

# Article 10 (SFDR) Website disclosure

## Triodos Emerging Markets Renewable Energy Fund

A fund of Triodos SICAV II  
SFDR product category: Article 9

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This document constitutes the website product disclosure for financial products that have sustainable investments as their objective. Under the EU Sustainable Finance Disclosure Regulation (SFDR), all Article 9 SFDR funds are required to publish sustainability-related information document on their website.

**Triodos  Investment Management**

## A. Summary

**B. No significant harm to the sustainable investment objective:** To select only those investments that do not cause significant harm to the fund's social sustainable investment objectives, every new investment is assessed in line with the Triodos Bank Minimum Standards. If an Investee is found to cause significant harm, it is excluded from investment. All applicable principal adverse impact indicators on sustainability factors are taken into account in the investment process. The Triodos Bank Minimum Standards, that are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, also set out the minimum standards for employee relations, remuneration, taxes and other corporate governance topics that Investees must meet in order to be eligible for investment.

**C. Sustainable investment objective of the financial product:** The overall objective of the fund is to offer investors an environmentally and socially sound investment in renewable energy in developing countries and emerging economies, with the prospect of long-term capital growth combined with the opportunity to contribute to the clean energy transition.

The sustainable investment objectives of the fund are:

- To increase renewable energy capacity
- To provide access to clean and affordable energy; and
- To promote economic and social opportunities.

To attain the sustainable investment objectives, the fund will invest, either directly or indirectly, in investees in developing countries and emerging economies in the grid-connected utility scale segment and the Commercial & Industrial (C&I) sector, and in addition in other renewable energy segments, including off-grid solutions (such as mini-grids), storage and energy efficiency.

**D. Investment strategy:** Triodos IM adopts an impact management approach into the investment process in order to attain the sustainable investment objectives of the fund:

- Analyse transformative potential: Each Investee that is selected for the fund's portfolio should positively contribute to at least one of the sustainability objectives of the fund. The fund primarily invests, either directly or indirectly, in investees in developing countries and emerging economies in the grid-connected utility scale segment and the C&I sector, and in addition in other renewable energy segments, including off-grid solutions (such as mini-grids), storage and energy efficiency.
- Mitigate negative impact: Investees are screened against negative impact on people and planet (inside-out lens) that could jeopardise the sustainable transition that is envisioned. This includes the Triodos Bank Minimum Standards, do-no-significant-harm principle under the SFDR Delegated Regulation and any relevant sector-specific negative impacts to ensure they do not cause any significant harm. Investees are excluded when they significantly harm social objectives and/or do not follow good governance practices.
- Monitoring, measuring and managing impact: An extensive review is performed annually, addressing environmental and sustainability performance of the investee to make sure they do continue to contribute to the fund's sustainability objectives and that they do not significantly harm them. In case of concerns, dialogue will be initiated and if this is deemed unsuccessful the relationship may be discontinued.
- Accelerate transitions: Triodos IM is an active and involved investor and integrates active stewardship in every aspect of the investment management process to promote sustainable long-term value creation for all its stakeholders and to accelerate sustainable transitions.

**E. Proportion of investments:** The fund invests at least 75% of its Net Assets in sustainable investments. The remaining (maximum 25%) will be cash or cash equivalents held as

ancillary liquidity and derivatives for hedging purposes.

Having an environmental sustainable objective, at least 75% of the investments of the fund will be sustainable investments that contribute to an environmental objective, while no commitment is made for sustainable investments with a social objective. At least 75% of the investments of the fund will be aligned with the Taxonomy Regulation.

**F. Monitoring of sustainable investment objective:** The fund uses multiple indicators to measure, monitor and report its sustainability performance, with regard to its sustainable investment objectives. Investees report on these indicators on a periodic basis via a pre-agreed reporting template. The data is reviewed by the ESG Analyst. If there are any questions or inconsistencies, the team clarifies these with the investee before final approval. On an annual basis, Triodos IM assess the extent to which the sustainable investment objective has been achieved.

