Generating positive impact through sterling-denominated bonds

Triodos Sterling Bond Impact Fund
Impact Report 2022

This is a marketing communication. Please refer to the prospectus and the KID of Triodos Sterling Bond Impact Fund 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 Sterling Bond Impact Fund 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 2022

Top 3 transition themes

- **Social Inclusion and Empowerment**: 52%
- **Sustainable Mobility and Infrastructure**: 25%
- **Renewable Resources**: 10%

Top 4 Sustainable Development Goals contributed to

- Affordable and clean energy (7)
- Reduced inequalities (10)
- Sustainable cities and communities (11)
- Climate action (13)

5 key engagement topics

- Climate change
- Executive remuneration
- Hazardous chemicals
- Living wages
- ESG in Japan

11 bond issuers engaged with

- Green and social bonds in portfolio: 21%

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

- GHG emissions than benchmark: 77%
- Water consumption than benchmark: 87%
- Landfill waste than benchmark: 0%
Focus on positive impact

Foreword by Fund Manager Rosl Veltmeijer-Smits

2022 was marked by the war in Ukraine, high inflation, macro-economic and political uncertainty in the UK and rising yields. Central banks, including the Bank of England, raised their official bank rates and as a result global bond markets generated negative returns in 2022.

The impact report shows how Triodos Sterling Bond Impact Fund’s increased its positive impact over the year. The allocation to UK gilts was further reduced and the allocation to corporate bonds with a positive impact, green bonds and social bonds was increased. The share of green bonds increased from 9.3% to 17.3% and the fund added the first social bond to the portfolio. The social bond was issued by Pearson, an educational products and services company. The proceeds are used to improve access to education by developing free online education services and to improve the empowerment of underserved and underemployed learners by developing vocational certification services. By investing in Landwirtschaftliche Rentenbank, a new transition theme was added to the fund, Sustainable Food and Agriculture. Rentenbank is a government-owned and non-profit promotional bank, mostly financing the food, agriculture, forestry and renewable energy sectors, and rural areas in Germany.

Triodos Sterling Bond Impact Fund will continue to maximise its impact by maintaining a low level of UK gilts and by further improving the spread across the transition themes.

Rosl Veltmeijer-Smits
Fund Manager Triodos Sterling Bond Impact Fund
Impact highlights 2022

Foreword by Fund Manager

Investing in the change makers

Impact data

Optimising impact to accelerate transitions

Do no significant harm

Engagement

Sustainability risks and opportunities

Looking ahead

Impact metrics explained

Investing in the change makers

Triodos Sterling Bond Impact Fund classifies as an SFDR Article 9 fund. The fund invests in listed bonds 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
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

Sustainable Food and Agriculture
Feed the world sustainably

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

UN SDGs

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
Theory of Change

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

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

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

An economy within planetary boundaries

A prosperous life for all people

Money working for positive change

If we:

Increase renewable resource use
› Reduce demand for finite natural resources
› Increase efficient resource use

Then we expect:

› Increase access to basic human needs (e.g. food, water, housing, healthcare)
› Target underserved individuals or communities

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Increase access to basic human needs and lifting barriers for individuals will boost shared prosperity

Then we expect:

› Sustainable food systems
› A thriving community
› Prosperous and healthy people

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

We continue to be a frontrunner and our strategy leads to impact and attractive returns which we effectively communicate

Then we expect:

› Inspire clients with their positive impact
› Show improvement in sustainability practices following engagement by investors

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Increased transparency of sustainability risks and opportunities
› More capital flows towards sustainable investment

Then we expect:

› Inspire clients with their positive impact
› Show improvement in sustainability practices following engagement by investors

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Increase efficient resource use

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Investees offering access to basic human needs and lifting barriers for individuals will boost shared prosperity

Then we expect:

› Sustainable food systems
› A thriving community
› Prosperous and healthy people

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees offering access to basic human needs and lifting barriers for individuals will boost shared prosperity

Then we expect:

› Sustainable food systems
› A thriving community
› Prosperous and healthy people

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change

If we:

Assuming:

Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources

Then we expect:

› A fossil fuel free economy
› A circular economy
› Sustainable food systems

Which will contribute to:

A prosperous and healthy people

Money working for positive change
Impact highlights 2022

Foreword by Fund Manager

Investing in the change makers

Impact data

Optimising impact to accelerate transitions

Do no significant harm

Engagement

Sustainability risks and opportunities

Looking ahead

Impact metrics explained

Triodos Sterling 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 2022 and 2021, the fund’s portfolio contributed positively to the following themes:

Portfolio contribution to transition themes

<table>
<thead>
<tr>
<th>Theme</th>
<th>2022</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Inclusion and Empowerment</td>
<td>52%</td>
<td>46%</td>
</tr>
<tr>
<td>Sustainable Mobility and Infrastructure</td>
<td>25%</td>
<td>30%</td>
</tr>
<tr>
<td>Renewable Resources</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Prosperous and Healthy People</td>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>Sustainable Food and Agriculture</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>Innovation for Sustainability</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Circular Economy</td>
<td>0%</td>
<td>0%</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.

