

# Annual Report 2022

Triodos  Bank

# 1.2 Strategic objectives

In this section, we reflect on the progress made during 2022 in realising our strategic objectives, encapsulated by our three strategic themes: *One Bank*, *Unlocking our Purpose*, and *Frontrunner in Responsible Finance*.

Our strategic themes and corresponding objectives follow our goal to finance change and change finance, our vision, and the input we obtain from internal and external stakeholders. Ultimately, Triodos Bank wants to enable individuals, institutions, and businesses to use money more consciously in ways that benefit people, the environment and promote sustainable development. This is what sets us apart and defines our distinctive position in the financial industry.

## Progress made in the implementation of strategic themes, 2019-2022

The strategic objectives are derived from our original 2019-2021 Group Strategic Plan (GSP), which we have extended until end of 2023. Our intention is to transform and make progress through the relationships and interactions with our clients and stakeholders and use our influence to create positive impact in society. In 2022, we continued with the execution of the strategic objectives we defined, while simultaneously working on our direction for the coming years. Our intention is to transform and develop our organisation through the relationships and interactions with our clients and stakeholders and by extending our influence beyond the organisation to create positive impact in society.

The table that follows provides an overview of Triodos Bank's key objectives in 2022 and reviews progress made. The progress-at-a-glance column gives a summary assessment of 2022 for each objective, based on our internal monitoring and progress reports. The results in 2022 show that, despite the continued impact of the COVID-19 pandemic and adverse effects of geopolitical instability, the energy crisis and record inflation, we steered the business towards stable results and realised important milestones.

## Our strategic themes in 2022-2023

### 1. One Bank

Redesigned, responsive and robust.

We strive to improve our operating model to become a more integrated and aligned bank with an adjusted operating model to meet the risk-return-impact requirements. For this, we work to realise better customer experience and responsiveness to customer needs via unified, digitally supported processes. In addition, we strive to embed for our organisation a step-change in efficiency and being in-control.

## 2. Unlocking our purpose

Enabling customer engagement; activating our communities.

We strive to ensure in our customer propositions, explicitly connecting them to the impact we wish to create in the world. For this, we seek to enable customers and communities to take action in realising impact and to become a reference sustainable finance platform, offering products with a purpose and impact investment solutions.

## 3. Frontrunner in responsible finance

Leading by example; innovating finance for impact.

We aim to take a leading role in the transition of the financial system by adopting a frontrunner position. For this, we not only aim to change finance by advocating for sustainability and human dignity in banking but also endeavour to finance change by addressing major sustainability challenges through finance.

# Progress on strategic theme 'One bank'

Our key objectives in 2022	How we performed	Progress at a glance
<b>1. Business model enhancement:</b> safeguarding our long-term sustainable business model.		
Keep focus on profitable business lending growth and close monitoring of the portfolio	Growth of our business lending portfolio in 2022 was determined by balancing the maximisation of positive impact with the need to meet a minimum profitability hurdle, which in 2022 we increased to 6% on average. Despite the challenging environment, leading to modest loan production in the first half of the year, close monitoring of the portfolio combined with the increasing interest rate environment resulted in solid returns by year-end.	●●○
Further enlarge our assets under management and related fee income and leverage the bank investment distribution strategy	Together with the lingering effects of the COVID-19 pandemic, the geopolitical crisis in Ukraine and energy price-induced inflation have adversely affected stock markets and asset valuations across the globe. This was no different for Triodos Bank. We experienced a significant decrease in funds under management inflow, leaving growth levels below desired levels. Nonetheless, we made progress in the realisation of this objective by further implementing our distribution strategy and by launching the Triodos Future Generations Fund, aimed at improving the well-being and development of children worldwide.	○○○