**G. Methodologies:** The fund uses the Triodos Impact Management Cycle as an overarching tool to manage its impact. Impact management is about actively steering our means to optimise our positive impact and minimise our negative impact. In order to do so, Triodos IM develops a Theory of Change, which serves as a basis to set impact objectives and set and measure sustainability indicators. Triodos IM verifies that the outcomes meet the targets and expectations and if not, why not, and defines what actions should be taken (i.e. capital allocation decisions, engagement or thought leadership) to optimise the contribution to impact.

**H. Data sources and processing:** To measure progress towards these long-term impact objectives certain indicators are established and will be measured periodically. To collect the appropriate information to screen for the positive impact of the funds' assets, the investment team performs an extensive due diligence. Information resulting from the due diligence and/or questionnaires is inserted in Triodos IM's systems, and data is collected through the investee's quarterly and annual reports. When the information is obtained and verified, it is processed by the analysis team to be four-eye checked by the fund manager.

**I. Limitations to methodologies and data:** The sustainable objectives of the Fund are based on a Theory of Change, which may contain flawed assumptions. We address this limitation by evaluating our progress and adjusting our strategy as part of the annual learning and adapting part of our Impact Management Cycle. Data is self-reported by investees. Limitations related to quality and collection of data used to attain sustainable objectives mostly relate to the extent to which investees disclose information and the timing of delivery. Generally, information is received in a timely manner, however, not each investee delivers the same quality at the same time.

For measuring Triodos Emerging Markets Renewable Energy fund's positive impact PCAF's (Partnership for Carbon Accounting Financials) methodology is used, which is not tailored to capture all impact the fund is making, such as projects with negative equity, early-stage assets or non-generating assets.

**J. Due diligence:** The due diligence carried out on the underlying assets consist of a positive screening in which the transformative potential is assessed, followed by a negative impact assessment to screen the impact on people and planet (inside out). The impact of external sustainability factors on our investments (outside in) is assessed which results in potential sustainability risks, such as physical / societal and transition risk. A Due Diligence policy and process is in place to ensure that all the necessary stages and steps of due diligence are followed before the decision to invest is taken.

**K. Engagement policies:** A focus on impact includes the careful selection of investees, as well as proactively supporting or advocating for investees to increase their positive and reduce or avoid negative impact. To do so, Triodos IM frequently engages on environmental, social and governance topics that are relevant to each investee's business models, funds or sector context as well as on general corporate development and business strategy issues. This is done through 1) company engagement, 2) active ownership and 3) advocacy - Influencing decisions within political, economic, and social institutions.



## **B. No significant harm to the sustainable investment objective**

To select only those investments that do not cause significant harm to the fund's environmental sustainable investment objectives, every new investment is assessed in line with the Triodos Bank Minimum Standards. If an Investee is found to cause significant harm, it is excluded from investment. All applicable principal adverse impact indicators on sustainability factors are taken into account in the investment process. The Triodos Bank Minimum Standards, that are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, also set out the minimum standards for employee relations, remuneration, taxes and other corporate governance topics that Investees must meet in order to be eligible for investment.

The mandatory indicators for adverse impact on sustainability factors and two selected optional indicators on sustainability factors are analysed and assessed as part of the overall investment process. Triodos IM selected one environmental optional principal adverse impact (PAI) indicator from Table 2 and one social optional PAI indicator from Table 3 of Annex I of the SFDR Delegated Regulation, in particular no. 4. Investments in companies without carbon emission reduction initiatives and no. 15. Lack of anti-corruption and anti-bribery policies respectively.

### **Principal Adverse Impact indicators**

The data for the mandatory and optional PAI indicators is collected during the due diligence on Investees and is based either on information obtained directly from the Investee, a third party expert, or on information from public sources. In case information is not (yet) available or not feasible to obtain, Triodos IM uses proxy indicators supplied by reputable institutions with experience in the relevant industry. Both the assessment and the conclusions of the potential adverse impacts on sustainability factors as well as the positive impact of the fund's investments are recorded and translated into monitoring and reporting items in line with the Triodos IM Due Diligence Policy.