In 2022, the contribution to individual SDGs improved or remained stable. SDGs 3 and 6 improved the most, due to the addition of an impact bond issued by Severn Trent. The proceeds of this bond are used to finance and/or refinance assets and expenditures with a positive sustainability impact in accordance with the Group’s Sustainable Finance Framework. In absolute terms, the largest contributions are to SDGs 10 and 11. The positive score on SDG 10 mostly comes from telecommunication companies. The positive score on SDG 11 mostly relates to Toyota.

Source: ISS ESG as per end of December 2021 and 2022.
Impact investments

Click here for an overview of all investments of the fund in 2022.

Pearson
Pearson provides educational products and services. The proceeds of its social bond are spent on projects whose primary objective is to improve access to education by developing free online education services and to improve empowerment of underserved and underemployed learners by developing vocational certification services.

Severn Trent
Severn Trent is a water and wastewater company in the UK. The proceeds of its sustainability bond are used for both green and social projects. As most of the projects are related to clean water and sanitation, climate action and life on land projects the bond is classified under the theme of Renewable Resources.

Landwirtschaftliche Rentenbank
Rentenbank provides loans to banks operating in EU countries. The loans can be used for agriculture-related projects and finance in rural areas. The scope of lending extends from agriculture, forestry, viticulture, horticulture and fisheries to related products and services for these industries.

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

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. This is shown on 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 on the next page and 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 models, 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. Read more on the next page.
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 2022, the fund excluded no holdings from the portfolio due to either a breach of the Triodos Minimum Standards, or a persisting unacceptable risk.

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.

<table>
<thead>
<tr>
<th>Environmental Impact</th>
<th>End of December 2022</th>
<th>End of December 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhouse gas emissions</td>
<td>77% less</td>
<td>85% less</td>
</tr>
<tr>
<td>Equal to emissions of driving 124 times around the globe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water used</td>
<td>87% less</td>
<td>21% less</td>
</tr>
<tr>
<td>Equal to the water use of 10,000 daily showers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Landfill waste produced</td>
<td>0%*</td>
<td>72% more</td>
</tr>
<tr>
<td>Equal to 1,612 household garbage bags of waste</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Going forward we will replace the ecological footprint data with three new data points that are part of the Principal Adverse Indicators (PAI) framework that comes into force under the SFDR regulation.

* In 2022, the portfolio shifted more towards social impact. These companies typically have a lower water and landfill footprint.
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 2022, the Impact Equities and Bond funds’ formal engagement agenda focused on five topics:

- **Climate change**
  As an equity investor, we vote on management proposals and shareholder resolutions at company AGMs. ‘Say on Climate’ proposals are designed to give shareholders the possibility to vote on a company’s climate strategy. They can be submitted both by a company’s management and its shareholders. Read the full article.

- **Executive remuneration**
  Inequality has reached unsustainable levels in today’s world. Excessive executive remuneration is an important cause of the widening gap in wealth and income distribution. We engaged with several companies to encourage balanced and fair remuneration policies and practices. Read the full article.

- **Hazardous chemicals**
  Chemical companies should phase out substances that are harmful to the environment and people’s health. Triodos participated in engagement with ChemSec to urge companies to improve transparency on hazardous and persistent chemicals. Read the full article.

- **Living wages**
  A living wage allows a decent livelihood, including housing, food, healthcare and education. For many workers, particularly in the textiles and apparel industry, this is still unattainable. On behalf of the Platform Living Wages Financials, we engaged with adidas and Nike on this topic. Read the full article.

- **ESG in Japan**
  ESG in Japan is still in the maturing phase compared to the Americas and Europe. We engaged with 16 Japanese companies to check their progress in ESG, and define the areas where they are doing well, and the areas that need improvement. Read the full article.

