

# Annual Report 2022

Triodos  Bank

# 1.3 Impact and financial results

This section describes the main results achieved in 2022 at Group level as well as by Triodos Bank division. It describes 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 2022.

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.

## Key points for the financial year 2022 at a glance

- Strong focus on accelerated climate measures supported by Triodos Bank to finance the investments needed for the transition to a low-carbon economy
  - 611 projects co-financed in the sustainable energy sector (an increase of 25 projects in 2022), with total generating capacity of 9100 MW producing the equivalent of the electricity needs of 7.4 million households worldwide
  - 0.8 million tonnes of CO<sub>2</sub> emissions avoided as a result of sustainable energy projects financed by Triodos Bank
- In a year of optimising our resources and preparation for the DR listing, Triodos Bank reports a net profit of EUR 49.9 million after tax for 2022 (FY 2021: EUR 50.8 million)
- Our sound performance in 2022 was supported by higher income of EUR 375.3 million, and a marked cost growth to EUR 300.1 million, despite higher impairments of EUR 8.1 million and ongoing margin pressure
- Overall loan business remains resilient, benefitting from high credit quality and a diversified loan portfolio with presence across Europe
- Triodos Bank's total assets under management decreased by EUR 1.6 billion in 2022 to EUR 22.6 billion per end of December 2022 (FY 2021: EUR 24.2 billion), driven by the repayment of the TLTRO facility to the DNB and a decrease in funds under management due to a decline in stock prices and a lower inflow or, in some cases, even an outflow of funds
- Triodos Bank reports a return on equity (ROE) of 4.0% (FY 2021: 4.1%) and a stable cost-income ratio (CIR) of 80% per end of December 2022 (FY 2021: 80%)
- Dividend over 2022 amounts to EUR 2.11 per Depository Receipt (DR) (2021: EUR 1.80) excluding the extraordinary dividend of EUR 1.01 per DR. This includes the earlier paid interim dividend of EUR 0.35 and a final dividend amount of EUR 1.76 per DR that Triodos Bank will propose at the Annual General Meeting in May 2023.
- Triodos Bank's capital ratios remain resilient with CET1 ratio of 17.3% and TCR of 21.0% in 2022

## 1.3.1 Consolidated financial results

### Assets under management

Triodos Bank's total assets under management decreased by EUR 1.6 billion in 2022 to EUR 22.6 billion, driven by a decrease of the total balance sheet by EUR 0.7 billion to EUR 15.8 billion (2021: 16.5 billion) caused by the repayment of the TLTRO III funding of EUR 1.6 billion. Our funds under management decreased by EUR 0.9 billion to EUR 6.8 billion per end of December 2022 (2021: EUR 7.7 billion) which was mainly due to a decline stock prices and a lower inflow or, in some cases, even an outflow of funds.

### Balance sheet

Triodos Bank recorded an increase of sustainable loans by EUR 452 million in 2022 to EUR 10.6 billion at the end of December 2022 (2021: EUR 10.2 billion). The cash position decreased by EUR 1.7 billion, mainly due to the repayment of the TLTRO funding. The loans-to-funds-entrusted ratio has increased to 76.9% in 2022 (2021: EUR 76.5%) as additional funds entrusted on the liability side, were primarily used to further develop our sustainable loan portfolio. Our funds entrusted increased by EUR 0.5 billion in 2022, which resulted in an overall position of EUR 13.8 billion (2021: EUR 13.3 billion).

The bank's equity position was overall stable and marginally increased by EUR 9 million to EUR 1.259 billion per December 2022 (2021: EUR 1.250 billion) due to the net profit of 2022 minus the dividend pay-outs in May and October 2022.

The balance sheet provision for expected credit losses (ECL) shows a limited increase of EUR 1.5 million to EUR 53.0 million per end of December 2022. The calculation of ECL stages 1 and 2 for potential future credit losses (not

yet incurred) are particularly sensitive to forward-looking macro-economic parameters (e.g. gross domestic product, unemployment rate). In 2022, the global economic outlook remained uncertain due to the Russian invasion in Ukraine, the increased inflation, and energy price increases. The bank is closely monitoring the development of forward-looking macro-economic parameters and applies, if needed, adjustments to its internal ECL model at least monthly. The provision of ECL stages 1 and 2 decreased by EUR 0.2 million over the last 12 months to EUR 13.4 million per end of December 2022. However, the releases/decreases recorded in stages 1 and 2 were offset by increases in stage 3. The ECL stage 3 provision increased by EUR 1.7 million to EUR 39.7 million in 2022.

Triodos Bank benefits from high credit quality and a geographically well diversified loan portfolio. The risk profile of our loan portfolio implies that if there is an improvement in the forward-looking macro-economic parameters, perhaps because of better-than-expected post-inflation economic conditions, might result in a reduction of the bank's overall ECL provision. Further details can be found in the following paragraphs on our financial results and in the Financials.

**EUR 10.6 billion**

Loans to projects across Europe benefitting people and planet

### Profit or loss account

Triodos Bank reports a net profit of EUR 49.9 million after tax for 2022, which is EUR 0.9 million lower than the same period last year (EUR 50.8 million) caused by the provision for the restructuring (EUR 5.0 million) and the expenses related to the MTF listing and DR litigations (EUR 13.9 million). When these expenses are adjusted the net profit amounts to EUR 64.5 million after tax for 2022, which is EUR 13.7 million higher than the same period last year (EUR 50.8 million).

Based on the expected benefits from the earlier announced optimisation of the business and operating model, and in view of the return to positive interest rates, Triodos Bank increases its medium term return on equity (RoE) target from 4-6% to 5-7%. This will further enable Triodos Bank to combine the distribution of half of its profits to the depository receipt holders in line with the dividend policy, with the funding of its organic growth by profit retention, a strategy which is in the interest of all its stakeholders. For 2022, the bank reports a RoE of 4.0% (2021: 4.1%). After adjusting the above-mentioned expenses, the RoE in 2022 amounts to 5.1%.

Our total income, EUR 375.3 million in 2022 (2021: EUR 341.9 million) increased, driven by lending growth and improving interest margins, notwithstanding lower funds under management. The underlying interest result records an increase of EUR 31.6 million to EUR 253.1 million in 2022 (2021: EUR 221.5 million), supported by conscious lending growth in sustainable economic sectors in Europe driving our ambitious net-zero target in 2035, and improved interest rate margins.

The bank's commission result improved by 4.2% to EUR 120.9 million in 2022 (2021: EUR 116.0 million) due to additional management fees and fees for payment transactions. The margin over balance sheet amounts to 0.3% for 2022 (2021: 0.3%). The margin over RWA in 2022 was 0.7% (2021: 0.8%).

The bank continues to focus on realising healthy interest margins and improving fee income from investment fund and payment solutions.

The bank's total operating expenses (excluding loan impairments) increased by EUR 24.9 million to EUR 300.1 million in 2022 (2021: EUR 275.2 million), mainly due to additional employee expenses for compliance and anti-money laundering (AML) topics, costs associated with the preparation of the MTF listing and legal advisor costs in relation to our DRs and the restructuring provision (EUR 5.0 million). These expense drivers have an impact on our short-term ability to further improve our cost-income ratio (CIR). In May 2022, we announced the optimisation of our operating model to further sustain the increase of positive impact and the enhancement of our financial performance.

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

Triodos Bank is a values-based bank and applies 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.

Real-economy assets in a values-based bank should be relatively high. Financial exposures can be classified as 'real economy' (as opposed to financial economy) if it is directly linked to a real-economy asset or activity. This means that the exposure is aimed at directly supporting the production of goods and services, as opposed to focusing primarily on buying and selling in the financial markets.

In 2022, Triodos Bank's real economy to total assets ratio was 77% (2021: 70%). 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.

Triodos Bank has 77% (2021: 70%) 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: people, planet and prosperity.

For more information and the complete GABV scorecard see section Our impact approach and Appendix IV – Global Alliance for Banking on Values scorecard – quantitative evidence of our impact (see page 410).

Over 2022 the bank reports a cost-income ratio of 80% (2021: 80%). When excluding the provision for the restructuring and the expenses related to the preparation of the MTF listing and DR legal advisor costs the CIR amounts to 75% (2021: 80%). In future periods the bank will continue to focus on realising cost synergies while coping with regulatory cost increases.

Our loan business remains resilient. The cumulated ECL expenses increased over the last 12 months and resulted in a net increase of EUR 8.5 million in 2022. In 2022, the global economic outlook significantly changed, and inflation rates spiked, causing uncertainties which could lead to significant disruptions in value chains. In particular, the volatile macro-economic forward-looking parameters led to a release in ECL stages 1 and 2 of EUR 0.2 million. Further, and due to the worsening of the economy, we saw an increase in ECL stage 3 provisioning covering defaulted loans in the amount of EUR 1.7 million. Total ECL expenses on loans in 2022 compared to the average loan book over 2022 resulted in clearly normalised risk cost ratio (2022: 8 bps; 2021: 0 bps; 2020: 27 bps). The annual incurred loss rate in ECL stage 3 amounts to 8 bps for 2022 (2021: 6 bps; 2020: 12 bps). Both factors still underpin the high credit quality in Triodos Bank's loan portfolio, which focuses on balancing impact, risk and return for each single loan engagement.

## Dividend

Considering the achieved net result for the year 2022 and taking into account the discussions in the AGM (May 2022) and the EGM (October 2022) around our dividend policy, Triodos Bank proposes a dividend over 2022 amounts to EUR 2.11 per Depository Receipt (DR) (2021: EUR 1.80) excluding the extraordinary dividend of EUR 1.01 per DR. This includes the earlier paid interim dividend of EUR 0.35 and a final dividend amount of EUR 1.76 per DR that Triodos Bank will propose at the Annual General Meeting in May 2023.

It needs to be considered that this final dividend comes on top of the interim dividend paid in October 2022 of EUR 0.35 per share, taking the total pay-out ratio 2022 of the interim and the final dividend together to a one-time level of 60%, as explained in the EGM of October 2022. The dividend will only be paid in cash as an economic price for the DRs at which these new DRs would be issued can only be determined once trading has resumed. The remaining profit will be attributed to the retained earnings of the bank and will be utilised to make impact with our lending activities.

In addition, an extraordinary dividend was paid in October 2022 of EUR 1.01 per share.

Cash payments per DR represent gross amounts which are subject to Dutch dividend withholding tax and other applicable taxes for those domiciled outside of the Netherlands.

## Prudential capital and liquidity

The prudential capital of Triodos Bank consists of Common Equity Tier 1 (CET1) and subordinated debt capital (Tier 2). The bank's capital ratios (CET1 and TCR) were strengthened with the shareholder's resolution at the AGM in May 2022 to partially retain profits. This capital has been utilised for additional lending to our customers and has in this way contributed to new impact creation. Due to this growth of the lending portfolio, the bank's total capital ratio (TCR) decreased from 21.3% in December 2021 to 21.0% in December 2022. The minimum total capital ratio (TCR) for Triodos Bank is 13.9% in 2022 based on the overall capital requirements. The CET1 capital increased by 1.8% over the last 12 months to EUR 1.165 million per end of December 2022 (2021: EUR 1.144 million). This increase was mainly driven by retained earnings after the AGM profit resolution in May 2022. Triodos Bank's mid-term strategy aims for a CET1 ratio of at least 15.0% in the current regulatory context. The CET1 ratio ended at 17.3% in December 2022 (2021: 17.5%) in line with expectations and well above internal hurdle rates. Tier 2 capital remained stable at EUR 255 million per end of December 2022 (2021: EUR 255 million) mainly consisting of the subordinated green bond issued in November 2021. The leverage ratio of Triodos Bank as per December 2022 is 6.9% (2021: 8.1%), well above the minimum requirement of 3.0%. The decrease of the leverage ratio is mainly due to the termination of the temporary application of the Capital Requirements Regulation (CRR) exemption as per 1 April 2022 where certain central bank exposures were previously allowed to be excluded from the leverage ratio.

