

# Principal Adverse Sustainability Impacts Statement

As in Article 4 SFDR

Version 10 March 2021

Triodos@Investment Management

# 1. Purpose

This is the Principal Adverse Sustainability Impacts Statement of Triodos Investment Management B.V. ('Statement'), effective as of 10 March 2021, as per SFDR article 4.

## 2. Introduction to this document and definitions

### 2.1 Contents

This Principle Adverse Sustainability Impacts Statement contains the following:

- Section 1: Purpose
- Section 2: Introduction to this document and definitions
  - 2.1 This Statement
  - 2.2 Definitions
- Section 3: Summary
- Section 4: Description of principal adverse sustainability impacts
  - 4.1 Introduction
  - 4.2 Impact investment products
  - 4.3 Principal Sustainability Indicators related to principal adverse impacts on sustainability factors
  - 4.4 Actions to address principal adverse sustainability impacts
- Section 5: Description of policies to identify and prioritise principal adverse sustainability impacts
- Section 6: Engagement Policies
- Section 7: References to international standards

### 2.2 Definitions

For this document, the following definitions apply:

- **'SFDR'** – Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended from time to time;
- **'sustainability factors'** means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, as in article 2 (24) SFDR;
- **'sustainability risk'** means an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment, as in article 2 (22) SFDR;
- **'impact'**: the effect that our organisation and investments have on the sustainability factors as in the outside world;
- **'Triodos Investment Management'** or **'Triodos IM'**: Triodos Investment Management B.V., a private limited liability company incorporated in the Netherlands, with its registered office at Nieuweroordweg 1, NL-3704-EC Zeist, the Netherlands, and licensed as (UCITS) Management Company as well as Alternative Investment Fund Manager (AIFM) by the Dutch Authority for the Financial Markets (AFM);
- **'funds'**: the collective investment funds (UCITS or AIFs) managed by Triodos IM ;

### 3. Summary

Triodos Investment Management B.V. ('Triodos IM', LEI: 724500C17UZL2NC2DE67) considers principal adverse impacts of its investment decisions on sustainability factors.

As Triodos IM is an 'impact investor', sustainability indicators, factors and risks are considered even before investing, and throughout the investment process, as part of the 'Triodos approach'. Triodos IM applies thorough due diligence and investment processes during the life of all of its investments and sustainability is an integral part of those processes.

The section '**Description of principal adverse sustainability impacts**' provides information on the principal sustainability indicators Triodos IM considers in its investment decisions as well as information on where descriptions of actions Triodos IM has taken to address principal adverse sustainability impacts, can be found.

The section '**Description of policies to identify and prioritise principal adverse sustainability impacts**' provides information on the 'Triodos approach' and the relevant policies Triodos IM has in place to identify and prioritise principal adverse sustainability impacts and indicators.

The section '**Engagement policies**' provides brief summaries of engagement policies compliant to the Shareholder Rights Directive (2007/36/EC) and any other relevant engagement policies.

The section '**Reference to international standards**' contains a list of responsible business conduct codes and internationally recognised standards for due diligence and reporting adhered by Triodos IM.

## 4. Description of principal adverse sustainability impacts

### 4.1 Introduction

The information provided by Triodos IM in this section describes the main or principal sustainability indicators Triodos IM currently considers in its investment decisions, and actions taken to address [to avoid or reduce] principal adverse sustainability impacts when investing. The principal sustainability indicators are predominantly derived from the Minimum Standards as applied by Triodos Group. These Minimum Standards are designed to ensure that companies and/or projects are excluded when they significantly harm environmental and/or social objectives and/or do not follow good governance practices, which Triodos IM defines as:

- hamper human dignity and deny people's quality of life
- jeopardise a sustainable society with respect to the animal world and environment
- violate good corporate governance structures.

For more information on the Minimum Standards please read the [document](#).

Beyond minimising principal adverse (negative) sustainability impacts, Triodos IM also applies the sustainability indicators as positive screening criteria to catalyse positive impact. The themes through which Triodos IM realises positive change are described in 'Our approach to Sustainability' the document Triodos IM developed in line with article 3 SFDR.

Please note that the list of indicators for Triodos IM as an asset manager is generic, and therefore not related to any specific product. Also note that the list is not exhaustive in a sense that for a certain product, other specific indicators could be relevant which are not on this list.

