

A photograph of a person from behind, holding a large cardboard sign with the words "WE NEED A CHANGE" written in black marker. The person is wearing a dark green jacket. The background is a blurred crowd of people at what appears to be a protest or public gathering, with buildings and trees visible in the distance under a bright sky.

WE NEED  
A CHANGE

# Generating positive impact through euro-denominated bonds

Triodos Euro Bond Impact Fund  
Impact Report 2021

Triodos @ Investment Management

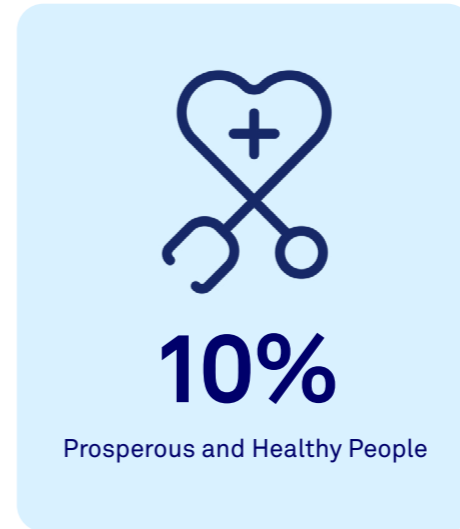
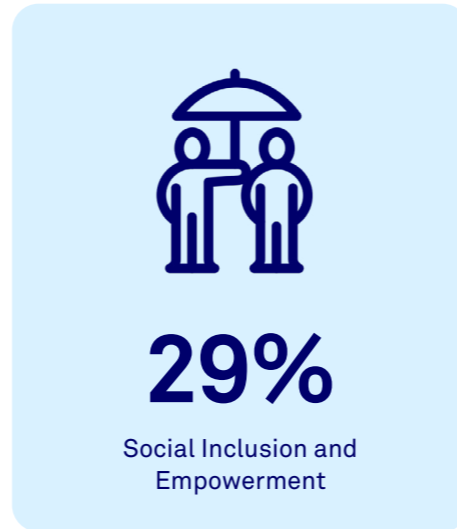
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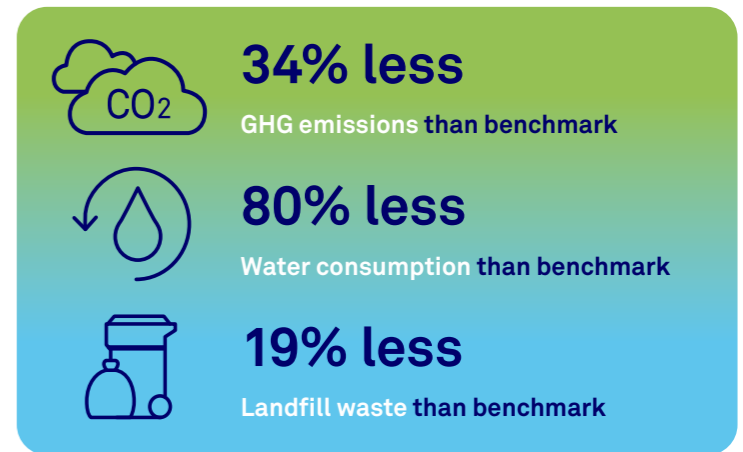
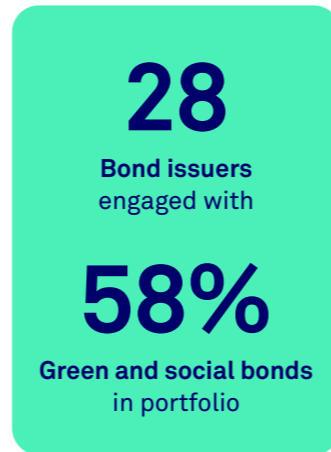
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# Impact highlights 2021

## Top 3 transition themes



## Top 3 Sustainable Development Goals contributed to



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# Focus on impact bonds

## Foreword by Fund Manager Jeroen van Herwaarden



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

This impact report shows Triodos Euro Bond Impact Funds' ongoing focus on increasing its positive impact. The fund does so by selecting bond issuers and impact bonds that have a clear fit with one of our seven transition themes. The fund added several corporate bonds and impact bonds to the portfolio. Within the *Sustainable Mobility and Infrastructure* theme, for example, we invested in a general bond issued by East Japan Railway and green bonds issued by Hamburger Hochbahn and Nidec. The bond proceeds will be used to finance public transport and/or electric driving. The fund also added a bond issued by paper packaging manufacturer Smurfit Kappa to the portfolio thereby generating exposure to the *Circular Economy* theme. We also invested in a social bond issued by the Republic of Slovenia, the proceeds of which will primarily be used to finance emergency health care for vulnerable and socially disadvantaged people.

