Generating positive impact through euro-denominated bonds

Triodos Euro Bond Impact Fund Impact Report 2023

Triodos Investment Management

1	2	3	4	5	6	7

Lower risk ← → Higher risk

Typically lower rewards — Typically higher rewards

Impact highlights 2023

Top 3 transition themes

45%
Sustainable Mobility and Infrastructure

22%
Social Inclusion and Empowerment

15%
Prosperous and Healthy People

Top 3 Sustainable Development Goals contributed to

3 GOOD HEALTH AND WELL-BEING

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

5 key engagement topics

Climate change
Executive remuneration
Plastic pollution
Family friendly working policies
Hazardous chemicals

45
impact bond issuers engaged with

64%
impact bonds in portfolio

81%
of holding companies committed to or aligned with the Science Based Targets initiative

25% less
GHG intensity than benchmark

66% less
Non-recycled waste than benchmark

50% less
Excessive CEO pay ratio than benchmark

Enhanced impact profile

The global economy proved resilient last year, despite growing geopolitical tensions and the highest interest rates in a decade. Although this might be a positive development, it comes at a huge cost. Our current economic system is based on growth and profit maximisation and comes at the detriment of societal wellbeing and our planet. Inequality has increased further, and climate action is slow, adding to the urgent need for transformation. It is our purpose to contribute to change by financing this transformation. Positive social, environmental and cultural change have always been the drivers of our investment activities.

Last year we enhanced the impact profile of the fund, primarily by expanding investments related to our transition themes Prosperous and Healthy People and Social Inclusion and Empowerment. One example in the Prosperous and Healthy People theme is Novo Nordisk. This healthcare company not only enables people to live with diabetes, but also has sustainability embedded throughout its business processes.

Within Social Inclusion and Empowerment, we have added real estate company Vonovia as a new bond issuer and invested in a newly issued social bond. The proceeds of the bond are used for developing affordable housing for vulnerable population groups like low-income households, disabled people, older adults, students, and refugees.

Triodos Euro Bond Impact Fund will continue to strive for positive change by investing in bond issuers and impact bonds that make a clear contribution to a more sustainable economy and a more inclusive society.

Jeroen van Herwaarden
Portfolio Manager Triodos Euro Bond Impact Fund

Portfolio management team

Jeroen van Herwaarden

Rosl Veltmeijer

William de Vries

Fund characteristics

Asset class
euro bonds

Domicile
Luxembourg

Legal structure
sub-fund of Triodos SICAV I

Inception date
July 2007

AUM per December 2023
EUR 345,422,897

Benchmark
iBoxx Euro Corporates Overall Total Return (60%) and iBoxx Euro Eurozone Sovereign 1-10 Total Return (40%)

Managed by
Triodos Investment Management

Depository
CACEIS Investor Services Bank SA

Fund 3101 0017

Read more about the Nordic Swan Ecolabel

Investing in the change makers

We classify Triodos Euro Bond Impact Fund as an SFDR Article 9 fund. The fund invests in listed companies and bond issuers that actively contribute to at least one of Triodos' transition themes, which in turn address at least one of the sustainable investment objectives. Each Triodos transition theme is linked to one or more UN Sustainable Development Goals (SDGs):

Sustainable Objectives

- Contribute to the transition to an economy within planetary boundaries
- Contribute to the transition to an economy where all humans can enjoy a prosperous life
- Make money work for environmental and social change

Triodos Transition Themes

Renewable Resources	Circular Economy	Sustainable Mobility and Infrastructure	Sustainable Food and Agriculture	Innovation for Sustainability	Prosperous and Healthy People	Social inclusion and Empowerment
Limit the use of finite resources	Make use of resources as efficiently as possible	Be mobile, live and work in a sustainable way	Feed the world sustainably	Innovate for a sustainable future	Become and stay happy and healthy	Create a society in which all people can participate

UN SDGs

Positive impact through bonds

Our bond portfolio consists of impact, corporate and financial bonds, issued by companies, financial and semi-public institutions and EU member state governments. They all generate positive impact and contribute to at least one of our seven transition themes.

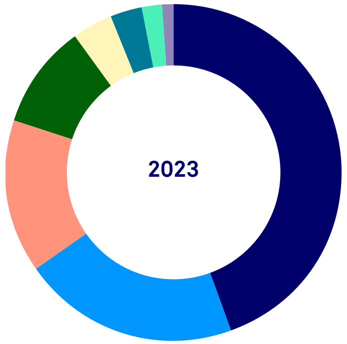
Impact bonds	› Bond proceeds are used to generate positive impact › Assessment of Green or Social Bond Framework › Additionality of the projects financed › Issuer adheres to Triodos minimum standards	64%
Corporate bonds	› Issuer's business model contributes to our sustainable transition themes › Issuer adheres to Triodos minimum standards.	35%
Financial bonds	› The issuer is connected to the real economy and focuses on triple bottom line finance (GABV methodology) › Issuer adheres to Triodos minimum standards	1%
(sub) Sovereign bonds	› Sovereign signed and rectified main UN conventions › Only used to mitigate liquidity risks, manage interest rate risk and credit quality if needed	No impact

The cash position of the fund was 0.2% per end December 2023.

Impact achieved

Triodos Euro Bond Impact Fund measures impact first and foremost as positive contribution to our sustainable transition themes. Each company in the portfolio must positively contribute to at least one of these themes through its commercial strategy. In 2023, the fund's portfolio contributed positively to the following themes:

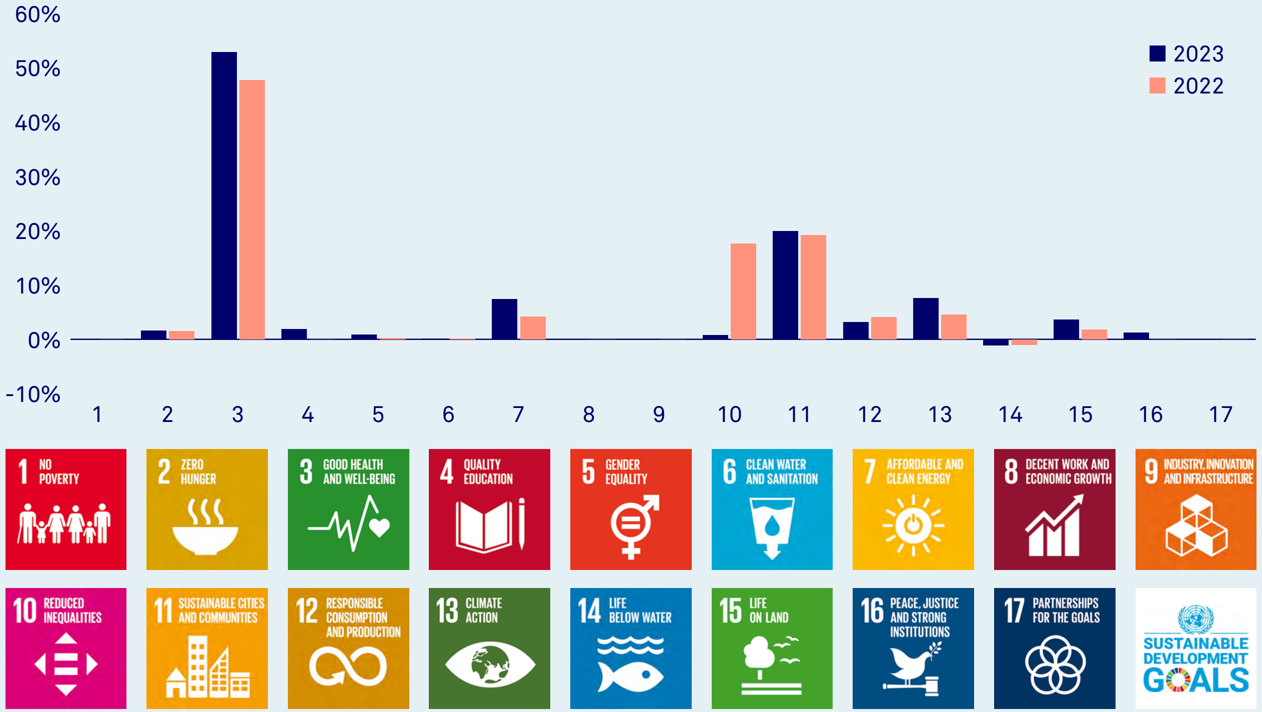
Portfolio contribution to transition themes



	2023	2022
Sustainable Mobility and Infrastructure	45%	46%
Social Inclusion and Empowerment	21%	23%
Prosperous and Healthy People	15%	13%
Renewable Resources	10%	9%
Sustainable Food and Agriculture	4%	4%
Innovation for Sustainability	3%	2%
Circular Economy	2%	1%
Liquidity	1%	2%

Sustainable Development Goals

To further measure the impact of the fund, we assess its contribution to the UN SDGs, based on the underlying revenue streams from the product and services of each company.



Source: ISS ESG as per end of December 2022 and 2023.

The increased contribution to SDG 3 is the result of the addition of Reckitt Benckiser and Novo Nordisk to the portfolio. The increased contribution to SDG 7 is the result of the addition of Statnett and National Grid. The changes in the contribution to SDG 10 are caused by transactions and stricter application of positive scoring for this SDG by ISS ESG.

Impact investments

Click here for an overview of all investments of the fund in 2023.

Novo Nordisk

Novo Nordisk is a world leader in diabetes care, aiming to turn the tide of the diabetes pandemic. The company seeks to raise awareness and prevention education, improve access to and affordability of care, and to proactively address the psychosocial aspects of diabetes.

> Find out more here

Smurfit Kappa

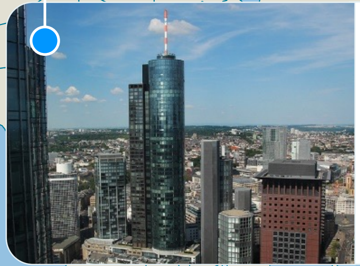
Recycling is at the heart of the business model of Smurfit Kappa. 75% of the raw material used consists of recycled fibres. All paper-based packaging the company produces is recyclable and through its products the company facilitates the shift from plastic to more environmentally friendly paper-based packaging.

> Find out more here

Vonovia

This social bond is issued to refinance the development of affordable housing units and low-barrier housing. These projects fulfill housing needs for certain vulnerable population groups such as low-income households, disabled people, older adults, students, and refugees.

> Find out more here



Landesbank Hessen-Thüringen

Through impact bonds, the bank finances loans in projects related to renewable energy. Projects include wind energy (both onshore and offshore) and solar energy. These renewable energy projects are to provide affordable and clean energy (SDG7) and tackle climate change (SDG13).

> Find out more here

National Grid

An upgraded and expanded electric grid is the backbone of the energy transition. In the coming decades, grid operators like National Grid must modernise its aging infrastructure and build new connections and repurpose its existing assets to handle burgeoning and more decentralised renewables generation.

> Find out more here

Optimising impact to accelerate transitions

As a financial institution, we use money consciously, as a driving force towards a society that is humane, ecologically balanced and works for the benefit of all. We have a robust process in place to optimise impact and accelerate key transitions. We continuously develop this process following new insights and latest developments and standards.

A robust process to optimise impact

Select investments for their contribution to key transitions + Minimise adverse impact by applying our minimum standards + Actively engage to drive progress = Optimise impact to accelerate transitions

Integrated impact, risk and return analysis

Contribution to transitions
We invest to realise our vision of a prosperous life for people on a thriving planet. Each fund has a Theory of Change, which describes how the fund can enable, contribute and accelerate sustainable transitions. This ambition is translated into a set of objectives, indicators and internal targets per fund.

Each potential investment must significantly contribute to at least one of fund's sustainability objectives to qualify for investment (see pages 4 and 5).

Minimise adverse impact
We select for positive impact but also determine the level of potential adverse impact. This includes a screening based on the Triodos minimum standards, potential controversies, the EU SFDR Principal Adverse Impacts (PAIs) and relevant sector-specific standards to ensure our investments do not cause any significant harm.

We also mitigate and manage any material sustainability risk. Read more in Our approach to impact.

Engage to drive progress
We aim to accelerate transitions and promote sustainable long-term value creation for all our stakeholders. To this end, we frequently engage on environmental and social topics that are relevant to each investee's business model, as well as on general corporate governance issues.

We engage to obtain information both in response to (potential) controversies and proactively on strategic topics. Furthermore, we believe that by active ownership - exercising voting rights for listed investments and board seats for private equity investments - we can exert a positive influence on a company's long-term strategy.