For the selection of the optional PAI indicators, Triodos IM has assessed the degree of relevance and data availability from an entity perspective. The level of harm is assessed within the context of the fund and the Investee. The PAI indicators are classified as low, medium or high level of (potential) harm. In case a medium or high level of harm is assessed for a certain PAI indicator, the investment team provides further clarification and to what extent this can be mitigated and managed by the Investee and/or by Triodos IM. In case no satisfactory clarification nor mitigatory measures are possible, the Investee is not deemed suitable for investment. When proxy data is the only data available (country and sector level data), a qualitative assessment of the Investee exposure is discussed in the investment proposal for medium and high levels of harm. When PAI indicators are not applicable (for example the availability of certain policies for small enterprises), the investment team can apply qualitative assumptions as per the Triodos IM Due Diligence Policy.

### **Alignment with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights**

Prior to being selected for investment and for the entire duration of the investment, (potential) Investees are screened in line with the Triodos Bank Minimum Standards that sets out the products, processes and activities that Triodos IM excludes from investments.

The Triodos Bank Minimum Standards cover the OECD guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Such due diligence screening takes place according to the Triodos IM Due Diligence Policy and includes both desk research and, where applicable, on-site due diligence. An integral part of this process constitutes the assessment of governance, employee relations, customer treatment, tax arrangements and sustainability risks, as well as checks of policies and mechanisms to ensure alignment with the above-mentioned standards depending on the nature of the investment in question. Should a breach take place after investing, Triodos IM engages with the Investee to remediate the breach or assesses whether divestment is required.

## **C. Sustainable investment objective of the financial product**

The overall objective of the fund is to offer investors an environmentally and socially sound investment in renewable energy in developing countries and emerging economies, with the prospect of long-term capital growth combined with the opportunity to contribute to the clean energy transition.

The sustainable investment objectives of the fund are:

- To increase renewable energy capacity
- To provide access to clean and affordable energy; and
- To promote economic and social opportunities.

The fund contributes to climate change mitigation as environmental objective set out in article 9 of the Taxonomy Regulation.

To attain the sustainable investment objectives, the fund will invest, either directly or indirectly, in investees in developing countries and emerging economies in the grid-connected utility scale segment and the C&I sector, and in addition in other renewable energy segments, including off-grid solutions (such as mini-grids), storage and energy efficiency.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objectives.

## **D. Investment Strategy**

Triodos IM adopts an impact management approach into the investment process in order to attain the sustainable investment objectives of the fund:

- Analyse transformative potential:

Each Investee that is selected for the fund's portfolio should positively contribute to at least one of the sustainability objectives of the fund. The fund therefore primarily invests, either directly or indirectly, in Investees in developing countries and emerging economies in the grid-connected utility scale segment and the C&I sector, and in addition in other renewable energy segments, including off-grid solutions (such as mini-grids), storage and energy efficiency. Developing countries and emerging economies are expected to face the strongest growth in power demand, while being particularly vulnerable to climate change and typically

having underdeveloped energy systems. The grid-connected utility scale and C&I investments will enable the production of clean energy at a large scale, which directly links to the fund objective to increase renewable energy capacity. The fund's investments into off-grid solutions allow parts of the population which are not yet connected to the grid to gain access to clean and affordable energy, while at the same time promoting economic and social opportunities.

- Mitigate negative impact:

Investees are screened against negative impact on people and planet (inside-out lens) that could jeopardise the sustainable transition that is envisioned. This includes the Triodos Bank Minimum Standards, do-no-significant-harm principle under the SFDR Delegated Regulation and any relevant sector-specific negative impacts to ensure they do not cause any significant harm. Investees are excluded when they significantly harm social objectives and/or do not follow good governance practices.

