

# Contributing to the transition to a sustainable future

Triodos Global Equities Impact Fund  
Impact Report 2021



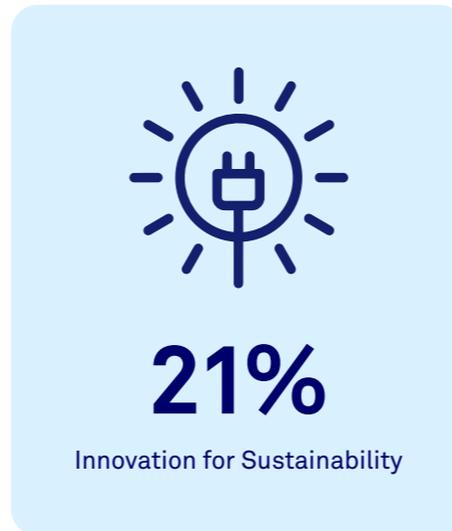
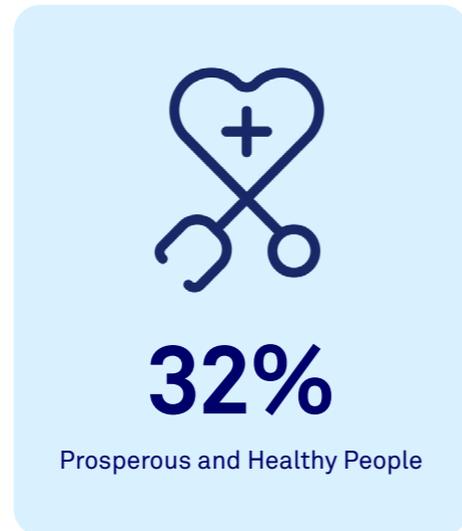
Triodos  Investment Management

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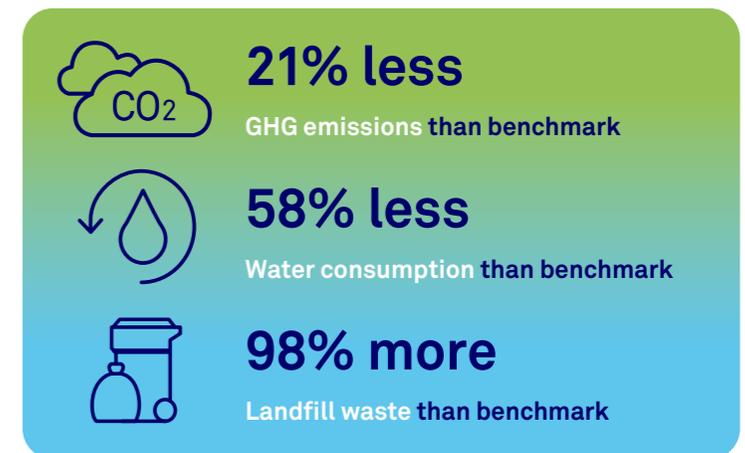
- > Impact highlights 2021
- > Foreword by Fund Manager
- > Contributing to the transition to a sustainable future
- > Stewardship
- > Impact management process
- > Impact investments
- > Impact data
- > Impact measurement
- > Contact

# Impact highlights 2021

## Top 3 transition themes



## Top 3 Sustainable Development Goals contributed to



- > Impact highlights 2021
- > **Foreword by Fund Manager**
- > Contributing to the transition to a sustainable future
- > Stewardship
- > Impact management process
- > Impact investments
- > Impact data
- > Impact measurement
- > Contact

# Going beyond ESG

## Foreword by Fund Manager Arjan Palthe



Triodos Global Equities Impact Fund invests in listed companies that materially contribute to the transition towards a sustainable society, through their products and services, or through their business practices. The fund invests exclusively in companies that contribute to one or more of our seven sustainable transition themes, while meeting our strict Minimum Standards.

In 2021, the fund generated positive impact through its exposure to our themes *Prosperous and Healthy People*, *Innovation for Sustainability* and *Sustainable Mobility and Infrastructure*. The fund's biggest contributions to the Sustainable Development Goals (SDG) in 2021 were in SDG 3 (Good Health & Wellbeing), SDG 10 (Reduced Inequalities) and SDG 11 (Sustainable Cities & Communities).

At the same time, the fund's ecological footprint (portfolio CO<sub>2</sub> emitted, water consumed, waste produced) has been in line with previous years, mostly lower than the footprint of the broader market.