The bank's overall liquidity position remains robust with an LCR of 193% per end of December 2022 (2021: 229%). The regulatory minimum LCR is

100%. The decrease relates to the repayment of EUR 1,550 million TLTRO funding with the ECB.

Triodos Bank will continue to work on improving its profitability while maintaining a solid equity base, capital ratios and a substantial liquidity surplus. The bank recognises that this modest risk strategy has implications for its target return on equity.

## Depository Receipts

The number of individual Depository Receipt holders remained stable at 43,545 in 2022. Due to legal reporting requirements applicable to Dutch financial institutions, the economic value, or fair value, of Triodos Bank Depository Receipts (DRs) must be determined as per 1 January 2023. As there is currently no trading in Triodos Bank DRs, the economic value can only be determined on the basis of an estimate. The estimated economic value of a Triodos Bank DRs as per 1 January 2023 has been determined to be EUR 60. This was communicated on 21 December 2022. To assist with the determination of the estimate, Triodos Bank engaged valuation specialists from an international accounting and consultancy firm. It should be noted that this valuation is for fiscal reporting requirements only and does not represent an indication about the price of the DRs for the future listing on an MTF.

## Multilateral Trading Facility

On 21 December 2021, Triodos Bank announced the decision to pursue a listing of our Depository Receipts (DRs) on a Multilateral Trading Facility (MTF). Triodos Bank is taking all necessary steps to prepare for an MTF listing, including obtaining all relevant approvals. A listing on an MTF provides a route to improving tradability for our investors based on variable pricing, instead of pricing based on net asset value. An MTF listing will enable Triodos Bank to pursue its mission in line with its values and retain its identity. The MTF listing also provides Triodos Bank with potential access to the capital markets in the future.

In 2022, Triodos announced the choice of Captin as the MTF provider. Together with Captin, we have continued the preparations for the listing and

we have successfully enrolled the first Depository Receipt holders to the Captin platform in order to be able to trade in DRs as per listing, which is expected in Q2 of 2023.

## Public rating from Fitch

Fitch Ratings announced on 9 December 2022 it has reaffirmed Triodos Bank's Long-Term Issuer Default rating at 'BBB' and Viability rating at 'bbb'. Fitch has revised the outlook from stable to negative as it reasons that legal disputes with some of Triodos Bank's Depository Receipt holders regarding the suspension of trade of its Depository Receipts may create a certain level of uncertainty. According to Fitch, Triodos Bank's ratings primarily reflect its established niche franchise and business model in the sustainable banking segment and an average – yet constrained – profitability. The ratings also consider Triodos Bank's solid capitalisation, which compares well with those of similarly rated peers. The bank's adequate asset quality and healthy funding and liquidity profile support the ratings. Fitch's rating analysis was done as part of the regular annual review process. The independent rating report for Triodos was issued by Fitch Ratings on 9 December 2022 (see website Triodos Bank rating 'BBB', revises outlook | Triodos Bank).

## Commercial offices in Spain

In 2022 Triodos Bank executed a modernisation program in relation to our local footprint in Spain. Based on an in-depth analysis of the Spanish central and commercial offices, we adapted towards the changing customer needs, and we improved our service offerings, including a more integrated and efficient organisational set-up. This has not led to a decrease of FTE in the local organisation. All of our co-workers could be reassigned with jobs in relation to KYC and anti money laundering at the central office in Spain.

## 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 8).

The following section provides an overview of each division in 2022, 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 by transition theme.

In short:

- Retail and Business Banking, including Private Banking, was responsible for 83% of Triodos Bank's net profit in 2022 (2021: 88%).
- Triodos Investment Management makes up 17% (2021: 12%) of Triodos Bank's overall net profit.

Triodos Regenerative Money Centre sets out to manage non-consolidated entities that lend, invest or donate money with an impact-first perspective and a main goal of making 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

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.

### Developments in 2022

#### Framework agreement with ABS

In 2022, we signed a participation framework agreement with fellow GABV member Alternative Bank Switzerland (ABS) with the aim of jointly financing sustainable businesses. Triodos Bank will originate lending opportunities to build up a shared portfolio of up to EUR 300 million, with a focus on renewable energy, sustainable property, organic farming, health and education. This enables Triodos Bank to increase our positive societal and environmental impact as we can realise larger projects in our lending activities.

#### InvestEU agreement for social enterprises

At the end of 2022 Triodos Bank signed an agreement with the European Investment Fund for a guarantee instrument to apply on financing opportunities to social enterprises. This guarantee is part of the InvestEU programme of the European Union, allowing us to offer improved financing conditions to social initiatives in Belgium, Germany, Spain and the Netherlands with a total volume up to EUR 67 million. This is the third agreement in our cooperation with the European Investment Fund, next to existing portfolios for guaranteed lending to social enterprises (EUR 130 million) and for clients active in the cultural and creative sectors (EUR 200 million).

#### Bio-based Mortgage

Triodos Bank specialises in sustainable mortgages. The more energy-efficient a house, the lower the mortgage interest rate. As the next step in sustainability Triodos Bank launched the Bio-based

Mortgage in June 2022. This is a mortgage in which the interest rate is linked to the choice of materials for the home: those who use the money to buy or build a bio-based home receive an extra low interest rate. With this Bio-based Mortgage, a first in the Netherlands, the bank is taking a new step in making the housing market more sustainable by reducing the carbon footprint.

### **Adjustment to national lending standards**

Triodos Bank is involved in the public debate about the Dutch lending standards of the housing market. We have been advocating for years now for an integration of monthly mortgage and energy costs. On an individual basis we have set the limit to 90% financing if the house is not energy efficient. Important elements of our vision will be implemented in the Dutch national lending standard as of January 2024 for the mortgage sector in the Netherlands.

### **Upgraded Sinopel**

Triodos Bank is expanding the retained residential mortgage-backed securitisation (RMBS) Sinopel 2019 to increase its liquidity resilience. This supports the bank to use more of its funds entrusted for sustainable loans, creating additional positive impact.

The first RMBS was launched in 2019 to gain additional access to potential central bank liquidity and has a current volume of EUR 799 million, collateralised by Dutch residential mortgages. This is now increased to EUR 1.6 billion. DBRS Ratings GmbH (DBRS Morningstar) confirmed its AAA (sf) rating on the Class A notes issued by Sinopel 2019 B.V. (the issuer), following this amendment.

The RMBS is a retained transaction, with Triodos Bank maintaining full ownership of the notes. The mortgages remain on the balance sheet of Triodos Bank and all economic benefits of the underlying mortgage loans remain with Triodos Bank. Clients with a mortgage loan will continue to be served by Triodos Bank.

### **Total lending**

The overall growth of the loan portfolio amounted to EUR 452 million (or 4%) in 2022. This includes

the growth of the residential mortgage portfolio by EUR 826 million (or 23%). The largest growth in business loans was in the production and environmental technology sectors. Overall however, business loans decreased 6% (2021: 2% increase).

The low interest rate environment during a part of 2022 encouraged customers to refinance at lower rates and to pay back their credit facilities earlier than planned during the first part of 2022. This had a downward effect on the volume of the business loans and interest margins.

The graphs in the section Loans and funds' investments by transition theme (see page 53) show the relative volume of our lending and investment portfolio.

### **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. The overall growth of the funds entrusted amounted to EUR 531 million (or 4%) in 2022, which was mainly driven by a growth in funds entrusted by business clients (EUR 405 million).

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.

Continuing growth in all the countries where Triodos Bank operates is due in part to 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 modestly, maintaining a stable loan-to-deposit



ratio and total capital ratio. It aims to grow its fee income.

The bank will focus on the impact, profitability and diversification of its loan portfolio. We will put extra effort into identifying loans to frontrunners in their fields, the entrepreneurs developing the sustainable industries of the future. 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, a 100% subsidiary of Triodos Bank.

Triodos Investment Management is responsible for 20 funds, for both retail and professional investors. The funds invest in sustainable themes, such as inclusive finance, food and agriculture, energy and climate, as well as in listed companies that materially contribute to the transition toward a sustainable society. The investment funds publish separate annual reports and most of them have their own Annual General Meeting.

**EUR 5.5 billion**

Funds under management by  
Triodos Investment Management  
as per the end of 2022

### Developments in 2022

After having just recovered from a period that was dominated by the global COVID-19 pandemic, 2022 turned out to be yet another year filled with challenges. The horrific war in Ukraine has resulted in uncertainties in financial and energy markets worldwide. In addition, both Western and emerging

economies have been hit by higher than expected inflation and central banks have responded by (in general) increasing base interest rates at an aggressive pace. This has led to a unique situation in 2022, where both stocks and bonds showed a decline in value due to, respectively, downward moving stock markets and rising capital rates.

The combination of these developments has also clearly impacted investor sentiment. Investors are more reluctant to invest than usual, which was reflected in a more limited inflow of new capital throughout the wider investment market in 2022, or even outflow. At the same time, we see that there continues to be a difference in investment appetite between sustainable investing and mainstream investing. While Article 6 and Article 8 funds in general experienced outflow in 2022, this wasn't necessarily the case for Article 9 funds.

Triodos Investment Management only manages Article 9 funds, and although the majority of these funds continued to see inflow in 2022, the overall funds under management decreased by 13% to EUR 5.5 billion compared to year-end 2021 (EUR 6.4 billion). This was mainly the result of negative market movements impacting the value of the underlying investments despite the high quality of the funds' portfolios. The investment funds overall lost 11% of their value following market developments in 2022.

Amidst these challenging circumstances Triodos Investment Management retained its focus on strategy execution, more specifically on implementing the strategic goal to be the asset manager of choice for investors seeking solutions for building impact investment portfolios.

In 2022, Triodos Investment Management launched Triodos Future Generations Fund, a thematic fund aimed at improving the well-being and development of children worldwide. The fund invests in companies that contribute to the basic needs of children around the world as well as their development, to help them reach their full potential as adults.

In addition, Triodos Investment Management launched the Triodos Impact Strategy Funds (TISF) in 2022. The TISF are four funds-of-funds that

invest in eight Triodos funds and across all of Triodos Investment Management's impact themes. As such, the funds invest, both in Europe and in emerging markets, in the energy transition, food transition and sustainable agriculture, financial inclusion and in listed equity and bonds. The funds have replaced Triodos Bank's managed account solution and have been created to make it easier and more efficient for clients to manage a diversified investment portfolio across different impact themes.

In 2022, Triodos Investment Management continued to work on preparing for the implementation of level 2 of the EU Sustainable Finance Disclosure Regulation (SFDR), which came into force on 1 January 2023. All Triodos Investment Management funds available for investors have sustainable investments as their objective as set out in article 9 of SFDR and have as such been designated as Article 9 investment products. Article 9 investment products are products that focus specifically on achieving a sustainability goal.

Hadewych Kuiper was appointed as Managing Director per 1 February 2022, to further strengthen the Management Board alongside Dick van Ommeren and Kor Bosscher after the transfer of Jacco Minnaar to the Executive Board of Triodos Bank in October 2021.

## **Prospects for Triodos Investment Management**

If the past years have made one thing clear, it is that many of our global economic systems are vulnerable and not resilient enough. Both the COVID-19 pandemic and the energy crisis resulting from the war in Ukraine have shown us that there is an urgent need for sustainable transitions on multiple levels: energy transition, food transition and well-being transition – to name a few. Investors have an important role to play in redirecting capital towards these sustainable transitions.

Within this context Triodos Investment Management will continue to build on over 30 years' experience of bringing together values, vision and financial returns on investment, helping to meet the European demand for values-based investment

solutions that are key in the transition to a more sustainable society. Through its funds, Triodos Investment Management aims to further increase its impact in key areas related to its mission and the Sustainable Development Goals (SDGs).