Triodos Euro Bond Fund will continue to maximise its impact by investing exclusively in bonds that contribute to positive change impact and by spreading the exposure more evenly across all seven transition themes.

**Jeroen van Herwaarden**  
Fund Manager Triodos Euro Bond Impact Fund

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# Generating positive impact through euro-denominated bonds

Triodos Euro Bond Impact Fund has sustainable investments as its objective as described in article 9 of the SFDR. The objective of the fund is to maximise positive impact by investing exclusively in bond issuers that contribute to one or more of our seven sustainable transition themes, which are anchored in the United Nations' Sustainable Development Goals (SDGs).

## Managing impact through four pillars

### Positive impact

The fund invests in seven transition themes (see blue box) that are key to helping society overcome systematic sustainability challenges. Each bond or issuer we select in the portfolio must positively contribute to at least one of these themes through its commercial strategy.

### Do no significant harm

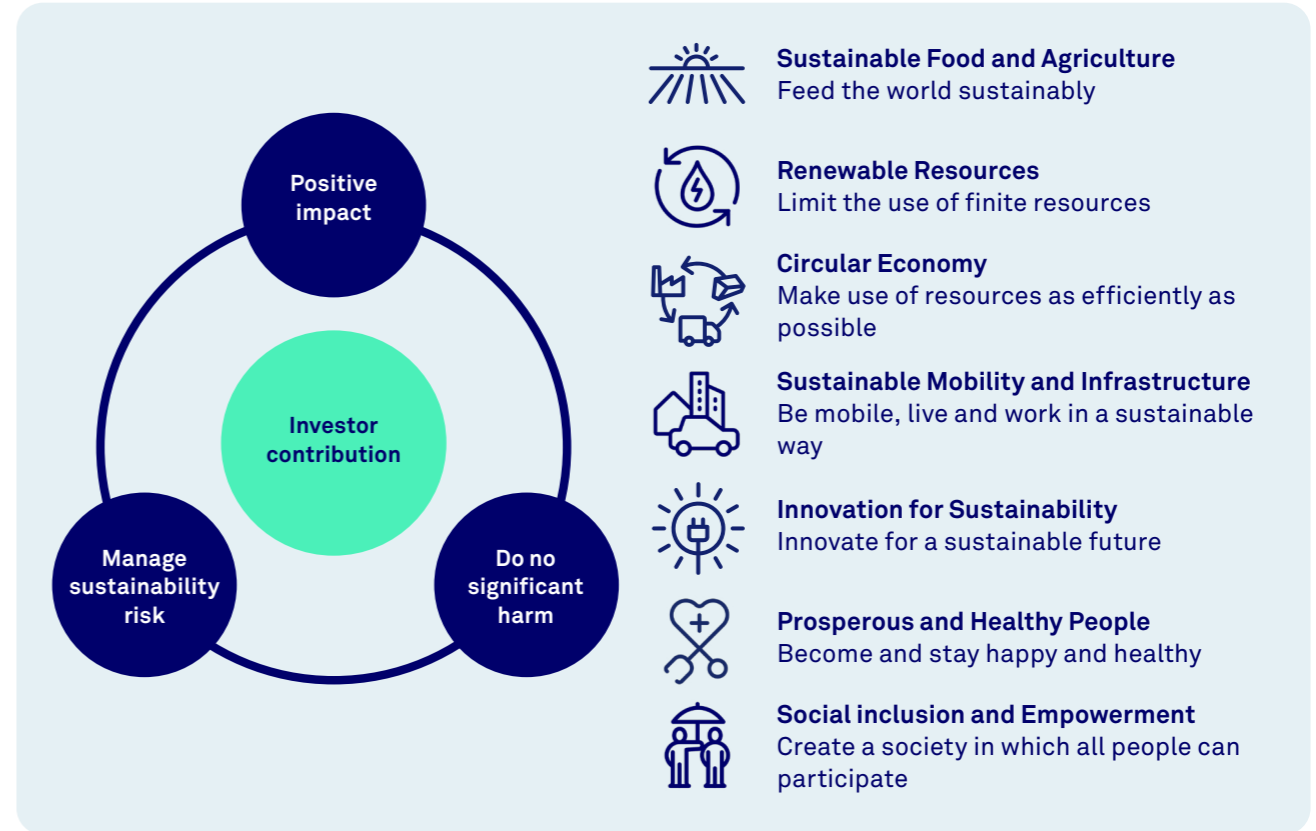
Through the strict Triodos Minimum Standards, bond issuers are reviewed for the possible risk that their business practices could jeopardise the transition we envision. Bond issuers that do not meet the Minimum Standards are ineligible for investment.

