and Triodos Investment Management also financed organisations that provided 4,300 affordable spaces for cultural activities, such as workshops and music courses (2019: 4,600).

Education

4

Triodos Bank believes that education brings huge benefits to the individual, in terms of personal development and well-being,, and to society, in terms of economic development and social cohesion. The organisations we finance in this sector include schools, training institutions and conference centres.

Approximately 623,000 individuals benefited from the work of 600 education initiatives financed by Triodos Bank in 2020 (2019: 660,000). For every Triodos Bank customer, the equivalent of almost 1 person was able to learn and grow because of education provided by an establishment we financed.

1.3.4 Climate impact of our loans and funds' investments

Triodos Bank supports the sustainable and inclusive transition of our economies and society in line with the Paris Agreement target of limiting the temperature increase to – at most –1.5 degrees Celsius above pre-industrial levels.

In this context, in 2015, at the landmark Paris Climate Conference, Triodos Bank co-signed the Dutch Carbon Pledge to measure and disclose its greenhouse gas, or carbon emissions, and to ensure these emissions are in line with the ambitions of the Paris Agreement. The initiative launched the Partnership for Carbon Accounting Financials (PCAF), a collaboration between Dutch financial institutions which has produced a globally recognised standard for carbon accounting. Triodos Bank played a catalytic role in these developments and is still actively taking part in the development and advocacy of the methodology.

Partnership for Carbon Accounting Financials standard

As our main impact in the economy and society stems from our loans and investments, 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).

For readers with a more detailed interest, a separate methodology report on how the PCAF standard was applied to this portfolio is available on our website.

Widespread adoption of the PCAF standard will allow stakeholders to compare the GHG emissions of banks and other financial institutions. As one of the first banks to report in this way, we actively collaborate with our partners to encourage others to do the same.

Target setting: hitting the target without missing the point

Triodos Bank is in the process of setting appropriate targets to align the organisation's portfolio with the Paris Agreement. But we don't want these to adversely affect the way we work. We aim not just to set targets but to identify effective plans for executing them in a way that supports a sustainable and inclusive transition. This may not lead to reductions in the short term, for instance by financing more houses in the transition towards energy efficiency. In the longer term it will ensure we tackle global warming in a structural way.

We intend to use these targets to help deliver our mission, financing positive impact while supporting social inclusion. Our portfolio's actual emissions provide a baseline. We can therefore start to improve and monitor our progress in working with our clients to reduce their emissions.

Our climate impact report shows that we have a relatively low climate intensity from our loans and funds' investments, however we are researching how quickly we may be able to take the lead in reaching a net-zero portfolio (and beyond). This requires us to critically reflect on our portfolio and we want to make sure we do this carefully rather than setting targets quickly. We will disclose our transition plan with long- and short-term targets by COP26, 2021.

Other financial institutions will need to plot a similar path if we are to play our part as an industry in keeping the global increase in temperature within acceptable bounds.

Triodos Bank has urged the financial sector to divest its fossil assets and in our 2019 vision paper on energy and climate we call on all financial institutions to take a leading role in addressing the climate emergency.

Our financed emissions

For a second year we assessed 100% of our assets using the PCAF methodology. Guided by PCAF's Global GHG Accounting and Reporting Standard for the Financial Industry and in collaboration with the PCAF consulting team from Guidehouse, we defined our reporting and measurement principles as follows:

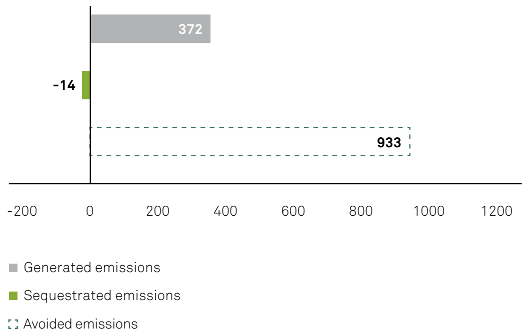
- While GHG emissions include more than just carbon, we use the latter as shorthand for GHG emissions in our reporting GHG emissions are measured in tonnes CO_2 eq. and categorised as three main types:
  - *Generated emissions*: GHG emissions arising from various economic activities. This refers to carbon that is emitted into the atmosphere.
  - *Sequestered, or absorbed, emissions:* GHG emissions stored in carbon sinks, such as trees, plants and soil etc. This refers to the actual removal of carbon from the atmosphere.
  - *Avoided emissions:* GHG emissions that are avoided from fossil-fuel power generation due to renewable energy. While avoided emissions play a very positive role, they do not remove existing carbon from the atmosphere. That is why we present these avoided emissions in our graphs and tables, beneath actual emissions. And it is important to note that our avoided emissions figures will, eventually, start to decline, even as the amount of energy generated by the renewable energy projects we finance increases. This is because the wider energy system is in the process of becoming less carbon-intensive overall. Energy from fossil fuel sources is, and will, continue to decline while energy from renewable sources is increasing, creating a more sustainable energy system.
- With our financed emissions we have applied the attribution approach. This means that we calculate the emissions as they relate to the proportion of our finance in a project or on a customer's balance sheet. For example, if we are responsible for half of a project’s finance, we report half of the emissions generated or avoided by that project. This attribution approach is a more accurate reflection of Triodos Bank’s responsibility for the GHG emissions it finances and is consistent with the PCAF methodology. In 2020 we have also applied this attribution approach to our residential mortgage portfolio by using the loan-to-value ratio. This is in line with the new global PCAF standard.
- We aim to improve the overall data quality level of our carbon footprint measurements every year,in order to improve our insights and better steer on targets (see 'Target setting: hitting the target without missing the point'). The overall data quality this year stayed stable at 3.1 on a five-point scale. The levels of data quality are defined in the table ‘data quality’.
- In our 2020 review we have identified some consolidation differences in the reported attributed emissions of 2019, resulting in higher net emissions. We have restated these 2019 figures in this report.

Certain
(5-10% error margin in estimations)

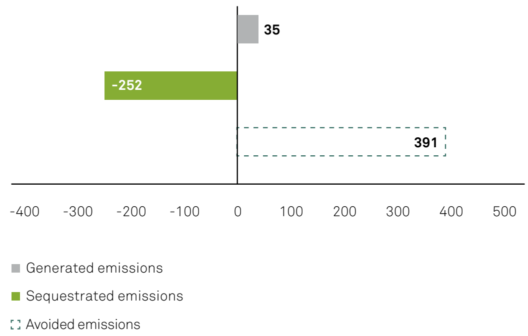
Score 1	Audited GHG emissions data or actual primary energy data
Score 2	Non-audited GHG emissions data, or other primary data
Score 3	Averaged data that is peer/(sub)sector-specific
Score 4	Proxy data on the basis of region or country
Score 5	Estimated data with very limited support

(40-50% error margin in estimations)

Climate impact of our loans and investments
in ktonne CO_2 eq. 2020



Climate impact in emission intensity 2020
in ktonne CO_2 eq./billion EUR financed



The year 2020 has proven to provide an unexpected challenge regarding the appearance of COVID-19, which has impacted energy use and GHG emissions globally. Preliminary insights show that overall energy demand has decreased in 2020. The decline in energy demand in industrial and commercial operations has outweighed the increase in demand in residential operations. The analysis of effects of COVID-19 is at this stage not reflected in the emission factors for 2020, as detailed quantitative information per sector is currently not available to perform an accurate impact analysis.

The GHG emissions that can be attributed to Triodos Bank's loans and direct fund investments in 2020 are presented in two graphs and a more detailed table in this chapter.

The first graph shows our portfolio's emissions in ktonne CO_2 equivalent. The second graph shows the intensity of Triodos Bank's GHG emissions per billion euro lent and invested. It provides stakeholders with an indication of the impact of our finance on generated, sequestered and avoided emissions that could be compared across financial institutions.

