Generating positive impact through sterling-denominated bonds

Triodos Sterling Bond Impact Fund
Impact Report 2023

Triodos Investment Management

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1	2	**3**	4	5	6	7

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

Impact highlights 2023

Top 3 transition themes

39%
Social Inclusion and Empowerment

22%
Sustainable Mobility and Infrastructure

14%
Renewable Resources

Top 3 Sustainable Development Goals contributed to

11 SUSTAINABLE CITIES AND COMMUNITIES

13 CLIMATE ACTION

7 AFFORDABLE AND CLEAN ENERGY

5 key engagement topics

Climate change
Executive remuneration
Plastic pollution
Family-friendly working policies
Hazardous chemicals

18
bond issuers engaged with

19%
impact bonds in portfolio

95%
of holding companies committed to or aligned with the Science Based Targets initiative

1% less
GHG intensity than EY 2022

23% more
Non-recycled waste than EY 2022

19% less
Excessive CEO pay ratio than EY 2022

Enhanced impact profile

The global economy proved resilient last year, despite growing geopolitical tensions and the highest interest rates in a decade. Although this might be a positive development, it comes at a huge cost. Our current economic system is based on growth and profit maximisation and comes at the detriment of societal wellbeing and our planet. Inequality has increased further, and climate action is slow, adding to the urgent need for transformation. It is our purpose to contribute to change by financing this transformation. Positive social, environmental and cultural change have always been the drivers of our investment activities.

Last year we enhanced the impact profile of the fund by expanding investments in corporate bonds and use-of-proceeds bonds with a positive impact. The share of UK gilts was further reduced, as we are unable to link these to positive impact. The current green gilt framework does not meet our strict investment criteria. We are carefully following the developments to see if it could qualify in future.

During the year, the fund diversified its exposure over the transition themes. Three new corporate bonds were added to the portfolio: National Grid (Sustainable Mobility and Infrastructure), Reckitt Benckiser (Prosperous and Healthy People) and BT Group (Social Inclusion and Empowerment). The exposure to Social Inclusion and Empowerment remains the largest.

Triodos Sterling Bond Impact Fund will continue to strive to maximise its impact by lowering its exposure to regular UK gilts and by further improving the spread across the transition themes.

Rosl Veltmeijer
Portfolio Manager Triodos Sterling Bond Impact Fund

Portfolio management team

Rosl Veltmeijer

Jeroen van Herwaarden

William de Vries

Fund characteristics

Asset class
sterling bonds

Domicile
Luxembourg

Legal structure
sub-fund of Triodos SICAV I

Inception date
October 2020

AUM per December 2023
GBP 17,057,395

Benchmark
Bloomberg Barclays UK Gilt 1-5 year Total Return Unhedged GBP index (50%) and Bloomberg Barclays Sterling Non-Gilts Total Return Value Unhedged GBP index (50%)

Managed by
Triodos Investment Management

Depository
CACEIS Investor Services Bank SA

SILVER

- Impact highlights 2023
- Foreword by Portfolio Manager
- Investing in the change makers
- Impact data
- Optimising impact to accelerate transitions
- Do no significant harm
- Engagement
- Sustainability risks and opportunities
- Impact reporting in 2024
- Impact metrics explained

Investing in the change makers

We classify Triodos Sterling Bond Impact Fund 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 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	UN SDGs
Renewable Resources Limit the use of finite resources	6 Clean water and sanitation; 7 Affordable and clean energy; 13 Climate action
Circular Economy Make use of resources as efficiently as possible	6 Clean water and sanitation; 12 Responsible consumption and production; 15 Life on land
Sustainable Mobility and Infrastructure Be mobile, live and work in a sustainable way	6 Clean water and sanitation; 7 Affordable and clean energy; 11 Sustainable cities and communities; 13 Climate action
Sustainable Food and Agriculture Feed the world sustainably	2 Zero hunger; 3 Good health and well-being; 12 Responsible consumption and production; 15 Life on land
Innovation for Sustainability Innovate for a sustainable future	3 Good health and well-being; 7 Affordable and clean energy; 12 Responsible consumption and production; 16 Peace, justice and strong institutions
Prosperous and Healthy People Become and stay happy and healthy	3 Good health and well-being
Social inclusion and Empowerment Create a society in which all people can participate	1 No poverty; 4 Quality education; 5 Gender equality; 10 Reduced inequalities

Positive impact through bonds

Our bond portfolio consists of impact, corporate and financial bonds, issued by companies, financial and semi-public institutions and UK government (Gilts). Apart from the Gilts, they all generate positive impact and contribute to at least one of our seven transition themes.

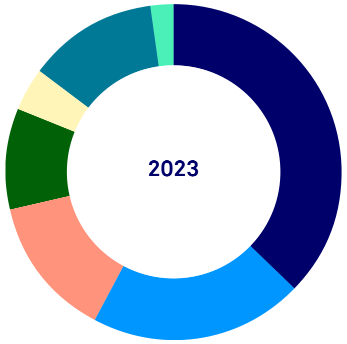
Impact bonds	› Bond proceeds are used to generate positive impact › Assessment of Green or Social Bond framework › Additionality of the projects financed › Issuer adheres to Triodos minimum standards	**19%**
Corporate bonds	› Issuer's business model contributes to our sustainable transition themes › Issuer adheres to Triodos minimum standards	**39%**
Financial bonds	› The issuer finances the real economy and focuses on triple bottom line finance (GABV methodology) › Issuer adheres to Triodos minimum standards	**28%**
Gilts	› Sovereign signed and rectified main UN conventions › Only used to mitigate liquidity risks, manage interest rate risk and credit quality if needed	**13%** **No impact**

The cash position of the fund was 0.7% per end December 2023.