In 2023, Triodos Investment Management's strategic focus will continue to be on retail investors through distributors, high net worth individuals, family offices and (semi-) institutional investors.

Although market conditions will likely remain challenging in 2023, Triodos Investment Management will continue to pursue development and growth, through expansion and further development of existing funds and by creating new impact investment products.

To ensure robustness for future growth, Triodos Investment Management is implementing changes to its operating model in 2023. By doing so, Triodos Investment Management will improve its efficiency levels and increase cost efficiency, making the organisation more future-proof and better equipped to respond to external developments.

## **Triodos Regenerative Money Centre**

Triodos Regenerative Money Centre (TRMC) complements Triodos Bank and Triodos Investment Management by extending beyond the boundaries of our current banking and investment system. The funds managed by TRMC are not consolidated by Triodos Bank. The financial instruments TRMC uses are catalytic investments and donations.

## **Developments in 2022**

What started with a positive outlook, with COVID-19-related restrictions fading more into the background, changed overnight with the news of

the Russian invasion of Ukraine on 24 February last year.

Besides the enormous impact it still has on the local population, the war led to high inflation, rising interest rates, high energy prices and overall economic uncertainty felt by people across Europe and beyond. In addition, the climate crisis continues to greatly affect people worldwide, while more locally the agricultural crisis came to a head.

Navigating these crises highlighted the inherent imbalance in the current system. There is a growing awareness of the need to restore the balance between give and take, and an awakened sense of urgency. To tackle today's most challenging problems, and transform our economy, we need a radically different approach. We need to pioneer and find (new) financial instruments that can serve the innovative businesses and models that offer solutions for these crises.

TRMC has developed a healthy pipeline of projects by joining forces and building partnerships with like-minded parties. This was a big part of our work in 2022, leading to a number of new investments and donations. At the core of our work lies the continuous exploration of finding the appropriate financial instrument for certain initiatives. We actively look for partnerships that enable blended finance solutions for this.

We have articulated a theory of change to structure and focus our decision-making for donations. This commits us to the transition to a healthy ecosystem, in which people and nature live together in balance. We believe that the challenges we face require an inclusive approach, tapping into a wide range of perspectives and talents.

Aiming for a healthy ecosystem for the generations to come, we made a donation to De Nationale DenkTank. This annual thinktank consists of a multidisciplinary team of 20 highly talented PhD or master's students. In 2022 they worked on visionary and practical solutions for biodiversity loss.

We supported Wilder Land, a tea-producing Dutch start-up with a loan. Wilder Land's business model shows how economics and nature can work hand in hand. Wilder Land is ensuring continued

investment in biodiversity by farmers by creating a revenue model around Dutch herbs that had often been seen as weeds.

TRMC reached its 2022 targets in terms of number of investments and donations as well as in terms of the innovative nature of the initiatives supported. The inflow of donation money exceeded expectations last year. Besides our continuous investment and donation activities we were able to formulate more clearly how regenerative money can contribute to today's challenges, and how it fits with our common understanding of the role of money in today's society. We started working on the simplification of our organisational set-up last year. This will allow us to work more efficiently and make even more impact.

On a final note, we have become more visible, both within the wider Triodos community and beyond through content and events. TRMC has become a permanent partner in activities organised by the bank. This increased visibility contributed to the growth in funded projects and an increase in the number of donations.

## **Prospects for Triodos Regenerative Money Centre**

Stepping into 2023, Triodos Regenerative Money Centre will continue to invest in, donate to and build partnerships with potential game-changers like the parties referred to under developments.

In 2023 we will work on developing initiatives in co-creation with like-minded partners and we will actively seek collaboration with frontrunners in positive change. Being part of the global movement towards a net-zero future, TRMC will also focus on investing in and donating to initiatives that can contribute to achieving this urgent goal.

We aim to put the theme of donations on the agenda and mobilise donations around specific themes via so-called 'theme funds'. We will also draw more attention to the quality and potential of regenerative money through events.

In 2023 we will restructure our organisational set-up and further work on becoming one team in a

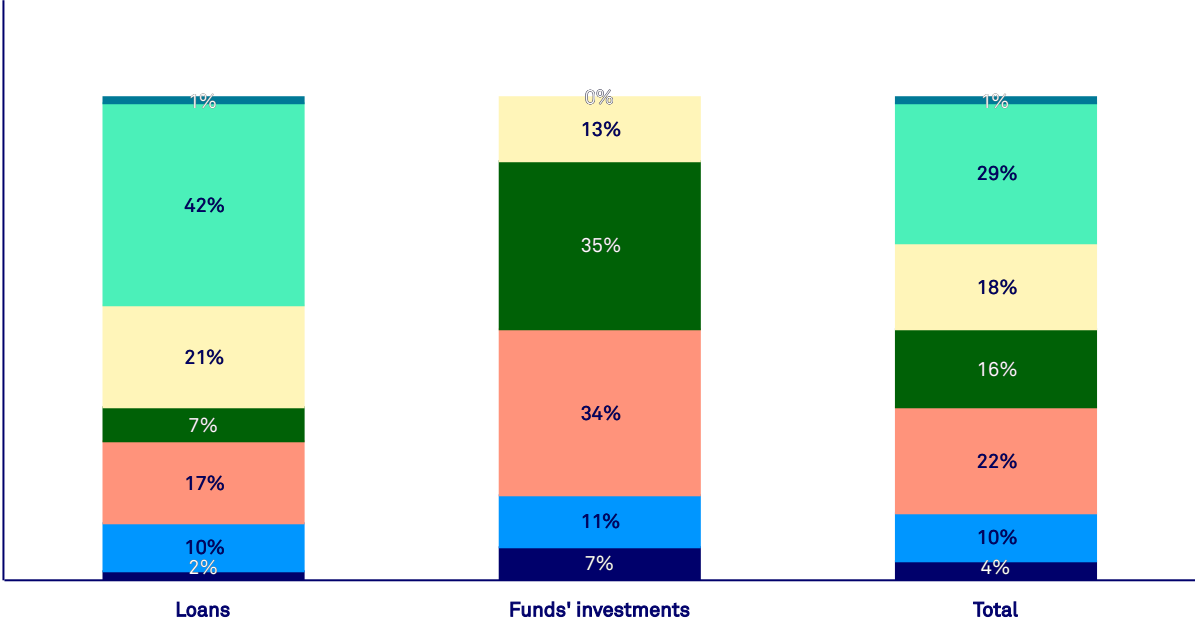
way that serves our mission and our stakeholders best. Meanwhile, we will continue to safeguard the independence of our funds by placing natural and societal return above anything else.

We will continue to inform and involve people within the Triodos community and society at large on the potential of regenerative money by further increasing our outward focus and actively communicating about the role of money in regenerating nature and society.

# Loans and funds' investments by transition theme

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 themes it works in qualify as sustainable: the companies and projects it finances contribute to delivering Triodos Bank's mission.

## Total outstanding loans and funds' investments by transition theme 2022



To make sure that Triodos Bank only finances sustainable enterprises 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 only 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](http://www.triodos.com) and [www.triodos-im.com](http://www.triodos-im.com) for investment management.

Triodos Bank's focus is on transition themes where it has already developed considerable expertise and where it considers more growth, diversification and innovation are possible.

## Impact, risk and return

Traditionally, banks have focused primarily on risk and return, 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.

### Food 4% (2021: 5%)

The Food transition theme includes organic agriculture and projects across the entire agricultural value chain in Europe and emerging markets – from farms, processors, wholesale companies and sustainable trade to natural-food shops.

### Resources 10% (2021: 10%)

The Resources transition theme consists of: the sustainable property sector, in which we finance new buildings and renovation projects to reach high sustainability standards; the sector nature development and forestry, which is important to remove greenhouse gases from the atmosphere; and retail, production and professional services sectors that contribute to reduced resource waste or stimulate circular production and consumption and circularity-related services.

### Energy 22% (2021: 23%)

The Energy transition theme consists of renewable energy projects – such as wind and solar power,

## 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.

hydro-electric, heat and cold storage – and energy-saving and storage projects. It also includes environmental technology projects, for instance through recycling companies and optical fibre projects.

### Society 16% (2021: 16%)

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

### Well-being 18% (2021: 20%)

The Well-being transition theme covers loans and funds' investments to organisations working

in education, child care, retreat centres, religious groups, recreation, cultural centres and organisations, and artists. It also covers the health and elderly care sector.

### **Residential sustainable mortgages 29% (2021: 24%)**

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.

Although not included under specific transition themes in the chart, the residential mortgage portfolio contributes to Resources (by innovating new forms of mortgages such as the bio-based mortgage), to Energy (by taking energy certificates into account for the interest rate of mortgage products), and to Society (by advocating and enabling co-housing and social housing).

### **Municipalities 1% (2021: 2%)**

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.

## 1.3.3 Our impact approach

### Impact: our tradition and our mission

We strive to constantly remind ourselves and our partners of what money really is for and what it can do. From that very first wind turbine we financed in 1986 to experimenting with the role that catalytic money and gift money play in reimagining finance models today, we find ways to fund initiatives that seem at first impossible and eventually find their way into the mainstream.

### Our foundations: principles, standards and transparency

We believe money should serve people, and not the other way round. We have a simple business model: we only lend the money entrusted to us by savers and investors to entrepreneurs we know well. We focus our work on the real economy and we don't invest in complex financial instruments. All the loans and investments we make are designed to improve social and environmental sustainability and the quality of life for communities. We aim to deliver as much positive impact as possible by only lending to and investing in enterprises with strong sustainability criteria.

#### Business Principles

How we at Triodos Bank direct, administer and control our work says a lot about our identity. We have developed processes and policies, and supported the implementation of laws, to both meet our obligations and reflect our mission. In addition to the broad vision and key values that underpin our business, we have principles that guide and support our day-to-day decision-making.

Triodos Bank has a continuing commitment to:

- Promote sustainable development and consider the social, environmental and financial impact of everything we do.
- Respect and obey the law in every country where we do business.
- Respect human rights of individuals and within different societies and cultures; supporting the aims of the United Nation's Universal Declaration of Human Rights.
- Respect the environment and do all we can to create and encourage positive environmental impact.
- Be accountable to all our stakeholders for our actions.
- Continuous improvement: we are always looking for better ways of doing things in every area of our business.

#### Minimum Standards

Sustainable finance requires choices. As a sustainable financial institution, we make very deliberate choices on a daily basis about what Triodos Bank finances and invests in. Defining what really contributes to a sustainable future requires clear boundaries on what we do and do not finance.

We have therefore established strict lending and investment criteria and minimum standards to safeguard our mission. For instance, we do not finance the fossil and nuclear power sectors; we also exclude weapons, tobacco, industrial farming, deforestation and other harmful sectors and activities.

#### Transparency and accountability

We believe that sustainable finance depends on trust and transparency, so we publish details of all the organisations we lend to and invest in. Our savers and investors can see how we're using their money. Explore this online at <https://www.triodos.com/en/know-where-your-money-goes>.

We are committed to showing not only how and where the money is used, but what its impact is. Impact reporting for a financial institution doesn't only mean reporting on the organisation's own



activities, for example on how we use renewable energy to power our buildings. It means reporting in depth on the impact of our financing activities in the widest sense – from the greenhouse gas emissions of our loans and investments to qualitative and quantitative evidence of the impact of our financed activities by transition theme (see Impact by transition theme on page 64).

## Our approach to impact management

We have been managing impact consciously since long before much of today’s terminology existed. Our structured approach to impact management is to focus on positive impact first and minimising negative impact second, directing money in a way that benefits people and the environment over the long term.