Theory of Change

This Theory of Change underpins how Triodos Euro Bond Impact Fund acts, invests and evaluates its activities.

If we: Invest in and engage with carefully selected global listed companies and bond issuers that fit our vision on transformative impact and that:

	- Increase renewable resource use - Reduce demand for finite natural resources - Increase efficient resource use	- Increase access to basic human needs (e.g. food, water, housing, healthcare) - Target underserved individuals or communities	- Inspire clients with their positive impact - Show improvement in sustainability practices following engagement by investors
Assuming:	Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources	Investees offering access to basic human needs and lifting barriers for individuals will boost shared prosperity	We continue to be a frontrunner and our strategy leads to impact and attractive returns which we effectively communicate
Then we expect:	- A fossil fuel free economy - A circular economy - Sustainable food systems	- Sustainable food systems - A thriving community - Prosperous and healthy people	- Increased transparency of sustainability risks and opportunities - More capital flows towards sustainable investment
Which will contribute to:	**An economy within planetary boundaries**	**A prosperous life for all people**	**Money working for positive change**

Do no significant harm

To make sure that its investments do not cause any significant harm, the fund continuously monitors alignment with the strict Triodos minimum standards. In the course of 2023, the fund excluded one company from the portfolio due to either a breach of Triodos' minimum standards, or a persisting unacceptable risk.

Company name	Reason for exclusion
Philips	The negative feedback of the FDA on the recall of sleep apnoea devices led to a major controversy. We therefore sold our remaining bond position in the company.

Investments are also assessed on their Principal Adverse Impacts (PAIs) in line with SFDR guidelines for Article 9 funds. The GHG intensity, Non-recycled waste and the Excessive CEO pay ratios illustrate the lower negative impact of the portfolio companies' activities compared to those of the benchmark: iBoxx Euro Corporates Overall Total Return (60%) and iBoxx Euro Eurozone Sovereign 1-10 Total Return (40%).

	End of December 2023	End of December 2022
GHG intensity	**25% less** Fund: 89.12 tCO_2eq / EURm Index: 118.28 tCO_2eq / EURm	**39% less**
Non-recycled waste	**66% less** Fund: 4.31 t / EURm Index: 12.68 t / EURm	**n/a**
Excessive CEO pay ratio	**50% less** Fund: 80.95 times median Index: 162.42 times median	**64% less**

The impact indicators are calculated using Principal Adverse Indicator data from Morningstar Sustainalytics.

GHG intensity of investee companies: The GHG intensity is a relative measure of greenhouse gas (GHG) emissions. It is the amount of GHG produced per unit of revenue generated by the company, measured in tonnes of CO_2 per EURm generated in revenue. The carbon intensity is then weighted using the portfolio weight to get a weighted average for the portfolio.

Non-recycled waste ratio: For each company the non-recycled waste ratio is the total amount in metric tons of non-recycled waste produced dividend by the amount invested in EURm, shown as a weighted average.

Excessive CEO pay ratio: This metric measures the ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees.

Engagement agenda

Stewardship is integrated in every aspect of the fund's investment management process to promote sustainable value creation for all our stakeholders. We engage with companies and institutions to drive positive change. Where appropriate, we discuss governance, environmental and social issues relevant to their specific business models. These discussions often take place before a company is added to the investable universe. In 2023, the Impact Equities and Bond funds' formal engagement agenda focused on five topics:

Climate change

In July 2020, we initiated our climate change engagement project. The goal of this project is to encourage our portfolio companies to set science-based emission targets, in line with the 1.5°C trajectory, as set out by the Science Based Targets initiative (SBTi). In 2023, we stepped up our engagement efforts by setting the target to engage annually with all our holdings on GHG management.

Read the full article.

Energy transition

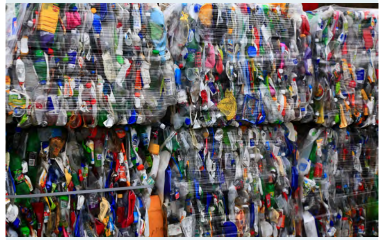
Executive remuneration

Over the past three years, we have engaged with companies we identified as having excessive remuneration. In 2023, we engaged with seven companies on this topic. Four of these have improved their remuneration structure and therefore remain in our investment universe.

Read the full article.

Societal transition

Plastic pollution



The current rate of plastic production is unsustainable, and cleaning up the aftermath is an overwhelming task. We engaged with 12 portfolio companies in the consumer staples sector, which are among the biggest users of plastic when it comes to packaging, to discuss what to do about the complex plastic legacy.

Read the full article.

Resources transition

Family friendly working policies

Family-friendly work policies play an important role in enhancing and improving the wellbeing of children. We started an engagement project to assess several of our portfolio companies' work policies related to children and their parents. The assessment consists of topics such as parental leave, flexible working hours, breastfeeding support at work, childcare support, living wages and job security.

Read the full article.

Wellbeing / Societal transition

Hazardous chemicals

Following the first round of engagement on hazardous chemicals in 2021/22, we focused on synthetic, highly toxic per- and polyfluoroalkyl substances, or PFAS, in 2023. We maintained our role as lead investors for Shin-Etsu and Evonik, who both notably improved their ChemScore. As there is room for further improvement, we will continue our engagement efforts.

Read the full article.

Resources transition

No change without engagement

We integrate stewardship in every aspect of our investment management process to drive positive change, through engagement, voting and advocacy. To accomplish this, it's essential to interact with the listed companies we invest in, argue Portfolio Manager Rosl Veltmeijer and Head of Research Henk Jonker. "Engagement begins from the moment we consider investing in a company. Dialogue and transparency are so crucial that companies unwilling to engage are not considered for investment."

Understanding a company is key to investing in it, says Veltmeijer. "We achieve this through analysis and engaging with management. In that sense, engagement is integral to our selection process, even before we use it to influence a company's policy." This way, engagement serves a dual purpose: maximising a company's positive impact and comprehending its business model.

When setting the agenda for positive change, engagement and voting are crucial tools. Both have distinct advantages and integrating them enhances the impact and clarity of shareholder intentions. Engagement provides a platform to address a wide range of concerns through informal discussions, formal meetings and collaborative efforts with other investors. Voting allows shareholders to exercise their vote at shareholder meetings and hold management directly accountable. However, Triodos IM prefers to wield its influence using engagement, says Jonker. "Through engagement, we can set the agenda, advocating for issues we deem crucial. At a shareholder meeting, however, the agenda is predetermined."