### Manage sustainability risk

We carefully monitor sustainability risks of our investments on people and planet (inside-out), while developing a quantitative and objective methodology for assessing sustainability risks of our investees (outside-in).

### Investor contribution

We integrate stewardship in every aspect of the investment management process to promote sustainable value creation for all our stakeholders, through engagement and advocacy.



Our vision and impact framework are fully aligned with the UN Sustainable Development Goals. The SDGs reflect a global commitment to overcome society's most pressing challenges in a joint public and private sector effort.

The fund's alignment with the SDGs makes the impact outcomes recognisable, ensuring a common language and enabling comparison with other strategies. In 2021, the fund's investees contributed most positively to the following three SDGs:



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# Stewardship

## Engagement

We engage with companies and institutions to drive positive change. Where appropriate, we discuss governance, environmental and social issues relevant to their specific business models. These discussions often already take place before a company or bond is added to the investable universe.

### Direct company engagement

We have one-on-one conversations with companies and issuers to discuss sustainability topics that are important to us as an impact investor. We explore their perspectives, policies and business practices around our transition themes and Minimum Standards to understand the depth of their commitments to long-term positive impact.

### Collaborative and industry engagement

Sustainability challenges cannot be solved alone. We therefore also participate in joint engagement initiatives alongside other institutional investors, striving to shape an environment in which companies and investors can operate more sustainably. Collaborative engagement increases the visibility of the topics being discussed and expands the overall power of our engagement activities.

For more information on our engagement efforts, as well as concrete examples and our full voting records, please visit our [Stewardship page](#).

**Climate change (see article)**

- goal: all holding companies commit to the Science Based Targets initiative (SBTi)
- aligning with main goal of the Paris Climate Agreement: keep global warming limited to 1.5°C

**Labour rights**

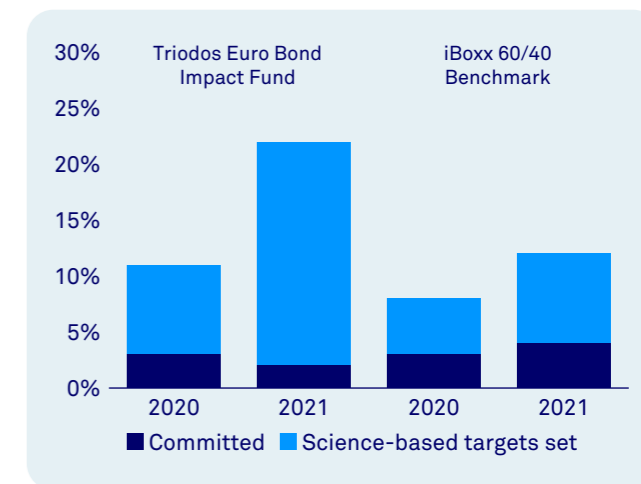
Engaging with companies on:

- basic labour rights
- responsibility to respect all salient human rights
- upholding commonly accepted labour standards (own operations and supply chain)

**Remuneration**

- focusing on companies with high pay gaps
- complex remuneration systems that are not focused on long-term sustainable goals