In 2022, we will maintain a high active share and continue to search for companies that, through sustainable solutions to society's challenges, have a strong fit with our transition themes. We also aim for further improvement of our ecological footprint, especially looking into potential improvements in waste generation.

### **Arjan Palthe**

Fund Manager Triodos Global Equities Impact Fund

> Impact highlights 2021

> Foreword by Fund Manager

> **Contributing to the transition to a sustainable future**

> Stewardship

> Impact management process

> Impact investments

> Impact data

> Impact measurement

> Contact

# Contributing to the transition to a sustainable future

Triodos Global Equities Impact Fund has sustainable investments as its objective as described in article 9 of the SFDR. The objective of the fund is to maximise positive impact by investing exclusively in companies that contribute to one or more of our seven sustainable transition themes, which are anchored in the United Nations' Sustainable Development Goals (SDGs).

## Managing impact through four pillars

### Positive impact

The fund invests in seven transition themes (see blue box) that are key to helping society overcome systematic sustainability challenges. Each company we select in the portfolio must positively contribute to at least one of these themes through its commercial strategy.

### Do no significant harm

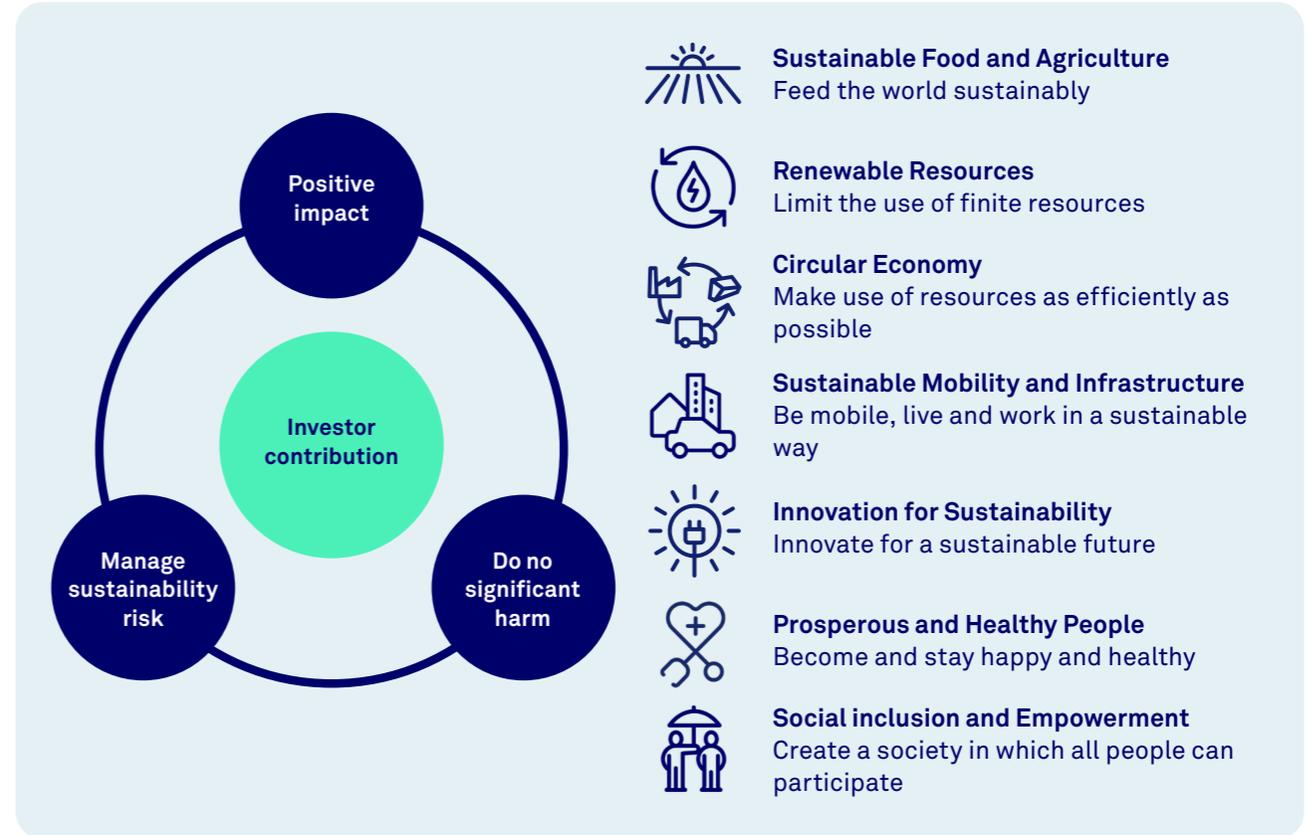
Through the strict Triodos Minimum Standards, companies are reviewed for the possible risk that their business practices could jeopardise the transition we envision. Companies that do not meet the Minimum Standards are ineligible for investment.