Section 5 provides information on how Triodos IM identifies and assesses indicators in general. It should be noted however that this assessment or use of the indicator can also vary from product to product, depending on that specific product and the location.

### 4.2 Impact investment products

Triodos IM has developed a wide range of investments in which 100% of the assets are committed to positive social and/or environmental impact. With 'impact' Triodos IM means: investments made with the intention to have positive effect on sustainability factors alongside a financial return. Triodos IM is an 'impact investor', for whom sustainability indicators, factors and risks are relevant even before investing, and throughout the investment process, as part of the 'Triodos approach'. You can read more on this in the '[Our approach to Sustainability](#)'.

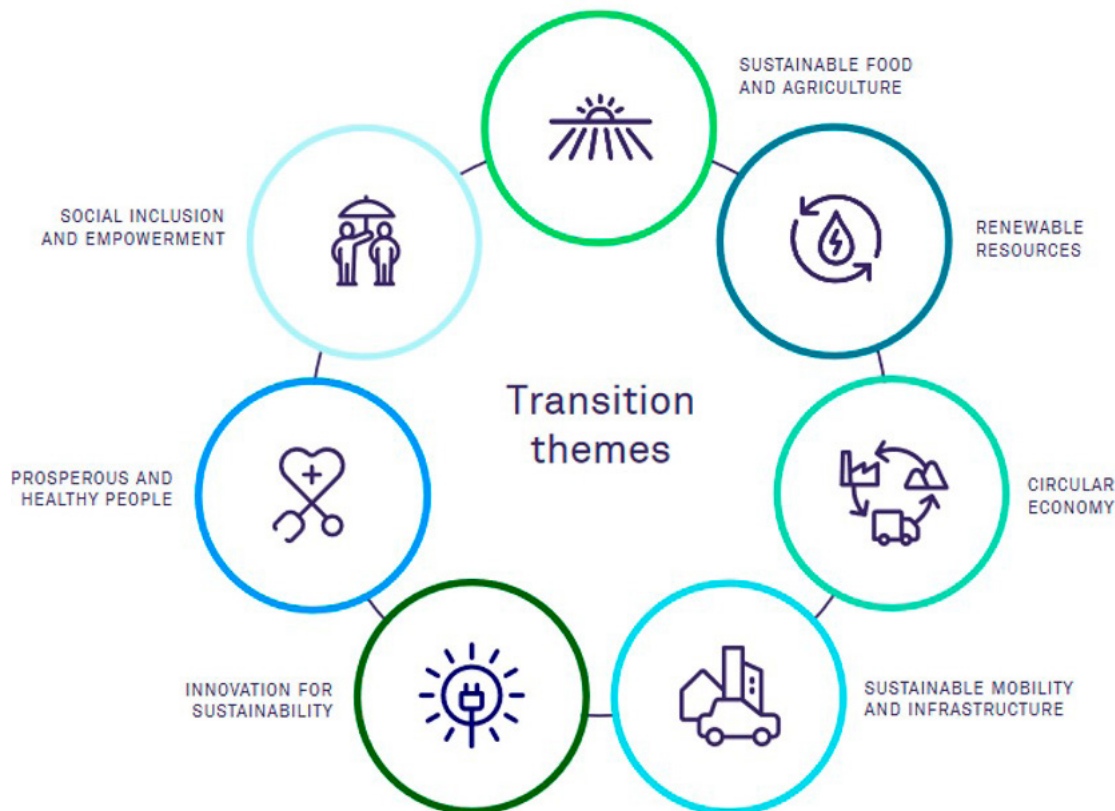
In this statement, we distinguish between two sets of investment products that Triodos IM manages:

- **Impact Equities & Bonds:** Triodos IM invests in listed securities of companies and bond issuers that contribute a transition to a more sustainable economy
- **Impact Private Debt & Equity:** Triodos IM invests in private sustainable companies and projects across the themes Energy and Climate, Sustainable Food and Agriculture and Financial Inclusion.

#### Impact Equities & Bonds

As an investor in global listed securities, Triodos IM aims to serve as a catalyst in the transition to a sustainable world. We generate positive impact by investing in listed companies that provide sustainable solutions and by being active stewards of the planet and society. We elaborate on impact investing through listed equities and bonds in a separate [whitepaper](#).