Impact achieved

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 2023, the fund's portfolio contributed positively to the following themes:

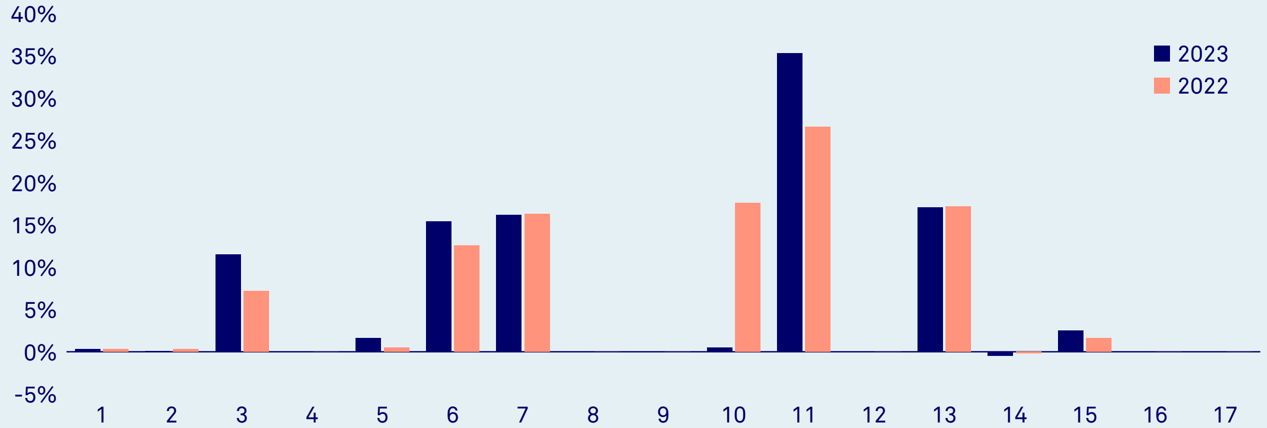
Portfolio contribution to transition themes



	2023	2022
Social Inclusion and Empowerment	38%	40%
Sustainable Mobility and Infrastructure	21%	19%
Renewable Resources	14%	10%
Prosperous and Healthy People	10%	6%
Sustainable Food and Agriculture	4%	4%
Prosperous and Healthy People	0%	0%
Sustainable Food and Agriculture	0%	0%
(sub-) sovereign bonds	13%	19%
Liquidity	2%	2%

Sustainable Development Goals

To further measure the impact of the fund, we assess its contribution to the UN SDGs, based on the underlying revenue streams from the product and services of each company.



Source: ISS ESG as per end of December 2022 and 2023.

The increased contribution to SDG 3 is the result of the addition of Reckitt Benckiser to the portfolio. The increased contribution to SDG 11 is the result of the addition of National Grid. The changes in the contribution to SDG 10 are caused by transactions and stricter application of positive scoring for this SDG by ISS ESG.

Impact investments

Click here for an overview of all investments of the fund in 2023.

Reckitt Benckiser

Through its products, Reckitt Benckiser contributes to creating a more hygienic and healthier world and promotes well-being by selling products for household hygiene, self-care, germ protection, safe sex and vitamins, minerals, and supplements.

› Find out more here

BT Group

BT Group's core products enable connectivity through mobile phone and internet connections and fixed phone lines. The company actively promotes digital skills by providing training and webinars to customers, aimed at inspiring confidence, enhancing understanding, unlocking potential, and reducing inequality.

› Find out more here

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

United Utilities

United Utilities is the largest listed water company in the United Kingdom. The company manages the regulated water and wastewater network in North West England. This area has about 7 million people, of whom it serves around 3 million. The company offers a range of value-added services, such as waste digestion and wastewater system optimisation, water efficiency advisory services, as well as environmental services.

› Find out more here

East Japan Railway

Public transport plays an important role in reducing CO_2 emissions. High-speed trains are a sustainable alternative to the use of airplanes on distances up to 1,000 km. East Japan Railway continues to increase the percentage of renewable energy in its operations by installing solar panels and participating in solar and wind power parks.

› 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

Integrated impact, risk and return analysis

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 (see pages 4 and 6).

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 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 model, 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.

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 global listed listed bonds that fit our vision on transformative impact and that:

	› Increase renewable resource use › Reduce demand for finite natural resources › Increase efficient resource use	› Increase access to basic human needs (e.g. food, water, housing, healthcare) › Target underserved individuals or communities	› Inspire clients with their positive impact › Show improvement in sustainability practices following engagement by investors
Assuming:	Investees promoting renewable resources and efficiency will help to fight overexploitation of natural resources	Investees offering access to basic human needs and lifting barriers for individuals will boost shared prosperity	We continue to be a frontrunner and our strategy leads to impact and attractive returns which we effectively communicate
Then we expect:	› A fossil fuel free economy › A circular economy › Sustainable food systems	› Sustainable food systems › A thriving community › Prosperous and healthy people	› Increased transparency of sustainability risks and opportunities › More capital flows towards sustainable investment
Which will contribute to:	**An economy within planetary boundaries**	**A prosperous life for all people**	**Money working for positive change**

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 2023, the fund excluded no companies from the portfolio due to either a breach of the Triodos minimum standards, or a persisting unacceptable risk.