ESG in Japan
Engagement and voting summary

Engagement in 2022
On top of the engagement agenda, we have conversations with companies to discuss topics that are important to us as an impact investor. In 2022, we engaged with 11 companies.

Company contact purpose

- Company Update: 6
- Engagement Project: 4
- Event Driven Engagement: 2
- Impact Bond Engagement: 3
- Minimum Standards: 1

Number of contacts: 16

ESG topics discussed

- Business: 44%
- Environmental: 38%
- Social: 25%
- Governance: 19%

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, and
2. a company has set science-based targets, in line with the 1.5°C trajectory.

Note: the calculation methodology was adjusted in 2022 to better align with SBTI best practices by taking into account the weight of our investment. Consequently the 2021 numbers are not comparable with the 2022 numbers.
Risks
Accelerating loss of biodiversity, climate change and water stress impair agricultural opportunities.

Opportunities
Given its main activity of lending to the agricultural sector, there is a risk that due to its offering of digital content, there are ESG risks related to information security and data protection.

SNCF Réseau lays new railway tracks and carries out maintenance to railway networks. These activities might have negative impact on the environment through the use of heavy machinery or the crossing of nature reserves. To mitigate this risk, SNCF Réseau does environmental impact assessments of its projects.

European Investment Bank
Among the eligible projects for the impact bond is energy generation through biomass. There is a risk that the feedstock for biomass energy is from unsustainable sources, such as food crops, and that the actual GHG emissions are higher than projected.

BNG Bank
Limited risks as BNG has good ESG policies in place and is restricted to financing projects in the Netherlands, where good environmental and social minimum standards, legislation and oversight are in place.

Nederlands Waterschapsbank
NWB recently got involved in export financing, where they provide less transparency on what kind of activities and countries are financed.

SNCF Reseau
SNCF Réseau lays new railway tracks and carries out maintenance to railway networks. These activities might have negative impact on the environment through the use of heavy machinery or the crossing of nature reserves. To mitigate this risk, SNCF Réseau does environmental impact assessments of its projects.

Pearson
Due to its offering of digital content, there are ESG risks related to information security and data protection.

Rentenbank
Given its main activity of lending to the agricultural sector, there is a risk that Rentenbank finances weak types of crop cultivation and animal husbandry that have negative impact on the climate and ecosystems.

KfW Bank
The green bond framework allows for investments in biomass projects and such projects could be linked to negative impact on the environment when unsustainable sources for feedstock are used.

Procter & Gamble
Accelerating loss of biodiversity, climate change and water stress impair agricultural production, which might pose a material risk to P&G’s sourcing operations. Deforestation is linked to soil erosion and disrupted rainfall patterns, which can compromise agricultural yields, and has also been associated with problematic labour practices, such as human rights abuses.

AFD finances projects that enhance climate, biodiversity, peace, education, urban development and health in the French overseas territories and in developing countries. Through financing these projects, AFD contributes to the commitment of France to support the sustainable development goals.

The CEB finances projects to support financially disadvantaged people and economically underdeveloped regions and projects such as migrant and refugee crisis response and long-term integration, access to social and affordable housing, improvement of living conditions and social welfare, and environment and climate action.

The European Investment Bank (EIB) issues Climate Awareness Bonds to finance projects that contribute to climate action worldwide. The proceeds of this impact bond are used to fund lending for renewable energy projects (solar, wind, hydro, geothermal) and energy efficiency projects.

BNG has the mission to contribute a more sustainable Netherlands. It provides financing to municipalities, public housing corporations, health care institutions, education and renewable energy and infrastructure projects in the Netherlands. It has the objective of minimizing the cost of funding for these public institutions.

The bank’s primary customers, the Dutch water boards, are responsible for clean water and sanitation by managing flood protection, waterways and water quality control, ensuring health and safety for communities exposed to rising sea levels. In addition, the bank’s long-term loan book is to 70% dedicated to financing for social housing, healthcare and education.

Pearson provides educational products and services to institutions, governments, professional bodies, and individual learners, thus contributing to empowering people and to countering inequality and promoting active engagement. Pearson also has taken some steps to make its products more affordable and accessible for disadvantaged groups worldwide, thereby contributing to the global sustainability objective of delivering quality education for all.

As a promotional bank, Rentenbank aims to finance the agriculture industry to further reduce harmful effects on the climate and the environment and extend its role as a producer of ecosystem conservation services and sustainable raw materials.