We invest in seven themes that are instrumental in the transition toward a sustainable economy and society. Therefore, the themes are very much aligned to the UN Sustainable Development Goals (SDGs). Our themes are derived from global mega-trends that we believe will shape the future. The seven transition teams are presented in the figure below.




**Seven transition themes of Impact Equities & Bonds**

Triodos Investment Management’s in-house research guides this process by developing comprehensive opinions of each individual company’s long-term commitment to sustainability and material contribution to the transition themes.


More information about how sustainability factors are integrated in the investment process of our listed investments is available in the whitepaper ‘[The Triodos approach to investments on stock and bond markets](#)’.

**Impact Private Debt & Equity**

Access to private debt and equity instruments enables entrepreneurs and businesses to add and create real value that benefits society as a whole. Within our Impact Private Debt & Equity activities, we manage investment funds in three investment themes. We provide entrepreneurs and businesses with capital, expertise and the network to create positive impact on these themes, which are presented in the next overview.

**Energy and Climate**  
 Transforming the energy system and lower carbon emissions  
  
**Impact Private Debt & Equity**

We provide investors with opportunities to invest directly in the energy transition and system transformation through funds that finance renewable energy, stimulate more efficient use, and improve access to energy. All of which aim to ensure an affordable and reliable supply of clean energy. For more information read our [vision paper](#) ‘Towards a low carbon economy’.

**Financial inclusion**  
 Bringing people into the financial system and providing access to basic needs  
  
**Impact Private Debt & Equity**

We finance values-based organisations in Asia, Africa, Latin America and Eastern Europe that use financial services to deliver sustainable economic, social and environmental development, thereby serving the real economy and meeting the needs of underserved populations.

## Sustainable Food and Agriculture

Creating an ecologically and socially sound food and agricultural system



Impact Private Debt & Equity

We aim to accelerate the transition to a sustainable food and agricultural system that produces healthy food for all, while respecting the limits of our planet and paying farmers fairly. Our investment funds offer a range of financial instruments to companies active across the international supply chain that demonstrate a deep-rooted commitment to environmental and social performance. For more information read our [vision paper](#) 'Towards an ecologically and socially resilient food system'.

### 4.3 Principal adverse sustainability indicators

The following section describes the principal sustainability indicators related to principal adverse impacts on sustainability factors.

The principal sustainability indicators below are derived from the Minimum Standards as applied by Triodos Group. For a specific product or asset class, certain indicators can/will be prioritized and selected by Triodos IM as relevant for a specific product or asset class, and also more (sub) indicators may be specified and applicable to a certain product. Also note that the list is not exhaustive in a sense that for a certain product other specific indicators could be relevant which are not on this list. This is disclosed in the documentation for the specific product.

Beyond minimizing principal adverse (negative) sustainability impact, Triodos IM also applies sustainability indicators as positive screening criteria, to catalyze positive sustainability impact on sustainability factors.

**The principal (adverse) sustainability indicators on climate and other environmental-related matters include greenhouse gas emissions, energy performance, biodiversity, water and waste**

#### *Greenhouse gas emissions and energy performance*

Triodos IM strives for a sustainable energy future. Therefore, we finance companies that augment the use of renewable resources and companies/projects that reduce the demand for energy and promote energy efficiency.

Triodos IM excludes<sup>1</sup> companies that retail petrol, operate in energy-intensive industries and do not disclose the greenhouse gases they emit nor have a sound programme with clear targets for the reduction of greenhouse gases; companies that produce or retail energy from fossil fuel power plants and build coal-fired power plants or operate such plants constructed after 2009.

For our Impact Equities & Bonds investments, we measure the companies' exposure to the transition themes (positive impact) and quantifies its relative performance on SDGs, CO<sub>2</sub> footprint, water footprint and waste footprint. The relative performance on the SDGs, CO<sub>2</sub> footprint, water footprint and waste footprint is an outcome and not an objective.

For our Impact Private Debt & Equity investments, both positive and negative screening as risk-based due diligence in our investment process minimise adverse impact of investee companies and projects. As an example per theme:

- **Energy and Climate:** We finance renewable energy projects, stimulate more efficient use, and improve access, all of which avoid greenhouse gas emissions. We exclude non-renewable energy technologies.
- **Financial Inclusion:** Mining, oil and gas are considered sensitive sectors in our Sustainability Policy for Financial Institutions. Financial institutions focusing on SMEs that have exposures above a certain threshold in these industries are required to have or develop environmental and social management

<sup>1</sup> Different thresholds are applied for exclusion which are described in the Minimum Standards.

systems, as one of the conditions for financing. The extent of the system will depend on the environmental and social risk level of the institution, assessed on a case-by-case basis, taking into account various aspects, including the type of activities, the quality of the operations, scale, geography, and the institutions' capacity.