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

Our key objectives in 2022	How we performed	Progress at a glance
Pursue balanced growth in mortgages, carefully considering impact, risk and return	Overall, our mortgages portfolio developed according to expectations, with average yields surpassing the targets we set for 2022. As a key milestone, we launched the first-ever bio-based mortgage proposition in the Netherlands, stimulating homeowners to use ecological building materials and offering a reduced interest rate for bio-based homes.	● ● ○
Take measures to ensure balance between rates and fees	As has been the case for many financial institutions, the historic change in interest rates by the ECB as of July 2022 required close monitoring of developments to ensure the best course of action in bringing rates and fees more in line with economic reality. We reacted appropriately to rising short-term interest rates in the second half of the year, which allowed for us to maintain balanced pricing power and realise our volume targets.	● ● ●
<b>2. Operational optimisation:</b> building the cultural foundations for optimisation and improving operational processes.		
Achieve the change roadmap business cases of: <ul style="list-style-type: none"> <li>• digitalising the banking operating model,</li> <li>• protecting our licence to operate,</li> <li>• improving customer experience,</li> <li>• reducing costs.</li> </ul>	We implement projects in our change portfolio that allow us to remain compliant, while improving customer experience and organisational efficiency through digitalisation and process optimisation. Last year, we made important progress in all these areas. Financial and non-financial value was notably delivered through our Mobile, Investments and Customer Experience initiatives. We realised step-ups in our digital onboarding and the digitalisation of our investment proposition in the United Kingdom.	● ● ○
Create efficiency by implementing our Triodos Operating Model	In 2021, we developed cases to structurally harmonise processes across our organisation. These aim to strengthen our organisation so that we can live up to our mission and respond to client needs more effectively in the long term. In 2022, the necessary preparations for implementation of these initiatives were made and we successfully deployed the first process harmonisation and governance-related changes in the organisation.	● ● ○

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Our key objectives in 2022	How we performed	Progress at a glance
<b>3. Risk management optimisation:</b> safeguarding our licence to operate and managing inherent banking business risks to stay within our modest risk appetite.		
Living up to our responsibility by strengthening our control environment	Our focus continues in 2022 on strengthening our control environment through investments in our co-workers and the implementation of process and technology. Overall, we remained on track with our KYC and FC maturity improvement plan. We developed and deployed standards related to policy, data, portfolio risk and client due diligence reporting across the Group. Further, we have improved risk management across the organisation with the launch of a new governance and risk control tool. This new tool will allow for improving risk controls and system-embedded process flows to enhance collaboration across the organisation, thereby living up to our ambition to further strengthen our control environment.	●●○
<b>4. Financial management optimisation:</b> managing our balance sheet and profitability effectively and efficiently.		
Execute the capital strategy as decided upon end-year 2021	In 2021, we announced the decision to work towards listing our Depository Receipts (DR) on a Multilateral Trading Facility (MTF). In 2022, we developed and communicated a detailed roadmap which was implemented according to plan. At the end of last year, we reached a critical milestone in this process and invited Dutch DR holders to access the MTF platform operated by Captin for the first time. This allows DR holders to experience first-hand that we are making tangible progress towards listing of the Depository Receipts on the platform and restoring tradability. Lastly, we expanded the retained residential mortgage-backed securitisation (RMBS) Sinopel 2019 in November 2022. This supports us in increasing our liquidity resilience and allows for using more of the funds entrusted to us to create additional positive impact.	●●○

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# Progress on strategic theme 'Unlocking our Purpose'

Our key objectives for 2022	How we performed	Progress at a glance
<p><b>5. Reference sustainable finance platform:</b> connecting with people and communities and supporting their desire to make a difference by dealing consciously with their money.</p>		
<p>Growing the movement with the reference sustainable finance portal and investigating more diverse partnerships</p>	<p>In 2022, we have reached important milestones when it comes to unlocking impactful functionalities for our clients. Since March, the Triodos banking app provides investing and saving clients with insight into the impact contribution of their money. It shows up to 10 metrics, e.g. avoidance of CO<sub>2</sub> emissions, water waste, number of microfinance loans, organic meals. Later in the year, we also transformed the community tab of the impact app into a more extensive impact feed. Via this tab, inspiring content is shared on topics such as food, charities, sustainable living, culture, mobility, clothing and housing. All these functional changes give our customers a powerful tool to assess the positive effects of their savings and investments on a daily basis.</p>	<p>● ● ●</p>
<p><b>6. Unlocking our purpose via products:</b> focusing on purpose-driven propositions that actualise our impact themes; developing strategies of transition per impact theme and building business lending and impact investment propositions onto them.</p>		
<p>Identify inspiring ways to live up to and engage with our communities on our three impact themes</p>	<p>Our business units incorporated our three impact themes (environment, culture and social) into their commercial activities and engaged with our communities on them. In 2022, we created an internal structure that improves coordination of impact-related projects and initiatives across the Group. This will accelerate our efforts to realise our AsOneToZero (AOTZ) commitment. Offline, we organised client events in the Netherlands, Belgium, Germany and Spain to engage with our communities on our three impact themes. Examples include a workshop organised by Triodos Bank in Belgium on funding audio-visual projects in the Flemish cultural sector and a cinema afternoon for children co-hosted by Triodos Bank in Germany and the cinema distributor Telepool in cooperation with the City of Düsseldorf.</p>	<p>● ● ●</p>