Our approach is centred on our mission of making money work for positive social, environmental and cultural change and is based on the impact management cycle. This starts with establishing a clear vision of the impact we want to make as a financial institution. We then develop a strategy on how to implement this vision from a business perspective; design our activities and products in line with the strategy; monitor results and analyse challenges and successes; translate these into learnings; and adapt our strategy and activities based on these findings.

We strive to be accountable towards all stakeholders, through transparent communication and by reporting and engaging with clients and partners to gather information and check on our collective performance. Importantly, the approach holds both for our business propositions and product development, as well as for our advocacy



Triodos Bank impact management cycle

activities to change finance (see Change finance report on page 62).

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 in order 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. For more information on our approach to stakeholder engagement, see Our stakeholders and material topics on page 23. While meaningful indicators are included in, for example, Impact by transition theme on page 64, we limit the use of 'hard metrics' in our impact measurement.

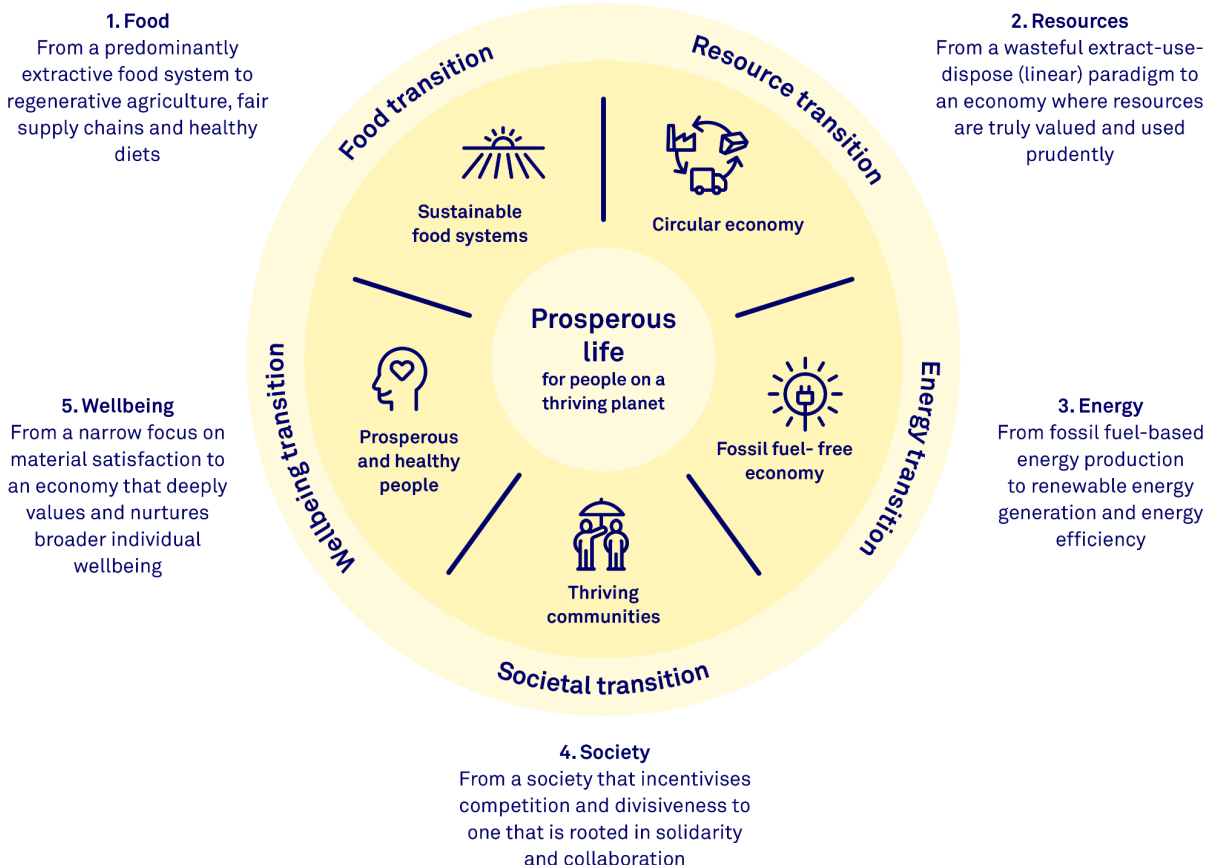
## 2022 highlights: follow-up on initiatives and aspirations

In 2021, we started an impact strategy and management project to embed impact management more explicitly in our governance across all Triodos Bank's entities and business units. In our previous Annual Report we indicated a set of aspirations for our work in 2022. We follow up here on our stated ambitions, reporting on progress and initiatives of 2022.

### Impact vision, strategy and coordination

In recent years, we identified a strong need to increase internal synergies and coordination on impact themes to further leverage our collective strength. In 2022, we initiated a process to develop

### Focus on five interlinked transitions



Triodos Bank's redefined transition themes are common to all Triodos entities.

a concrete, Group-wide impact strategy to ensure alignment and coordination across subsidiaries and business units. The impact strategy is an integral part of our corporate strategy.

In line with the impact management cycle, we first developed a Group-wide impact vision, a shared and coherent approach for the entire organisation and common language around impact. We defined five transition themes that represent our impact focus areas: sustainable food systems (Food transition); circular economy (Resources transition); fossil fuel-free economy (Energy transition); thriving communities (Societal transition); and prosperous and healthy people (Well-being transition).

These five themes are deeply interlinked. Fundamentally, they are all about social change. Where they connect with environmental change, there is even greater urgency. The reference to transitions affirms our intention to add a forward-looking lens to our financing activities, actively seeking to accelerate these transitions towards an all-round sustainable society and economy.

#### **Sustainable food systems – Food transition**

The preservation of ecosystems and the future well-being of the human population are all dependent on a structural transformation of the food system. This transition theme focuses on the goals surrounding this challenge - on ensuring a transition towards a sustainable, resilient and equitable food system, producing healthy, safe, and nutritious food for all.

#### **Circular economy – Resource transition**

Efforts need to be made to establish circular management of all resources and materials, fundamentally halting the environmental degradation caused by our production and consumption systems and pushing for change in the way and the extent to which we extract, produce, use, and dispose of goods and raw materials. Transforming our current model of linear resource use through circular products and circularity-enabling processes, technologies, business models and business practices is at the core of this transition theme.

#### **Fossil fuel-free economy – Energy transition**

Mitigating and adapting to climate change are key challenges of the 21st century, putting focus on our overall energy consumption and our dependence on fossil fuels. The world needs nothing short of a complete transformation of the energy system that is the foundation of our economies for future sustainable development. This transition theme focuses on fostering clean energy sources that reach all corners of society and the economy, and on the mechanisms to ensure a just transition.

#### **Thriving communities – Societal transition**

A sustainable economy is an economy that works for all, leaving no one behind or at the margins of society, and that values collaboration and fosters cohesion among groups and individuals. This is only possible by pursuing a true spirit of solidarity and collaboration. In this theme we focus on activities and services that contribute to this journey towards increasing cohesion and social empowerment.

#### **Prosperous and healthy people – Well-being transition**

The quest for well-being is central to the human experience, and our society can only thrive when its members are physically and mentally healthy. A shift needs to be made to ensure that we deeply value and nurture individual well-being, for all. This transition theme focuses on activities that foster individuals' physical and mental health, as well as self-development, self-expression, and healthy relations with others.

In 2023, we will work to define in more detail our ambitions and concrete business strategy to tackle these challenges.

### **Impact governance**

Governance on impact-related matters has been evolving in the past years, with the creation of the Triodos Group Impact Committee in 2020 and of the Impact Management and Measurement domain at Triodos Investment Management in 2021. In Spring 2022, this experience was extended to Triodos Group, by setting up a Group-wide Impact Hub and replacing the Triodos Group Impact Committee with the Group Impact Board, which oversees the work of the Impact Hub and informs and advises

the Executive Board on strategic impact-related topics. These strategic issues are among others the minimum standards, impact strategy, vision and targets. The primary goal of the Impact Board is to understand, align, monitor and equip the business to steer our impact activities and develop strategic ambitions from a Group-wide perspective in line with our mission and our corporate identity.

## **Engaging with clients and partners: impact monitoring, steering and reporting**

For impact monitoring, steering and reporting, direct engagement with clients and partners is key.

### **Impact Prism: further development of a client engagement tool**

To support our holistic approach to impact, the Triodos Impact Prism was developed in 2018 and 2019 to understand, monitor and equip businesses 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.

During 2022, Triodos Bank redefined its impact vision and brought more focus to its impact strategy and management. This required a re-evaluation and further development of the Triodos Impact Prism as a tool to support this impact strategy. Based on a range of interviews with clients and relationship managers alike, we identified ways to improve on this concept to serve our client engagement strategy. Clients confirmed the value of a tool like the Impact Prism to gain insight into their own impact profile and as a way to identify opportunities for improvement with our relationship managers. This exchange on a broad set of impact themes is valued as a unique element of the relationship between clients and relationship managers, as it leads to a different conversation than one might normally have with a bank. At the same time, it became clear that we needed to make adjustments in order to deliver optimal value to client and relationship manager alike.

## **Our impact vision, transition themes and strategic themes**

With our impact vision we contribute to the three strategic themes described in the Strategic objectives chapter on page 32:

1. We show that different qualities of money, provided by different business units of the bank, contribute to the same transitions in different phases (One bank).
2. It reinstates the purpose of Triodos Bank and renews the story on the purpose we have. By defining five transition themes, it enables us to better align our activities with necessary impact in the outside world (Unlocking our purpose).
3. The five themes and impact vision highlight the importance of a forward-looking lens to impact, actively seeking to accelerate these transitions towards an all-round sustainable society and economy. This is the next step for sustainable finance (Frontrunner in responsible finance).

Concretely, we have now integrated the Impact Prism into the client's banking system, to make it accessible to clients at all times. Data is fed directly into Triodos' production system for further analysis, leading to a report that is made available for clients and discussed with relationship managers. Along with other adjustments in usability and methodology, the Impact Prism is now a more client-friendly tool that is oriented first and foremost on inspiring to action.

The new Impact Prism portal has been made available to Dutch business banking clients in January 2023, with other branches following during 2023. Also, we aim to integrate other impact-related data-exchange in the portal to support our ability to steer on our main impact themes. In the Netherlands, we aim to inspire our clients to '1000 actions' registered in the Impact Prism during 2023 that can be followed up by the relationship manager, which may vary from very small and

operational (e.g. deciding to only serve organic food in the company cafeteria) to large and strategic (e.g. making sustainability a more explicit part in the client's strategy). This is how our client engagement leads to actual change in very real ways.

**Other developments**

On the investment side, in 2022 all funds at Triodos IM completed a process to design or update their impact management and measurement frameworks. Each fund follows the logic of the Triodos Bank impact management cycle as presented on page 58. This includes the development of a theory of change and sustainable objectives per fund, the logic that links vision and strategy to implementation and monitoring of impact. These are monitored and improved upon in a continuous cycle at various levels and frequencies in the organisation. The theory of change and relevant outcomes are presented in the Fund Impact Reports during the spring of 2023.

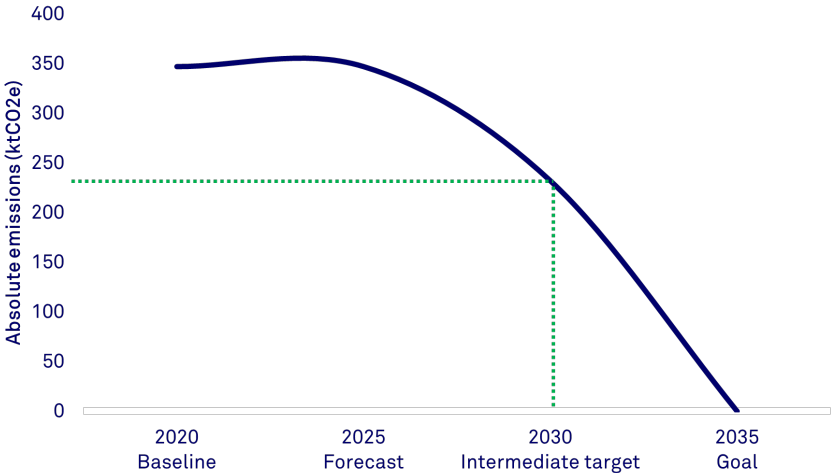
Specifically on climate impact, since 2015 we have been working to measure and report our own (direct and indirect) and financed (indirect) emissions, and in 2018 reported on them for the first time. Our financed emissions are measured through the PCAF methodology and reported in Climate impact of our loans and investments, page 69.