- **Sustainable Food and Agriculture:** We exclude potential investments that do not adhere to (or have specific plans to transition towards) sustainable production methods, as these can reduce production-based emission and increase carbon sequestration.

#### *Biodiversity*

Triodos IM believes that biodiversity is the foundation of life on earth and people depend on it for their wellbeing and survival. Biodiversity also underpins the economy and provides goods and services.

Triodos IM excludes companies that have an adverse impact on biodiversity and ecosystems without adequate programs to reduce their impact, that cause negative impact on protected areas or on protected animals and that are involved in illegal deforestation or controversial logging activities in protected areas.

For our Impact Equities & Bonds investments, all companies that are considered high-risk for loss of biodiversity are carefully assessed and monitored for potential breaches of Minimum Standards. Triodos IM expects its business relations to follow the UN Convention on Biological Diversity and related documents such as the Bonn Guidelines, the Nagoya Protocol and the Cartagena Protocol.

For our Impact Private Debt & Equity investments, both positive and negative screening as risk-based due diligence in our investment process minimise adverse impact of investee companies and projects. As an example per theme:

- **Energy and Climate:** In our projects we seek to avoid adverse impact on biodiversity and ecosystem services. When initial avoidance of adverse impact is not possible, measures to minimise adverse impact and restore biodiversity and ecosystem services should be implemented in order to achieve no net loss of biodiversity.
- **Financial Inclusion:** We apply the Sustainability policy for Financial Institutions, which excludes financing activities that have a negative effect on biodiversity (e.g. logging).
- **Sustainable Food and Agriculture:** We screen potential investments on how they contribute to the preservation of biodiversity by assessing the company for initiatives that preserve and value the genetic diversity of production crops and animals in local ecosystems.

#### *Water*

Triodos IM encourages companies to manage and limit their water use, and minimise the impact of their water use. Companies are excluded if they operate in water-intensive industries without adequate measures to reduce their freshwater use or if they start new operations in areas where water scarcity is pre-existing and operating would compete with needs of communities.

For our Impact Equities & Bonds investments, all companies that are considered high-risk for water scarcity are carefully assessed and monitored for potential breaches of Minimum Standards. Moreover, we measure the companies' exposure to the transition themes (positive impact) and quantifies its relative performance on SDGs, CO<sub>2</sub> footprint, water footprint and waste footprint. The relative performance on the SDGs, CO<sub>2</sub> footprint, water footprint and waste footprint is an outcome and not an objective.

For our Impact Private Debt & Equity investments, both positive and negative screening as risk-based due diligence in our investment process minimise adverse impact of investee companies and projects. As an example per theme:

- **Energy and Climate:** Our investees shall adopt measures that avoid or reduce water usage so that the project's water consumption does not have significant adverse impact.
- **Financial Inclusion:** Water and sanitation is considered a sensitive sector in our Sustainability Policy for Financial Institutions. Financial institutions focusing on SMEs that have exposures above



a certain threshold in these industries are required to have or develop environmental and social management systems, as one of the conditions for financing. The extent of the system will depend on the environmental and social risk level of the institution, assessed on a case-by-case basis, taking into account various aspects, including the type of activities, the quality of the operations, scale, geography, and the institutions' capacity.

- **Sustainable Food and Agriculture:** We finance initiatives that consider water a valuable and finite resource and strive to decrease their water use and pollution, especially in dry areas. We screen potential investments on how they limit water usage and pollution.

#### *Waste*

Triodos IM expects companies to minimise the use of hazardous substances, such as pesticides, and to manage waste with caution. In addition, companies have a responsibility to prevent contamination from their supply chains, production processes and products. Companies are excluded if they:

- operate at locations where potential negative consequences of their activities are unmanageable;
- are involved in controversies related to contamination and hazardous substances and have not taken sufficient measures to prevent future occurrences;
- run their businesses in a way that causes serious and irreversible environmental damage;
- do not respect relevant international agreements on trade in chemicals and chemical waste;
- are involved in riverine tailings disposal and sub-marine tailings disposal.

