

Triodos  Bank

Annual Report 2020

2. Supervisory Board report

The Supervisory Board supervises and reviews the activities and the decisions of the Executive Board and the functioning of Triodos Bank's operations. In addition, the Supervisory Board provides advice and guidance to the Executive Board. In formulating the strategy for realising Triodos Bank's mission, the Executive Board engages with the Supervisory Board at an early stage. Its supervision is based on internal and external reports on, amongst others, Triodos Bank's business, operations, impact, risks and financial performance, augmented by presentations, conversations and visits. All material areas of Triodos Bank are covered within a two-year time frame.

The challenging context of 2020

The impact of Covid-19 on economic activity and personal lives can hardly be overestimated. For Triodos Bank, the economic impact is particularly reflected in IFRS9-driven provisions in relation to the outstanding loans, which is reported on further in this report, as well as on the DR trade. The Bank was able to transform to a work-from-home situation without major disruptions, which deserves a compliment to all co-workers. At the same time, Covid-19 accelerated digital strategies which enhance the customer service.

This annual report is the first where Triodos publishes under IFRS accounting rules, apart from the financial statement in 2019. This has been a bank wide effort and well managed project by the finance line of the bank. The SB was regularly informed and made sure that all consequences were well managed and embedded. Another societal challenge was the Brexit, which took place at the very end of 2020. By transforming the British branch into a subsidiary well in time, Triodos was prepared in 2019 already, and did not suffer from implications of the Brexit agreement of the British Government with the EU.

In the meantime, the low interest environment continued to pose the Bank with severe challenges. The Supervisory Board supported the interest rate and fee measures that were implemented by July 2020. The measures are considered to be proportionate, enhance transparency in the costs of providing banking services, and limit cross subsidisation.

Against the backdrop of other banks increasingly positioning themselves as sustainable, while at the same time making pace in digitisation of their products and services, the Supervisory Board discussed the business model with the Executive Board on several occasions. The focus of the strategic plan on three sectors in which Triodos specializes (Food and Agriculture, Energy and Climate, Social Inclusion) was welcomed.

Activities of the Supervisory Board

Strategic focus and performance

During the year, the Supervisory Board was actively involved in discussions with the Executive Board on the strategic focus of the bank and monitored the execution of the strategy. In the context of our supervision on the balance of impact, risk and return, we paid special attention to the return on equity, which was under continued pressure. Therefore, costs had to be contained even more than in the years before. The Supervisory Board encouraged the Executive Board to seize the growth opportunities for Triodos Investment Management and other fee-generating business.

The Supervisory Board closely monitored the performance and functioning of the Executive Board and its individual members. The Board approved the priorities for 2020 covering the performance, health and development of Triodos Bank. Close to the end of the year, the Supervisory Board assessed the performance over 2020 and discussed the priorities for 2021.

In 2020, preparations were made for the annual plan and budget for 2021. This is the last year of the 2019-2021 planning cycle. The Supervisory Board and the Executive Board had extensive discussions on the achievements in this three-year period and the ambitions going forward. Given the abovementioned substantial challenges, the suggestion was made to change the three-year planning into a three horizons planning, with rolling updates on each of the horizons. In 2021, discussions about the plans for each of the horizons will continue. The Executive Board

and the Supervisory Board agreed on this approach going forward.

Governance

In 2020 the newly configured Executive Board showed that the separation of the CFO and CRO roles was effective. Both new board members delivered clarity from their respective roles and restructured their business lines in order to enhance efficiency and improve performance. The COO managed a large portfolio, with all Managing Directors as direct reports besides the operational business. The continuation of the leadership transition process, which was set in motion with the CF(R)O succession, led to extensive discussions on the succession of the CEO. After a very long term of office of the current CEO, who shaped the Bank in its current form, it takes a careful process to find a successor who can lead the Bank in its next stage. It was decided to hire a temporary CEO to secure the continuity of the governance and to prepare Triodos Bank for a next stage of leadership.

During the year 2020 the Supervisory Board itself had a stable composition. For 2021 and 2022 changes are foreseen and recruiting of successors has started at the time of writing this report.

Dividend 2020

The declaration of dividend was decided on during the first regular meeting of the Supervisory Board, in the week after the initial lockdown in early March 2020. After some months, it became clear that the dividend decision had to be amended, due to the Covid-19 implications and the subsequent strong advice by the prudential supervisors (ECB and DNB). This was announced in due time. Since all banks decided to pass dividend in Spring 2020, we were not an outlier. Still, we regret that we had to convey this message to the depository receipt holders, as we highly value their commitment to Triodos Bank.

