

# Pioneering the transition to a sustainable society

Triodos Pioneer Impact Fund  
Impact Report 2021



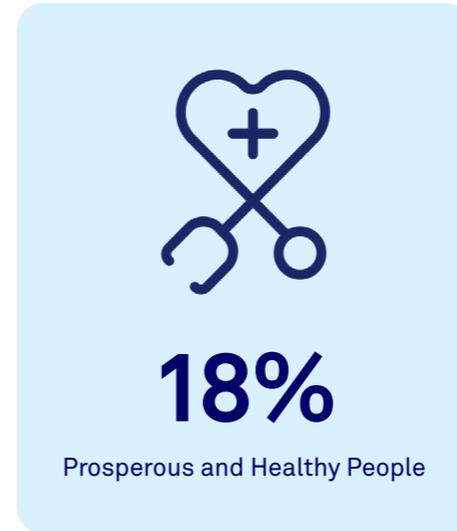
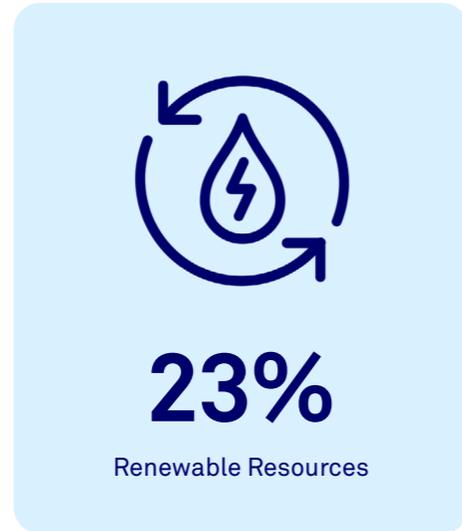
Triodos  Investment Management

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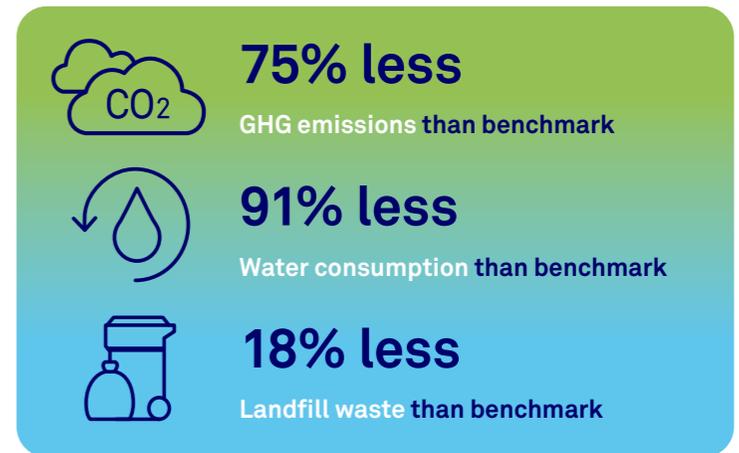
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# Impact highlights 2021

## Top 3 transition themes



## Top 3 Sustainable Development Goals contributed to



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# Big handprint, small footprint

Foreword by Fund Manager Dirk Hoozemans



After a 2020 that saw strong performances for impact-oriented investments, 2021 was a more difficult year for investing in small & medium sized companies that address the transition towards a more sustainable society and economy. Nevertheless, we continued to look for companies that provide products or solutions that contribute positively to our seven transition themes and are well aligned with the UN Sustainable Development Goals.

During the year, we reduced our exposures in the environmentally-oriented *Renewable Resources* and *Innovation for Sustainability* themes while we increased our exposure to the more social theme of *Prosperous and Healthy People*, and we kept exposure in the other themes roughly the same. Our most substantial SDG contributions in 2021 were in SDG3 (Good Health & Wellbeing), SDG7 (Affordable & Clean Energy) and SDG13 (Climate Action), whereas our ecological footprint (portfolio CO<sub>2</sub> emitted, water consumed, waste produced) was significantly lower than the footprint of the broader market as well.