For our Impact Equities & Bonds investments, the companies that are considered high-risk for waste are carefully assessed and monitored for potential breaches of Minimum Standards. Moreover, we measure the companies' exposure to the transition themes (positive impact) and quantifies its relative performance on SDGs, CO<sub>2</sub> footprint, water footprint and waste footprint. The relative performance on the SDGs, CO<sub>2</sub> footprint, water footprint and waste footprint is an outcome and not an objective.

For our Impact Private Debt & Equity investments, both positive and negative screening as risk-based due diligence in our investment process minimise adverse impact of investee companies and projects. As an example per theme:

- **Energy and Climate:** Our projects are required to avoid or minimise pollution from project activities by implementing a waste management policy in compliance with the IFC Performance Standards or Equator Principles (depending on geography).
- **Financial Inclusion:** Waste management is considered a sensitive sector in our Sustainability Policy for Financial Institutions. Financial institutions focusing on SMEs that have exposures above a certain threshold in these industries are required to have or develop environmental and social management systems, as one of the conditions for financing. The extent of the system will depend on the environmental and social risk level of the institution, assessed on a case-by-case basis, taking into account various aspects, including the type of activities, the quality of the operations, scale, geography, and the institutions' capacity.
- **Sustainable Food and Agriculture:** We screen potential investments on reduction of (food) waste, sustainable sourcing and recycling to ensure contribution to conscious use of resources.

**The principle (adverse) sustainability indicators on social and employee matters include child labour, equality (discrimination), gender diversity, forced labour and unionisation, remuneration, as well as indicators on respect for human rights**

#### *Social & employee matters*

The International Labour Organisation (ILO), form the basis of Triodos IM's assessment on labour rights. The ILO has identified four issues as being fundamental to rights at work: child labour, equality (discrimination), forced labour and unionisation. Companies are expected to respect these four basic rights, as well as other labour rights, such as rights concerning health and safety at work that are defined by the ILO and described in the Tripartite Declaration, and to establish procedures for processing employee complaints and solving violations and conflicts, preferably in consultation with labour unions.

Solid remuneration policies and compliance therewith are essential for companies' long-term health and reputation.

Companies are excluded if they:

- structurally violate the labour rights of their own employees or contract suppliers that violate their employees' labour rights;
- operate in industries identified as high-risk for the violation of the own employees' labour rights or labour rights of contractors' employees and do not have policies and programmes addressing these rights;
- are involved in remuneration controversies that raise significant ethical/moral concerns and are in clear violation of local or international standards of best practice, while failing to take credible measures.

For our Impact Equities & Bonds investments, all companies that are considered high-risk for social and employee matters are carefully assessed and monitored for potential breaches of Minimum Standards. Triodos IM has set absolute and relative criteria for CEO pay. These criteria include the level of CEO compensation and the ratio CEO pay and average compensation for all employees. Both CEO remuneration and Board gender are included in the proxy voting guidelines. Resolutions on remuneration are voted against if payments are considered (potentially) excessive compared to local or international standards and no acceptable explanation is given by the company. On gender diversity, Triodos IM votes against the appointment of the chairman of the nomination committee if less than 20% of the Board is female (or male) without a satisfactory explanation and the appointment of any newly-elected director whose election would not improve the gender balance (and less than 20% of the Board before election is male or female). All votes made are published on the website of Triodos IM. If an investment has a high risk on social & employee matters, Triodos IM requests for implementation of fundamental ILO Conventions, policy on whistle-blower protection and a workplace accident prevention policy.

For our Impact Private Debt & Equity investments, both positive and negative screening as due diligence in our investment process minimise adverse impact of investee companies and projects. As an example per theme:

- **Energy and Climate:** In order to protect the fundamental rights of workers, our investees are required to adopt and implement human resources policies and procedures which set out their approach to managing workers consistent with the requirements of the IFC Performance Standards or Equator Principles (depending on geography).
- **Financial Inclusion:** Each financial institution is screened and contractually bound to exclude financing activities or enterprises that apply unfair labour practices, as per the IFC Exclusion List for Financial Intermediaries.
- **Sustainable Food and Agriculture:** Each potential investee company is assessed on applying fair labour rights in the organisation and in the value chain it operates.