Other topics

In 2020, the Supervisory Board had 9 meetings, some of them induced by the Covid-19 situation. A number of them took place online. Other topics discussed at the

Supervisory Board's meetings and contacts with the Executive Board included:

- Finance: the impact of Covid-19 was significant, but mitigated by solid financial management. The Return on Equity developed below budget, most notably due to Covid-19. The Supervisory Board monitored the metrics on a monthly basis and discussed with the Executive Board about their response. See also the report by the Audit and Risk Committee (below). As usual, the Supervisory Board examined the half year results, the Management Letter and Board Report of the External Auditor, the 2019 annual report plus the half year results 2019 and the respective press releases, as well as the dividend proposal (see above).
- Risk and Audit: the risk appetite statement, the actual risk profile, and the effectiveness of the internal risk framework and control systems, the audit findings, the auditor's reports, loan reports and implementation of new regulatory requirements were all discussed in plenary at the Supervisory Board. Of course, Covid-19 brought additional risks in terms of financial performance and business continuity.
- Culture Change Effectiveness: the Supervisory Board continued to supervise the Culture Change Effectiveness programme, which started in 2018. Due to Covid-19 priorities, further development of this programme was put on hold by the Executive Board. Going forward, the Supervisory Board will monitor the alignment of this programme with the Strategy and the Business Plan.
- Works Council: in accordance with the Works Council Act (WOR), a delegation of the Nomination Committee attended two consultative meetings of the Dutch Works Council with the CEO, during which the general affairs of the company were discussed (AGvZ-overleg). Because of Covid-19, these meetings were held online. In addition, consultations were held with the Dutch Works Council about the succession planning of the new CEO and their formal role and wishes in the process. In the autumn, two members of the Nomination Committee, together with the Works Council and the Group Director HR, developed a procedure to exercise the nomination rights of the Works Council for two members of the Supervisory Board.

- Talent Management: in spring 2020, the Supervisory Board started with informal bilateral (online) meetings with senior managers, aimed at getting to know each other better and to increase awareness of how roles and functions are performed in day-to-day practice. This round of bilateral meetings was evaluated positively from all sides and will be repeated in 2021.
- Business Units: due to the Covid-19 travel restrictions, the Supervisory Board could not visit the international branches or UK subsidiary. We hope to resume the visits in 2021 or 2022 and look forward to reaching out again. Via online deep dives that were executed by the respective managing directors and senior management from Head Office, the Supervisory Board gained more insights on achievements and challenges of some of the business units. These deep dives will be continued in 2021 in order to cover all business units.
- Contacts with the Dutch prudential supervisor: the full Supervisory Board met with De Nederlandsche Bank (DNB), the Dutch central bank, in autumn 2020. During the year, the Chair and Vice-Chair had several calls to keep DNB updated on the leadership transition process.
- Contact with the Board of SAAT: the Supervisory Board met with the Board of SAAT as usual before the Annual General Meeting. In addition, the Board of SAAT, the Supervisory Board and the Executive Board met in October for an update on the leadership transition process, and the different roles and responsibilities of the three boards.

Internal organisation

Composition of the Supervisory Board

Triodos Bank's articles of association determine that the Supervisory Board shall consist of three or more members. At present the Board has six members.

The Supervisory Board aims to be diverse, with an adequate balance of nationalities, age, experience, background and gender. Its objective is for no more than 70% of its seats to be held by either gender. In 2020 there were four male and two female Supervisory Board members. Consequently, the Supervisory Board complies with its diversity policy.

Committees of the Supervisory Board

The Supervisory Board has three standing committees: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. During the latter half of 2020, an ad hoc DR Trade Committee was formed at Triodos Bank, which included the ARC members. These committees met separately throughout the year. Their main considerations and conclusions were shared with the Supervisory Board, where formal decision-making takes place. The composition of the committees in 2020 was as follows:

Audit and Risk Committee

- Ernst Jan Boers (Chair)
- Sébastien D'Hondt
- Mike Nawas

Nomination Committee

- Aart de Geus (Chair)
- Fieke van der Lecq
- Dineke Oldenhof

Remuneration Committee

- Fieke van der Lecq (Chair)
- Aart de Geus
- Dineke Oldenhof

For more information on the Supervisory Board members, see Appendix II – Executive Board, Supervisory Board and Board of SAAT biographies (see page 338).