Investments are also assessed on their Principal Adverse Impacts (PAIs) in line with SFDR guidelines for Article 9 funds.

The increase in non-recycled waste is caused by the higher number of corporate bonds in the portfolio. The number remains, however, very low in absolute terms.

GHG intensity

End of December 2023
60 tCO_2eq / EURm

End of December 2022
60.4 tCO_2eq / EURm

Non-recycled waste

End of December 2023
0.54 t / EURm

End of December 2022
0.44 t / EURm

Excessive CEO pay ratio

End of December 2023
92.32 times median

End of December 2022
113.4 times median

The impact indicators are calculated using Principal Adverse Indicator data from Morningstar Sustainalytics.

GHG intensity of investee companies: The GHG intensity is a relative measure of greenhouse gas (GHG) emissions. It is the amount of GHG produced per unit of revenue generated by the company, measured in tonnes of CO_2 per EURm generated in revenue. The carbon intensity is then weighted using the portfolio weight to get a weighted average for the portfolio.

Non-recycled waste ratio: For each company the non-recycled waste ratio is the total amount in metric tonnes of non-recycled waste produced dividend by the amount invested in EURm, shown as a weighted average.

Excessive CEO pay ratio: This metric measures the ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees.

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 2023, the Impact Equities and Bond funds' formal engagement agenda focused on five topics:

Climate change

In July 2020, we initiated our climate change engagement project. The goal of this project is to encourage our portfolio companies to set science-based emission targets, in line with the 1.5°C trajectory, as set out by the Science Based Targets initiative (SBTi). In 2023, we stepped up our engagement efforts by setting the target to engage annually with all our holdings on GHG management.

Read the full article.

Energy transition

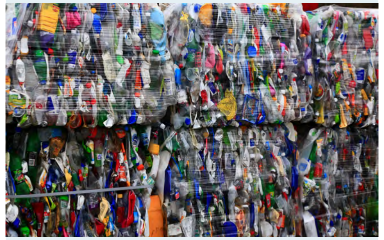
Executive remuneration

Over the past three years, we have engaged with companies we identified as having excessive remuneration. In 2023, we engaged with seven companies on this topic. Four of these have improved their remuneration structure and therefore remain in our investment universe.

Read the full article.

Societal transition

Plastic pollution



The current rate of plastic production is unsustainable, and cleaning up the aftermath is an overwhelming task. We engaged with 12 portfolio companies in the consumer staples sector, which are among the biggest users of plastic when it comes to packaging, to discuss what to do about the complex plastic legacy.

Read the full article.

Resources transition

Family friendly working policies

Family-friendly work policies play an important role in enhancing and improving the wellbeing of children. We started an engagement project to assess several of our portfolio companies' work policies related to children and their parents. The assessment consists of topics such as parental leave, flexible working hours, breastfeeding support at work, childcare support, living wages and job security.

Read the full article.

Wellbeing / Societal transition

Hazardous chemicals

Following the first round of engagement on hazardous chemicals in 2021/22, we focused on synthetic, highly toxic per- and polyfluoroalkyl substances, or PFAS, in 2023. We maintained our role as lead investors for Shin-Etsu and Evonik, who both notably improved their ChemScore. As there is room for further improvement, we will continue our engagement efforts.

Read the full article.

Resources transition

No change without engagement

We integrate stewardship in every aspect of our investment management process to drive positive change, through engagement, voting and advocacy. To accomplish this, it's essential to interact with the companies we invest in, argue Portfolio Manager Rosl Veltmeijer and Head of Research Henk Jonker. "Engagement begins from the moment we consider investing in a company. Dialogue and transparency are so crucial that companies unwilling to engage are not considered for investment."

Understanding a company is key to investing in it, says Veltmeijer. "We achieve this through analysis and engaging with management. In that sense, engagement is integral to our selection process, even before we use it to influence a company's policy." This way, engagement serves a dual purpose: maximising a company's positive impact and comprehending its business model.

When setting the agenda for positive change, engagement and voting are crucial tools. Both have distinct advantages and integrating them enhances the impact and clarity of shareholder intentions. Engagement provides a platform to address a wide range of concerns through informal discussions, formal meetings and collaborative efforts with other investors. Voting allows shareholders to exercise their vote at shareholder meetings and hold management directly accountable. However, Triodos IM prefers to wield its influence using engagement, says Jonker. "Through engagement, we can set the agenda, advocating for issues we deem crucial. At a shareholder meeting, however, the agenda is predetermined."

The impact of engagement

Engagement takes time. Steering companies towards a more sustainable trajectory can take years. Sometimes it succeeds, sometimes it doesn't. Lack of progress could result in divestment. Veltmeijer offers a more nuanced view on engagement: "You start engagement by asking relevant questions. Such questions can lead to awareness and thus policy changes. Ultimately, this is up to the company itself and the people working there. However, good questions set things in motion. If you achieve that, you can consider the engagement a success."

The mutual benefits of engagement

Successful engagement starts with the notion that dialogue must always be mutually beneficial. "It is important to ask relevant questions that also matter to the company. What helps is if you can share insights or best practices that the company itself does not have," concludes Jonker.