#### *Human Rights*

Triodos IM uses frameworks such as the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights to assess and select companies prior to financing or investment. Business relations are expected to respect human rights standards as defined by the organisations referenced above, especially the rights of women, and those of children and other vulnerable groups. Involvement in child labour or forced labour are covered under labour rights above.

Companies are excluded if they:

- operate in industries identified as high-risk for the violation of human rights and do not have a policy on awareness to prevent potential and/or actual human rights infringement risks that arise from their business activities;
- operate in industries identified as high-risk for the violation of human rights and do not have processes to enable the remediation of adverse human rights impact which they cause or to which they contribute;
- do not respect international humanitarian law. This is assessed on a case-by-case basis applying relevant UN Conventions and international human rights' legislative frameworks;

- are involved in human rights violations, including contributing to or benefitting from structural and gross human rights violations;
- produce or sell weapons. For controversial weapons like anti-personnel landmines and cluster bombs any involvement leads to exclusion.

If an investment is identified as high-risk on human rights, Triodos IM requests for a human rights policy, due diligence and processes and measures to prevent trafficking in human beings.

For our Impact Equities & Bonds investments, all companies that are considered high-risk for human rights are carefully assessed and monitored for potential breaches of Minimum Standards.

For our Impact Private Debt & Equity investments, both positive and negative screening as due diligence in our investment process minimise adverse impact of investee companies and projects. As an example per theme:

- **Energy and Climate:** Human rights are an integral part of the IFC Performance Standards, Equator Principles, the ILO Labour Standards and other international standards that we use in our projects and to which our investees need to comply with.
- **Financial inclusion:** Human rights are an integral part of the IFC Exclusion List for Financial Intermediaries which we apply.
- **Sustainable Food and Agriculture:** Each potential investee company is assessed on respecting human rights in the organisation and in the value chain it operates.

The indicators and policies mentioned ensure investments comply with the minimum safeguards as in article 18 of Regulation in the establishment of a framework to facilitate sustainable investment ('Taxonomy' Regulation, nr EU/2019/2088)

#### **Principle (adverse) sustainability indicators on good governance practices include anti-corruption and anti-bribery**

##### *Anti-corruption and anti-bribery*

Triodos IM believes that corruption can have serious negative consequences for society and the environment, as well as for local, national and international economies.

For our Impact Equities & Bonds investments, all high-risk companies for bribery and corruption are carefully assessed and monitored for potential breaches of Minimum Standards.

Companies are excluded that:

- operate in industries identified as high-risk for corruption without having a formal policy addressing the risk of bribery and corruption. In addition to this policy, companies that operate in the Construction & Engineering industry are required to have business ethics programmes addressing corruption;
- are involved in controversies related to corruption, bribery or money laundering;
- directly or indirectly promise or offer bribes or other illegal advantages, to acquire or retain orders or other advantages.

Triodos IM only sets preconditions if an investment is considered high-risk with respect to corruption and bribery. Triodos IM requests for a policy on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption.

For our Impact Private Debt & Equity investments, anti-corruption and anti-bribery assessment is an integral part of the due diligence in our investment process. Companies are excluded if they:

- are involved in controversies related to corruption, bribery or money laundering;
- directly or indirectly promise or offer bribes or other illegal advantages, to acquire or retain orders or other advantages.

## 4.4 Actions taken to address principal sustainability impacts

Principal sustainable impacts are foremost addressed - reduced or avoided - by the way (the 'action') Triodos IM invests, and the negative and positive screening criteria that are applied *before* investing and throughout the investment process. All investments made by Triodos IM are as such carefully screened on sustainability factors and are linked to positive and negative investment impacts and indicators to ensure that our investments contribute to positive change. If an investment does not fit in these criteria, it is not eligible for investment. This process is also described in 'Our approach to Sustainability' and in policies described in Section 5 to identify and prioritise principal adverse sustainability impacts.

Furthermore, Triodos IM's online impact reports highlight our role as an impact investor and describe actions we have taken to address principal adverse sustainability impacts, when investing and also during the life of the investment. The latest 2019 reports (<https://www.triodos-im.com/impact-report/2019>) present our results in a context of numbers and stories, and showcase our mission to make money work for positive social and environmental change.