## Alignment with the Science Based Targets initiative



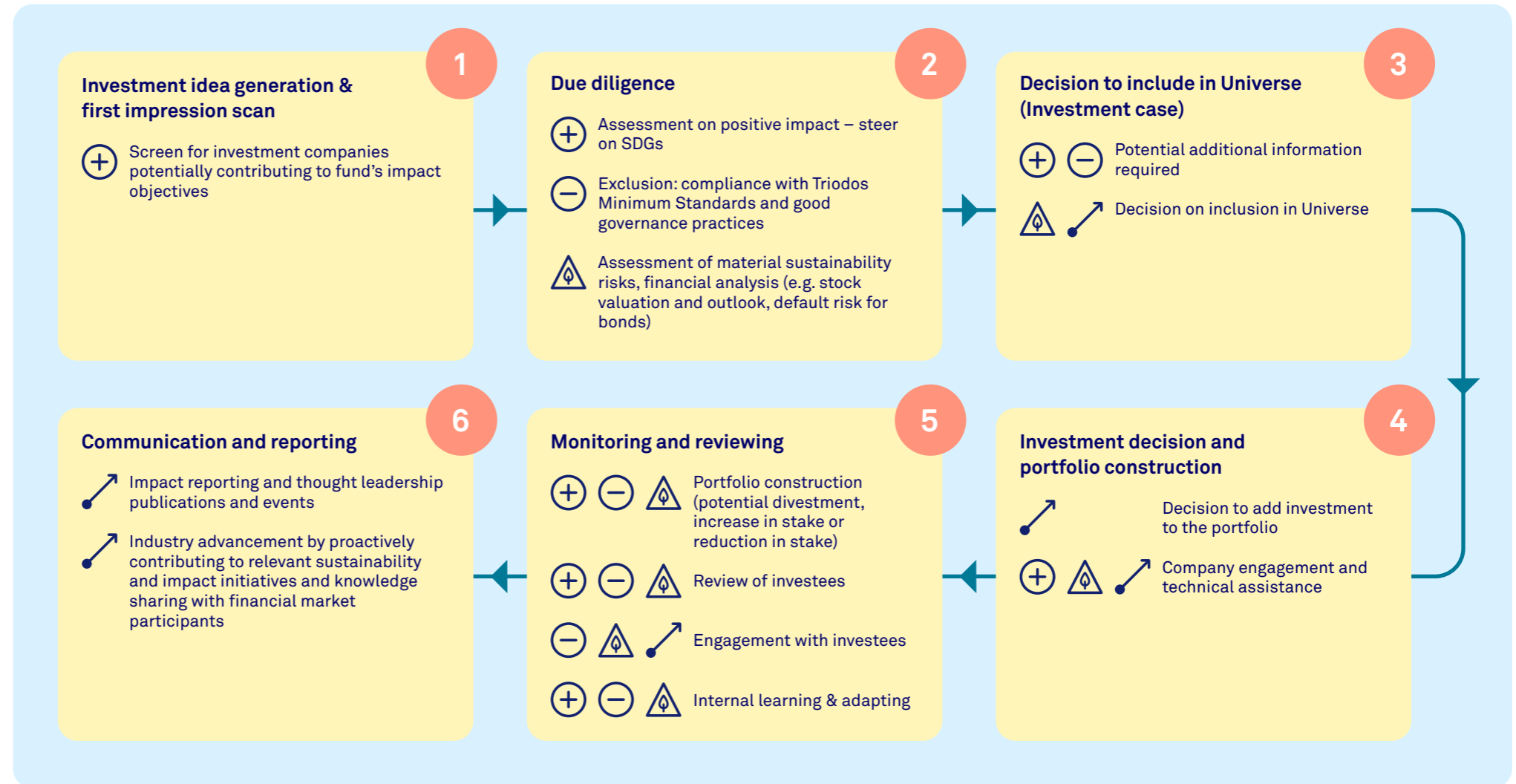
**28**  
Bond issuers engaged with

**58%**  
Green and social bonds in portfolio

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# A values-driven investment process

## How we manage impact



Positive impact  
 Do no significant harm  
 Manage sustainability risk  
 Investor contribution

Over the course of 2021 and 2022, we implement changes to the investment process based on our impact ambitions and sustainability regulations (e.g. EU SFDR, EU Taxonomy, MiFID II).



# Impact investments

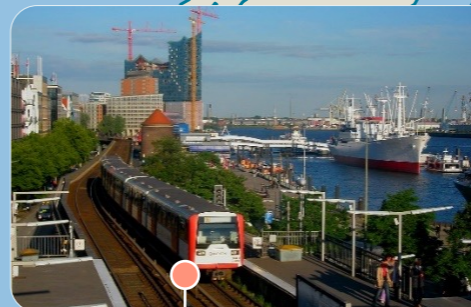
Click [here](#) for an overview of all investments of the fund.



## Smurfit Kappa

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

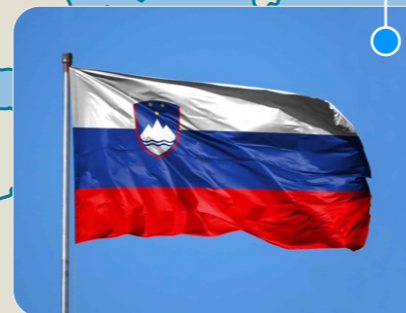
> Find out more [here](#).



## Hamburger Hochbahn

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

> Find out more [here](#).



## Republic of Slovenia

Contributing to our *Prosperous and Healthy People* theme, the fund has invested in Q3 2021 in the inaugural sustainability bond from the Republic of Slovenia. The proceeds of this bond will be used to finance expenditures related to healthcare, low carbon transportation and education.