In 2020, approximately 372 ktonne CO_2 eq. in emissions were generated by loans and funds' investments covered in this climate impact measurement. This amount has been netted for 3 ktonne CO_2 eq. sequestered emissions from the organic farming sector. The increase in generated emissions compared to last year (2019: 317 ktonne CO_2 eq, restated figure) is mainly due to increased investment volumes in the Impact Equities and Bonds Funds (IEB funds) and higher outstanding in the sector 'Care for the elderly'. Use of the attribution approach for residential mortgages has resulted in lower attributed emissions and a lower emission intensity for this portfolio.

Triodos Bank also finances forestry and nature development projects. This resulted in the sequestration of approximately 14 ktonne CO_2 eq. (2019: 24 ktonne CO_2 eq.), equal to at least 316,000 mature trees and enough to compensate the emissions from the farming sector. The decline compared to last year is due to some repayments in the nature development sector.

The renewable energy and energy saving projects that we finance avoided over 933 ktonne of CO_2 eq. emissions as compared to fossil-fuel power generation (2019: 963 ktonne CO_2 eq., restated figure). This is equal to the avoidance of emissions of over 5.7 billion kilometres travelled by car. The decline compared to last year is primarily due to the application of new emission factors, which has had a negative effect on avoided emissions mainly in The Netherlands. To align with the Science Based Targets initiative (SBTi), we have applied differently sourced (IFI GHG methodology) emission factors.

The number of power-generating projects we finance in Europe and in emerging markets increased by 46 to 484 in 2020. Also, the total electricity production of our financed projects increased, as 2020 has been a good wind year compared to former years, while the hydro power-generating projects profited from wetter conditions.

Overall, the results clearly indicate that financing a sustainable economy for many years has resulted in substantial avoided emissions relative to our generated and sequestered emissions.

The next table provides the GHG emission data of our finance per sector, in both absolute and relative (emission intensity) terms and shows the data quality score for each item.

We will continue to report the climate impact of our own operations and of our loans and funds' investments in the future. We hope to further improve the quality of this data, the methodology that underpins it and, therefore, the accuracy and relevance of our reporting.

933

Avoided emissions in kilotonnes of CO_2

Climate impact of our loans and funds' investments

Impact sector	2020				2019[1]
	Total outstanding (million EUR)	Attributed emissions (kton CO_2 eq.)	Emission intensity (kton CO_2 eq. / billion EUR)	Data quality score high quality = 1 low quality = 5	Attributed emissions (kton CO_2 eq.)
Generated emissions					
Environment:					
- Organic farming	298	**13**	43	2.9	**15**
- Sustainable property	963	**30**	31	3.4	**34**
- Residential mortgages	2,739	**26**	9	2.3	**35**
- Environmental - other	298	**13**	42	5.0	**9**
Social:					
- Care for the elderly	748	**29**	38	3.8	**24**
- Healthcare - other	456	**17**	37	5.0	**16**
- Social housing	528	**23**	44	4.0	**22**
- Inclusive finance & development	816	**11**	13	5.0	**9**
- Social other & municipalities	377	**13**	35	5.0	**15**
Culture:					
- Arts and culture	501	**34**	67	4.6	**32**
- Education	322	**9**	29	4.1	**7**
- Culture - other	271	**16**	60	5.0	**15**
- IEB funds	2,306	**139**	60	2.9	**86**
	10,623	**372**	**35**	**3.5**	**317**
Sequestered emissions					
Nature development & Forestry	57	**-14**	-252	2.9	**-24**
Net emissions	**10,680**	**358**	**33**	**3.5**	**293**
Avoided emissions					
Renewable energy	2,384	**933**	391	1.4	**963**
Total[2]	**13,063**			**3.1**	

1 2019 figures have been restated for consolidation differences
2 Avoided emissions should not be summarized because their absolute emission is zero.