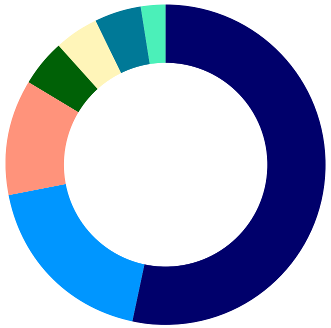
Read the full article here.

Engagement summary

Engagement in 2023

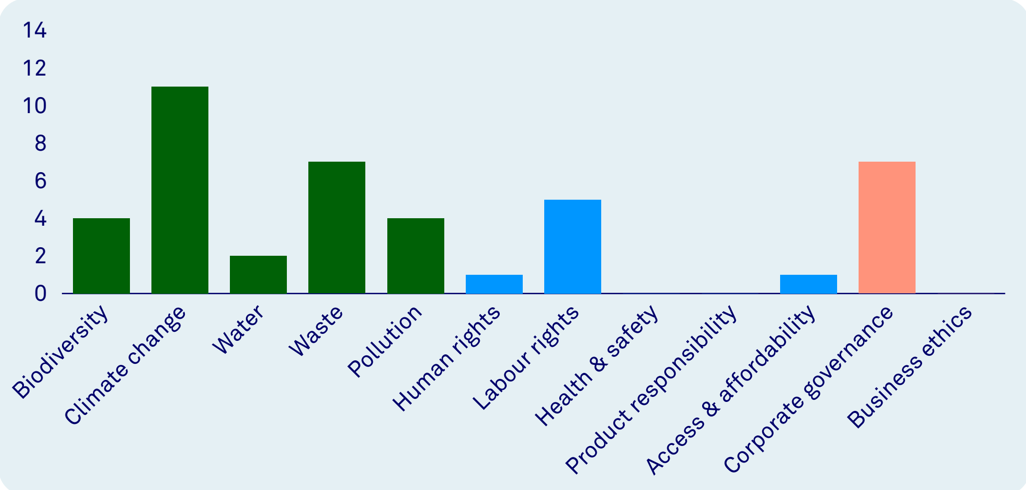
In addition to the engagement agenda, we have conversations with companies to discuss topics that are important to us as an impact investor.

Company contact purpose



	2023
Company update	23
Engagement project	8
Company engagement	5
Collaborative engagement	2
Event driven engagement	2
Impact bond engagement	2
MSA request for information	1
Total	**43**

ESG topics discussed



Number of times the topic was discussed.

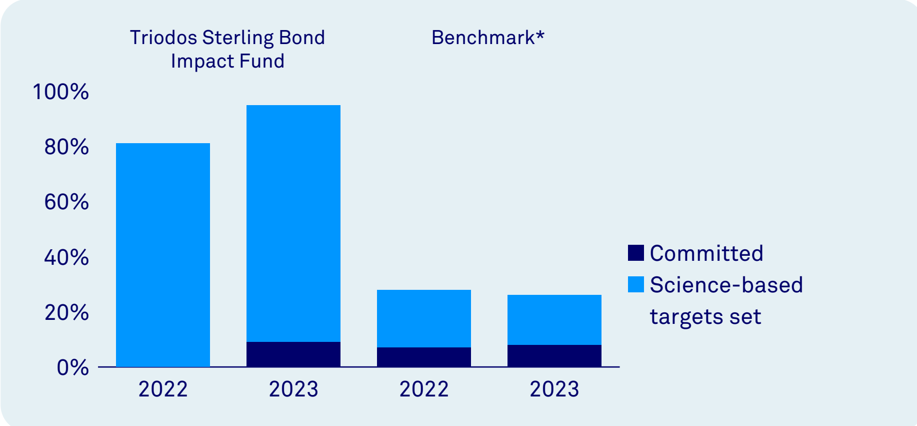
18
bond issuers
engaged with

19%
impact bonds
in portfolio

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



* Bloomberg Barclays UK Gilt 1-5 year Total Return Unhedged GBP index (50%) and Bloomberg Barclays Sterling Non-Gilts Total Return Value Unhedged GBP index (50%)