In our investment philosophy we will continue to strive for a balanced approach in diversifying the portfolio holdings over the environmental and social side of the impact spectrum, looking for companies with sustainable solutions to society's challenges, strong management teams, solid governance structures and sound financials.

**Dirk Hoozemans**  
Fund Manager Triodos Pioneer Impact Fund

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# Pioneering the transition to a sustainable society

Triodos Pioneer 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

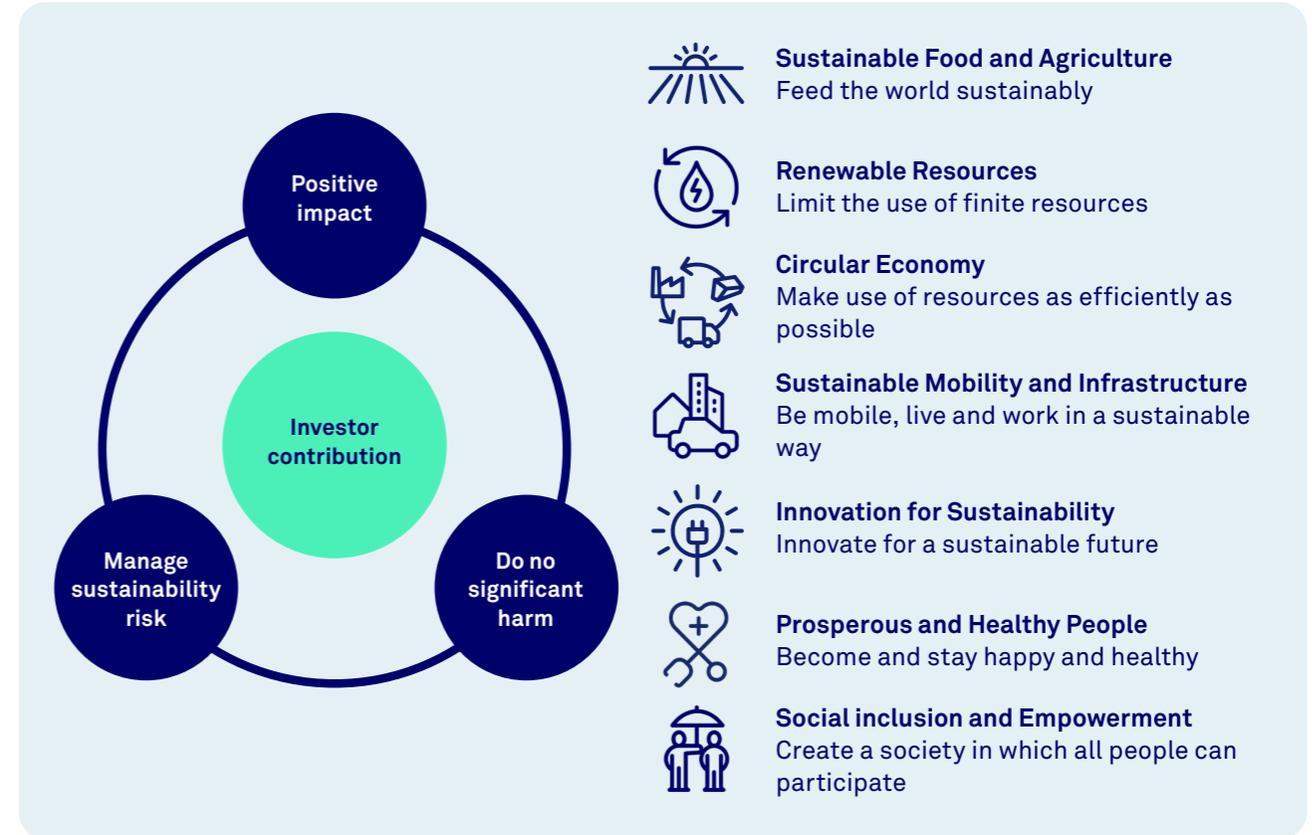
Through the strict Triodos Minimum Standards, companies are reviewed for the possible risk that their business practices could jeopardise the transition we envision. Companies that do not meet the Minimum Standards are ineligible for investment.