- Monitoring, measuring and managing impact:

Investees frequently report on their financial, impact data and ESG performance. The impact data relates to the renewable energy produced, clients connected, and economic and social opportunities created. An extensive review is performed annually, addressing environmental and sustainability performance of the Investee to make sure they do continue to contribute to the fund's sustainability objectives and that they do not significantly harm them. In case of concerns, dialogue will be initiated and if this is deemed unsuccessful the relationship, may be discontinued. The fund has the possibility to terminate the contractual agreement with debt Investees in case the implications of the breach with the sustainable investment criteria are considered to be unacceptably high or in case the Investee does not show willingness to improve its sustainability approach. Collected quantitative and qualitative information form the basis of Triodos IM's impact management efforts. Triodos IM reviews its contribution to the sustainable investment objectives of the fund and progress realised, and makes adjustments to the investment approach if and when needed.

- Accelerate transitions:

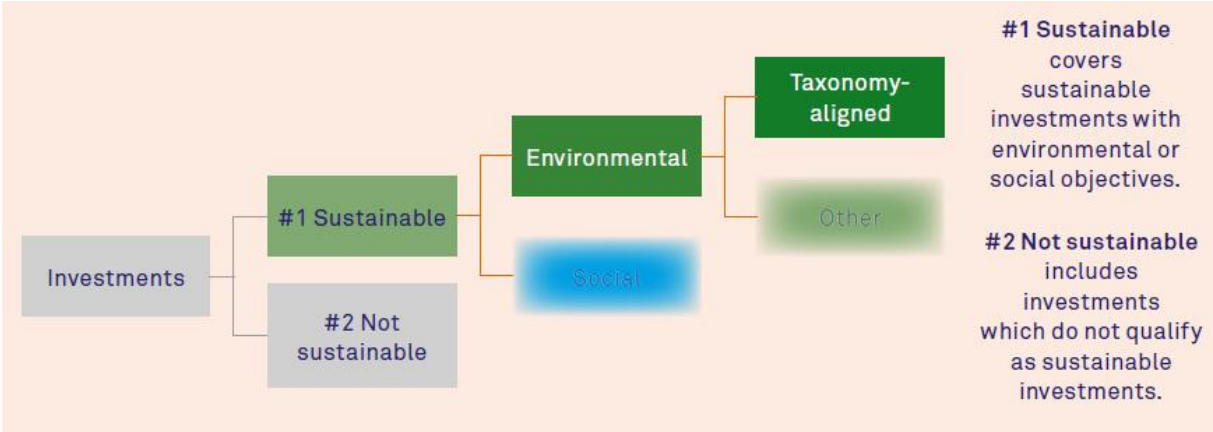
Triodos IM is an active and involved investor and integrates active stewardship in every aspect of the investment management process to promote sustainable long-term value creation for all its stakeholders and to accelerate sustainable transitions. This includes all efforts of Triodos IM: besides the provision of financing to its Investees as per the other three elements of Triodos IM's impact management approach described above, this includes the use of social and environmental action plans and engagement on the progress made by Investees.

### **Policy to assess good governance practices of investee companies**

The assessment of good governance practices of Investees performed by Triodos IM looks at the structure of rules, practices, and processes used to direct and manage a company or a project and aims to balance the interests of all stakeholders. It is an integral part of the due diligence phase and may vary in depth, complexity and scope depending on the Investee and context of a transaction. It covers a wide range of aspects but specifically checks for irregularities and compliance with best practices in at least the following areas: accounting, remuneration, business (mal)practices, corporate structure, disclosures, stakeholder management, anti-money and counter-terrorism financing, and taxation. At a minimum, all investments must demonstrate a sufficient level of good governance, and in case of identified controversies demonstrate an acceptable action plan for improvement in order to

be considered for investment. This process is described in more detail in the Triodos IM Due Diligence Policy. The assessment of good governance practices is carried out by the investment manager or analyst and is included in the investment proposal, which is discussed and subsequently approved by Triodos IM’s investment committee. Existing investments undergo periodic review and monitoring, which includes the review and monitoring of good governance practices.