### Manage sustainability risk

We carefully monitor sustainability risks of our investments on people and planet (inside-out), while developing a quantitative and objective methodology for assessing sustainability risks of our investees (outside-in).

### Investor contribution

We integrate stewardship in every aspect of the investment management process to promote sustainable value creation for all our stakeholders, through engagement, voting and advocacy.



Our vision and impact framework are fully aligned with the UN Sustainable Development Goals. The SDGs reflect a global commitment to overcome society's most pressing challenges in a joint public and private sector effort.

The fund's alignment with the SDGs makes the impact outcomes recognisable, ensuring a common language and enabling comparison with other strategies. In 2021, the fund's investees contributed most positively to the following three SDGs:



> Impact highlights 2021

> Foreword by Fund Manager

> Contributing to the transition to a sustainable future

> **Stewardship**

> Impact management process

> Impact investments

> Impact data

> Impact measurement

> Contact

# Stewardship

## Engagement

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 already take place before a company is added to the investable universe.

### Direct company engagement

We have one-on-one conversations with companies to discuss sustainability topics that are important to us as an impact investor. We explore companies' perspectives, policies and business practices around our transition themes and Minimum Standards to understand the depth of their commitments to long-term positive impact.

### Collaborative and industry engagement

Sustainability challenges cannot be solved alone. We therefore also participate in joint engagement initiatives alongside other institutional investors, striving to shape an environment in which companies and investors can operate more sustainably. Collaborative engagement increases the visibility of the topics being discussed and expands the overall power of our engagement activities.

For more information on our engagement efforts, as well as concrete examples and our full voting records, please visit our [Stewardship page](#).

**Climate change (see article)**

- goal: all holding companies commit to the Science Based Targets initiative (SBTi)
- aligning with main goal of the Paris Climate Agreement: keep global warming limited to 1.5°C

**Labour rights**

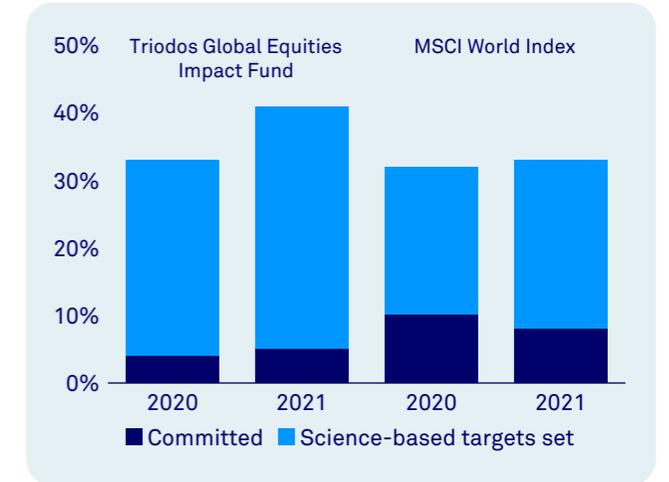
Engaging with companies on:

- basic labour rights
- responsibility to respect all salient human rights
- upholding commonly accepted labour standards (own operations and supply chain)

**Remuneration**

- focusing on companies with high pay gaps
- complex remuneration systems that are not focused on long-term sustainable goals

## Alignment with the Science Based Targets initiative



## Voting

**100%**  
of AGMs voting at

We vote in-person or by proxy for all investments in which we hold voting shares. We inform all investees of our decisions to stimulate awareness.

**14%**  
voted against management

The fund voted at 43 Annual General Meetings on a total of 633 agenda items. A full breakdown of the fund's voting records is available for [download](#).