The impact of engagement

Engagement takes time. Steering companies towards a more sustainable trajectory can take years. Sometimes it succeeds, sometimes it doesn't. Lack of progress could result in divestment. Veltmeijer offers a more nuanced view on engagement: "You start engagement by asking relevant questions. Such questions can lead to awareness and thus policy changes. Ultimately, this is up to the company itself and the people working there. However, good questions set things in motion. If you achieve that, you can consider the engagement a success."

The mutual benefits of engagement

Successful engagement starts with the notion that dialogue must always be mutually beneficial. "It is important to ask relevant questions that also matter to the company. What helps is if you can share insights or best practices that the company itself does not have," concludes Jonker.

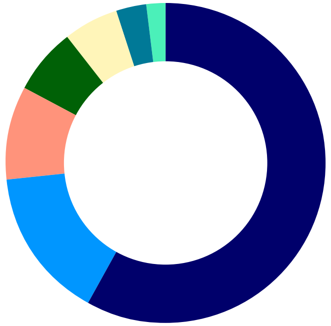
Read the full article here.

Engagement summary

Engagement in 2023

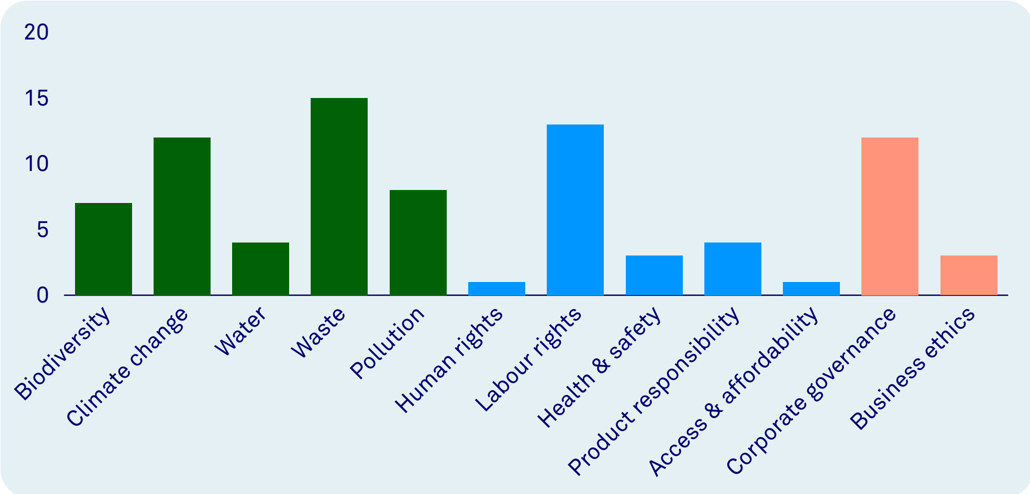
In addition to the engagement agenda, we have conversations with companies to discuss topics that are important to us as an impact investor.

Company contact purpose



	2023
Company update	61
Company engagement	16
Collaborative engagement	10
Event driven engagement	7
Engagement project	6
Impact bond engagement	3
MSA request for information	2
Total	**105**

ESG topics discussed



Number of times the topic was discussed.

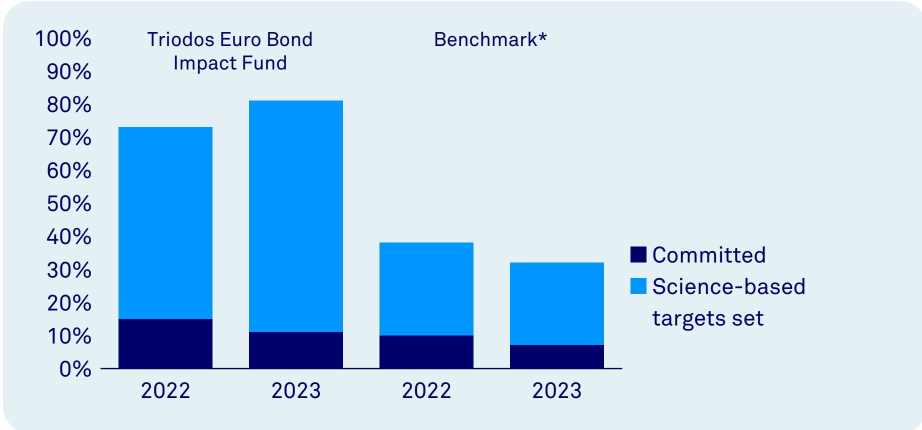
45
impact bond issuers
engaged with

64%
impact bonds
in portfolio

Alignment with the Science Based Targets initiative

As part of our climate change engagement, we measure two company milestones:

1. a company is committed to setting science-based targets,
2. a company has set science-based targets, in line with the 1.5°C trajectory.



* iBoxx Euro Corporates Overall Total Return (60%) and iBoxx Euro Eurozone Sovereign 1-10 Total Return (40%)