Overall, we monitor and report our own performance as a values-based bank by compiling the Global Alliance for Banking on Values (GABV) scorecard, which provides insights into our overall financial viability and, importantly, on our overall focus on triple bottom line (people, planet and prosperity) and on the real economy (see Appendix IV – Global Alliance for Banking on Values scorecard – quantitative evidence of our impact, page 410).

**AsOneToZero**

In April 2021, Triodos Bank was one of the first banks to join the Net-Zero Banking Alliance (NZBA) and in November 2021 we set a target to become a net-zero financial institution by 2035, covering 100% of our loan and investment portfolios. In 2022, we have been developing an action plan to progress our net-zero ambition. We have set an intermediate target to reduce net emissions by 32% to 232 ktonne CO<sub>2</sub>e in 2030 across our entire loans and funds' investments portfolios. The graph below illustrates our intermediate target and forecasted emissions. In the context of portfolio growth, Triodos Bank expects net absolute emissions to be relatively stable until 2025 and to start declining from then onwards as a result of our sequestration investments and our reduction efforts diminishing the carbon intensity of portfolios.

**Absolute Net Emission Forecast**



Triodos Bank already excludes fossil fuels from financing activities, and refrains from financing and investing in highly polluting sectors and activities. Our AsOneToZero commitment focuses on investing in nature-based solutions and reducing the emission intensity of our financed activities. For more on this, see Climate impact of our loans and investments on page 69.

## 1.3.4 Change finance report

As well as financing progressive entrepreneurs, we aim to influence the financial sector and the shape of the economic system at a national and global level to help deliver our mission. We believe that the more sustainable, diverse and transparent are financial industry operations, the more money will be used consciously, and the greater the improvement in people's quality of life. This is a cornerstone of a regenerative and inclusive economy that enables people and communities to prosper with respect to ecological limits.

We change finance in different ways. We publish vision papers, write opinions, support letters to government bodies and join calls for action. We share our knowledge and expertise on sustainable finance with policymakers, politicians and supervisors in meetings or through feedback in public consultations. We encourage other financial institutions to make different choices and commit to sustainable finance. We work together with like-minded organisations and create formal and informal partnerships to strengthen each other. This is done locally in the countries in which we operate as Triodos Bank, but also at European and international levels.

In 2022, we actively contributed to different consultations, including the Basel Committee's consultation on principles for the effective management and supervision of climate-related financial risks and the European Commission's consultation on the ESG ratings market in the European Union and on the consideration of ESG factors in credit ratings. Furthermore, Triodos Bank published a position paper and initiated a petition on the revision of the Alternative Investment Fund Managers Directive (AIFMD) to counter a flaw in the European Commission's proposal. Triodos Bank also initiated an open letter with 11 other financial institutions to call for the inclusion of obligations to the financial sector in the Commission's proposal

for a regulation on deforestation-free products so as to ensure that financed activities do not contribute to the loss of forests and biodiversity. Among other topics we have been discussing with (European) policymakers, politicians and other stakeholders are the Sustainable Finance Disclosure Regulation (SFDR), climate risk in Pillar 1 in the new Banking Package and the Corporate Sustainability Due Diligence Directive (CSDDD).

Climate and biodiversity are major societal topics in the financial sector. The yearly gathering of the Conference of the Parties (COP) 27 in Sharm-El-Sheik on climate change ended in disappointment with meagre progress on the five key areas. Existing commitments to keep global warming limited to 1.5°C were not strengthened with, for example, firm commitments to phase out gas and coal. On the other hand, the 15<sup>th</sup> UN Biodiversity Conference of the Parties (COP15) was more promising. A historic deal was reached to halt biodiversity loss by 2030. In the run-up to COP15, Triodos Bank signed the Business open letter of Stop Ecocide, calling on governments to support the recognition of ecocide at the International Criminal Court and to positively engage in the growing global conversation to make this a reality, for which there is currently an opportunity in the EU Environmental Crime Directive. We also supported Business for Nature's call to adopt ambitious mandatory requirements for all large businesses and financial institutions to assess and disclose their impacts and dependencies on biodiversity by 2030.

Triodos Bank is not only active in European and international debates, but also works at a national level to change finance. Triodos Bank Belgium supported research about the status of impact finance in Belgium, which led to the launch of Impact Finance Belgium (IFB), which aims to increase the share of impact capital in Belgium. In the UK, Triodos Bank UK has worked with the government and financial sector partners to influence the new UK Green Finance Strategy. Triodos Bank Netherlands is pleased that the Dutch Government now intends to link the energy use of a home by 2024 to the maximum mortgage a buyer can obtain, after advocating for this since 2016 and introducing this in its own lending standards for mortgages in 2020. The Managing

Director of Triodos Bank Germany was reappointed as member of the sustainable finance council of the new German Government. He represents other sustainable banks in Germany and leads the working group that works on more transparency of financial products. For several years, Triodos Bank Spain has been advocating with partners the legal recognition of purpose-driven businesses. In 2022, the Crea y Crece Law was approved to promote an entrepreneurial ecosystem that generates a new economy. During 2022, Triodos Investment Management has been advocating for more transparency for non-sustainable funds. These are all specific examples of how we try to

change finance in the broadest sense. In all our public appearances, opinion pieces, publications or interviews we highlight the transformational power of money and the role of the financial sector in society.

## **Our view on EU developments in regulations and directives**

Since the EU's Sustainable Finance Action Plan (SFAP) was presented in May 2018, many new regulations and directives have been drafted, discussed and are now being implemented. We fully support and recognise the importance of many of these regulations and directives, although we are disappointed by some of the outcomes this year.

### **Deforestation Regulation**

Triodos Bank is pleased that the EU has reached an agreement on regulation on deforestation-free supply chains, no longer allowing products on the EU market that contribute to deforestation. We believe this is an important step against deforestation and for the restoration of biodiversity. Triodos Bank would have liked other wooded lands to have been included in the regulation, because we strongly believe the EU should not limit its ambition to protect forests but should also seek to prevent conversion of other wooded ecosystems. We are disappointed the financial sector is not included at this time, but at the same time consider it an important step the EU will reassess this at a later date.

### **Corporate Sustainability Due Diligence Directive (CSDDD)**

Triodos Bank believes financial institutions have a responsibility to understand the impact of their loans and investments, including of the value chain of the financed activity. That is why we support a strong EU-wide Corporate Sustainability Due Diligence Directive for all financial institutions, which will require financial institutions to know the impact of their clients and their value chains and create a level playing field for the EU's financial sector. We are disappointed with the position of the Council on the CSDDD, which does not include an obligation for all EU financial institutions to perform due diligence on the activities and value chains of their clients.

### **EU Taxonomy**

The green taxonomy, the EU list of sustainable economic activities, was introduced in 2021 to establish unambiguously what is and what is not a green investment. Triodos Bank welcomed such a list, because it potentially equipped European investors with a better understanding of sustainable investment. That would drive the sustainable transition and combat greenwashing. In 2022, the European Parliament voted for the plans of the European Commission to classify natural gas and nuclear energy as sustainable in the new taxonomy. Triodos Bank is very disappointed by the outcome of this vote. We believe natural gas and nuclear energy are not sustainable and do not belong in a green taxonomy.

## 1.3.5 Impact by transition theme

Our vision on measuring impact reflects a focus on delivering our mission. We aim to find qualitative evidence of impact and back that up with numbers when relevant. Our more qualitative impact can be found in the case studies online ([www.annual-report-triodos.com](http://www.annual-report-triodos.com)). This section summarises the positive impact in numbers that our loans and investments generate within our five key transition themes (food, resources, energy, society and well-being).

Impact information is mostly collected through the interaction of investment and relationship managers and their clients and projects.

Our main guidelines for impact by transition theme are:

- Our calculations only measure projects with a direct relationship to our finance or investment activities unless otherwise stated.
- For the impact indicators, we use the contribution approach, unless otherwise stated. This means that we include 100% of the impact when we co-finance a project except when this represents the results unfairly.
- If it is not possible to record 100% of the data required, we use conservative estimates.
- Because most impact numbers are based on manually collected data from our lending customers and investees, and despite strict definitions, this data can be subject to different

interpretations. That is why we round off all impact data conservatively in this report.

- 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 theme, see [www.triodos.com/impact-themes](http://www.triodos.com/impact-themes).

### Food (4% of total portfolio)

#### Organic farming



Our relationship with the soil and the earth requires a systemic perspective. A world view that sees 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 2022 could produce the equivalent of approximately 29.5 million meals in 2022, enough food to provide a sustainable diet for approximately 27,000 people (2021: 31,100). Together they financed approximately 32,600 hectares of organic farmland across Europe. This equates to farmland the size of a football pitch for every 13 customers, each one producing enough for 543 meals per year.

#### Sustainable trade

In 2022, approximately 42,800 smallholder farmers (2021: 38,900) in nine emerging market countries worldwide were paid directly and fairly upon delivery of their harvests as a result of the trade finance that Hivos-Triodos Fund provides to farmers' cooperatives and agribusiness. The increase in the number of farmers is due to new investees and existing cooperatives expanding



their farmer base.

The farmers had 57,100 hectares of certified organic farmland under cultivation in 2022 (2021: 49,600). An additional approximately 6,000 (2021: 5,800) hectares was in conversion. The farmers harvests brought 11 different fair-trade and organic products to international markets, including coffee, cocoa, rice, fruit juices and superfoods.

## Resources, including residential mortgages (39% of total portfolio)

### Sustainable property and residential 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 2022, Triodos Bank and Triodos Investment Management financed directly via retail banking and via sustainable property approximately 24,800 homes and apartments (2021: 21,700), an increase of 14% mainly due to growth in the residential mortgage portfolio. Of the properties in the residential mortgage portfolio, about 56% have an energy label of A or higher, 27% have an energy label between B and G, and the energy label of 17% has not yet been reported.

We also financed about 470 commercial property buildings (2021: 480, buildings only) comprising approximately 871,000 m<sup>2</sup> for office and other commercial space (2021: 957,000m<sup>2</sup>).

### Nature development and Forestry

In 2022, we financed approximately 33,900 hectares of nature and conservation land and sustainable forestry (2021: 33,400 hectares), representing around 450m<sup>2</sup> of land per customer.

This land is important for the sequestration or absorption of CO<sub>2</sub> from the atmosphere.

## Energy (22% 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 also finance and co-finance projects that increase the use of renewable resources, reduce the demand for energy and promote energy efficiency.

By the end of 2022, Triodos Bank and its climate and energy investment funds were financing 611 projects (2021: 586) in the energy sector. These included:

- 522 sustainable power-generating projects related to wind (199), solar (287), hydro (35), or a combination (1);
- 43 sustainable power projects in a construction phase;
- 46 energy-efficiency projects including 24 heat and cold storage projects, 6 battery storage projects, 1 greenhouse gas-neutral biomass project and a diverse range of energy-efficiency initiatives.

Through our share in these renewable energy projects, over 1.0 million tonnes of CO<sub>2</sub> equivalent emissions were avoided (2021: 0.8 million tonnes).

The total capacity of the power-generating projects was 9,100 MW (2021: 6,000 MW), producing the equivalent of annual electricity needs of 7.4 million households worldwide or approximately 865,000 based on an attribution approach (2021: 698,000).