Sustainability risks and opportunities

ESG risks and opportunities of the ten largest holdings

Company name	Risks	Opportunities
United Kingdom	There is always the risk that the UK government finances activities that are not aligned with the Triodos minimum standards.	The UK green bond framework does not yet meet our requirements. We will trade the regular gilts for green gilts once it does.
European Investment Bank (EIB)	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. For development banks financing projects in developing countries, there is a risk of financing projects that violate the rights or environment of local communities.	The EIB issues Climate Awareness Bonds to finance projects that contribute to climate action worldwide. The proceeds of this impact bond are used to fund renewable energy projects.
Kredietanstalt Fur Wiederaufbau (Kfw)	KfW is active in emerging markets where labour and human rights standards may be lower. The company therefore runs the risk of financing projects that violate the rights or environment of local communities.	KfW has strict social and environmental policies and comprehensive grievance mechanisms. It is transparent in handling controversies.
Nederlandse Waterschapsbank (NWB)	NWB recently got involved in export financing and is not very transparent about what kind of activities and countries are financed.	NWB's mission is to create long-term value in society by providing low-cost financing to the Dutch public sector (such as municipalities, water boards, social housing corporations, health care institutions).
United Utilities	The water utilities sector in the UK is facing significant challenges and public backlash as its outdated infrastructure has led to numerous pollution scandals. As the company operates in the wettest region in the UK, flooding and sewage overflow pose big challenges.	The company has relatively new infrastructure and is investing heavily to further strengthen it. United Utilities is committed to become carbon neutral by 2030 and has SBTi approved targets.
Agence Francaise De Developpement (AFD)	Due to weaker legal frameworks and oversight, financing projects in developing countries comes with the risk of violating the rights or environment of local communities.	AFD finances projects that support and enhance climate, biodiversity, peace, education, urban development and health in the French overseas territories and in developing countries.
East Japan Railway	JR East's emission intensity is higher than its peer median and has seen an upward trend, which is mostly due to decreased revenue during the pandemic.	JR East provides low carbon-intensity rail and bus transport services, thus contributing to sustainable transportation and to countering climate change.
Procter & Gamble	Biodiversity loss, climate change and water stress impair agricultural production, posing a material risk to P&G's sourcing operations, including palm oil and wood pulp. An additional risk are the packaging materials used by the company, in particular whether they can be recycled and reused.	P&G may increase its brand value by being positively associated with sustainable sourcing, deforestation-free programs and shifting towards more sustainable packaging solutions.
Council of Europe Development Bank (CEB)	Development banks financing projects in developing countries always run the risk of financing projects that violate the rights or environment of local communities.	CEB is a multilateral development bank whose mission is to promote social cohesion and strengthen social integration in Europe through the provision of financing and technical expertise for projects with a high social impact in its member states.
BNG Bank	Risks are limited, as BNG has good ESG policies and is restricted to financing projects in the Netherlands, which have good environmental and social minimum standards, legislation and oversight.	The bank provides specialised financial services for local authorities and public sector institutions in the Netherlands. It serves customers operating in the areas of housing, municipalities, healthcare, education, and public utilities by providing various financial services.

Sustainability risks and opportunities

Risks and opportunities of largest GHG emitters

Company name	Risks	Opportunities
Toyota	For car manufacturers, the main sustainability issues are the reduction of CO_2 emissions of the car fleet across the whole product lifecycle as well as environmental standards in the supply chain.	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.
Procter & Gamble	For household and personal care companies, the main sustainability issues are directly related to the life cycle of the products. As for the environmental impact of its products, Procter & Gamble shows a robust approach through life-cycle assessments as well as measures to reduce the impact of packaging.	Procter & Gamble's product portfolio mainly consists of personal and household care products. There is no indication that the company has implemented comprehensive measures to actively promote products with, e.g., an improved and/or externally certified sustainability profile.
Henkel	Henkel's GHG emissions mostly take place in scope 3, as the production phase (scope 1+2) only account for 1% of its total emissions. Within scope 3, the main sources of emissions are the use phase of its products and the raw materials for its products and packaging and transportation. Henkel also relies on fossil carbon as a raw material for its products (surfactants in detergents and shampoos, resins in adhesives and plastics for packaging).	The company is making efforts to reduce the overall environmental footprint of its products and operations through the systematic use of lifecycle assessments as well as targets and measures to reduce the impact of packaging. It also aims to shift its portfolio to a more sustainable direction, and has set a goal to work with customers, consumers and suppliers to avoid 100 million tons of CO_2 between 2016 and 2025.
National Grid	National Grid's ESG risks mainly concern ensuring a sustainable supply chain, as well as worker health and safety.	The replacement of existing grid assets is the largest driver for grid investments, due to aging substations, transformers and power lines. National Grid can benefit from a ramp in grid investments resulting from a higher need for clean power.
Reckitt Benckiser	Reckitt has action plans to reduce emissions, but these do not cover all relevant risks (e.g. physical, regulatory, market, cost or legal risks). The company's scope 3 emissions, which are outside its direct control, account for 97% of the total. This is inherent to the company's product portfolio in home and personal care.	Reckitt has SBTi-validated targets. The company clearly acknowledges climate change and its own responsibility therein and is committed to reducing its GHG emissions.

The top 5 highest emitters per fund are identified based on their total GHG emissions scope 1-3 per EY 2023 as reported by Morningstar Sustainalytics.

Sustainability risks and opportunities

Risks and opportunities of biodiversity laggards

Company name	Risks	Opportunities
Toyota Motor	For car manufacturers, the main sustainability issues are the reduction of CO_2 emissions of the car fleet across the whole product lifecycle as well as environmental standards in the supply chain.	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.
Procter & Gamble	P&G's main biodiversity risks are directly related to the life cycle of the 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.	Demand for more sustainable products and ingredients is increasing. The company may increase its brand value by being positively associated with sustainable sourcing, production and packaging solutions.
Reckitt Benckiser	The company is exposed to environmental risks related to its raw materials supply chain.	The company may increase its brand value by being positively associated with sustainable sourcing, production and packaging solutions.
National Grid	National Grid's activities may cause loss of diversity. The scope of such impacts depends on the biodiversity density in specific operating areas. In addition, the company's facilities may create dispersal route for invasive species and a migration barrier for vulnerable species.	National Grid acknowledges the impact of its own activities on nature. The company commits to achieving a 10% biodiversity net gain for new major projects and for selected primary and grid substation sites.
East Japan Railway	Railways use 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.	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.