### 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:



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# 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](#).

**Engagement agenda 2020-2023**

- Climate change
- Labour rights
- Remuneration

**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**

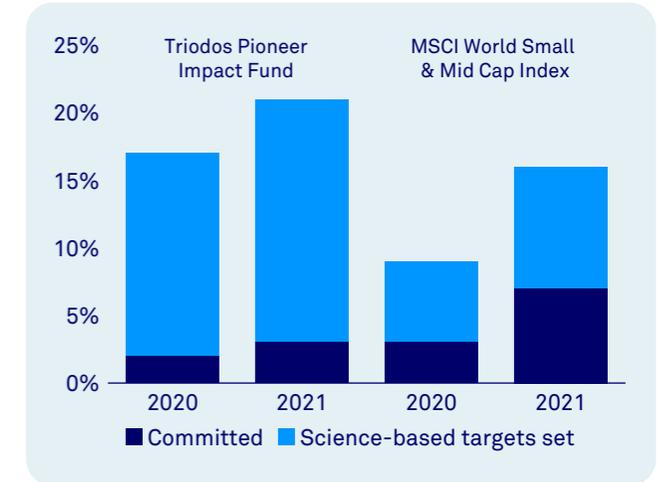
Engaging with companies on:

- 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.

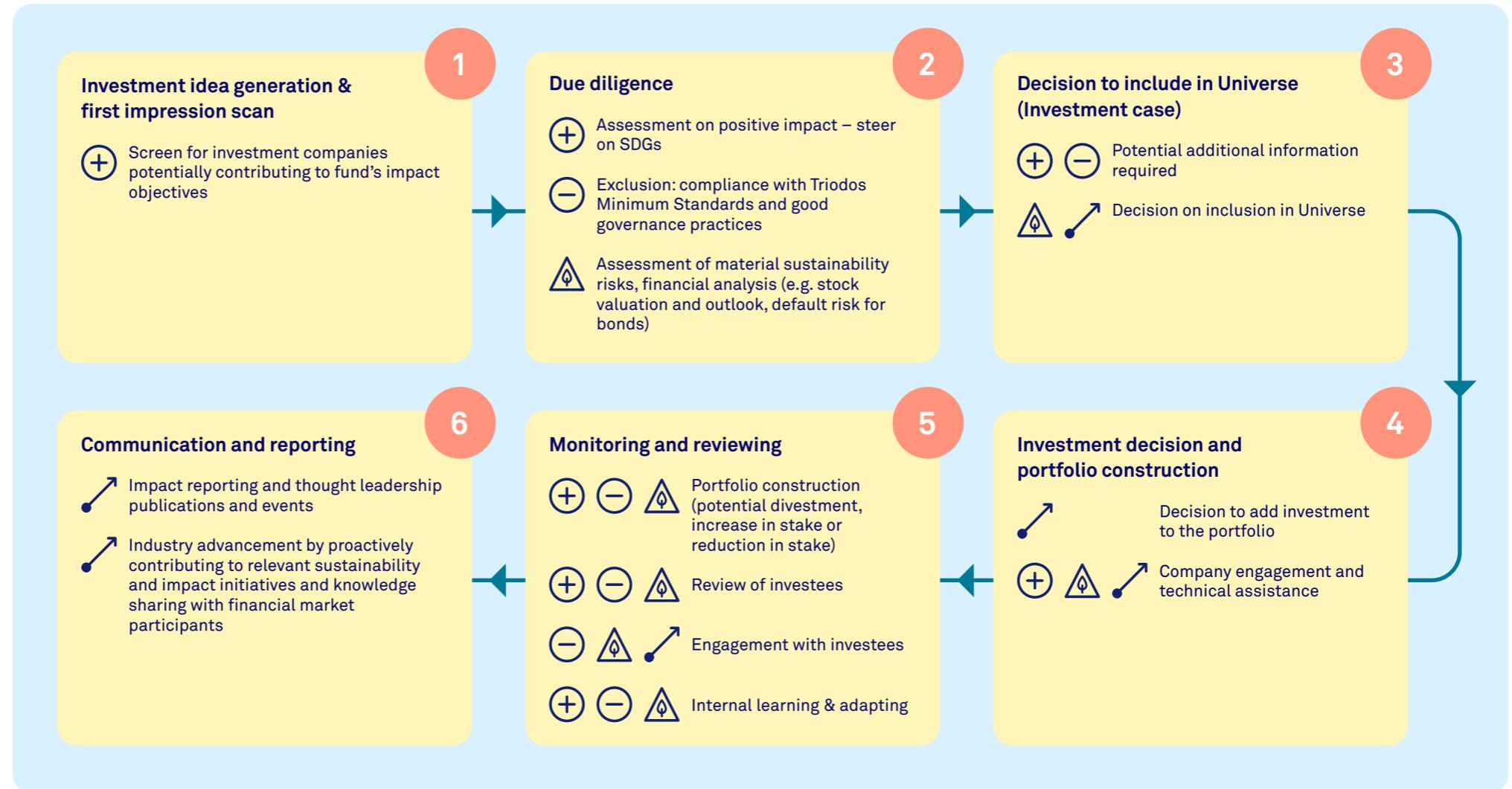
**19%**  
voted against management

The fund voted at 43 Annual General Meetings on a total of 601 agenda items. A full breakdown of the fund's voting records is available for [download](#).

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# 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.

## East Japan Railway

In Q1 2021, the fund invested in East Japan Railway which operates the largest rail network in Japan and services 18 million passengers daily. The company positively contributes to our theme *Sustainable Mobility and Infrastructure* by offering a sustainable means of travel and an alternative to flying.

> 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](#)



## Euglena

In Q2 2021, the fund invested in Euglena. The company develops, cultivates and processes euglena and chlorella, which are single-cell organisms or micro-algae that contain abundant nutrients such as vitamins and minerals. Euglena makes health food beverages and biofuel, contributing to our *Prosperous and Healthy People* theme.

> Find out more [here](#).

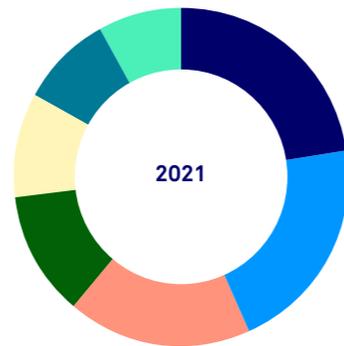
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# Impact data