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Our key objectives for 2022	How we performed	Progress at a glance
Increase our distinctiveness by expressing and implementing our strategy of measuring, managing and unlocking impact information	Our new internal structure has improved coordination of impact-related projects and initiatives across the Group. We have developed a new impact vision with a focus on five transitions and delivered the first case studies on our new impact approach. In 2023 we will deepen the impact strategy on the five transitions, which enables Triodos Bank to make better choices on where to realise the best impact-risk-return. We have given priority to further improving our client engagement tool. For this, we decided to let go of our objective of covering 95% of non-standardised loans and instead focused on introducing a client-approved scorecard. Further development of this tool will increase our ability to steer on impact and increase the value we add to our client engagement on all transition themes.	● ● ○
<b>7. Resilient and vibrant co-worker community:</b> embedding consistent practices in local offices; fostering a leadership culture at all levels that enhances change effectiveness.		
Create a culture of excellence that attracts talent and adapts to a changing world	2022 was a year of significant change for the world, the financial sector and also for Triodos Bank. Engaging our co-workers during this time of change was and is a top priority. We conducted regular surveys of co-workers to obtain feedback about what it is like to work at Triodos Bank and areas that need greater attention. This data steered improved performance in vital areas such as talent management, team cohesion and leadership. Improving awareness and engagement around equity, diversity and inclusion was another critical element of this objective. To further embed these topics, we developed an approach that combined dialogue sessions, lectures and co-worker initiatives.	● ● ●

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

# Progress on strategic theme 'Frontrunner in Responsible Finance'

Our key objectives for 2022	How we performed	Progress at a glance
<p><b>8. Participate in global debate:</b> influencing the public's perception of the role of money by leveraging our networks and partnerships and participating in public debate on topics that relate to our mission; not just financing change but changing finance.</p> <p>Putting our Change Finance agenda to work for the business in our three strategic themes</p>	<p>In the past year, we strengthened our Change Finance agenda on several levels. In the first half of the year, we published a white paper, which sheds light on the role we envisage for finance in preserving biodiversity. Furthermore we launched the first bio-based mortgage in the Netherlands. Our strong position in the sustainable mortgage market enables us to advocate for better guidelines on energy efficiency in the sector. In the second half of the year, we published our vision paper on social inclusion, setting out concrete actions on how to work towards a more inclusive society. Concretely, the vision paper presents three areas of change in favour of a more inclusive society: (1) improving inclusion and empowerment of communities and individuals; (2) building inclusive markets, services and social spaces; and (3) challenging dominant values and the current social paradigm.</p> <p>At a European level, we followed the developments of the EU's (sustainable) finance regulation and advocated against the inclusion of gas and nuclear in the EU Taxonomy. As stated, we support a Corporate Sustainability Due Diligence Directive that includes a due diligence obligation for the full value chain and alignment with international standards, such as the UNGPs and OECD Guidelines. Furthermore, we provided our input on the new banking package and the Alternative Investment Fund Managers Directive.</p>	<p>● ● ○</p>