Sustainability risks and opportunities

ESG risks and opportunities of the ten largest holdings

Company name	Risks	Opportunities
European Union	The EU issues impact bonds to finance the SURE program. The program does not apply exclusion criteria for sectors that have negative environmental or social impact, so there is a risk that proceeds from the bond will eventually be allocated to sectors with negative impact.	The overall impact of the SURE program will be to protect income and preserve productive capacity and human capital of enterprises and the economy as a whole.
Spain - Community of Madrid	The impact and allocation reporting by the issuer is not very extensive. Not much detail is provided on the projects financed by the impact bond and the methodology of calculating the impact reported by the issuer.	The green bond is issued to finance the decarbonisation of public transport in the Madrid region. The proceeds are mainly used to purchase electric buses and for the development and maintenance of the fully electrified metro system in Madrid.
La Poste	Courier service is a high emission sector. A big share of La Poste's transport is conducted with carbon-intensive road transport, therefore impeding the fight against climate change.	La Poste has ambitous climate goals and sustainability strategy. It has set SBTi targets to reduce GHG emissions. The company has issued green instruments to facilate the electrification of its vehicle fleet.
Essity Aktiebolag	Essity's production activities affect air, water, earth, biodiversity, and climate. Stricter environmental standards, environmental restoration during facility shutdowns, or violations of permits may lead to increased expenses.	Essity could enhance its brand value by promoting sustainable sourcing, increasing the proportion of reusable products and those offering social or environmental benefits, and transitioning to more sustainable packaging solutions.
Instituto de Credito Oficial	The company facilitates the development of Spain's economy and does so by providing financial support to domestic infrastructure projects and import/export financing. There is no indication that ICO embeds sustainability targets into the executive remuneration policy.	ICO's mandate contributes to the achievement of sustainability goals. The bank has issued multiple green and social bonds to support multiple sectors of Spain's economy including small and medium-sized companies, clean energy and social housing.
NRW Bank	The green bond finances renovations to a hydropower plant. In some instances, hydropower plants can be linked to negative impact on local communities and biodiversity. No such impact has been observed so far.	The proceeds of this green bond are used to finance projects that focus on both climate mitigation and climate adaptation. These projects contribute to reduced emissions and improved biodiversity in North Rhine-Westphalia through better energy efficiency in buildings, more renewable energy generation, electric public transport, and river restoration.
Belgium - Region Wallonne	The level of transparency when it comes to eligible projects is not as strong as some other sovereign issuers, but the identification and management of potential sustainability risks associated with the Wallonie Green Social Sustainability bond framework is robust.	The Wallonie framework is a best-practice example. The look-back period is only 24 months and the disbursement period is also rather short. All eligible categories are considered impactful with 90% of the proceeds allocated to investment.
France - Region Ile de France	Région Île-de-France was criticised in 2020 for its decision to use EUR 730,000 initially dedicated to finance transportation of people with disabilities to finance other projects.	The issuer is very transparent in its allocation and impact reporting, therefore it is easy for investors to understand the exact use of the proceeds and the associated impact.
SFIL	There is only limited growth capacity in green loans, as local authorities are small and therefore often issue only one green loan per year, trying to fit as much as they can into the framework. This does not fit with SFIL's financing approach.	When financing healthcare projects, SFIL tries to direct investments to areas where there is a need for additional capacity. Hospitals account for 10% of SFIL's lending.
Danone	Biodiversity loss, climate change and water stress impair agricultural production and are therefore a material risk to Danone's sourcing operations, including milk, sugar and fruit. An additional risk are the packaging materials used by the company, in particular whether they can be recycled and reused.	Danone is well-positioned to support its customers with the provision of plant-based and essential dairy products. We see an opportunity for Danone to increase brand value by being positively associated with sustainable sourcing, deforestation-free programs and shifting towards more sustainable packaging solutions.

Sustainability risks and opportunities

Risks and opportunities of largest GHG emitters

Company name	Risks	Opportunities
Toyota	For car manufacturers, the main sustainability issues are the reduction of CO_2 emissions of the car fleet across the whole product lifecycle as well as environmental standards in the supply chain.	Toyota is committed to contributing to safe and energy-efficient mobility concepts, including transport infrastructure. These efforts, to some degree, facilitate a reduction of the environmental burden caused by cars.
Atlas Copco	Atlas Copco's ESG risks mainly center around human rights issues (e.g. during the construction of a dam project in Colombia in 2014). The company reports on its GHG emissions and has SBTi-approved targets.	Opportunities for Atlas Copco are EV manufacturing equipment for its Industrial Technique division and emission control abatement systems for its Vacuum Technique division. In addition, Atlas Copco provides products for use in hydrogen and renewable energy.
BMW	Reducing CO_2 emissions of the car fleet are the most pressing sustainability issues for car manufacturers. This includes the whole product lifecycle as well as environmental and social standards in the supply chain. The company has a near-term SBTI target and is committed to setting a SBTI net-zero target in the future.	For car manufacturers like BMW, opportunities for continued success can be found in the development of alternative drives and the creation of mobility concepts for the future. The company is working on mobility, telematics and navigation solutions in order to enhance road traffic efficiency and is part of initiatives regarding multi-modal mobility concepts and traffic in mega-cities.
Continental	Regarding the company's operational management, key risks include greenhouse gas emission reduction targets and action plans, performance of tyre models according to EU regulation and a strategy to optimise the energy efficiency of its products. Environmental risks are, by and large, managed well.	Opportunities for automotive suppliers are found in helping to improve the energy efficiency of vehicles. Further opportunities lie in the development of products for alternative drives and new mobility concepts.
Suez	The company contributes to greenhouse gas (GHG) emissions in several ways, including via its water treatment plants and waste incineration plants. The company has committed to fighting climate change and has therefore set short-term SBTi targets and committed to setting a net-zero SBTi target.	By recovering energy from waste through processes like incineration (with strict emission controls) or by converting biogas into electricity, Suez reduces reliance on fossil fuels and contributes to clean energy generation. The company also invests in advanced landfill gas capture technology, to turn methane into usable energy like electricity or fuel.

The top 5 highest emitters per fund are identified based on their total GHG emissions scope 1-3 per EY2023 as reported by Morningstar Sustainalytics.

Sustainability risks and opportunities

Risks and opportunities of biodiversity laggards

Company name	Risks	Opportunities
Ferrovie dello Stato Italiane	To connect cities and villages, railways use up vast amounts of land and go through nature reserves. This comes with the risk of disrupting biodiversity in these areas, cutting off habitats and migration routes for local species and animal collision with trains.	The company states that safeguarding biodiversity is a top priority and has a program for this: it prevents negative impact by avoiding protected areas when constructing infrastructure.
Reckitt Benckiser	The company is exposed to environmental risks related to its raw materials supply chain.	Demand for more sustainable products and ingredients is increasing. The company may increase its brand value by being positively associated with sustainable sourcing, production and packaging solutions.
Toyota Motor	The main sustainability risks are the reduction of CO_2 emissions of the car fleet across the whole product lifecycle as well as environmental and social standards in the supply chain. The mining of more (rare earth) materials needed for the batteries of electric cars can lead to significant negative impact on biodiversity.	Toyota has been a frontrunner for years with its hybrid vehicles and the fuel-efficiency of its internal combustion-engine vehicles. Besides that, Toyota has a biodiversity policy in which it contributes to biodiversity conservation initiatives.
Roche	Biodiversity loss driven by pollution through air, water and soil is the main risk for pharmaceutical companies like Roche.	The company recognizes the importance of biodiversity and ensures that discovery and development of products derived from any non-human organisms are in line with the principles and goals of the UN Convention on Biological Diversity. In addition, Roche has set a target to reduce its environmental impact by half by 2030.
Deutsche Post	Deutsche Post is an international postal and logistics group and therefore relies on several modes of transport such as aviation, automotive, ship and railway. These modes of transport are energy- and emissions intensive, which has a negative impact on biodiversity.	For its aviation transport, Deutsche Post aims to become the leader in sustainable aviation and is investing heavily in developing and sourcing sustainable aviation fuel and in developing alternative power solutions. In addition, ambitious efforts are taken to electrify its fleet, with a target to electrify 60% of last-mile delivery vehicles by 2030.