The biodiversity laggards per fund are identified top down, with the addition of biodiversity data from several sources. The first step in determining the biodiversity laggards per fund, is to identify the high-risk sectors for negatively affecting biodiversity. These include agriculture, construction and infrastructure, extractive industries, fishery and aquaculture, food and beverages, forestry and logging, shipping, chemicals, and pharmaceuticals. From these sectors, we filter companies with a relatively high negative impact on biodiversity using data from the World Benchmarking Alliance (WBA) and from ISS-ESG.

ISS-ESG assesses companies on their contribution to or obstruction of the UN Sustainable Development Goals, based on their products and services, policies, and involvement in controversies. By selecting companies that have been assessed by ISS-ESG to have a negative score on SDGs 14 (Life on land) and 15 (Life below water), additional biodiversity laggards are selected.

Finally, PAI data from Morningstar Sustainalytics are used to identify companies that negatively affect biodiversity-sensitive areas. One company was identified to negatively affect biodiversity-sensitive areas and was added to the top 5 biodiversity laggards of the relating funds.

Engagement with the ten largest holdings

Company name	Engagement topics
United Kingdom	NA
European Investment Bank	Reviewed allocation and impact reporting but no engagement with the issuer
Kredietanstalt für Wiederaufbau (KfW)	Investor call and reviewed impact and allocation report
Nederlandse Waterschapsbank	Reviewed allocation and impact reporting but no engagement with the issuer
United Utilities	Reviewed allocation and impact reporting but no engagement with the issuer
Agence Francaise de Developpement	Meeting about the company's sustainability process
East Japan Railway Company	Meeting about CO_2 emission reduction plans and human capital
Procter & Gamble	Biodiversity, climate change, pollution, waste, governance, human and labour rights
Council of Europe Development Bank	Reviewed allocation and impact reporting but no engagement with the issuer
BNG Bank	Meeting about general sustainability performance

Implementation of sustainability regulation

SFDR
We classify all our funds 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 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
As from 1 January 2023 Triodos IM is obliged to report what percentage of a fund's portfolio is aligned with the EU Taxonomy Regulation. The EU taxonomy is a classification system that defines criteria based on which economic activities can be considered as environmentally sustainable.

Find out more about the EU SFDR and Taxonomy requirements. The fund's sustainability-related disclosures in accordance with SFDR can be found here.

Impact reporting in 2024

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.

Rethinking the purpose and goals of economic activity and directing financial flows to finance those activities that have the largest impact on societal change is a key action to trigger deep changes. To this end, we have identified five interlinked areas of intervention – food, resource, energy, society and wellbeing.

Our mission as a financial player is to enable and accelerate these vital transitions, by financing groundbreaking initiatives and providing funding to shift practices from less to more sustainable. We must invest in the deep, systemic transformation required to achieve our goal of a prosperous life for people on a thriving planet.

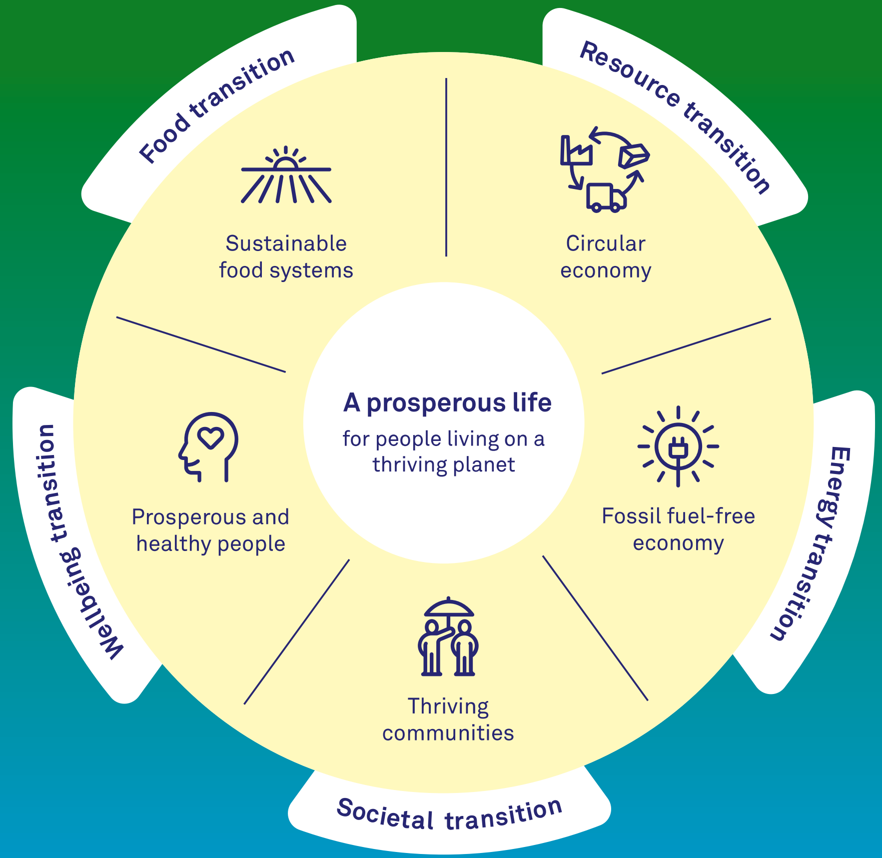
In 2023, we fully implemented the five transition themes into the fund's impact management and measurement process. On pages 19 and 20 you can see how we report on them as of 2024.