## 5. Description of policies to identify and prioritise principal adverse sustainability impacts

This section provides information about the Triodos IM approach to Impact investing and relevant policies on the identification and prioritisation of principal (adverse) sustainability impacts and indicators.

As Triodos IM is per se an ‘impact investor’, sustainability indicators, factors and risks are considered even before investing, and throughout the investment process, as part of the ‘Triodos approach’. All investments made by Triodos IM are carefully screened against sustainability factors and are linked to positive and negative investment impacts and indicators to ensure that our investments contribute to positive change.

As a responsible investor, Triodos IM applies high standards of environmental, social, governance (ESG) factors across all our investments to ensure that ESG issues are adequately considered and to avoid/mitigate potential adverse impacts of our investments on local environment and communities. Triodos aims to have a positive impact on the local communities where it invests, including through decent and safe working conditions, respect of human rights and environmental sustainability. Although our investments may bring positive outcomes, they may also have adverse environmental or social effects if not properly managed.

In its policies Triodos IM describes how these standards are applied and how certain activities and operations are managed and what rules apply. It should be noted that these (can) vary from product to product, depending on that specific product and the location. The table below shows all relevant implemented policies, including a short description, supporting the identification and prioritisation of the principal adverse sustainability impacts and indicators Triodos IM currently considers:

Policy or document (relevant link)	Short description of Policy
Triodos Minimum Standards	Sets out the minimum requirements that Triodos Investment Managements applies for its investment activities
Impact Equities and Bonds Investment & Stewardship Policy	Includes all portfolio management activities undertaken by Triodos IM (including engagement, proxy voting)
Triodos Proxy Voting Guidelines	Provides a reference framework for analysing resolutions put forward at shareholder meetings and for formulating voting recommendations
Triodos Approach to Investments on Stock and Bond Markets	Explains the investment strategy and portfolio construction process of these funds grouped under the Triodos SICAV I umbrella, both from a sustainable and a financial perspective
Principles of Fund Governance Triodos IM	Sets out the Triodos IM business principles, the general fund governance principles and the principles regarding day-to-day-operations
Sustainability Policy for FIs	Explains the investment strategy and conforms to the IFC Sustainability Approach, European Development Finance Institutions (EDFI) Rome Consensus, Triodos Minimum Standards, and follows the best practices outlined by the Global Alliance for Banking on Values (GABV)
Triodos Financial Risk Return Impact Policy	Defines the Governance, Policy and Methods for Financial Risk which are applicable to all Funds under Management by Triodos Investment Management

## 6. Engagement policies

Triodos IM is an active and engaged, value-driven and mission-aligned investor. Our expertise in specific sectors and long track record in impact and sustainable investing make us a cooperative and patient long-term partner for portfolio companies.

We add value to portfolio companies through our role as a capital provider by:

- Investing with an aligned mission and shared expectations for impact outcomes
- Sharing our knowledge, expertise, and experience in the sector
- Being a patient investor that evaluates results over long-term horizons and takes into account broader stakeholder interest
- Using our voting rights in a diligent, informed, and activist-when-necessary manner
- Taking a governance and strategic development role where and when applicable (i.e., board seats for private equity investments)
- Encouraging and enabling continuous improvement in terms of sustainability performance and value creation through dialogue
- Opening our network to provide a platform for shared learning and cooperation

We consider our active ownership role to effect 'direct' impact since we can directly influence outcomes, while the impact created by our portfolio companies are "indirect" since these must be executed and managed by the investee company. When assessing the impact of our roles as capital provider, we want to answer two main questions:

- Which effect did we have on the investee and how/why?  
This is about the role of Triodos IM as a provider of capital and as an enabler of the investee by providing additional support.
- What effect did we have at sector level and how/why?  
Usually our impact goals are relevant beyond just the portfolio companies. So, we aim to understand how our investments, stewardship, and sector level discussions influenced a sector at large (including the financial sector).

For our Impact Equities & Bonds funds, we have developed applicable engagement policies and guidelines in accordance with Article 3g of Directive 2007/36/EC, which can be found here: [Investment & Stewardship Policy](#)

For our Impact Private Debt & Equity funds, we engage with our portfolio companies according to the principles set out above but as these companies are predominantly non-listed are not subject to an engagement policy as per Article 3g of Directive 2007/36/EC is not directly in scope.