> Impact highlights 2021

> Foreword by Fund Manager

> Contributing to the transition to a sustainable future

> Stewardship

> **Impact management process**

> Impact investments

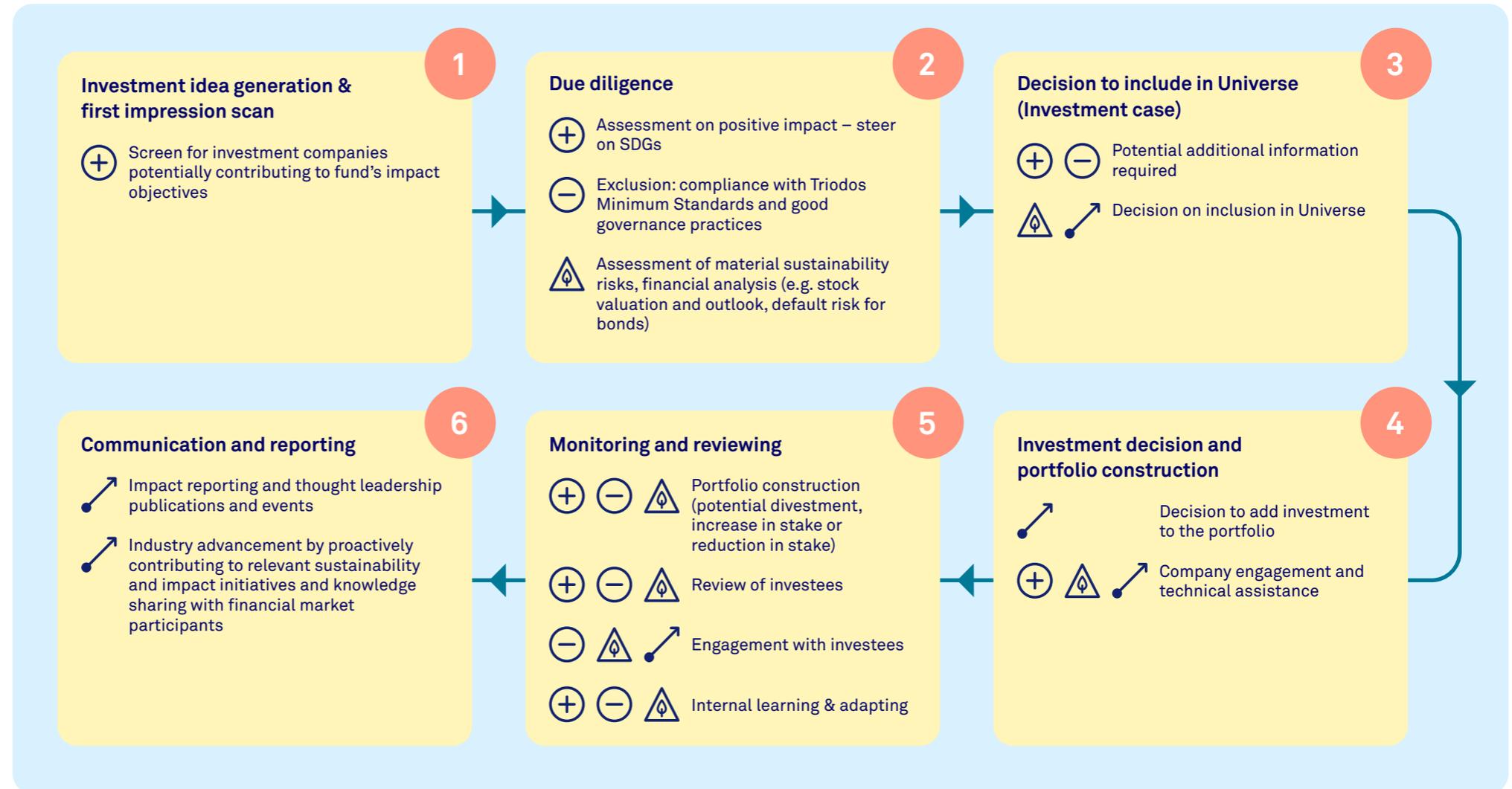
> Impact data

> Impact measurement

> Contact

# A values-driven investment process

How we manage impact



⊕ Positive impact ⊖ Do no significant harm ⚠️ Manage sustainability risk ↗️ Investor contribution

Over the course of 2021 and 2022, we implement changes to the investment process based on our impact ambitions and sustainability regulations (e.g. EU SFDR, EU Taxonomy, MiFID II).

# Impact investments

Click [here](#) for an overview of all investments of the fund.

