25% equity
75% bonds
100% impact

Triodos Impact Mixed Fund - Defensive
Impact Report 2021

This is a marketing communication. Please refer to the prospectus and the KIID of Triodos Impact Mixed Fund - Defensive before making any final investment decisions. An overview of the investor’s rights can be found in the prospectus. The value of your investment can fluctuate because of the investment policy. Triodos Impact Mixed Fund - Defensive is managed by Triodos Investment Management. Triodos Investment Management holds a license as alternative investment fund manager and UCITS and is under the supervision of the Dutch Authority Financial Markets and De Nederlandsche Bank.
Impact highlights 2021

Top 3 transition themes

- 34% Sustainable Mobility and Infrastructure
- 27% Social Inclusion and Empowerment
- 16% Prosperous and Healthy People

3 key engagement topics

- Climate change
- Labour rights
- Executive remuneration

100% of AGMs voted at 49 companies and issuers engaged with

19% of holding companies committed to or aligned with the Science Based Targets initiative

31% less GHG emissions than benchmark
80% less Water consumption than benchmark
4% more Landfill waste than benchmark
Increasing our focus on impact bonds

Foreword by Fund Manager Rob van Boeijen

The year 2021 was marked by the recovery from 2020’s COVID-19 induced global recession. Whereas global equity markets continued their sharp upward trend during most of 2021, moving further into record territory, global bond markets generated negative returns in 2021. Bond yields rose on the back of rising inflation expectations and a global shift towards monetary tightening.

This impact report shows Triodos Impact Mixed Fund - Defensive’s ongoing focus on increasing its positive impact. The fund does so by selecting equity and bond issuers that have a clear fit with one of our seven transition themes. In line with this strategy, we invested in several new impact bonds that offer the opportunity to invest additional funds in specific assets or projects. Within the themes Renewable Resources and Sustainable Mobility and Infrastructure, for example, we invested in green bonds issued by Hamburger Hochbahn, Nidec, and Redes Energéticas Nacionais. We also invested in a social bond issued by the Republic of Slovenia, the proceeds of which will primarily be used to finance emergency health care for vulnerable and socially disadvantaged people.

In equities, we added exposure to the Renewable Resources theme via an investment in the Spanish renewable energy utility Acciona Energías Renovables, as well as to Social Inclusion and Empowerment through a new position in the British education company Pearson.

Triodos Impact Mixed Fund - Defensive will continue to maximise its impact by investing in companies and institutions that accelerate the transition to a better world. As the markets for impactful investments are getting more mature we can do so and simultaneously manage risk and liquidity of the fund at high standards.

Rob van Boeijen
Fund Manager Triodos Impact Mixed Fund - Defensive
Contributing to the transition to a sustainable future

Triodos Impact Mixed Fund - Defensive 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 and bond issuers 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 and bond issuer 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 and bond issuers are reviewed for the possible risk that their business practices could jeopardise the transition we envision. Companies and issuers 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:

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

Direct company engagement

We have one-on-one conversations with companies and issuers to discuss sustainability topics that are important to us as an impact investor. We explore their 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.

Alignment with the Science Based Targets initiative

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

Voting

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.

100% of AGMs voting at

14% voted against management

The fund voted at 43 Annual General Meetings on a total of 655 agenda items. A full breakdown of the fund’s voting records is available for download.