### E. Proportion of investments



The fund invests at least 75% of its Net Assets in sustainable investments. The remaining (maximum 25%) will be cash or cash equivalents held as ancillary liquidity and derivatives for hedging purposes. Due to the neutral nature of these investments, they will not qualify as sustainable investments. The fund may invest up to 30% of its Net Assets in other UCI’s.

In order to allow for the build-up of the investment portfolio, the actual percentage of non-sustainable investments (in the form of cash or cash equivalents) might exceed the above stated percentage during the 24 months following the launch date of the fund.

After that time and due to the illiquid nature of the investments of the fund and the need to retain sufficient buffers in the form of cash or cash equivalents to allow for redemption requests, the actual percentage of non-sustainable investment (cash or cash equivalents) might exceed the above stated percentage for a limited period of time of maximum twelve months. Should such a situation arise, the fund will take reasonable actions to remedy such situation as soon as possible, taking due account of the interests of its shareholders. The fund does not make use of derivatives to attain the sustainable investment objective.

**Minimum share of sustainable investments with an environmental objective**

At least 75% of the investments of the fund will be sustainable investments that contribute to an environmental objective.

**Minimum share of sustainable investments with a social objective**

All investments are contributing primarily to an environmental objective. Thus, 0% of the sustainable investments of the fund contribute to a social objective.



## Sustainable investments with an environmental objective aligned with EU Taxonomy

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

### 1. Taxonomy-alignment of investments including sovereign bonds\*

- 75% Taxonomy-aligned
- 25% Other investments



### 1. Taxonomy-alignment of investments excluding sovereign bonds\*

- 75% Taxonomy-aligned
- 25% Other investments



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

The fund does not invest in sovereign bonds.

The investments of the fund contribute to climate change mitigation by investing in proven technologies in the following clean energy segments:

- Wind power
- Hydropower (small and medium run-of-the-river)
- Solar PV
- Mini-grid and off-grid solutions
- Other more innovative technologies, including but not limited to, energy storage and energy efficiency.

The taxonomy-alignment assessment forms integral part of the investment process. The investments of the fund are screened against the criteria of article 3 Taxonomy Regulation to ensure compliance.

Information related to the taxonomy-alignment of an investment/project is obtained through independent experts such as environmental & social and technical consultants.

The taxonomy-alignment assessment will not be subject to an assurance provided by auditors or to a review by third parties.

For Investee companies that are non-financial undertakings, the taxonomy-alignment is measured by total CapEx. The fund often invests in projects that are in the construction phase of a project, during which no revenues are generated, and therefore total CapEx is the most appropriate indicator (OpEx and turnover not being applicable).

### Minimum share of investments in transitional and enabling activities

The minimum share of investments in transitional and enabling activities are expected to be 0%.

### **Minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy**

The fund does not steer on the percentage of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy; that minimum percentage is 0%.

### **Investments included under “#2 Not sustainable”: purpose and minimum environmental or social safeguards**

Although the fund does not plan to have other investments than sustainable investments, it can hold cash and liquid assets as ancillary liquidity as well as currency derivatives.

These assets do not affect the delivery of the sustainable investment objectives of the fund on a continuous basis. Firstly, they are used – in limited proportion – to support the proper liquidity and risk management of the fund. The fund aims to retain sufficient buffers in the form of cash or cash equivalents to allow for redemption requests whilst remaining invested in relatively illiquid investments that contribute to the sustainable investment objectives of the fund. As the fund only hedges to limit currency risk, the hedging does not affect the sustainability objective of the fund either. Secondly, Triodos IM regularly assesses whether the counterparties for these assets comply with the four pillars of the UN Global Compact, using data from a third-party provider. UN Global Compact is a principle-based framework that calls companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals. Furthermore, Triodos IM assesses its counterparties’ policies and sustainability performance.