We will 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).

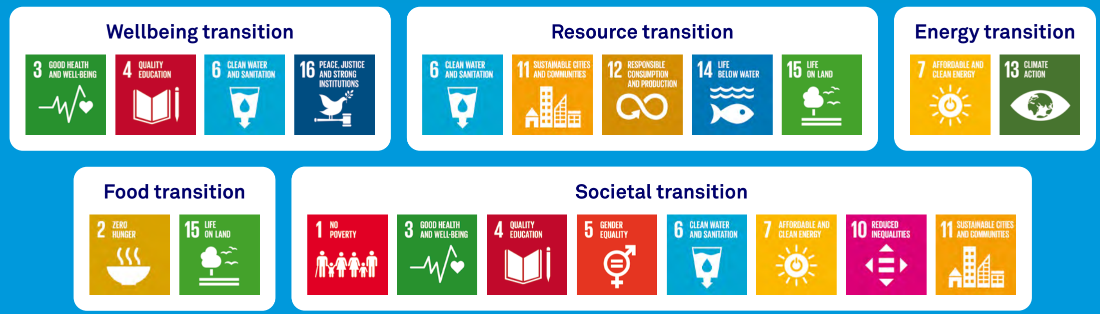
Furthermore, we will continue strengthening and evolving our impact management and measurement practices and processes, and intensify our collaboration with other asset managers and institutions to increase harmonisation.

Our 2024 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.

Focus on five interlinked transitions



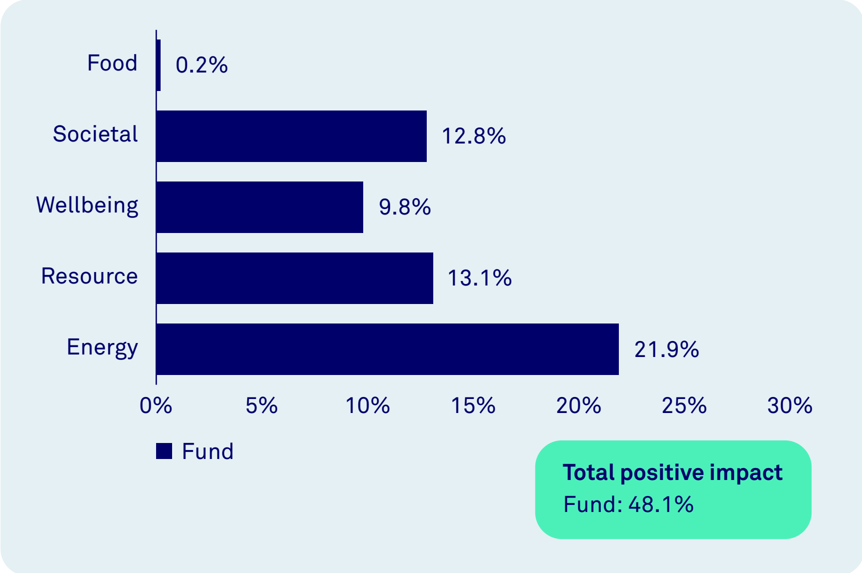
Anchored in the UN Sustainable Development Goals



Impact reporting in 2024

All investments of Triodos Sterling Bond Impact Fund contribute to one or more of the five transitions and to the UN SDGs. For corporate bonds a minimum of 33% of the company revenues from products and services must positively contribute to the transitions. For impact bonds a minimum of 75% of the bond proceeds must positively contribute to the transitions.

Contribution to transitions



Source: Triodos IM. Data per year end 2023

Two examples

European Investment Bank impact bond
The proceeds of this impact bond are earmarked to finance energy and social projects:
- Renfe suburban sustainable transport Madrid, passenger rail transport (40%)
- Czech Republic, electricity distribution network upgrade (31%)
- Gewobag bezahlbares wohnen Berlin, construction of new buildings (14%)

As such the company strongly contributes to the impact objectives related to the energy (86%) and societal (14%) transitions and to SDGs 7 (44%), 11 (100%) and 13 (86%).

United Utilities impact bond
The proceeds of this impact bond are earmarked to finance energy and social projects:
- reducing abstraction and leakage from distribution networks (67%)
- improvements to river water quality and improving the natural environment (30%)
- anaerobic digestion for energy recovery and recycling of biosolids to land (2%)