Triodos Pioneer 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

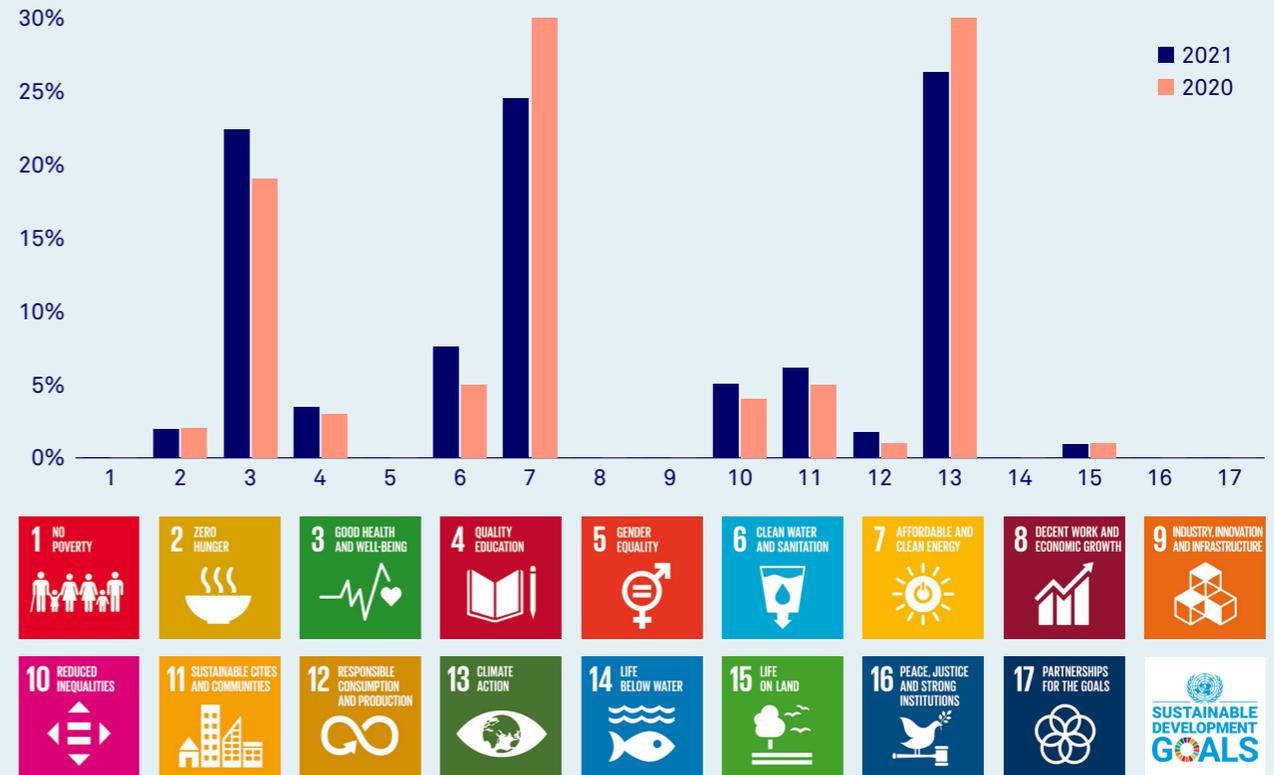


	2021	2020
Renewable Resources	23%	25%
Innovation for Sustainability	21%	23%
Prosperous and Healthy People	18%	17%
Sustainable Mobility and Infrastructure	12%	8%
Sustainable Food and Agriculture	10%	10%
Social Inclusion and Empowerment	9%	10%
Circular Economy	8%	7%

The increase in the theme *Sustainable Mobility and Infrastructure* is due to the addition to the portfolio of the companies East Japan Railway and Freyr (battery technology).