49 Companies and issuers engaged with

75% voted for management

35% voted against management

0% abstained from voting

For more information on our engagement efforts, as well as concrete examples and our full voting records, please visit our Stewardship page.
A values-driven investment process

How we manage impact

1. Investment idea generation & first impression scan
   - Screen for investment companies potentially contributing to fund’s impact objectives

2. Due diligence
   - Assessment on positive impact – steer on SDGs
   - Exclusion: compliance with Triodos Minimum Standards and good governance practices
   - Assessment of material sustainability risks, financial analysis (e.g. stock valuation and outlook, default risk for bonds)

3. Decision to include in Universe (Investment case)
   - Potential additional information required
   - Decision on inclusion in Universe

4. Investment decision and portfolio construction
   - Decision to add investment to the portfolio
   - Company engagement and technical assistance

5. Monitoring and reviewing
   - Portfolio construction (potential divestment, increase in stake or reduction in stake)
   - Review of investees
   - Engagement with investees
   - Internal learning & adapting

6. Communication and reporting
   - Impact reporting and thought leadership publications and events
   - Industry advancement by proactively contributing to relevant sustainability and impact initiatives and knowledge sharing with financial market participants

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).

Triodos Impact Mixed Fund - Defensive Impact Report 2021
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 investments

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

Hamburger Hochbahn

In Q1 2021, the fund participated in the newly issued green bond from Hamburger Hochbahn, the city’s U-Bahn and bus operator. The company plays an important role in Hamburg’s ambitious climate neutrality plan and through its activities, it positively contributes to our Sustainable Mobility and Infrastructure theme.

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.

Smurfit Kappa

In Q3 2021, the fund invested in a corporate bond from paper packaging manufacturer Smurfit Kappa. With recycling at the heart of its business model, the company positively contributes to our Circular Economy theme.

Find out more here.

Pearson

In Q1 2021, the fund added Pearson to the portfolio. The company provides educational materials and services to institutions and individual learners in various countries, positively contributing to our Social Inclusion and Empowerment theme.

Find out more here.

7 Triodos Impact Mixed Fund - Defensive Impact Report 2021
Impact data

Triodos Impact Mixed Fund - Defensive measures impact first and foremost as positive contribution to our sustainable transition themes. Each company or bond issuer in the portfolio must positively contribute to at least one of these themes through its commercial strategy. In 2021, the fund’s portfolio contributed positively to the following themes:

Portfolio contribution to transition themes

<table>
<thead>
<tr>
<th>Theme</th>
<th>% of portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Mobility and Infrastructure</td>
<td>34%</td>
</tr>
<tr>
<td>Social Inclusion and Empowerment</td>
<td>27%</td>
</tr>
<tr>
<td>Prosperous and Healthy People</td>
<td>16%</td>
</tr>
<tr>
<td>Renewable Resources</td>
<td>9%</td>
</tr>
<tr>
<td>Innovation for Sustainability</td>
<td>8%</td>
</tr>
<tr>
<td>Sustainable Food and Agriculture</td>
<td>4%</td>
</tr>
<tr>
<td>Circular Economy</td>
<td>2%</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Goal</th>
<th>% of portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>45%</td>
<td>2%</td>
</tr>
<tr>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2%</td>
<td>19%</td>
</tr>
<tr>
<td>20%</td>
<td>2%</td>
</tr>
<tr>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>19%</td>
<td>0%</td>
</tr>
<tr>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>19%</td>
<td>2%</td>
</tr>
<tr>
<td>20%</td>
<td>2%</td>
</tr>
<tr>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2%</td>
<td>-2%</td>
</tr>
<tr>
<td>0%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: ISS ESG as per end of December 2021.

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.

- **31% less**
  - Greenhouse gas emissions
  - Equal to emissions of driving 115 times around the globe

- **80% less**
  - Water used
  - Equal to the water use of 3.2 million daily showers

- **4% more**
  - Landfill waste produced
  - Equal to 551 household garbage bags of waste

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 Impact Mixed Fund - Defensive, 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 deposed of via landfills, it includes paper and plastic packaging and certain chemical products as well, which in fact can in many instances be recycled and do not end up in landfill. We consciously accept that a handful of investments with positive overall impact results in the fund having 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.
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 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.

Contact
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:

+31 (0)30 694 2400
TriodosIM@triodos.com
www.triodos-im.com

Published
April 2022

Text
Triodos Investment Management

Design and layout
Via Bertha, Utrecht