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Our key objectives for 2022	How we performed	Progress at a glance
<b>9. Triodos Regenerative Money Centre (TRMC):</b> leveraging impact through TRMC, positioned alongside Triodos Bank and Triodos Investment Management.		
Increase and leverage our impact via transformative, innovative or strategic investments by TRMC	<p>In 2022, TRMC successfully continued on its path to further refine and increase its investment focus by actively engaging clients and the Triodos community on the role of donations and catalytic investments in regenerating nature and society. In this context, TRMC donated to and invested in transformational initiatives that are enabling, scalable or replicable. One of the TRMC funds became a shareholder of the Amsterdam-based social enterprise Impact Institute. With this investment, Impact Institute will empower organisations to realise the impact economy by creating a common language for impact and providing the tools and training to measure, manage and value impact. In addition to this, TRMC supported Wilder Land with a loan. Wilder Land is a Dutch start-up that produces tea which supports biodiversity and creates an extra revenue stream for farmers. By creating a revenue model around Dutch herbs that are often regarded as weeds, Wilder Land ensures continued investment in biodiversity by farmers.</p>	

Met  
 Mostly met  
 Partially met  
 Not met

# Strategic objectives for 2023

In 2023, we will build on our achievements in 2022 and continue to refine our strategic direction for the mid- and long-term as part of our strong joint effort to change finance and finance change, supported by a sustainable cost-income ratio (CIR) and return on equity (RoE).

For 2023, we have therefore refined our key objectives across the three strategic themes as follows:

## 1. One Bank

Redesigned, responsive and robust.

This first objective encapsulates all three transitions (capital strategy, leadership transition and transition of business) as mentioned on page 15.

We strive to improve our operating model to become a more integrated and aligned bank with an adjusted operating model to meet the risk-return-impact requirements we strive to achieve. For this, we work to realise better customer experience and responsiveness to customer needs via unified, digitally supported processes. In addition, we strive to embed a step-change in efficiency and in-control for our organisation.

### Key objectives in 2023:

1. Profitable business lending
2. Profitable funds under management growth
3. Profitable mortgage growth
4. Effectively manage cost and revenues
5. Implementation of Triodos Operating Model
6. Restore DR tradability via Multilateral Trading Facility platform
7. Realise further step-up in compliance

## 2. Unlocking our purpose

Enabling customer engagement; activating our communities.

We strive to ensure purpose in our customer propositions, explicitly connecting them to the impact we wish to create in the world. For this, we seek to enable customers and communities to take action in realising impact and to become a reference sustainable finance platform, offering products with a purpose and impact investment solution.

### Key objectives in 2023:

1. Strong co-worker community
2. Enhanced client satisfaction

### 3. Frontrunner in responsible finance

Leading by example; innovating finance for impact.

We aim to take a leading role in the transition of the financial system by adopting a frontrunner position. For this, we not only aim to change finance by advocating for sustainability and human dignity in banking but also endeavour to finance change by addressing major sustainability challenges through finance.

Triodos Bank has developed a focused vision on how we strive to continue to create positive impact. The five interlinked transition themes we have identified to address key societal and environmental issues will serve as a starting point and will shape our direction in the coming years. For more information, please refer to Our impact approach (see page 56).

#### Key objectives in 2023:

1. Decrease the GHG emission intensity of our lending and investment portfolio (Scope 3 - category 15)
2. Increase the GHG sequestration or absorbance of CO<sub>2</sub>e of our lending and investment portfolio

#### Scope of our AsOneToZero ambition

Our target to be net zero by 2035 at the latest encompasses both our own operational emissions as a company, as well as emissions in our value chain, including all our loans and investments. In carbon accounting terms, this is also referred to as Scope 1, 2 and 3 emissions.

**Scope 1** covers direct GHG emissions that occur from sources that Triodos Bank owns or controls directly, such as through the use of natural gas for heating and fossil fuel for company and lease cars.

**Scope 2** covers indirect GHG emissions from the generation of purchased and consumed electricity, steam, heating and cooling by Triodos Bank, such as electricity for its office buildings or electric fleet vehicles.

**Scope 3** encompasses all other indirect GHG emissions that occur up and down Triodos Bank's value chain. Business travel and employee commuting are examples of the upstream emissions. The downstream emissions category 15 is especially relevant for Triodos Bank and all financial institutions because these are the financed emissions, the emissions of all our loans and investments.

For more information about the emissions resulting from our own operations, please refer to the Environmental report (see page 93). For more information about emissions generated, sequestered and avoided by our financed activities, please refer to Climate impact of our loans and investments (see page 69).