

Triodos  Bank

Annual Report 2020

Appendix I – Triodos Bank business model: creating value

Capital inputs

Human (capital)

- Skilled and committed co-workers motivated by mission
- Expertise in social, cultural and environmental sectors
- Strong emphasis on development as individuals and as a co-worker community

Social and relationship (capital)

- Foster relationships that enable cross-sectoral knowledge sharing within the bank
- Establish and participate in networks, within and between sustainable sectors, including the banking sector Inspirational and intellectual (capital)
- Regular internal reflection sessions
- Engage in two-way dialogue with stakeholders
- Specialist expertise and track record in delivering, assessing and communicating sustainable finance and banking services

Financial (capital)

- Finance from like-minded customers who choose to use their money positively
- Fair returns to attract loyal, values-aligned customers

The Triodos essence

- A values-based bank, enabling people to use money consciously to create a healthy society with human dignity at its heart

Our role

- Our mission fully integrated in our strategy
- Only financing sustainable enterprises in the real economy all of which are published openly
- Meaningful, human relationships with customers and wider stakeholders
- First bank, offering comprehensive sustainable products and services
- Financial resilience including high capital ratios
- Managing both risk and balanced growth (targeted sustainable loans to deposits ratio of 75-85%)
- Offering fair financial returns with sustainable impact
- Acting as a reference point for sustainable banking through our own approach to sustainability, innovation and leadership

The changing world

- Responding to an evolving landscape of societal challenges and innovative enterprises addressing them



Value outputs

People

- A positive contribution to the healthy development of society
- Convening a community of interest to bring about social change
- Enabling values-driven entrepreneurs to fulfil their potential
- Transparent finance so stakeholders see how money is used

Planet

- Finances for sustainable and inclusive enterprise
- Development of a sustainable, circular economy
- Sustainably sourced and managed suppliers. Carbon neutral business
- Development of concrete initiatives and proposals to deepen impact of sustainable finance

Prosperity

- Fair Return on Equity of 3-5%
- Leverage ratio of at least 7% ensuring resilience
- Developing compelling visions for the future of finance

Triodos Bank business model and value creation in brief

Our business model and value creation process is illustrated in the diagram on the left.

This model creates value by transforming capital inputs. These inputs include the skills and entrepreneurship of the people within our organisation and money from customers, via our core products and services. It transforms these inputs into value outputs so that they make a positive contribution to the development of a healthy society that's able to flourish within our planetary limits.

We aim to reflect the capitals described by the International Integrated Reporting Council in our business and value creation model. However, we make a conscious choice not to include 'manufactured capital', such as tangible assets like buildings, or 'natural capital', such as the natural resources used to deliver our work. While both are significant for some companies, they are less material to a service industry like ours whose principle capitals relate to people, ideas and money.

The financial resilience of this model is built on fair (but not inflated) interest rates to savers; reasonable long-term returns for investors both in our funds and in Triodos Bank itself; and deposits that are lent to sustainable entrepreneurs working in the real economy to deliver real impact.

In order to lend to sustainable enterprises we aim to use deposits rather than borrow from other banks. And we endeavour to deliver a healthy balance between loans and deposits so we're able to mobilise as much of our deposits as possible. We also maintain healthy levels of capital, well above regulatory requirements. This makes us more resilient over the long-term.

Importantly, Triodos Bank develops through cycles of reflection and dialogues where our inner essence as an organisation meets our interaction with society's evolving needs.