The biodiversity laggards per fund are identified top down, with the addition of biodiversity data from several sources. The first step in determining the biodiversity laggards per fund, is to identify the high-risk sectors for negatively affecting biodiversity. These include agriculture, construction and infrastructure, extractive industries, fishery and aquaculture, food and beverages, forestry and logging, shipping, chemicals, and pharmaceuticals. From these sectors, we filter companies with a relatively high negative impact on biodiversity using data from the World Benchmarking Alliance (WBA) and from ISS-ESG.

ISS-ESG assesses companies on their contribution to or obstruction of the UN Sustainable Development Goals, based on their products and services, policies, and involvement in controversies. By selecting companies that have been assessed by ISS-ESG to have a negative score on SDGs 14 (Life on land) and 15 (Life below water), additional biodiversity laggards are selected.

Finally, PAI data from Morningstar Sustainalytics are used to identify companies that negatively affect biodiversity-sensitive areas. One company was identified to negatively affect biodiversity-sensitive areas and was added to the top 5 biodiversity laggards of the relating funds.

Engagement with the ten largest holdings

Company name	Engagement topics
European Union	Reviewed allocation and impact reporting but no engagement with the issuer
Spain - Community of Madrid	Reviewed allocation and impact reporting but no engagement with the issuer
La Poste	Reviewed allocation and impact reporting but no engagement with the issuer
Essity Aktiebolag	Climate change, waste, governance, labour rights
Instituto de Credito Oficial	Reviewed allocation and impact reporting but no engagement with the issuer
NRW Bank	Reviewed allocation and impact reporting but no engagement with the issuer
Belgium - Region Wallonne	Reviewed allocation and impact reporting but no engagement with the issuer
France - Region Ile de France	Reviewed allocation and impact reporting but no engagement with the issuer
SFIL	Held 1on1 meeting with SFIL in March 2023
Danone	Biodiversity, climate change, pollution, waste, governance, health and safety

Implementation of sustainability regulation

SFDR
We classify all our funds as Article 9 Funds under the EU Sustainable Finance Disclosure Regulation (SFDR). Article 9 classification refers to the most sustainable product category and has the strictest requirements on sustainability disclosures.

This includes information on adherence to the sustainable objectives of the fund, how we mitigate adverse impact on people and planet, how sustainability risks are assessed and managed and how we ensure good business conduct of all investments.

EU Taxonomy
As from 1 January 2023 Triodos IM is obliged to report what percentage of a fund's portfolio is aligned with the EU Taxonomy Regulation. The EU taxonomy is a classification system that defines criteria based on which economic activities can be considered as environmentally sustainable.

Find out more about the EU SFDR and Taxonomy requirements. The fund's sustainability-related disclosures in accordance with SFDR can be found here.

Impact reporting in 2024

Facing several interrelated social and environmental challenges, our most critical task today is to navigate a social and ecological transformation based on a new economic paradigm.

Rethinking the purpose and goals of economic activity and directing financial flows to finance those activities that have the largest impact on societal change is a key action to trigger deep changes. To this end, we have identified five interlinked areas of intervention – food, resource, energy, society and wellbeing.

Our mission as a financial player is to enable and accelerate these vital transitions, by financing groundbreaking initiatives and providing funding to shift practices from less to more sustainable. We must invest in the deep, systemic transformation required to achieve our goal of a prosperous life for people on a thriving planet.

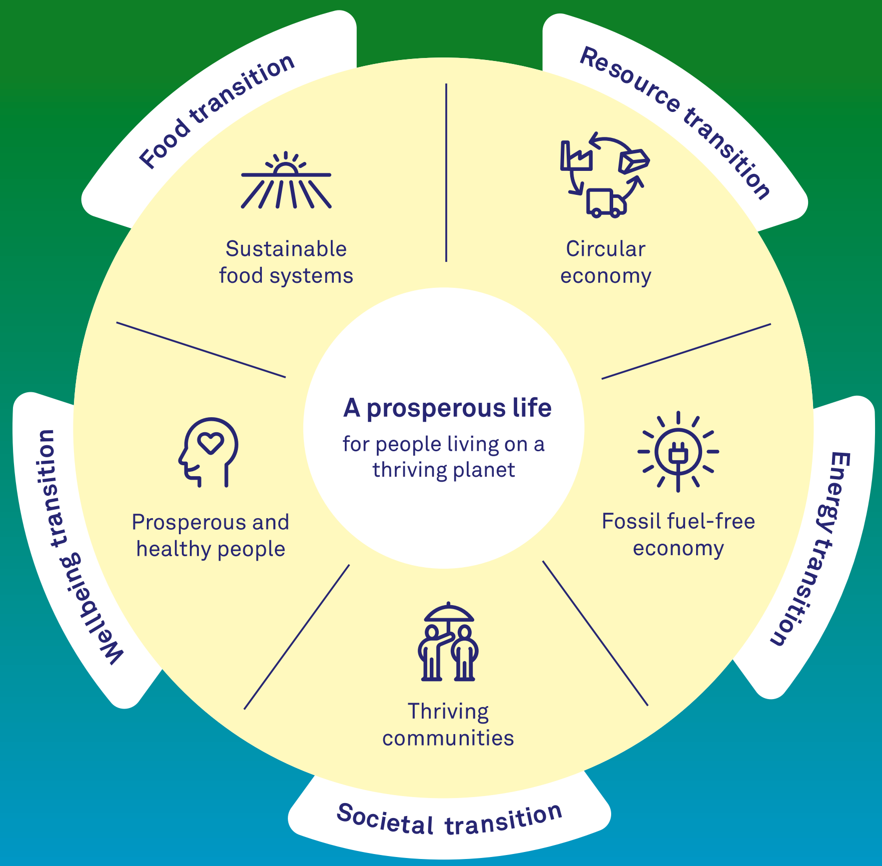
In 2023, we fully implemented the five transition themes into the fund's impact management and measurement process. On pages 19 and 20 you can see how we report on them as of 2024.