## **F. Monitoring of sustainable investment objective**

A combination of quantitative and qualitative information forms the basis of Triodos IM’s impact management efforts. The fund uses among others the following indicators to measure, monitor and report its sustainability performance, with regard to its sustainable investment objectives:

To increase renewable energy capacity:

- MW production
- Tonnes of CO2 emissions avoided

To provide access to clean and affordable energy:

- Number of C&I clients connected to clean, reliable and affordable energy
- Number of households connected to clean, reliable and affordable energy

To promote economic and social opportunities:

- New direct jobs
- Number of community development programs

The performance of such indicators is a consequence of the investment strategy of the fund and not a result of targeting specific indicator results.

Investees report on their financial and impact data on a quarterly basis, and ESG performance on an annual basis via a pre-agreed reporting template. The ESG performance report tracks the economic and social opportunities created and if the investee is in compliance with our ESG standards. The data is reviewed by the ESG Analyst. If there are any

questions or inconsistencies, the team clarifies these with the investee before final approval. An evaluation of the performance of the projects is conducted by the investment team on a quarterly basis. A complete review is conducted at least annually, including an environmental and social assessment, and potentially a site-visit.

On an annual basis, Triodos IM assess the extent to which the sustainable investment objective has been achieved. The results of this assessment are used as part of Learning and adapting phase of the Impact Management Cycle (G). The fund reports to investors on sustainability performance on a regular basis.

Furthermore the investment monitoring process has been translated into controls on the most material operational and financial risks. These controls are assessed as part of the ISAE 3402 audit, as performed by an external auditor. The fund reports to investors on sustainability performance on a regular basis.

### G. Methodologies

Triodos IM invests to generate social and environmental impact alongside a healthy financial return. It uses the Triodos Impact Management Cycle as an overarching tool in its methodology to manage its impact. Impact management is about actively steering the means to optimize positive impact and minimize negative impact in the context of the risk/return profiles of the funds.



The impact strategy of the fund is determined, taking into account factors such as the risk/return profile, asset class, availability of investment opportunities and regional focus. The fund determines this impact strategy, following from the vision. In order to do so, Triodos IM develops a Theory of Change as part of the strategy phase of its Impact Management

Cycle. The Theory of Change serves as a basis to set impact objectives and sustainability indicators. In the monitoring phase Triodos IM measures the impact of its investment activities. In the subsequent learning and adapting phase Triodos IM verifies that the outcomes meet the targets and expectations and if not, why not, and Triodos IM defines what actions should be taken (i.e. capital allocation decisions, engagement or thought leadership) to optimise its contribution to impact. Learning and adapting takes place on four levels: the investment level, the fund level, Triodos IM level and increasingly on Triodos Group level. This cycle is repeated continuously as a way to steer on/manage the impact of Triodos IM's investments.

## H. Data sources and processing

To collect the appropriate information to screen for the positive impact of the funds' assets, the investment team performs an extensive due diligence. Information resulting from the due diligence and/or questionnaires is inserted in Triodos IM's systems, and data is collected through the investee's quarterly and annual reports. When the information is obtained and verified, it is processed by the analysis team to be four-eye checked by the Fund Manager. Reliability and validity of the data are checked by identifying unusual fluctuations. When these are identified, it is qualitatively assessed whether the fluctuations of values over time are explicable. Data on actual production figures lag a quarter.

The fund measures the avoided carbon emissions by using the Partnership for Carbon Accounting Financials ("PCAF") methodology. The sustainability indicator measures absolute greenhouse gas (GHG) emissions. For more information on the GHG accounting methodology used by the fund, please refer to Section 6 (Scope 3 Investments - Environment: avoided emissions from Renewable Energy) in the document 'Triodos Bank Greenhouse Gas accounting methodology', which can be downloaded on the Triodos Bank N.V. website (<https://www.triodos.com/download-centre>).