Terms of office of Supervisory Board members (as per December 31, 2020)

Supervisory Board	Year of first appointment	Year of first reappointment	End of current term	Envisaged retirement ¹	A&RC	NomCo	RemCo
Aart de Geus (Chair)	2014	2018	2022	2022	-	Chair	Member
Fieke van der Lecq (Vice-Chair)	2017	-	2021	2021 ²	-	Member	Chair
Ernst Jan Boers	2014	2018	2022	2022	Chair	-	-
Sébastien D'Hondt	2019 ³	-	2024 ³	2028	Member	-	-
Mike Nawas	2019	-	2023	2027	Member	-	-
Dineke Oldenhof	2018	-	2022	2026	-	Member	Member

1 Based on internal Supervisory Board policy, a 2 x 4-year term is considered standard practice. In exceptional circumstances this term can be extended to 12 years or beyond, after approval of the general meeting (article 9 (6) Articles of Association).

2 Fieke van der Lecq is not available for a second term of office and will therefore step down at the 2021 AGM.

3 Sébastien D'Hondt has been appointed at the EGM on 13 December 2019. End of his first term is after the AGM in 2024.

Activities of the Audit and Risk Committee

The Audit and Risk Committee (ARC) met, in accordance with the corporate calendar, six times in 2020. An extra ARC meeting was held end of March in which the yearly internal reports on capital and liquidity adequacy were discussed and the recovery plan was prepared for Supervisory Board approval, in order to ensure a timely distribution of these documents to the Dutch central bank on 30 March 2020.

In addition to its regular meetings, informal meetings were held with the external auditor as well as with the internal auditor, without the Executive Board being present. Also, the ARC chair conducted separate sessions with, amongst others, the Group Director Internal Audit, the Group Director Finance and the Group Director Compliance.

Furthermore, an ARC subcommittee was established throughout the year in order to discuss the new Depository Receipts prospectus and the re-opening of trade with Executive Board members. This ARC subcommittee consisted of the ARC members and met with the Chief Executive Officer, the Chief Risk Officer, the Group Director Retail Banking, and the General Counsel 14 times.

During the year, the composition of the Audit and Risk Committee did not change. The three ARC members, the Chief Financial Officer, the Chief Risk Officer, the external auditor and the Group Director Internal Audit were present at all ARC meetings. The Group Director Finance and the Group Director Compliance were present at meetings for their respective agenda items (if any). Other internal experts (on areas like Capital Management, Retail Banking, Triodos Investment Management and ICT) were invited to the meetings as required. In case Triodos Investment Management (T-IM) topics were discussed, management of T-IM was invited.

In its regular meetings, the ARC discussed and prepared for Supervisory Board approval, amongst other things, the half year and annual results, the 2021 budget, the In Control Statement, the dividend proposal, the engagement of the external auditor, the risk appetite statement, the risk management framework, and the annual group internal audit plan. Also, the two key audit matters loan impairments to customers, and fair value measurements of financial instruments, were discussed in the ARC meeting prior to SB discussion, given the significant estimation uncertainty.

Furthermore, as part of the regular agenda, the ARC discussed the overall and business unit financial results and outlook, the capital planning, Triodos Bank's risk profile and the progress on (ICT) risk control improvements, adherence to laws and regulations governing financial and regulatory reporting, and tax-related issues. The main recurring reports providing input for these discussions are the Enterprise Risk Management (ERM) report, including all risk areas, as well as the quarterly reports from Finance, Internal Audit and the Regulatory Desk departments. Also, the results of the yearly evaluation of the external audit process were discussed. The external auditor presented their board report 2019, management letter 2020, their long form report on regulatory reporting 2019, their audit plan 2020 and the audit fees, as well as their independent audit and assurance reports. Moreover, the ARC discussed the outcomes of the strategic risk assessment of the group year plan 2021, the outcomes of the systematic integrity risk analysis, the effectiveness of the product governance and the stress test scenarios. Finally, the ARC was informed on the compliance year plan and improvements related to conflict of interest policy and procedures.

One of the foremost topics that required specific attention in 2020 was COVID-19 and its impact on the organisation, as was presented in the respective finance and risk impact analyses, the changes in the finance and risk book of works and discussions on the expected credit loss calculations. Other topics prominently discussed were the outcomes and progress made on several remediation projects, e.g. on operational risk management, IT risk, business model and profitability, and the follow-up on the 6 March 2019 formal instruction by DNB at Triodos Bank The Netherlands regarding the Anti Money Laundering and Countering Terrorism Financing procedures.