We will continue to implement external requirements driven by increasing EU regulation on sustainability, such as the EU Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy and Corporate Sustainability Reporting Directive (CSRD).

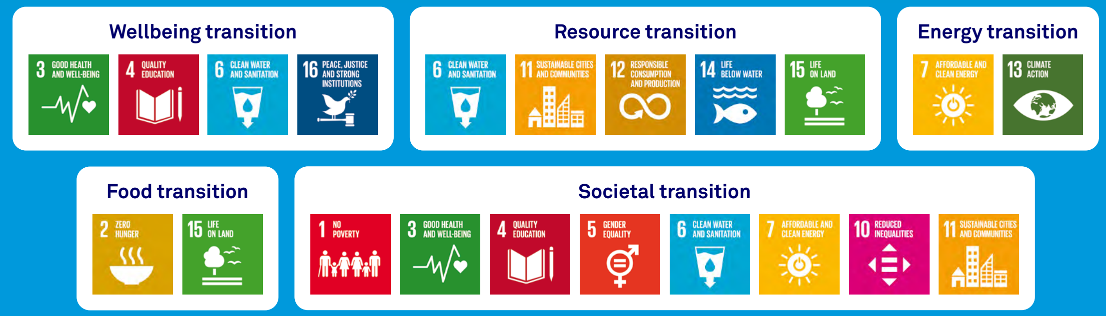
Furthermore, we will continue strengthening and evolving our impact management and measurement practices and processes, and intensify our collaboration with other asset managers and institutions to increase harmonisation.

Our 2024 strategic engagement topic focuses on climate change following our AsOneToZero ambition. Other prioritised engagement topics include plastic, excessive remuneration for our Impact Equities and Bond funds and progress on impact indicators for our Impact Private Debt and Equity funds.

Focus on five interlinked transitions



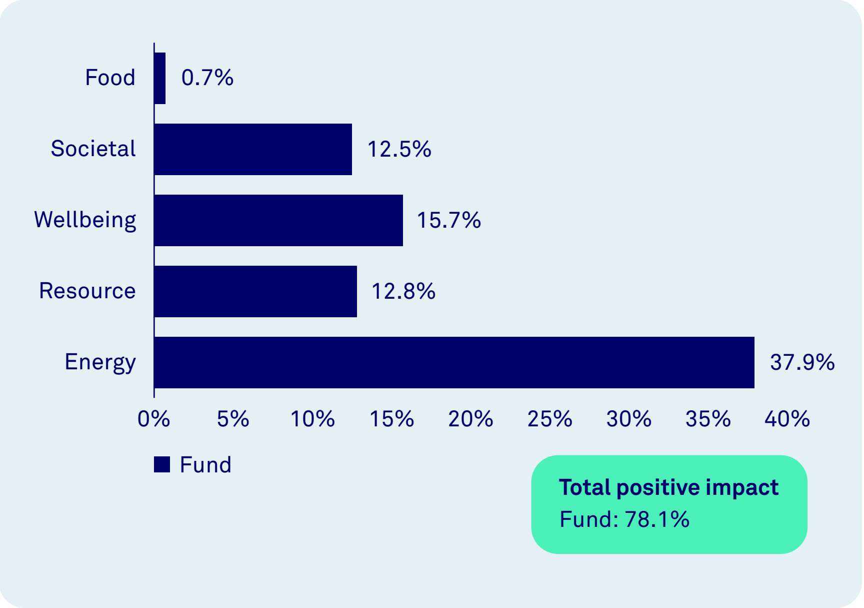
Anchored in the UN Sustainable Development Goals



Impact reporting in 2024

All investments of Triodos Euro Bond Impact Fund contribute to one or more of the five transitions and to the UN SDGs. For regular bonds, this contribution is based on the % of revenues from products and services with positive impact. For corporate bonds a minimum of 33% of the company revenues from products and services must positively contribute to the transitions. For impact bonds a minimum of 75% of the bond proceeds must positively contribute to the transitions.

Contribution to transitions



Source: Triodos IM. Data per year end 2023

Two examples

Novo Nordisk
The largest part of this pharmaceutical company's revenues is related to the following products and services:
- prescription pharmaceuticals (100%)

As such the company strongly contributes to the impact objectives related to the wellbeing transition (100%) and to SDGs 3 (100%) and 6 (100%).

National Grid impact bond
The proceeds of the impact bond from this utility are earmarked to finance energy projects:
- transmission and distribution of electricity from renewable energy sources (61%)
- electricity generation from solar PV technology (37%)
- transmission and distribution of electricity (2%)

