

Annual Report 2022

Triodos  Bank

Appendix V – The United Nations Principles for Responsible Banking

In September 2019 Triodos Bank signed the UN Principles of Responsible Banking. The Principles define the global banking industry's role and responsibilities in addressing current societal problems, including the climate emergency and inequality. Triodos Bank was part of the core group of banks that developed the Principles and shaped the framework. Currently over 270 banks globally had signed up to the Principles.

The participating banks promise to strategically align their business with the goals of the Paris Agreement on Climate Change and the Sustainable Development Goals and scale up their contribution to the achievement of both. By signing up, banks stated they believe that “only in an inclusive society founded on human dignity, equality and the sustainable use of natural resources”, can help their clients, customers and businesses thrive.

Below, you will find an overview of what we have done or are doing in relation to each principle.

Principle 1

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Triodos Bank is in business to help create a society that protects and promotes the quality of life of all its members, and that has human dignity at its core. Since 1980, we have enabled individuals, organisations and businesses to use their money in ways that benefit people and the environment. Principle 1 is implemented as

a logical consequence of this approach. Our annual report integrates relevant frameworks and goals throughout all chapters of the executive board report. Specifically, the chapters Impact and financial results (see page 42), Our impact approach (see page 56), and the Appendix III – UN Sustainable Development Goals (see page 398) highlight our work in relation to the Paris Agreement and other frameworks. Prior to the creation of the SDGs, Triodos Bank has always produced an integrated annual report showing how sustainability is embedded in Triodos Bank's strategy (see www.triodos.com/vision-on-impact).

Principle 2

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Triodos Bank's focus is to deliver positive impact in a holistic manner. Triodos Bank employs strict criteria to ensure the sustainability of products and services. It employs both positive criteria to ensure it is actively doing good and negative criteria for exclusion, to ensure it does not do any harm. The negative criteria exclude loans and investments in sectors or activities that are damaging to society and environment such as fossil fuels. The positive criteria identify leading businesses and encourage their contributions to a sustainable society. On an annual basis, Triodos Bank carries out climate risk stress tests, to assess the potential impact of extreme weather events such as storms, floods, and droughts to its asset portfolio.

Our approach to impact stems from understanding that metrics and targets do not tell the whole story. In practice, that means that we try and find qualitative evidence of the impact first and foremost, and back it up with numbers when it is relevant to do so. Where we do lean on data, we measure to manage. We use data to anchor the conversation with our stakeholders on how we lead the transition to an even more inclusive and sustainable world. Examples with targets and metrics are:

Net-zero in 2035

In 2021, Triodos Bank has set the target to be net-zero as soon as possible, at the latest in 2035. Our ambition is that the greenhouse gas emissions of all Triodos Bank's loans and funds' investments will be greatly reduced, using a science-based targets approach (see Climate impact of our loans and investments (see page 69)).

Our AsOneToZero commitment focuses on investing in nature-based solutions and reducing emission intensity of our financed activities. We want to reduce emissions, respecting the planetary boundaries and social inclusion of all people.

Our financed emissions are measured through PCAF and reported in the Climate impact of our loans and investments (see page 69). Our direct emissions are reported in our Environmental report (see page 93).

Metrics & Transition Themes

In 2022, we have identified five interlinked transition themes: food, resource, energy, societal and wellbeing (see page 56). We measure outcome of our activities in the five transition themes, these metrics can be found in chapter Impact by transition theme (see page 64). Over 2023, Triodos Bank is refining which impact metrics will inform the Triodos' contribution to the five transitions.

Impact Prism

To support our holistic approach to impact, the Triodos Impact Prism was developed in 2018

and 2019 to understand, monitor and equip the business to steer on impact in service of their goals. Thirty-five questions identify the broader impact and purpose of each loan of our banking activities, ranging from questions on social justice to its exemplary role in sustainability. The main goal is to use the results to discuss opportunities during the relationship to increase the impact of the customers and projects we finance.

SDG reporting

We define our aspirations in relation to the SDGs specifically, in the appendix, on three levels; our baseline activity, direct activity and where we can play a role as a catalyst for systemic change. Refer to Appendix III – UN Sustainable Development Goals (see page 398) for a breakdown by SDG.

Principle 3

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

This principle is safeguarded within our mission, values, and policies.¹ It is implemented through our business as this is key for reaching positive impact.

Implementation

Triodos Bank has always engaged with clients to encourage sustainable practices and shared prosperity. Some examples from 2022:

- The Triodos Impact Prism.
- In 2022, we launched the bio-based mortgage which links the interest rate to the choice of (sustainable) materials used to build a house. This is in addition to our mortgages which offer discounted interest rates for more energy efficient houses and incentives to make environmental improvements to their home.
- The mobile banking app shows the impact investors create with every euro they have invested in one of the bank's investment funds.

¹ Lending criteria, business principles, minimum standards.

It provides all Triodos Bank customers inspiring stories and tips on impact.

- Triodos Bank has a partnership with the InvestEU programme and the European Investment Fund (EIF) to financially support enterprises with a positive social impact that normally have more difficulty in getting access to normal bank financing.

Principle 4

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Triodos Bank was a co-founder of several initiatives which foster the development of approaches to improve the impact of the bank and the wider sector; they include the Dutch Sustainable Finance Lab (and a similar initiative developed in Spain in 2019), and the Global Alliance for Banking on Values, a network of independent sustainable banks. In our Change finance report (see page 62), we report on our collaborations in the financial sector at a national and international level. In addition, we engage with stakeholders throughout the year at a national, regional and sectoral level. A stakeholder engagement meeting took place at Triodos Bank's Head Office, the process and results of which are reported in Our stakeholders and material topics (see page 23).

Principle 5

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

To safeguard our principles, values and objectives, Triodos Bank has been structured and is managed in such a way as to ensure we can achieve our mission. See page 8 for the governance structure of Triodos Bank and page 56 for the impact governance section.

Principle 6

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Triodos Bank's impact management cycle is the process used to review Triodos Bank's implementation of these Principles. It starts with establishing a clear vision of the impact we want to make as a financial institution, developing a strategy on how to implement this vision from a business perspective. Monitoring results, analyzing challenges and successes; if necessary, translating these into learnings and adapt our strategy and activities. In 2022, we initiated a process to develop a concrete, Group-wide impact strategy to ensure alignment and coordination across subsidiaries and business units. See our approach to impact management (see page 56) for more information.

Through our Change Finance activities, Triodos Bank endorses regulations that require all financial institutions to disclose sustainability-related information. In this way, Triodos Bank encourages collective implementation of these Principles including financial institutions that are not part of the UN PRB.