## Society (16% of total portfolio)

### Social housing



Helping to achieve social inclusion is a strategic theme for 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 2022, Triodos Bank and Triodos Investment Management financed 238 social housing projects, which directly and indirectly provide accommodation for approximately 22,000 people (2021: 59,700). This figure is lower than last year because in 2022 we only included our financed share for the larger projects that we co-finance.

### Financial inclusion



We believe that social inclusion improves with financial inclusion. We fund 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 2022, Triodos Investment Management's financial inclusion funds financed 113 financial service providers (2021: 111) in 47 countries. These values-based institutions vary from small NGOs working in underdeveloped markets to digital lending platforms and fully fledged banks that offer access to a range of fair and transparent financial services for people and small businesses.

Together, these financial service providers reached approximately 19.9 million individuals in 2022,

saving for unexpected expenses and their future (2021: 18.6 million).

Some 20.3 million borrowers were reached who used the funding to start or expand their business, generate income and better manage their daily lives (2021: 17.8 million). Two-thirds of them live in rural areas.

The increased number of savers and borrowers is coming from new investments and recovery and reactivation from COVID-19 and is related to highly qualified professionals and business from Russia, Ukraine and Belarus who have shifted their finance to financial service providers in neighbouring countries in which we invest.

Of the loan clients, 80% are female. Women in developing countries and emerging economies are often in a disadvantaged position. Giving women the freedom to manage their income and to support their families empowers their position and has been shown to have a greater economic impact overall.

## Well-being (18% of total portfolio)

### Healthcare



Triodos Bank 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 45,600 individuals (2021: 45,900) were residents at 652 elderly care homes financed by Triodos Bank and Triodos Investment Management in 2022, representing the equivalent of 16 days of care per Triodos Bank customer.

## 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.

Based on its long-standing commitment to art and culture, Triodos Bank has a leading position in the sector. It develops innovative finance instruments such as guarantee funds. To do this we work together with governments, industry associations and consultants.

In 2022, Triodos Bank financed 1,513 relations active in the cultural sector (2021: 1,450), from individual artists to large cultural institutions. Approximately 36% of the portfolio relates to cultural centres. Based on historic data we have estimated that our finance in 2022 helped make it possible for approximately 25.8 million visitors (2021: 9.9 million) to enjoy events at cultural institutions such as cinemas, theatres and museums. The number equates to approximately 34 cultural experiences enabled per Triodos Bank customer. The 2021 figure was considerably lower due to the lockdowns during the pandemic.

## Education



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.

In 2022, Triodos Bank financed over EUR 309 million in education initiatives from 506 loan agreements (2021: 519). Based on historic data we have estimated that approximately 738,000 individuals benefitted from the work of these education initiatives in 2022 (2021: 786,000). This means that each Triodos Bank customer has made it possible for approximately one person to receive education.

## Funding creative, cultural and social initiatives

Triodos Bank and the European Investment Fund (EIF) have signed several guarantee agreements for the social and creative and cultural sector. Since the start of the guarantee facility for the creative and cultural sector in 2021 we have been able to finance EUR 88 million to 260 initiatives in the creative and cultural sectors. Through the Social Entrepreneurship guarantee agreement provided under the EU Programme for Employment and Social Innovation (EaSI), Triodos Bank has until the end of 2022 been able to finance EUR 130 million to 500 social enterprises in the Netherlands, Belgium, France and Spain, exceeding our original EUR 65 million target. At the end of 2022 Triodos Bank signed a new agreement with the EIF that enables us to have new lending with a volume of EUR 67 million available to finance social entrepreneurs in the Netherlands, Belgium, France and Spain.

## Impact equities and bonds

Triodos Investment Management wants to make impact the new standard in investing. For us, money is not a means to an end but a powerful way of making a difference. This is fully embedded in the activities and approach of our Impact Equities and Bond funds that are all classified as SFDR Article 9 funds.

The Impact Equities and Bond (IEB) funds invest for positive change in listed companies from across the globe. The objective of these funds is to maximise positive impact by investing exclusively in companies that contribute to one or more of our transition themes, which are anchored in the United Nations' Sustainable Development Goals (SDGs). Of the funds' investments by Triodos Investment Management and TRMC, 57% relates to IEB. The contribution of the Impact Equities and Bonds portfolio to the five transition themes in 2022 is as follows:

Food: 7%, Resources: 15%, Energy: 31%, Society: 26% and Wellbeing: 21%.

In 2022, the footprint benchmark<sup>1</sup> results for the Triodos' Impact Equities and Bonds funds were on average:

- GHG emissions: 52% lower than the benchmark
- Water use: 82% lower than the benchmark
- Landfill waste production: 2% higher than the benchmark

These footprint and benchmark figures, received from external data providers, give an indication of the funds' sustainability performance as an outcome of the funds' strict impact selection and exclusion criteria.

The carbon and water footprints of the IEB funds showed lower environmental impacts of the portfolio companies' activities compared to those of the benchmark.

The higher than benchmark landfill waste footprint is mainly related to the investment in a number of paper (packaging) companies promoting the transition from plastic to paper packaging. Since landfill waste is defined as all waste eligible to be disposed of via landfills, it includes paper and plastic packaging, which in many instances can be recycled so they do not end up in landfill. We consciously accept that a handful of investments with positive overall impact results in the funds have a larger waste footprint than the reference index, as we firmly believe these companies deliver a positive impact on problems like plastics pollution in our oceans.

For more details on these footprints, we refer to the impact reports of our IEB funds online: [www.triodos-im.com](http://www.triodos-im.com).

In our AsOneToZero ambition we have also set targets on reducing the emission intensity of our IEB funds. In this, Triodos Bank commits that 82% of its listed equities and corporate bonds portfolio will have set science-based targets by 2035. Targets adopted by companies to reduce greenhouse gas emissions are considered science-based if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Climate Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

At the end of 2022, 45% of the IEB total funds' portfolio by net asset value, were aligned with or committed to science-based targets (2021: 51%). The decline in percentage compared to last year is mainly due to lower market values in 2022. The data has been retrieved from the science-based targets initiative (SBTi)'s public database of aligned and committed companies.

<sup>1</sup> The benchmark with which the IEB funds compare differs per fund and type of footprint. These are: MSCI World, MSCI World MidSmall Cap, MSCI Child Health, iBoxx 60-40 and customized benchmarks for the Triodos Mixed and Sterling Bond Impact Funds.

## 1.3.6 Climate impact of our loans and 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. Our ambition is to be net zero on greenhouse gas emissions in 2035 at the latest.

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 remained 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 evolved into the Global GHG Accounting and Reporting Standard for the Financial Industry, allowing stakeholders to compare the GHG emissions of banks and other financial institutions.

**1,048  
ktonnes**

CO<sub>2</sub> emissions avoided as a result of sustainable energy projects financed by Triodos Bank

## The PCAF Standard in practice

As our main impact in the economy and society stems from our loans and investments, PCAF's harmonised approach focuses on measuring the carbon footprint of these asset classes. Triodos Bank implemented and reported on the PCAF methodology for the first time in 2018 and has disclosed the carbon accounting of 100% of our loans and funds' investments since 2019. In 2022 we have also included the financed emissions of other loans and investments, for example those related to our Treasury activities. By mapping emissions per sector, we can identify current hotspots within our portfolio.

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 other gases besides just carbon, we use the latter as shorthand for GHG emissions in our reporting.
- GHG emissions are measured in tonnes CO<sub>2</sub> equivalent (CO<sub>2</sub>e) 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 will continue to


decline while energy from renewable sources is increasing, creating a more sustainable energy system.

- In the calculation of 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.
- We aim to improve the overall data quality level of our carbon footprint measurements each year to improve our insights and better steer on targets. The data quality levels are defined in the 'data quality' table below.  
This year, overall data quality stayed stable on 3.2 (restated, was: 3.5) on a five-point scale, with 1 being considered the highest score. The main cause of the increased data quality score in 2022 and the restated figure in 2021, is the application of the GHG emissions lookup table for residential real estate in the Netherlands for both years. This emission factor table is developed by the PCAF NL working group and

uses public energy consumption data from the Central Bureau of Statistics (CBS), together with energy label and house types. As a result, the data quality scoring for the Dutch part of the residential mortgage portfolio improved from 4.0 to 3.0. In other sectors there were some modest improvements in collecting better data to estimate the GHG emissions.

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

**Data quality levels**

<p><b>Certain</b> (5-10% error margin in estimations)</p>  <p>(40-50% error margin in estimations)</p>	<b>Score 1</b>	Audited GHG emissions data or actual primary energy data
	<b>Score 2</b>	Non-audited GHG emissions data, or other primary data
	<b>Score 3</b>	Averaged data that is peer/(sub)sector-specific
	<b>Score 4</b>	Proxy data on the basis of region or country
	<b>Score 5</b>	Estimated data with very limited support

# Our financed emissions

The GHG emissions that can be attributed to Triodos Bank's loans and investments in 2022 are presented in two graphs and a more detailed table in this chapter.

The first graph shows our portfolio's emissions in ktonne CO<sub>2</sub>e. 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 2022, approximately 324 ktonne CO<sub>2</sub>e in emissions were generated by loans and investments in this climate impact measurement (2021: 379 ktonne CO<sub>2</sub>e). This amount has been netted with 3 ktonne CO<sub>2</sub>e sequestered emissions from the organic farming sector. The decline in generated emissions compared to last year is mainly due to lower investment volumes in the Impact Equities and Bonds funds (IEB funds). Other sectors also faced a decline in lending and investment volumes, or a lower share in the projects financed. The high emission intensity for the sector environmental other is mainly caused by the lack of good emission factors for recycling companies and

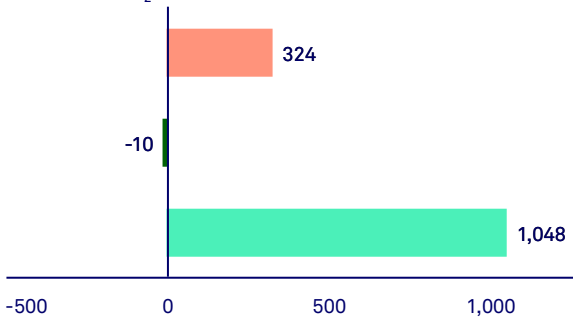
other technology projects. We expect the emission intensity to decrease as we collect more activity data from these projects. Changes per sector, both up and downwards, can furthermore be explained by the annual update of the emission factors.

Triodos Bank also finances forestry and nature development projects. This resulted in the sequestration of approximately 10 ktonne CO<sub>2</sub>e (2021: 15 ktonne CO<sub>2</sub>e), equal to at least 231,000 mature trees and enough to compensate the emissions from the farming sector. The decline in this sector is mainly due to annual redemptions in some larger projects we finance. Working on the AsOneToZero ambition, Triodos Bank is analysing and implementing opportunities for new natural capital, nature-focused finance and regenerative organic agriculture, sequestering carbon and supporting biodiversity.

The renewable energy and energy saving projects that we finance avoided over 1,048 ktonne of CO<sub>2</sub>e emissions as compared to fossil-fuel power generation (2021: 851 ktonne CO<sub>2</sub>e). This is equal to the avoidance of emissions of approximately 7.2 billion kilometres travelled by car. The number of power-generating projects we finance in Europe and in emerging markets increased by 28 to 522 in 2022. The total electricity production of our financed projects also increased, both due to new investments and due

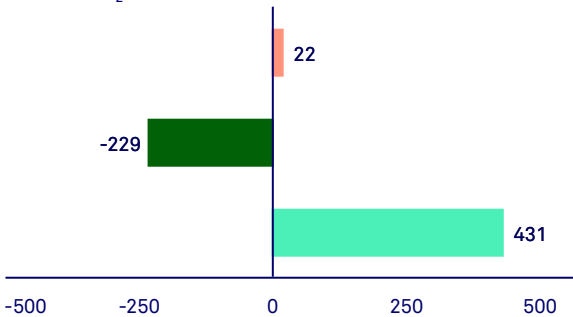
## Climate impact of our loans and investments 2022

in ktonne CO<sub>2</sub>e



## Climate impact in emission intensity 2022

ktonne CO<sub>2</sub>e/billion EUR financed



to the operationalisation of existing projects. This resulted in a 23% increase of the total attributed avoided emissions compared to last year.