This green bond finances renewable energy projects and energy efficiency projects, mainly in Germany. The majority of proceeds is allocated to loans and subsidies for the construction of new energy efficient residential buildings or for measures that achieve energy efficiency in existing residential buildings.

Beyond providing essential hygiene products, P&G strives to spread awareness and education on hygiene and environmental topics, such as shaping customers’ attitudes towards more responsible consumption. In addition, P&G is working towards minimizing its environmental footprint and striving for circular solutions.
## Sustainability risks and opportunities

### Risks and opportunities of largest GHG emitters

<table>
<thead>
<tr>
<th>Company name</th>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procter &amp; Gamble</td>
<td>For household and personal care companies, the main sustainability risks are directly related to the life cycle of the products.</td>
<td>There is no indication that the company has implemented comprehensive measures to actively promote products with an improved and/or externally certified sustainability profile.</td>
</tr>
<tr>
<td>Henkel</td>
<td>The main risks include greenhouse gas emission reduction targets and action plans and the energy intensity of its operations.</td>
<td>The company shows efforts to shift its portfolio to a more sustainable direction, by offering products with an added social and/or environmental value, or solutions that help increase energy efficiency.</td>
</tr>
<tr>
<td>Vodafone</td>
<td>The energy efficiency of its networks represents the company’s major challenge in light of the exponential growth of data traffic.</td>
<td>Climate change opportunities lie with increasing the carbon efficiency of the services.</td>
</tr>
<tr>
<td>SNCF Reseau</td>
<td>The main risks include the energy efficiency of its buildings and structures and its use of renewable energy sources, greenhouse gas emission reduction targets and action plans and energy intensity.</td>
<td>Rail transport only contributes 1-2% to global transport emissions (in the EU less than 1%), and specific energy and carbon intensities of rail transport are relatively small compared to other modes, thus rail transport provides the most environmentally-friendly transportation mode.</td>
</tr>
<tr>
<td>Toyota Motor</td>
<td>For automobile manufacturers, the main sustainability issues are the reduction of CO₂ emissions of the car fleet across the whole product lifecycle as well as environmental standards in the supply chain.</td>
<td>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.</td>
</tr>
</tbody>
</table>

Further sustainability-related disclosures in accordance with SFDR are available [here.](#)
## Sustainability risks and opportunities

### Risks and opportunities of biodiversity laggards

<table>
<thead>
<tr>
<th>Company name</th>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Japan Railway</td>
<td>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.</td>
<td>Travel by train mitigates impact on biodiversity compared to travel by car or plane. Also in terms of energy use, GHG emissions and air pollution, trains are far more efficient than other mass modes of transport. Railway operators are in a unique position to conserve and manage the vegetation along their lines in such a way that it contributes positively to biodiversity.</td>
</tr>
<tr>
<td>Toyota Motor Credit</td>
<td>For automobile manufacturers, the main sustainability risks are the reduction of CO₂ emissions, as well as environmental and social standards in the supply chain. Besides that, with the transition to electric vehicles, the mining of more (rare earth) materials is needed for the manufacturing of batteries. Without certain biodiversity assessments and policies in place, the mining of these materials can lead to significant negative impact on biodiversity. Another risk for Toyota is that is that has been alleged to source leather for its car seats from areas in Brazil which are at high risk for deforestation.</td>
<td>Toyota has been a frontrunner for years with its hybrid vehicles and the fuel-efficiency of its internal combustion-engine vehicles. This leads to Toyota cars having on average the lowest emissions of CO₂ per km travelled compared to all other major car manufacturers. Besides that, Toyota has a biodiversity policy in which it contributes to biodiversity conservation initiatives and in which it aims its factories to be in harmony with nature as much as possible.</td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td>The main biodiversity risks are directly related to the life cycle of its products, mainly the choice and sourcing of raw materials (palm oil, paper, guar beans, shea nuts, etc.) as well as their use and disposal by consumers.</td>
<td>Demand for more sustainable products and ingredients is increasing, as well as how these are produced and packaged. We see an opportunity for P&amp;G to increase brand value by being positively associated with sustainable sourcing, deforestation-free programmes and shifting towards more sustainable packaging solutions.</td>
</tr>
<tr>
<td>United Utilities Water Finance</td>
<td>Main environmental challenges faced by water and wastewater service providers include sustainable water withdrawal, leakage management, the application of environmental standards for wastewater purification, and management of environmental impacts of sewage sludge disposal.</td>
<td>The company addresses the basic need of access to water by providing water and wastewater treatment services in the UK. It also offers various options to ensure the affordability of water for customers with financial hardship. Finally, it also generates some renewable energy through solar panels, wind turbines, and the use of bio-resources at wastewater treatment plants.</td>
</tr>
<tr>
<td>Anglian Water Services Financing</td>
<td>Anglian Water operates in a water-stressed region that includes wetlands and conservation sites. Therefore, it must address related risks and comply with legal requirements. As the company treats water and wastewater, there is a risk of negative impact on biodiversity from water leakage and from pollution through sewage leakage. In the past, Anglian Water has been involved in such incidents where rivers were polluted and those led to regulatory fines.</td>
<td>Anglian Water’s main activities, the purification of water as well as the provision of clean drinking water and sanitation services, respond to the global sustainability challenge of providing access to water, which is recognized as a universal human right according to international law. Besides that, Anglian Water has a biodiversity strategy that includes pollution reduction, river restoration, biodiversity conservation and a target for a biodiversity net gain by 2030.</td>
</tr>
</tbody>
</table>