## I. Limitations to methodologies and data

The sustainable objectives of the Fund are based on the Fund Theory of Change. A Theory of Change is a description of how we expect our investment activities to lead to positive impact. It outlines a pathway which we expect to lead to our ultimate impact, considering underlying assumptions and risks along the way. These assumptions might be flawed. The annual learning and adapting aspect of our Impact Management Cycle serves to reassess and mitigate this risk where possible.

Data is self-reported by investees. Limitations related to quality and collection of data used to attain sustainable objectives mostly relate to the extent to which investees disclose information and the timing of delivery. Quarterly impact performance data is reported to investors one quarter behind actual results achieved. As described in section H, the fund management team has multiple checks in place to review the reliability and validity of the data.

For measuring Triodos Emerging Markets Renewable Energy fund's positive impact PCAF's (Partnership for Carbon Accounting Financials) methodology is used. Unfortunately, PCAF's methodology is not tailored to capture all impact the fund is making. For example, for projects with negative equity on their balance sheet in which Triodos Emerging Markets Renewable Energy Fund has an equity stake, no impact will be attributed. Therefore, this methodology incentivises to invest debt in tail-end energy assets. On top of that, the methodology is not tailored to capture impact

generated by investing in early-stage assets i.e., assets in the development or construction phase. For non-generating assets the PCAF methodology does not properly capture (future) impact. For these assets the team is looking into alternative ways. The indicators mentioned earlier are a way to measure and include the impact excluded by the PCAF methodology.

## J. Due diligence

The due diligence carried out on the underlying assets consists of a positive screening in which the transformative potential is assessed, followed by a negative impact assessment to screen the impact on people and planet (inside out), which includes the Triodos Bank Minimum Standards, do no significant harm principle and any sector specific negative impacts. The impact of external sustainability factors on Triodos IM's investments (outside in) is assessed which results in potential sustainability risks, such as physical / societal and transition risk. Every investment case considers impact, risk and return.

This is described in more detail in section D 'Investment strategy' in which is also explained how Triodos IM even further accelerates transitions by integrating active stewardship in every aspect of the investment management process. A Due Diligence policy and process is in place to ensure that all the necessary stages and steps of due diligence are followed before the decision to invest is taken. Furthermore the due diligence process has been translated into controls on the most material operational and financial risks. These controls are assessed as part of the ISAE 3402 audit, as performed by an external auditor.

## K. Engagement policies

A focus on impact dictates which investees the fund finances and how. This includes the careful selection of investees, as well as proactively supporting or advocating for investees to increase their positive and reduce or avoid negative impact. Types of engagement include requesting information and disclosure, investigating alleged shortcomings of a company's responsible management, sharing expertise, encouraging and tracking companies' performance towards pre-defined goals, voting, and board membership. This is done with the aim to create long term value for the benefit of society and for the planet whilst enhancing the long-term value creation potential of the company.

As such, Triodos IM frequently engages on environmental, social and governance topics that are relevant to each investee's business model, fund or sector context as well as on general corporate development and business strategy issues. Triodos IM undertakes the following range of activities in its active investment approach, depending on the asset class.

1. Company engagement
2. Active ownership
3. Advocacy | Influencing decisions within policy-making, economic, and social institutions.

### Engagement procedures

As the first step in the investment selection process is a screening on positive impact potential, followed by the strict Triodos Minimum Standards screening, significant harmful activities are excluded from portfolios ex-ante. Key opportunities for improvement and for longer term value creation are identified and provide the basis for building trusting

relationships with investees. The engagement agenda is prepared by a range of department representatives and approved in the Triodos Investment Management Impact Committee. Engagement activities are monitored on a quarterly basis in the Impact Financial Risk Committee and reported upon annually.

#### **Sustainability-related controversies**

In the case of (alleged) adverse impact, the company is contacted to clarify and investigate the allegations or information, and to assess the severity of the incident as well as the responsibility and accountability of the company. Involvement in a controversy with limited corporate responsibility would lead to expressing a concern and more scrutiny on the topic, while involvement in a severe controversy highlighting clear company shortcomings would lead to a major concern and divestment.