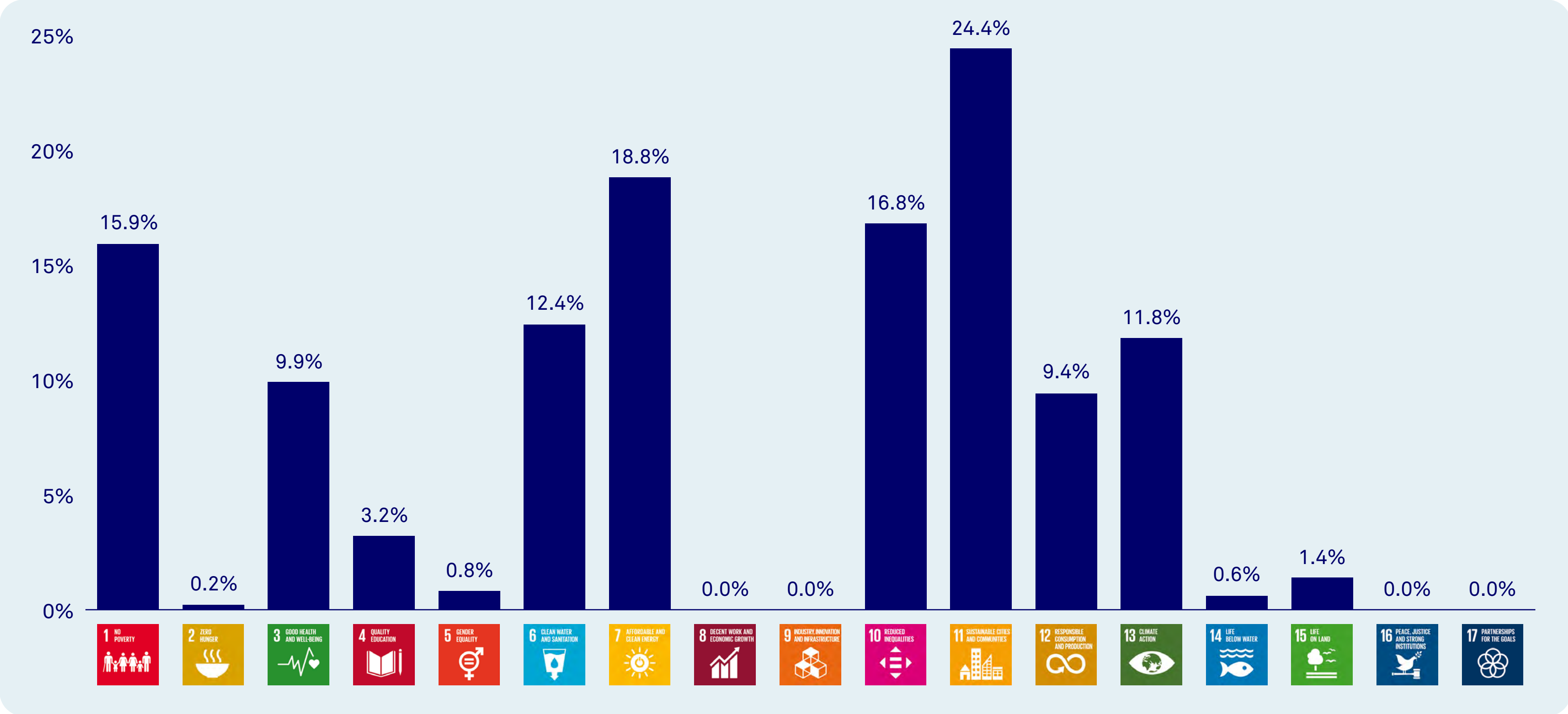
As such the company contributes to the impact objectives related to the resources (98%) and societal (2%) transitions and to SDGs 6 (81%), 11 (82%) and 12 (90%).

The total positive impact is not necessarily equal to the sum of the contributions to each transition, as some products and services (corporate bonds) or assets and projects (impact bonds) with positive impact can be linked to multiple transition themes. This ‘double counting’ is eliminated at fund level to calculate the total positive impact.

Impact reporting in 2024

The contribution to individual SDGs may fluctuate between 0% and 100%. However, the sum of percentages to all SDGs can be below or above 100% as products and services (corporate bonds) or assets and projects (impact bonds) can be linked to multiple SDGs.

Contribution to UN SDGs



Source: Triodos IM. Data per year end 2023

Impact metrics explained

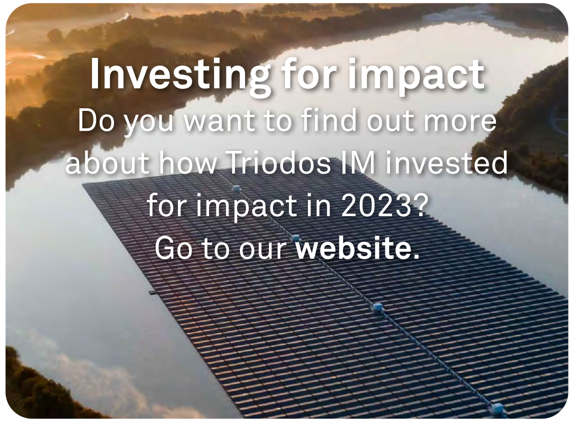
Contribution to the **UN Sustainable Development Goals** is based on the ISS ESG Sustainable Solutions Assessment, which is a comprehensive assessment of company products and services that affect the SDGs. This data enables investors to identify the share of products and services that have a positive 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 **Science Based Targets initiative** (SBTi) provides a common scientifically recognised methodology to calculate GHG emissions and to set targets.Having companies set an SBTi target helps to minimise the existing problems related to a lack of guidelines to measure the companies' scope 3 GHG as well as helping to compare targets among companies. The 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.

Climate-related financial risk disclosures

This disclosure shows how climate-related risks and opportunities are organised in processes and procedures to consider both physical risks (that arise as physical consequences from climate change) and transition risks (relating to the transition to a climate-neutral economy).

For a full understanding of Triodos IM's approach to climate change, this disclosure should be considered together with Triodos Bank's Integrated Annual Report and As One To Zero progress reports.



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 2023: EUR 5.7 billion.
Triodos IM is a wholly owned subsidiary of Triodos Bank, a leading expert in sustainable banking.

Investing in positive change

For more information about our impact investment strategies and solutions, please contact our Investor Relations team at:

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