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 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.

## Triodos Bank's Science Based Targets – scope 3 portfolio targets

Triodos has committed itself to the Science Based Targets initiative. Together with SBTi, in 2022 we worked on a validated set of (intermediate) targets. These targets were approved by SBTi on 10 March 2023, and include the following targets for our financed emissions. For our targets related to our own operations as a company, please refer to the Environmental report (see page 93).

### Headline target:

Triodos Bank portfolio targets cover 43% of its total investment and lending by total assets under management as of 2020. As of 2020, required activities made up 38% of Triodos' total investment and lending while optional activities made up 31% and out of scope activities made up 31%.<sup>1</sup>

### Scope 3 asset class level targets

- Electricity generation project finance (Sector Decarbonization Approach (SDA) method): Triodos Bank commits to continue only financing renewable electricity projects through 2030.
- Commercial real estate (SDA method): Triodos Bank commits to reduce its scope 3 GHG emissions from commercial real estate within its private debt and equity portfolio 70% per square meter by 2035 from a 2020 base year.
- Corporate loans (Portfolio coverage method): Triodos Bank commits to 27% of all other corporate lending, by gross carrying amount, setting SBTi validated targets by 2025, and 82% by 2035.
- Listed equity, private equity and corporate bonds (SDA + portfolio coverage method):
  - Triodos Bank commits to reduce its scope 3 GHG emissions from the pulp & paper sector within its listed equity and corporate bond portfolio 45% per ton paper and board produced by 2035 from a 2020 base year.
  - Triodos Bank commits to reduce its scope 3 GHG emissions from the transport - vehicle manufacturing (PLDV) sector within its listed equity and corporate bond portfolio 44% per vehicle km by 2035 from a 2020 base year.
  - For all other sectors, Triodos Bank commits to 51% of its listed equity, private equity and corporate bond portfolio by net asset value setting SBTi validated targets by 2025, and 82% by 2035.

<sup>1</sup> These targets and coverage % do not include third-party asset management activities. Third-party asset management activities made up 4% of total investment, lending, and asset management activities by total assets under management.



## Climate impact of our loans and investments

2022					
Emission type / Transition theme	Impact sector	Gross amount (million EUR) <sup>1</sup>	Attributed emissions (ktonne CO2e)	Emission intensity (ktonne CO2e / billion EUR)	Data quality score high quality = 1 low quality = 5
<b>Generated emissions</b>					
Food	Organic farming	309	9	30	2.8
	Organic food	157	8	49	4.4
Resources	Sustainable property	1,084	26	24	3.0
	Residential mortgages	4,450	21	5	3.2
	Resources - other	135	5	38	4.6
Energy	Environmental - other	206	24	115	5.0
Society	Social housing	590	21	35	3.9
	Society other and municipalities	233	7	32	4.9
	Inclusive finance and development	946	12	13	5.0
Wellbeing	Care for the elderly	742	14	19	3.3
	Healthcare - other	471	11	24	4.8
	Education	321	9	28	4.0
	Arts and culture	523	18	35	4.3
	Wellbeing- other	278	9	31	4.9
IEB funds	Corporate equities and bonds	2,180	112	51	2.0
	(Sub-)Sovereign bonds	449	10	22	3.8
Other	Other loans and investments	1,872	8	4	4.4
		<b>14,946</b>	<b>324</b>	<b>22</b>	<b>3.5</b>
<b>Sequestered emissions</b>					
Resources	Nature development and Forestry	45	-10	-229	3.0
<b>Net emissions</b>		<b>14,991</b>	<b>314</b>	<b>21</b>	<b>3.5</b>
<b>Avoided emissions</b>					
Energy	Renewable energy	2,429	1,048	431	1.5
<b>Total<sup>2</sup></b>		<b>17,420</b>			<b>3.2</b>

<sup>1</sup> Assets managed for third parties, such as our private banking customers, are not included.

<sup>2</sup> Avoided emissions should not be summarised because their absolute emission is zero.

2021 <sup>1</sup>		Gross amount (million EUR) <sup>2</sup>	Attributed emissions (ktonne CO2e)	Emission intensity (ktonne CO2e / billion EUR)	Data quality score high quality = 1 low quality = 5
Emission type / Transition theme	Impact sector				
<b>Generated emissions</b>					
Food	Organic farming	314	11	36	2.9
	Organic food	150	3	19	5.0
Resources	Sustainable property	1,043	29	27	3.4
	Residential mortgages	3,620	20	5	3.2
	Resources - other	116	4	35	5.0
Energy	Environmental - other	155	15	96	5.0
Society	Social housing	585	20	35	4.0
	Society other and municipalities	353	10	29	5.0
	Inclusive finance and development	997	13	13	5.0
Wellbeing	Care for the elderly	805	20	25	3.8
	Healthcare - other	483	21	43	5.0
	Education	329	11	34	3.8
	Arts and culture	535	35	66	4.5
	Wellbeing - other	304	19	61	5.0
IEB funds	Corporate equities and bonds	2,422	137	56	2.4
	(Sub-)Sovereign bonds	494	12	23	3.8
		<b>12,705</b>	<b>379</b>	<b>30</b>	<b>3.6</b>
<b>Sequestered emissions</b>					
Resources	Nature development and Forestry	53	-15	-273	2.9
<b>Net emissions</b>		<b>12,758</b>	<b>364</b>	<b>29</b>	<b>3.6</b>
<b>Avoided emissions</b>					
Energy	Renewable energy	2,483	851	343	1.5
<b>Total<sup>3</sup></b>		<b>15,241</b>			<b>3.2</b>

<sup>1</sup> The 2021 figures for residential mortgages and IEB funds have been restated to correct for calculation differences, improved PCAF data and applying the PCAF NL approach for residential mortgages. Also, the 2021 format has been updated to match with the transition themes.

<sup>2</sup> Assets managed for third parties, such as our private banking customers, are not included.

<sup>3</sup> Avoided emissions should not be summarised because their absolute emission is zero.

## 1.3.7

# Taxonomy reporting

### What is the EU Taxonomy?

The EU Taxonomy is the EU's dictionary of sustainable economic activities. The Taxonomy describes which investments are considered green. This promotes transparency, counters greenwashing and drives the shift of capital towards the sustainable economy of the future; a development that Triodos wholeheartedly supports. However, Triodos Bank is against the classification of natural gas and nuclear power as 'green transition techniques'. This puts the added value of the Taxonomy at risk, evolving it from a science-based dictionary to a controversial tool that actually encourages greenwashing. In addition, Triodos Bank strongly supports the development of a taxonomy of harmful activities, which is crucial to reliably identify risky sectors and accelerate their transition.

Six environmental objectives have been identified within the EU Taxonomy. The Taxonomy Delegated Acts contain technical screening criteria to further describe which economic activities fall under these objectives. A distinction is made between Taxonomy-eligible and Taxonomy-aligned (see the figure on the next page).

### What does Triodos Bank need to disclose?

As a credit institution, Triodos needs to report Taxonomy-alignment in the form of the green asset ratio (GAR). The GAR shows the proportion of a credit institution's assets that are Taxonomy-aligned economic activities (the numerator) as a proportion of total covered assets (the denominator). As a bank we rely on client information on the EU Taxonomy to determine our GAR.

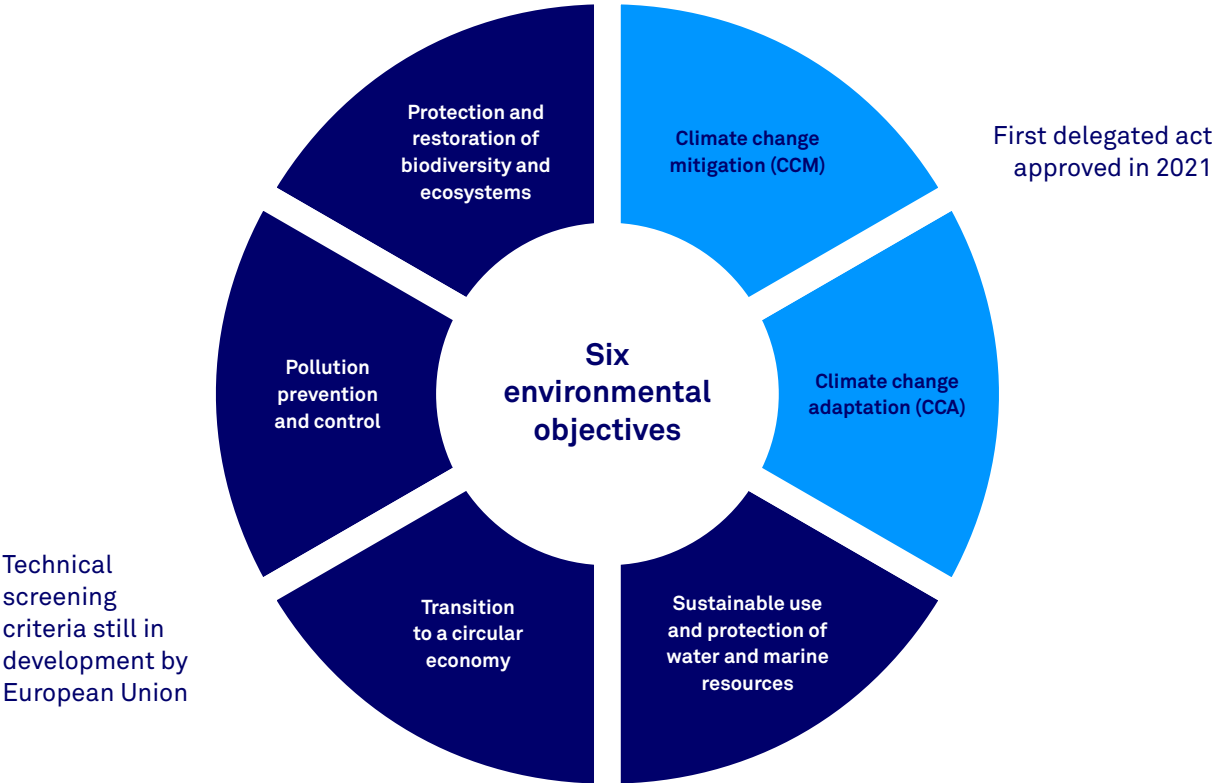
For reporting year 2022, Triodos Bank will only report on Taxonomy-eligibility for climate change mitigation (CCM) and climate change adaptation (CCA) as we use information provided by clients over reporting year 2021. The criteria for the remaining four environmental objectives under the Taxonomy will likely be finalised only in 2023. Triodos Bank will be required to report on Taxonomy-alignment for CCM and CCA as of reporting year 2023.

Guidance provided by the EU has introduced a distinction between mandatory and voluntary reporting on the EU Taxonomy. For the mandatory reporting, eligibility-related disclosures of financial undertakings are to be based on actual information obtained bilaterally from counterparties. We include the GAR for our Triodos Investment Management activities on a voluntary basis.