Remaining relevant topics and projects that required explicit attention in 2020 were: The closure and re-opening of Depository Receipts trading, Funding and capital instruments, budget 2021, cost containment and organizational changes, new tax regulation, the IFRS special purpose financial statement project, the benchmark regulation &-reform project, cyber threat resilience and the yearly ARC self-evaluation.

Activities of the Nomination Committee

The Nomination Committee had six formal meetings. Like in 2019, it paid attention to the culture change programme, so as to ensure its progress and effectiveness. Several policies were updated, the induction programmes for EB and SB members were extended, and the balance between internal and external hires was reviewed. The enhanced attention by the EB on diversity and inclusion in the workforce gained support from the committee. Progress will be monitored, alongside other issues of culture and (un)intended consequences of ways of working.

Another regular topic concerns the performance evaluations of the EB members. The full SB is involved in the appraisal of the results, and the dialogue with the EB members on their agenda's and priorities going forward. The annual self-evaluation of the committee resulted in a discussion on strategic staff planning, based on HR data across the business units.

A significant amount of time was spent on the leadership transition process. After the succession of the CF(R)O by the newly hired CFO and CRO, in this year preparations were made for the transition of the CEO function. Given the extensive contribution of the current CEO to the organisation, a careful process was drafted to find a successor. As a result, a temporary CEO was found to secure the continuity of the governance and to prepare Triodos Bank for a next stage of leadership.

The committee discussed the composition of the SB, due to their expressed need to involve a member who brings experience with strategic questions on the crossroads of IT and Finance issues. Based on the resignation rota, a combination with a next ARC member will be sought. Due to one member not being available for a second term of office, a second SB vacancy arises.

Activities of the Remuneration Committee

The Remuneration Committee had six formal meetings. On the agenda were mostly recurrent topics, such as the Remuneration Report 2019, the compliance check with Dutch remuneration regulations, the International Remuneration and Nomination Policy

2020, the List of Identified Staff, and the discussion on the remuneration proposals for the Executive Board members and the remuneration approach for senior management. The committee also reflected on the 2020 AGM. As usual, it took note of the Eumedion report on the 2020 AGM's of listed companies.

Topical issues consisted of the terms of employment or settlement agreement of EB members, the guidelines for severance pay for senior management, and a historic overview of remuneration policy changes throughout the Triodos history. Triodos calibrates its salary scales to the mission, in which human dignity is key. As a corollary, Triodos does not “hire labour” but “enables people to work” by providing them with a decent living. This principal approach must be commensurate to the remuneration practices in the banking industry, which sometimes poses a challenge. The Remuneration Committee is keen on allowing Triodos to attract high quality co-workers, while at the same time meeting its pay ratio target (median to highest salary) of below 7. At the end of the year, some members of the Remuneration committee attended the Eumedion webinar on current remuneration debates.

The committee had its annual self-evaluation, for the first time in its current composition, and confirmed that our work should not focus on annual routines only, but also consider the wider perspectives on remuneration. To make a start with the latter, the committee embarked on taking stock of the pension provisions within the

multinational Triodos organisation. In 2021, we aim to form a view on the sustainability and adequacy of the pension provisions across the group.

Supervisory Board competence matrix

The matrix below lists the key competences of the individual members of the Supervisory Board, which are relevant to their supervisory position. For an individual to qualify as a member of the Supervisory Board, the following three attributes are required:

- Affinity with the mission and values of Triodos Bank,
- Senior management experience, and
- International experience.

All Supervisory Board members meet these criteria. The table below lists further competences in the key areas described in the Supervisory Board's profile. It highlights areas in which Supervisory Board members have substantial expertise and helps to assess whether the Supervisory Board has the appropriate skills to perform its duties. The matrix is based on requirements outlined in the collective profile of the Supervisory Board, which is regularly reviewed.

Members of the Supervisory Board are appointed for a term of four years. It is standard practice that members of the Supervisory Board resign after their second term. However, reappointment after the second term is possible in exceptional circumstances, as stipulated by the Dutch corporate governance code.