In our impact reports, which can be found on our website, our relationship approach and engagement with our investees is described by means of case studies and storytelling.

For each investment strategy and product more information can be found on the product page on [www.triodos.com](http://www.triodos.com).

## 7. Reference to international standards

Triodos IM adheres to the following responsible business conduct codes and internationally recognized standards for due diligence and reporting:

- Triodos IM is signatory of the United Nations Principles for Responsible Investment (UN PRI). The 2019 assessment scores for Triodos IM is on our website, [www.triodos-im.com](http://www.triodos-im.com).
- Triodos IM is a co-founder and board member of the United Nations Principles for Inclusive Finance (UNPIF)
- Triodos IM is a founding member of the Global Impact Investing Network (GIIN)
- Triodos Bank is a B-Corp, certified to meet rigorous standards of social and environmental performance, accountability, and transparency
- Triodos IM is a participant in Eumedion, which represents institutional investors' interests in the field of corporate governance and related sustainability performance
- Triodos IM is involved with the Global Reporting Initiative (GRI) (annual reports of Triodos Bank are fully integrated and report on our alignment to the Sustainable Development Goals at 3 levels)
- Triodos IM is a member of the Association of the Luxembourg Fund Industry (ALFI)
- Triodos IM is a member of the Dutch Fund and Asset Management Association (DUFAS)
- Signatory of the European IE&B Transparency Code
- Member of Eurosif and several local sustainable investment fora including VBDO (Netherlands), UKSIF (UK), SpainSIF (Spain) and FNG (Germany).
- Active contributor to the Social Performance Task Force and support industry-wide initiatives that advocate fair pricing and transparency; we have endorsed the Client Protection Principles of the Smart Campaign and supported the Microfinance Transparency initiative
- Triodos IM is a member of the European Microfinance Platform, the SME Finance Forum by G20 and IFC, and the Financial Inclusion Equity Council
- Triodos IM is a founding member of the Council for Smallholder Agriculture Finance (CSAF)
- Member of NPM, the Dutch Platform for Inclusive Finance
- Triodos IM is a founding member of The Netherlands Advisory Board on impact investing (NAB) which is the Dutch chapter of the Global Steering Group for Impact Investment (GSG)
- For our Energy transition investments in utility scale projects, we adhere to the IFC Performance Standards ([link](#)) and / or the Equator Principles ([link](#))
- For our financial inclusion investments, we adhere to the FC Exclusion List for Financial Intermediaries
- Our other memberships each pertain to specific impact investment themes at Triodos IM, including microfinance and poverty alleviation, green building/energy transition, energy transition, sustainable food and agriculture. This includes the Carbon Disclosure Project, PCAF, Water CDP, Climate Action and Forest Footprint Disclosure Project
- Please find more details on our network and partners here: <https://www.triodos-im.com/about-us>

Triodos IM's degree of alignment with the objectives of the Paris Agreement is stated in the vision paper 'Towards a low carbon economy'. This and more vision papers and white papers on sustainability matters are available on: <https://www.triodos-im.com/publications-and-long-reads>

## Disclaimer

The Triodos sustainability documents are developed for proprietary use. Third parties or stakeholders have no right to rely on our documents, nor do we accept any duty of care or liability in relation to our interpretation and application of them. In particular, it is important to understand that, while Triodos IM seeks to ensure that customers / investment companies meet these documents, it has no control over the actions of its customers / investment companies. Nevertheless, if we discover that a customer/ investment company is outside our policies, we will request that it remedies the situation within reasonable time and we will close the relationship unless satisfactory action is taken. In this process, Triodos IM uses independent information where available but also uses its judgment as necessary.

The information in this 10th March 2021 version of 'Principal Adverse Sustainability Impacts Statement' was developed in view of compliance with the SFDR requirements as applicable as of 10th March 2021, which are the requirements of Regulation EU/2019/2088 itself (Level 1). It should be noted that (draft) requirements as in the final RTS for Level 2, which were recently published on the 2nd February 2021, are not yet incorporated in this version – but will be will be incorporated in (a) next version(s) of this document if and when these requirements are finalised and become applicable.

**Triodos Investment Management**  
Landgoed De Reehorst  
Hoofdstraat 10  
3972 LA Driebergen-Rijsenburg  
The Netherlands  
Tel: +31 (0) 30 693 65 00

**Triodos**  **Investment Management**

#### ####