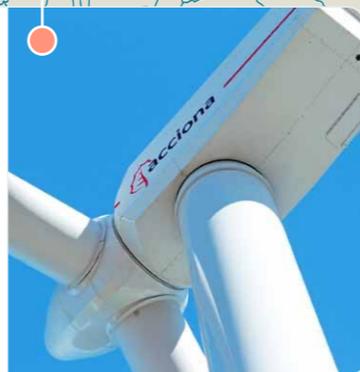
## Danone

Danone produces and sells dairy products, water and specialised nutrition. Through its products and practices the company actively contributes to improving our food system, positively contributing to our theme *Sustainable Food and Agriculture*.  
> Find out more [here](#)



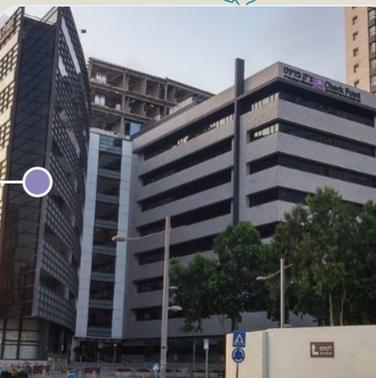
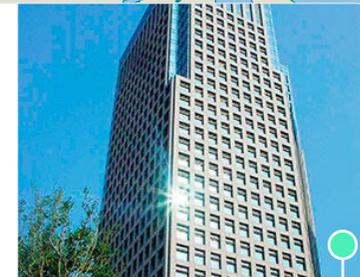
## Acciona Energias Renovables

The fund invested in Spanish renewable energy utility company Acciona Energias Renovables in Q3 2021. The company owns and develops renewable energy projects, including onshore wind, solar PV, hydraulic, thermal, biomass and storage assets, contributing to our *Renewable Resources* theme.  
> Find out more [here](#)



## KDDI

KDDI is the second largest telecom operator in Japan, contributing to our *Social Inclusion and Empowerment* theme. The company has made significant investments in disaster recovery and emergency measures and also has special products and services for elderly users and education programmes for young people and children.  
> Find out more [here](#).



## Check Point Software

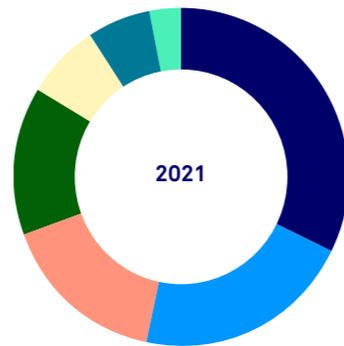
In Q2 2021, the fund invested in Check Point Software, which provides security software and appliances for corporate networks and service providers. The company contributes to our *Innovation for Sustainability* theme by actively combatting cybercrime.  
> Find out more [here](#).

- > Impact highlights 2021
- > Foreword by Fund Manager
- > Contributing to the transition to a sustainable future
- > Stewardship
- > Impact management process
- > Impact investments
- > **Impact data**
- > Impact measurement
- > Contact

# Impact data

Triodos Global Equities 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 2021 and 2020, the fund's portfolio contributed positively to the following themes:

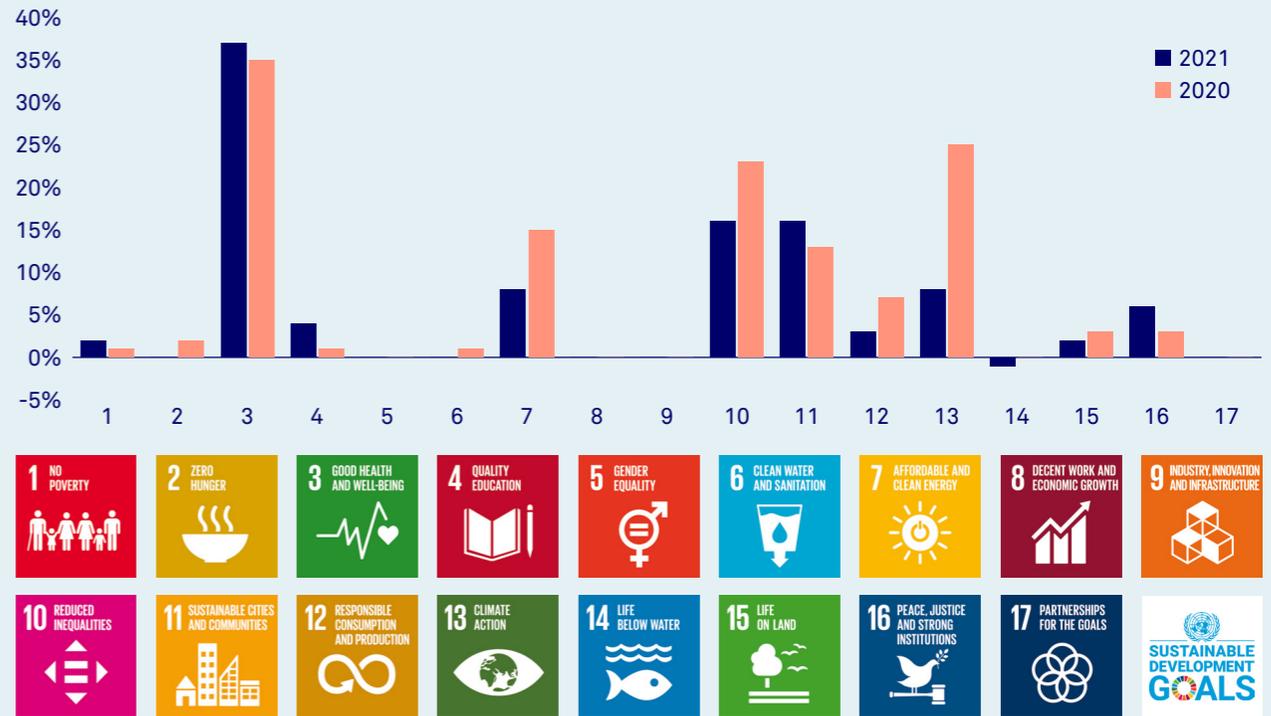
Portfolio contribution to transition themes



	2021	2020
Prosperous and Healthy People	32%	34%
Innovation for Sustainability	21%	20%
Sustainable Mobility and Infrastructure	16%	17%
Social Inclusion and Empowerment	14%	15%
Sustainable Food and Agriculture	7%	6%
Renewable Resources	6%	5%
Circular Economy	3%	4%

## 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.



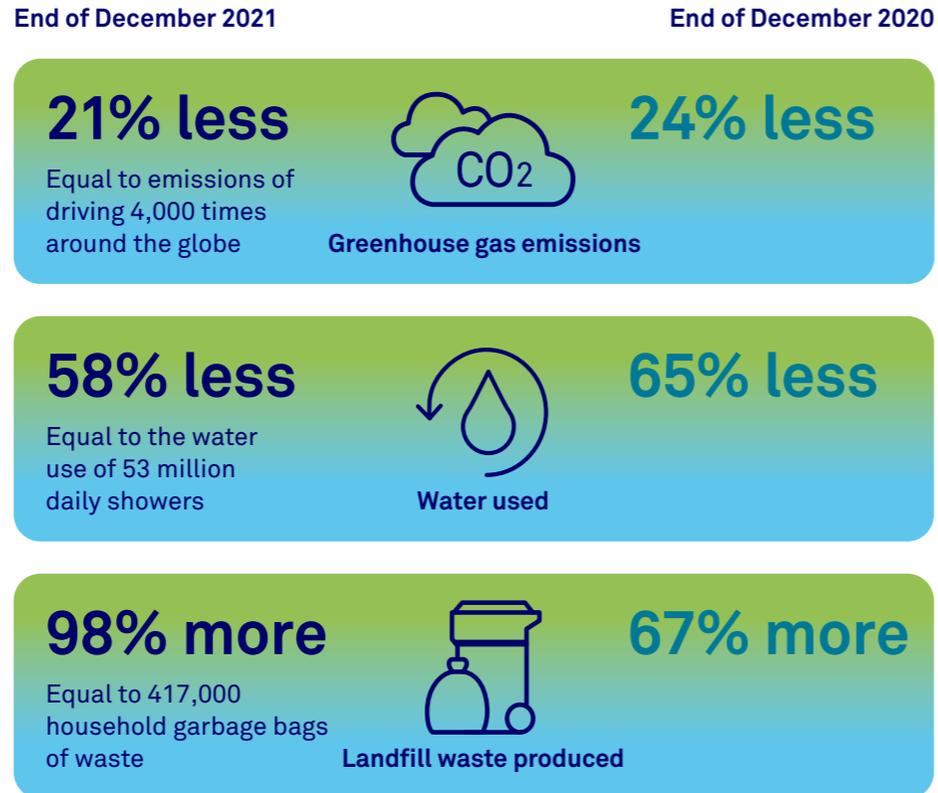
Source: ISS ESG as per end of December 2020 and 2021.