### Scoping considerations: most of our sustainable lending portfolio falls outside the EU Taxonomy scope

We acknowledge the positive development of the EU Taxonomy but also strongly recognise that in the first years of the phased-in approach, a significant part of our portfolio falls outside the scope of the EU Taxonomy even though we believe our entire portfolio reflects our mission and frontrunner position as a values-based bank. The sustainable objectives currently only cover two out of six environmental objectives for banks in reporting year 2022. Triodos Bank has significant exposures in sectors such as healthcare, education and arts and culture, which are currently out of scope for determining Taxonomy-eligibility within these two objectives. Additionally, Triodos Bank has a high exposure to SMEs within its banking activities, but also in the alternative investment funds which mainly consist of unlisted SMEs. These are significant exposures not covered under the current Taxonomy mandatory reporting which only include large corporations subject to the Non-Financial Reporting Directive (NFRD).

**Taxonomy-eligible:** an economic activity that is described in the Delegated Acts adopted under the Taxonomy Regulation, irrespective of whether that activity complies with the technical screening criteria.



**Taxonomy-aligned:** An economic activity should meet the following four conditions to be Taxonomy-aligned:

- Substantially contribute to one or more of the environmental objectives of the EU Taxonomy.
- Do no significant harm (DNSH) to any of the other environmental objectives.
- Comply with minimum social safeguards.
- Comply with the technical screening criteria (TSC).

The six environmental objectives of EU Taxonomy and four conditions that need to be met to be Taxonomy-aligned

## Triodos Bank N.V. 2022 Taxonomy-eligibility figures

**39.6% of Triodos Bank’s covered assets can be considered Taxonomy-eligible (according to mandatory disclosure).**

The first table shows the assets excluded for the GAR calculation and the assets covered for the GAR calculation. Per 31 December 2022, the gross

carrying amount of total assets is EUR 16.1 billion. Of these total assets, EUR 12.0 billion (74.5%) is included in the denominator (our covered assets). Of the covered assets, EUR 4.8 billion, or 39.6% is Taxonomy-eligible according to our mandatory disclosure. EUR 4.1 billion, or 25.5% of total assets, are excluded from the GAR calculation. The excluded assets relate to cash exposures to central banks and exposures to sovereigns.

This eligibility percentage seems low when considering our mission. This mainly results

from the high exposure to SMEs that are not obliged to disclose Taxonomy-related information. EUR 5.5 billion of the EUR 6.2 billion assets in the denominator (45.4% of the covered assets and 33.8% of total assets) refer to exposures to non-financial counterparties that are not subject to the NFRD disclosure obligations and are therefore not obliged to report on the EU Taxonomy. This is mainly driven by SMEs and UK exposures which fall outside the scope of the EU Taxonomy.

The main driver of our Taxonomy-eligibility score is our exposure to mortgages which relate to real-estate activities and are eligible for climate change mitigation. EUR 137 million (59.1%) of

the non-financial corporations subject to NFRD disclosure obligations are Taxonomy-eligible. These companies are mainly active in renewable energy, engineering activities and real estate. Other eligible activities are driven by specialised lending to local governments and green bonds. The final category of eligible assets relates to residential and commercial immovable property that was obtained through possession. These assets are linked to real estate and are therefore considered Taxonomy-eligible. We expect the Taxonomy-eligibility ratio to increase significantly over the coming years when the scope of the EU Taxonomy expands to other environmental objectives and clients increase their disclosures on the EU Taxonomy.

Balance sheet items in millions of EUR	2022 <sup>1</sup>			2021 <sup>1</sup>		
	Gross carrying Amount	Of which: Taxonomy- eligible	Taxonomy- eligibility %	Gross carrying Amount	Of which: Taxonomy- eligible	Taxonomy- eligibility %
<b>Total assets<sup>2</sup></b>	<b>16,142</b>	<b>4,770</b>	<b>29.6%</b>	<b>16,554</b>	<b>3,815</b>	<b>23.0%</b>
<b>Of which: Assets excluded for GAR calculation</b>	<b>4,111</b>			<b>5,682</b>		
Sovereigns <sup>3</sup>	1,480			1,354		
Central banks exposure	2,631			4,328		
<b>Of which: Assets covered for GAR Calculation</b>	<b>12,031</b>	<b>4,770</b>	<b>39.6%</b>	<b>10,872</b>	<b>3,815</b>	<b>35.1%</b>

<sup>1</sup> Empty highlighted sections are intentionally left blank. No information is displayed as excluded assets by their definition are not tested for eligibility.

<sup>2</sup> Gross carrying amount excludes 1) impairments on loans and advances and 2) fair-value changes of the hedged items in portfolio hedge of interest rate risk. Therefore the total assets in this table are EUR 342 million higher than reported in the FinRep F01.01 or IFRS Total Assets in which deductions for impairments or fair-value changes of hedged items are included (carrying amount).

<sup>3</sup> Exposures to regional and central governments and regular lending to local governments.

In 2021, Triodos Bank disclosed eligible GAR on a voluntary basis as no counterparty information was yet available. In 2022, we report on the eligibility of our counterparties that are in scope by collecting information that is either publicly disclosed or collected from our clients bilaterally. We therefore do not have a separate voluntary disclosure for our on-balance exposures. Triodos Bank does however disclose the eligibility of the funds under management within Triodos Investment Management on a voluntary basis. EUR 236 million funds under management (excluding Private Banking and Stichting Hivos Triodos) are Taxonomy-eligible under our voluntary

disclosure, which amounts to 24.8% of the corporates subject to NFRD disclosure within the funds under management and 4.8% of total funds under management.

The 2022 eligibility ratio is mainly driven by holdings in the energy and utility industries. Only 19.4% of funds under management are exposures to corporates subject to NFRD disclosure obligations as a significant part of the portfolio is located outside the EU. Variations in the eligibility percentage compared to 2021 can be explained by a change in data provider of EU Taxonomy information and in shifting from using estimates to

Assets covered for GAR Calculation in millions of EUR	2022 <sup>1</sup>			2021 <sup>1</sup>		
	Gross carrying Amount	Of which: Taxonomy-eligible	Taxonomy-eligibility %	Gross carrying Amount	Of which: Taxonomy-eligible	Taxonomy-eligibility %
<b>Total assets covered for GAR Calculation</b>	<b>12,031</b>	<b>4,770</b>	<b>39.6%</b>	<b>10,872</b>	<b>3,815</b>	<b>35.1%</b>
<b>Of which: GAR - assets in numerator</b>	<b>5,848</b>	<b>4,770</b>	<b>81.6%</b>	<b>4,987</b>	<b>3,815</b>	<b>76.5%</b>
Financial corporations	877	55	6.3%	758	30	4.0%
Non-financial corporations subject to NFRD disclosure obligations	232	137	59.1%	239	18	7.5%
Households	4,601	4,460	96.9%	3,811	3,636	95.4%
Specialised lending to local governments	132	114	86.4%	172	123	71.5%
Collateral obtained by taking possession	5	5	100.0%	7	7	100.0%
<b>Of which: Assets excluded from the numerator for GAR calculation (covered in the denominator)</b>	<b>6,183</b>			<b>5,885</b>		

<sup>1</sup> Empty highlighted sections are intentionally left blank. No information is displayed as assets only included in the denominator by their definition are not tested for eligibility.

determine Taxonomy-eligibility to an increased use of data provided by investees. Actual EU Taxonomy figures may be lower than the estimated figures from last year. Nonetheless, all investments of Triodos Investment Management are sustainable investments as defined by Article 2(17) of the EU SFDR. A subset of these investments has EU Taxonomy-related objectives as core focus of the funds. Other investments have non-EU Taxonomy environmental objectives or social objectives.

More information on how we applied the EU Taxonomy reporting, the assumptions we made and the limitations that we experience are disclosed in Appendix VII, which also contains the full reporting table.

## Compliance with the Taxonomy regulation: how the Taxonomy fits into Triodos Bank

This section elaborates on the compliance with the EU Taxonomy within our business strategy, product design processes and engagement with clients.

Sustainability is a core value of Triodos Bank and is integrated into nearly all our activities. Since its founding, Triodos Bank has been aware of the impact that its investment and finance decisions have on society, both positive and negative. There is no such thing as a neutral financial exposure, allocating capital (by investing or lending) should be done consciously considering both the environmental and social impact. We will therefore actively comply with and follow applicable sustainable finance regulations.

Triodos Investment Management voluntary disclosure in millions of EUR	2022			2021		
	Net asset value	Of which: Taxonomy-eligible	Taxonomy-eligibility %	Net asset value	Of which: Taxonomy-eligible	Taxonomy-eligibility %
<b>Total funds under management<sup>1</sup></b>	<b>4,901</b>	<b>236</b>	<b>4.8%</b>	<b>5,401</b>	<b>289</b>	<b>5.3%</b>
Of which: debt securities	2,243	72	3.2%	2,531	59	2.3%
Of which: equity instruments	2,594	152	5.9%	2,530	229	9.1%
<b>Total funds under management - Corporates subject to NFRD disclosure obligations</b>	<b>953</b>	<b>236</b>	<b>24.8%</b>	<b>810</b>	<b>289</b>	<b>35.6%</b>
Of which: debt securities	278	72	25.7%	179	59	33.0%
Of which: equity instruments	638	152	23.8%	632	229	36.2%

<sup>1</sup> The total funds under management reported in this table deviates from total assets under management reported at segment reporting. Funds under management activities that do not meet the UCITS/AIF qualification (such as Private Banking and Stichting Hivos Triodos) are excluded in FY2022. Additionally, values here are reported at NAV (Net Asset Value) while the segment reporting is reported at TNA (Total Net Asset value).

However, we also recognise that at least in the implementation phase, these regulations still have their serious limitations: only two out of the six objectives are in place and there is no social taxonomy. The political decision to include nuclear and gas as sustainable activities has introduced uncertainty. As they stand, these regulations are not leading our business strategy.

The following procedures are in place at Triodos Bank to determine whether underlying activities (of financial products, loans, etc.) qualify as sustainable. Within our business activities, our Lending criteria and Transition Theme criteria screen for positive social, environmental, and cultural impact. Our Minimum Standards set out the absolute minimum requirements of any economic activity we lend to or invest in. The Engagement and Stewardship policy explains how Triodos Investment Management engages with their counterparties to improve the positive impact

made and reduce the negative impact, whether that be environmental or social. These policies have been created from a Triodos Bank perspective and do not necessarily follow the technical screening and do no significant harm (DNSH) criteria as set by the EU Taxonomy in this stage.

As sustainability is embedded in the DNA of Triodos Bank, each department is responsible for ensuring sustainability is incorporated within the design and functioning of our products. An interdisciplinary team within Group Finance performs the EU Taxonomy analysis and reporting for Triodos Bank N.V. under the responsibility of the Group Director Finance and in strong collaboration with the Legal team and other teams implementing sustainable finance regulations. We maintain a dynamic methodology document explaining our reporting decisions and how underlying activities qualify as environmentally sustainable. A condensed

version is published on the website of our 2022 annual report.

In the second year of EU Taxonomy reporting we have collected EU Taxonomy-related information from our counterparties or their parent companies that were obliged to report under the NFRD. Triodos Bank periodically collects information from clients on impact data to inform our stakeholders about what happens with their money. As a result of the EU Taxonomy, the requests for information to our clients have increased and will continue to do so in the future. Triodos Bank will remain in discussion regarding the feasibility of the data collection among SMEs (which are currently not yet in scope for Taxonomy reporting). In the future, we will need to review our pre-contractual documents and periodic reports to collect information relevant for the EU Taxonomy.

Data collection will have to be integrated in relevant processes such as the loan origination process for general and project-specific lending, and loans and mortgages documentations for household mortgages or building renovation loans. Currently, relevant EU Taxonomy information for existing and new counterparties is collected manually due to the small number of business clients in scope.

We recognise the disclosures are mainly created from a Triodos Bank perspective. In the future, our business strategy, product design processes and engagement with clients and counterparties may need to be more clearly linked to the EU Taxonomy when we have both more clarity and guidance on the EU Taxonomy from regulatory bodies and when we have increased insights from the market and stakeholders on how the EU Taxonomy is applied.