Key areas of expertise

Name (nationality)	Year of birth	Gender	Sustainability & other expertise particularly relevant to Triodos	Banking & Finance	Audit & Risk	HR & Organisational Development
Aart de Geus (Dutch) (Chair)	1955	M	•			•
Fieke van der Lecq (Dutch) (Vice-Chair)	1966	F	•	•	•	
Ernst Jan Boers (Dutch)	1966	M		•	•	
Sébastien D'Hondt (Belgian)	1964	M		•	•	•
Mike Nawas (Dutch-American)	1964	M		•	•	
Dineke Oldenhof (Dutch)	1958	F	•			•

Meetings of the Supervisory Board

All regular meetings of the Supervisory Board are held jointly with the Executive Board. Every meeting in 2020 was preceded by an internal meeting in which only Supervisory Board members participated. One internal meeting focused on an appraisal and evaluation of the members of the Executive Board.

Due to the Covid-19 travel restrictions, the Supervisory Board could not pay any visits to the local annual meetings of the business units, and meet customers,

depository receipt holders and other stakeholders. On an individual basis, the board members stayed in touch with the managing directors, via online meetings and calls. The Supervisory Board regrets the negative impact of not being present at the local offices and meeting co-workers in person.

The annual meeting with the board of SAAT was also held via an online call. The annual meeting with the external supervisors of De Nederlandsche Bank was held in their office and was considered useful by both parties. See also above (Other topics).

Attendance of the Supervisory Board members in 2020

Supervisory Board members in 2020	Formal Supervisory Board Meetings attended	Formal Audit and Risk Committee Meetings attended	Formal Nomination Committee and Remuneration Committee Meetings
Aart de Geus	100%	-	100%
Fieke van der Lecq	100%	100%	100%
Ernst Jan Boers	100%	100%	100%
Sébastien D'Hondt	100%	-	-
Mike Nawas	100%	100%	-
Dineke Oldenhof	100%	-	100%

Independence and self-evaluation

Independence

The composition of the Board was such that members could act critically and independently of one another, the Executive Board and any other interest. The Supervisory Board complies with the independence criteria of the Dutch Corporate Governance Code. Aart de Geus deviates from one of the independence criteria (article 2.1.8) of the Dutch Corporate Governance Code because a family member is a Triodos Bank Group co-worker.

Conflicts of interest

In accordance with the requirements of the Dutch Corporate Governance Code, the Supervisory Board has internal rules in place that govern any actual or potential conflict of interest of Board members. No conflict of interest occurred during 2020.

Education

As part of the Supervisory Board's permanent education programme, the Supervisory Board organises meetings with both internal and external experts. In 2020, education sessions were organised on the following topics: banking business models and their application to Triodos, development in sustainable finance and financial supervision rules and regulations.

Self-evaluation

In 2020, the Supervisory Board renewed its approach to the self-evaluation. Besides the usual evaluation of the ways of working, including the assessment of the efficiency and effectiveness of meetings, the board also experimented with direct feedback from the EB, the corporate secretary, and fellow board members. This resulted in an in-depth evaluation session, which resulted in improvements going forward. It was also noted that the competence diversity of the Supervisory Board is an asset, if accompanied by careful communication and efforts to align. Due to the frequency of contacts in the Triodos leadership transition process, the collaboration within the Supervisory Board has been intensified, and the team relations are appraised as open and constructive.

Conclusion

The Supervisory Board reviewed and approved the Annual Accounts and the Executive Board report.

These documents were evaluated by and discussed with the Executive Board, Internal Audit and the independent auditor. The Supervisory Board proposes that the Annual General Meeting adopts the Annual Accounts of 2020 and discharges the members of the Executive Board for their management of Triodos Bank during 2020 and the members of the Supervisory Board for their supervision. The Supervisory Board endorses the Executive Board's dividend proposal of EUR 0.65 per depository receipt.

The Supervisory Board would like to thank all Triodos Bank's stakeholders for their trust in Triodos Bank. Special thanks go to all co-workers of the bank for their efforts to keep running the bank during the challenging times of the Covid-19 crisis. The Supervisory Board supports the Executive Board, and Triodos Bank's co-workers, in their continuing efforts to make a positive difference to the development of people's quality of life.

The Supervisory Board is confident that Triodos Bank will be able to meet the challenges in the coming years and will continue to be a frontrunner in responsible banking.

Zeist, 17 March 2021

Supervisory Board,

Aart de Geus, Chair
Fieke van der Lecq, Vice-Chair
Ernst Jan Boers
Sébastien D'Hondt
Mike Nawas
Dineke Oldenhof