## 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.



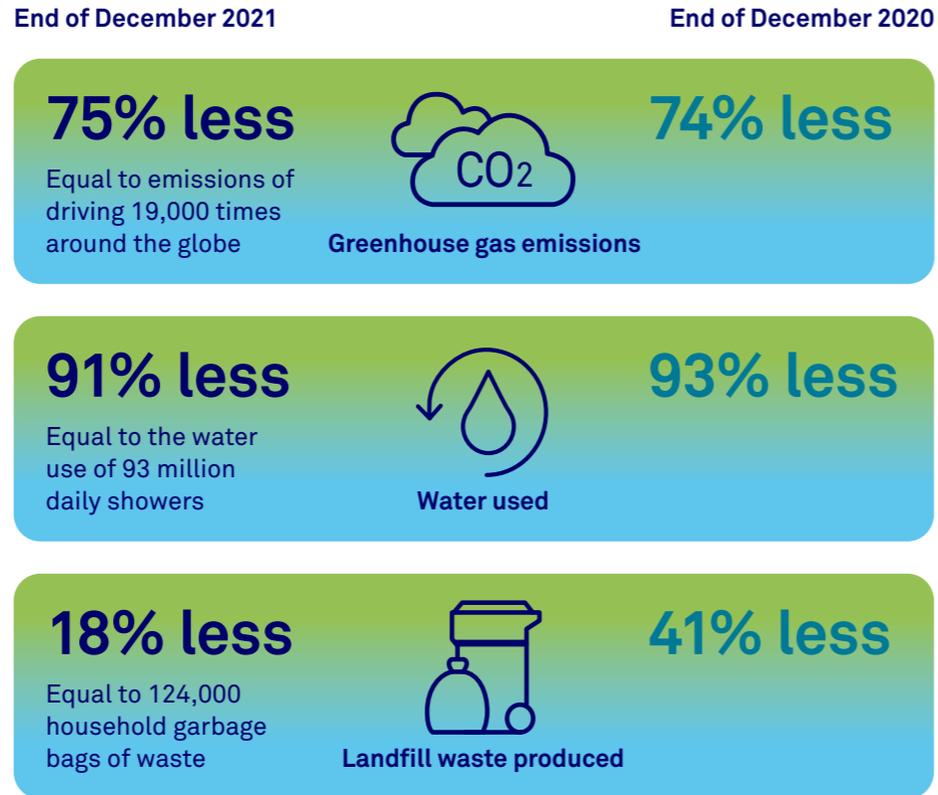
Source: ISS ESG as per end of December 2020 and 2021.

The biggest increases in contributions have been to SDGs 3 (Good Health and Wellbeing) and 6 (Clean Water and Sanitation). A partial explanation for these increases is the addition of Euglena to the portfolio (see page 7), as well as the stock price increase of H<sub>2</sub>O.

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# 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.

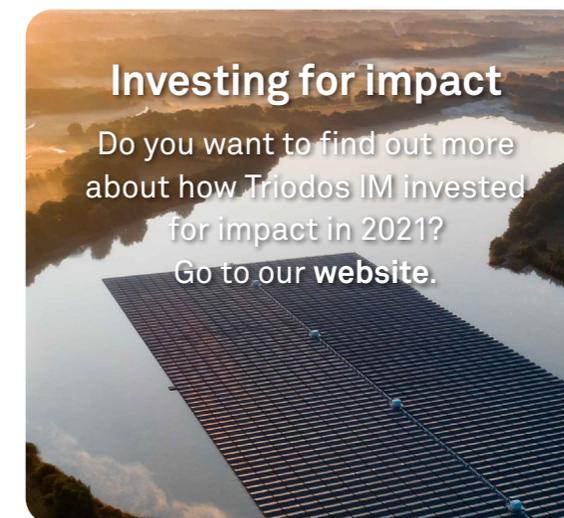
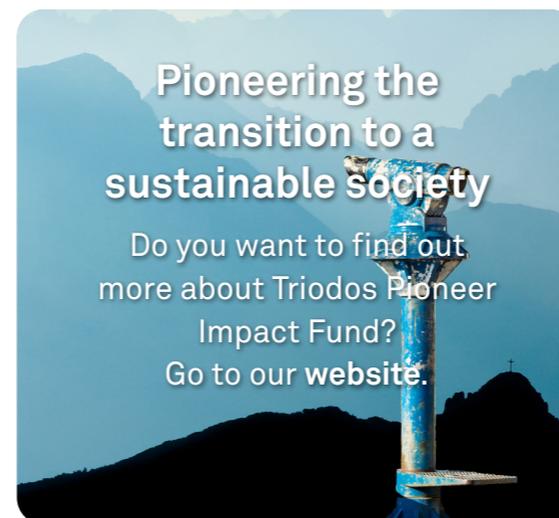
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# Impact measurement

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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