Further sustainability-related disclosures in accordance with SFDR are available [here](#).
Engagement with the ten largest holdings

<table>
<thead>
<tr>
<th>Company name</th>
<th>Engagement topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agence Francaise de Developpement</td>
<td>No engagement with the issuer</td>
</tr>
<tr>
<td>Council of Europe Development Bank</td>
<td>CEB social inclusion bond framework</td>
</tr>
<tr>
<td>European Investment Bank</td>
<td>Reviewed allocation and impact reporting but no engagement with the issuer</td>
</tr>
<tr>
<td>BNG Bank</td>
<td>BNG sustainable finance framework</td>
</tr>
<tr>
<td>Nederlandse Waterschapsbank</td>
<td>No engagement with the issuer</td>
</tr>
<tr>
<td>SNCF Reseau</td>
<td>GHG emissions from operations</td>
</tr>
<tr>
<td>Pearson</td>
<td>No engagement with the issuer</td>
</tr>
<tr>
<td>Rentenbank</td>
<td>No engagement with the issuer</td>
</tr>
<tr>
<td>KfW Bank</td>
<td>KfW green bond framework</td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td>Biodiversity</td>
</tr>
</tbody>
</table>

Implementation of sustainability regulation

New regulatory requirements on sustainability have been implemented for Triodos Sterling Bond Impact Fund during 2022.

**SFDR**

All Triodos Investment Management funds are classified 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 the 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**

We also report on the EU Taxonomy framework for funds that have an environmental objective. The EU Taxonomy is a manual that explains which economic activities are green and which are not for each sector.

Find out more: EU SFDR and Taxonomy requirements and the disclosures of Triodos Sterling Bond Impact Fund.
Looking ahead

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. We have identified five interlinked areas of intervention – food, resource, energy, society and wellbeing – where deep changes in human systems and institutions need to take place to achieve our goal of a prosperous life for people on a thriving planet.

During 2023, we will take steps to integrate the five transition themes into the fund’s impact management and measurement process.

We will also 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 2023 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.
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 **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.

**International sustainability recognition**
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 2022: EUR 5.5 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 2023

Text
Triodos Investment Management

Design and layout
Via Bertha, Utrecht

Disclaimer

 › This document has been carefully prepared and is presented by Triodos Investment Management.
 › It does not carry any right of publication or disclosure, in whole or in part, to any other party.
 › This document is for discussion purposes only.
 › The information and opinions in this document constitute the judgment of Triodos Investment Management at the time specified and may be subject to change without notice, they are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient.
 › Under no circumstances is it to be used or considered as an offer to sell, or solicitation of any offer to buy, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or be taken as investment advice.
 › Triodos Sterling Bond Impact Fund is managed by Triodos Investment Management BV. Triodos Investment Management is a licensed AIFM and UCITS management company under the Financial Supervision Act by the Dutch Financial Markets Authority (Autoriteit Financiële Markten, AFM).
 › The content of this document is based upon sources of information believed to be reliable, but no warranty or declaration, either explicit or implicit, is given as to their accuracy or completeness.
 › This document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.
 › All copyrights patents and other property in the information contained in this document is held by Triodos Investment Management and shall continue to belong to Triodos Investment Management. No rights whatsoever are licensed or assigned or shall otherwise pass.
 › When investing in the fund, please take into account all the characteristics and/or objectives of the promoted fund as described in its prospectus. Further, please take notice of the sustainability aspects of the fund as found here.

TRIODOS INVESTMENT MANAGEMENT