In 2021, the split of SDG contributions of the fund changed most positively for SDG 4 (Quality Education). This can be partially explained by the increased portfolio weighting of Relx and the addition of Pearson, both companies that positively contribute to our theme *Social Inclusion and Empowerment*. The biggest decreases in contributions have been for SDGs 7 (Affordable and Clean Energy) and 13 (Climate Action). A partial explanation for these drops is the decrease in portfolio weighting of Vestas, one of the largest producers of wind turbines worldwide, which contributes to our transition theme *Renewable Resources*.

- > Impact highlights 2021
- > Foreword by Fund Manager
- > Contributing to the transition to a sustainable future
- > Stewardship
- > Impact management process
- > Impact investments
- > **Impact data**
- > Impact measurement
- > Contact

# Ecological footprint

The carbon, water and waste footprints of the fund illustrate the lower environmental impacts of the portfolio companies' activities compared to those of the benchmark. These figures provide an indication of the fund's sustainability performance as an outcome of the fund's strict impact selection and exclusion criteria.



Note: compared to a similar-sized investment in the benchmark.

We select companies based on overall positive impact as defined by contribution to our seven transition themes. For Triodos Global Equities Impact Fund, we invest in a number of paper (packaging) companies promoting the transition from plastic to paper packaging, as well as selected food and chemical companies. Since landfill waste is defined as all waste eligible to be disposed of via landfills, it includes paper and plastic packaging and certain chemical products as well, 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 fund 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.

The higher waste figure for 2021, compared to 2020, is in part due to the increased portfolio weight of holding companies Kuraray (theme *Renewable Resources*), Evonik (theme *Sustainable Mobility and Infrastructure*) and Essity (theme *Prosperous and Healthy People*). While these companies have higher waste due to their production process, they positively contribute to at least one of our transition themes. Furthermore, we have engaged with Evonik about waste management and ways to reduce it, as well as about phasing out certain chemicals in the production process.

> Impact highlights 2021

> Foreword by Fund Manager

> Contributing to the transition to a sustainable future

> Stewardship

> Impact management process

> Impact investments

> Impact data

> **Impact measurement**

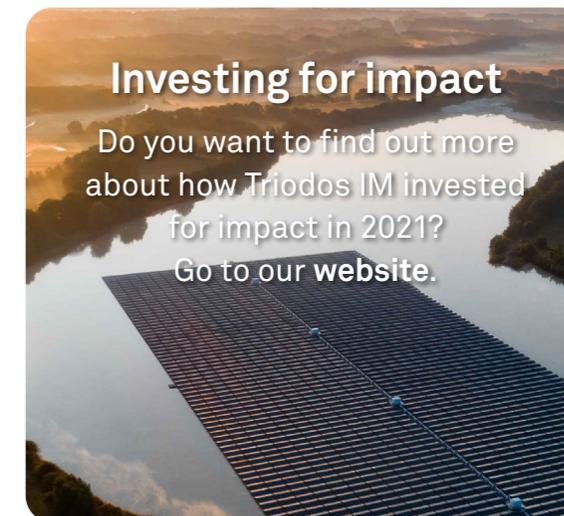
> Contact

# Impact measurement

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 the private sector and 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 **carbon, water and waste footprints** are calculated using carbon emissions data from ISS ESG, and water and waste data from S&P Trucost. Whereas the model calculations for the ecological footprint figures only take into account current (negative) impact (direct and indirect water, waste and emissions generated, i.e. Scopes 1-3 as defined by the GHG Protocol), the positive impact of many of our portfolio companies is transitional (such as water, waste and emissions avoided), for which data is still scarce and thus not used in the calculations. For instance, as we invest in companies promoting the transition from plastic to paper packaging, the model calculations only measure Scopes 1-3 (waste-generating manufacturing operations), leaving out the indirect positive impact (such as plastic waste avoided).

The **Science Based Targets initiative** (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.



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## 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 25+ 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 2021: EUR 6.4 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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