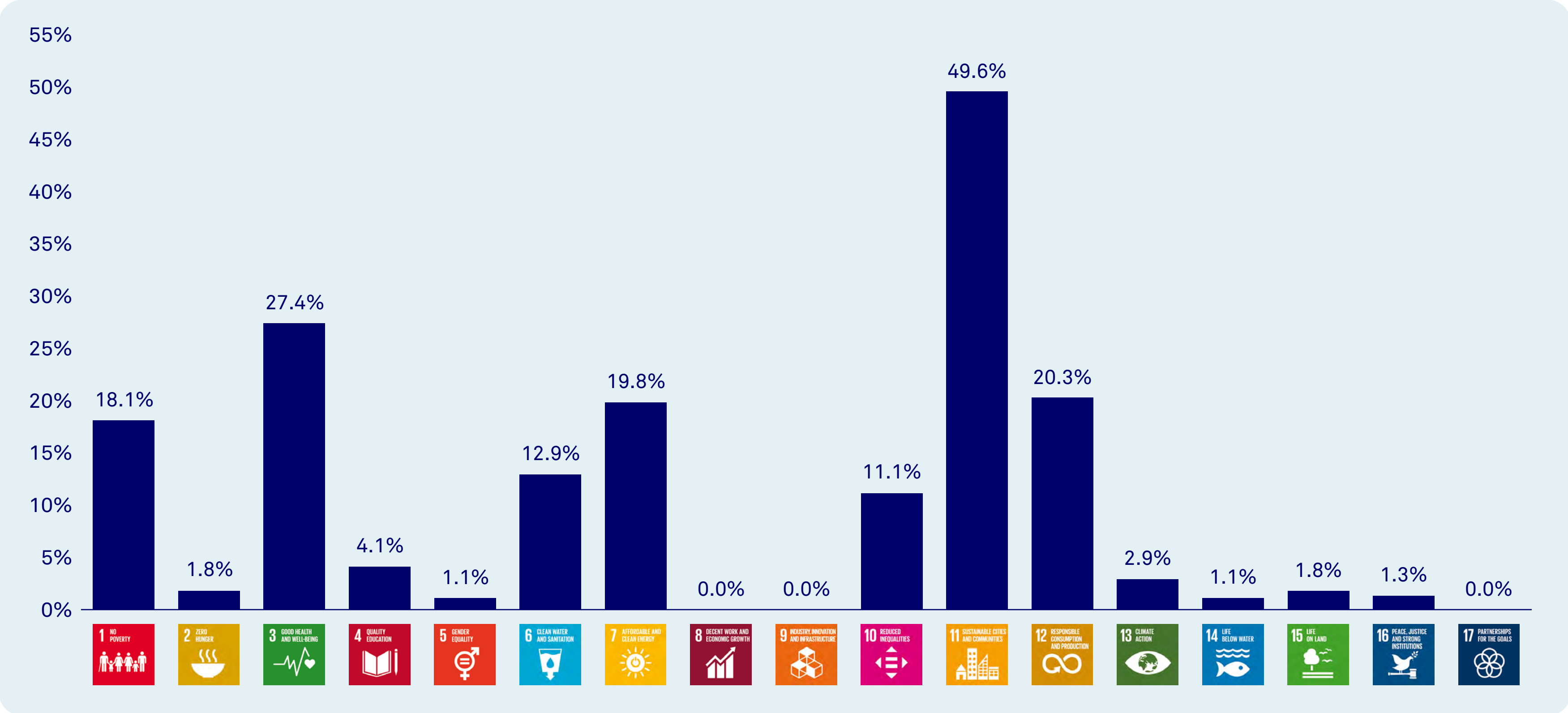
As such the company strongly contributes to the impact objectives related to the energy transition (100%) and to SDGs 3, 7, 11, 12 and 13 (100%).

The total positive impact is not necessarily equal to the sum of the contributions to each transition, as some products and services (corporate bonds) or assets and projects (impact bonds) with positive impact can be linked to multiple transition themes. This 'double counting' is eliminated at fund level to calculate the total positive impact.

Impact reporting in 2024

The contribution to individual SDGs may fluctuate between 0% and 100%. However, the sum of percentages to all SDGs can be below or above 100% as products and services (corporate bonds) or assets and projects (impact bonds) can be linked to multiple SDGs.

Contribution to UN SDGs



Source: Triodos IM. Data per year end 2023

Impact metrics explained

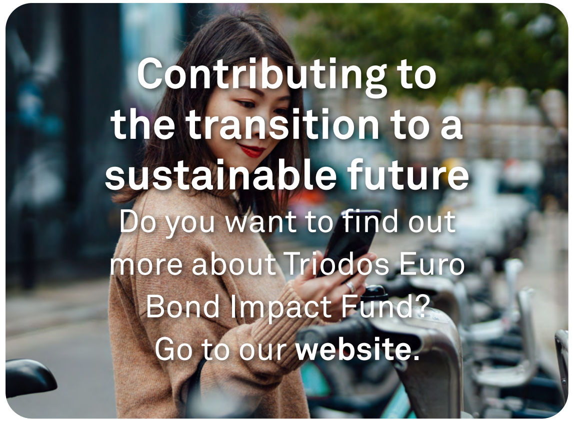
Contribution to the **UN Sustainable Development Goals** is based on the ISS ESG Sustainable Solutions Assessment, which is a comprehensive assessment of company products and services that affect the SDGs. This data enables investors to identify the share of products and services that have a positive or negative impact on 15 different social and environmental objectives. Those objectives, defined by ISS ESG, take into account the SDGs that are relevant to a company's product portfolio. Revenues linked to social and environmental objectives are summed across the different objectives and mapped to each individual SDG as a direct contribution.

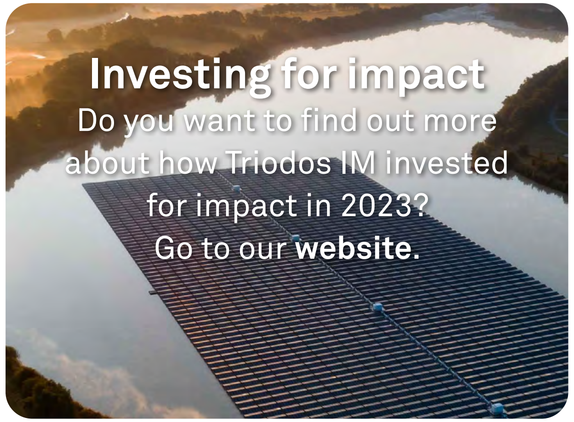
The **Science Based Targets initiative** (SBTi) provides a common scientifically recognised methodology to calculate GHG emissions and to set targets.Having companies set an SBTi target helps to minimise the existing problems related to a lack of guidelines to measure the companies' scope 3 GHG as well as helping to compare targets among companies. The SBTi data has been retrieved from the SBTi's public database of committed and aligned companies. 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.

Climate-related financial risk disclosures

This disclosure shows how climate-related risks and opportunities are organised in processes and procedures to consider both physical risks (that arise as physical consequences of climate change) and transition risks (relating to the transition to a climate-neutral economy).

For a full understanding of Triodos IM's approach to climate change, this disclosure should be considered together with Triodos Bank's Integrated Annual Report and As One To Zero progress reports.





About Triodos Investment Management

Triodos Investment Management (Triodos IM) is a globally active impact investor. We see impact investing as a driving force in the transition to a green, inclusive and resilient economy.
We have built up in-depth knowledge throughout our 30+ years of impact investing in sectors such as Energy and Climate, Financial Inclusion and Sustainable Food and Agriculture. Triodos IM also invests in listed companies that support sustainable solutions for the future. Assets under management as per end of December 2023: EUR 5.7 billion.
Triodos IM is a wholly owned subsidiary of Triodos Bank, a leading expert in sustainable banking.

Investing in positive change

For more information about our impact investment strategies and solutions, please contact our Investor Relations team at:

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