> Find out more [here](#)

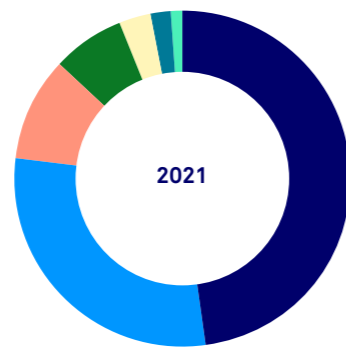
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# Impact data

Triodos Euro Bond Impact Fund measures impact first and foremost as positive contribution to our sustainable transition themes. Each bond issuer in the portfolio must positively contribute to at least one of these themes through its commercial strategy. In 2021 and 2020, the fund's portfolio contributed positively to the following themes:

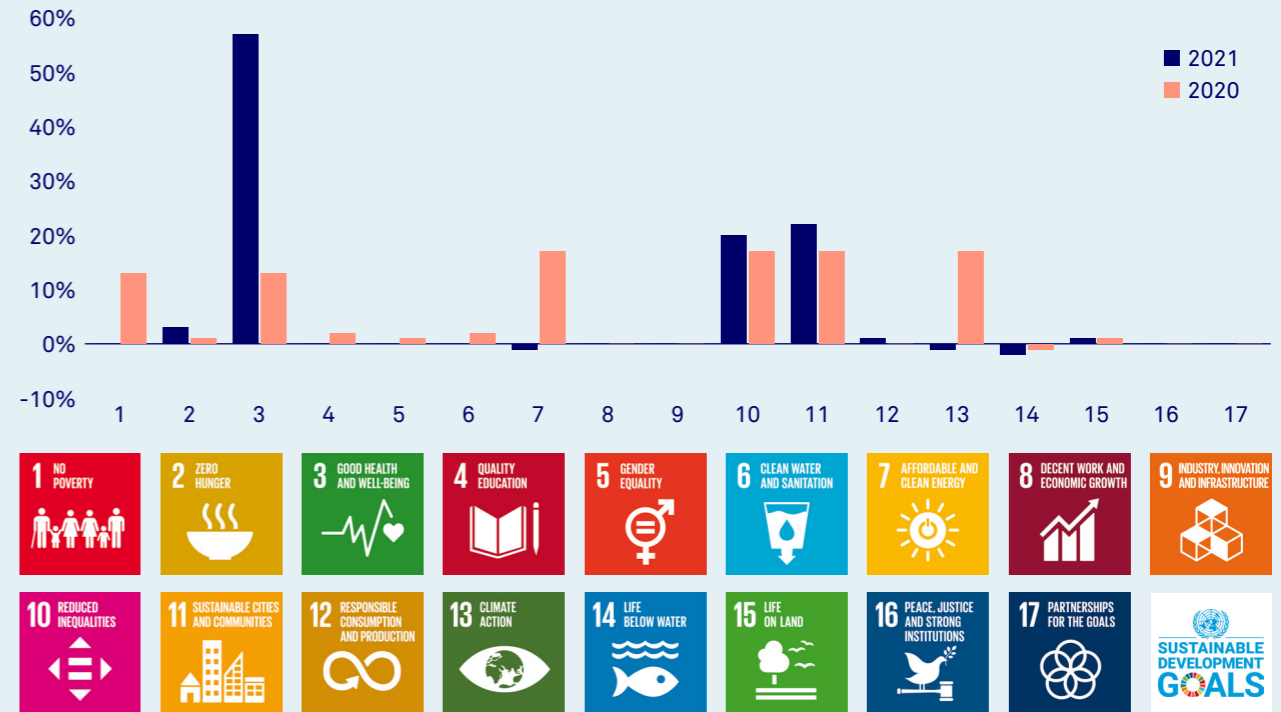
Portfolio contribution to transition themes



|   | 2021 | 2020 |
|---|------|------|
| Sustainable Mobility and Infrastructure | 48%  | 51%  |
| Social Inclusion and Empowerment        | 29%  | 28%  |
| Prosperous and Healthy People           | 10%  | 8%   |
| Renewable Resources                     | 7%   | 7%   |
| Sustainable Food and Agriculture        | 3%   | 4%   |
| Innovation for Sustainability           | 2%   | 2%   |
| Circular Economy                        | 1%   | 0%   |

## 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 2020 and 2021.

In 2021, the split of SDG contributions of the fund changed mostly for SDGs 1 (No Poverty), 3 (Good Health and Wellbeing), 7 (Affordable and Clean Energy) and 13 (Climate Action). These changes are to an extent the result of theme re-allocations, with a higher focus on our theme *Prosperous and Healthy People* and less focus on *Sustainable Mobility and Infrastructure*, as well as an increase in exposure to corporate bonds which has increased the coverage of the SDG scores.

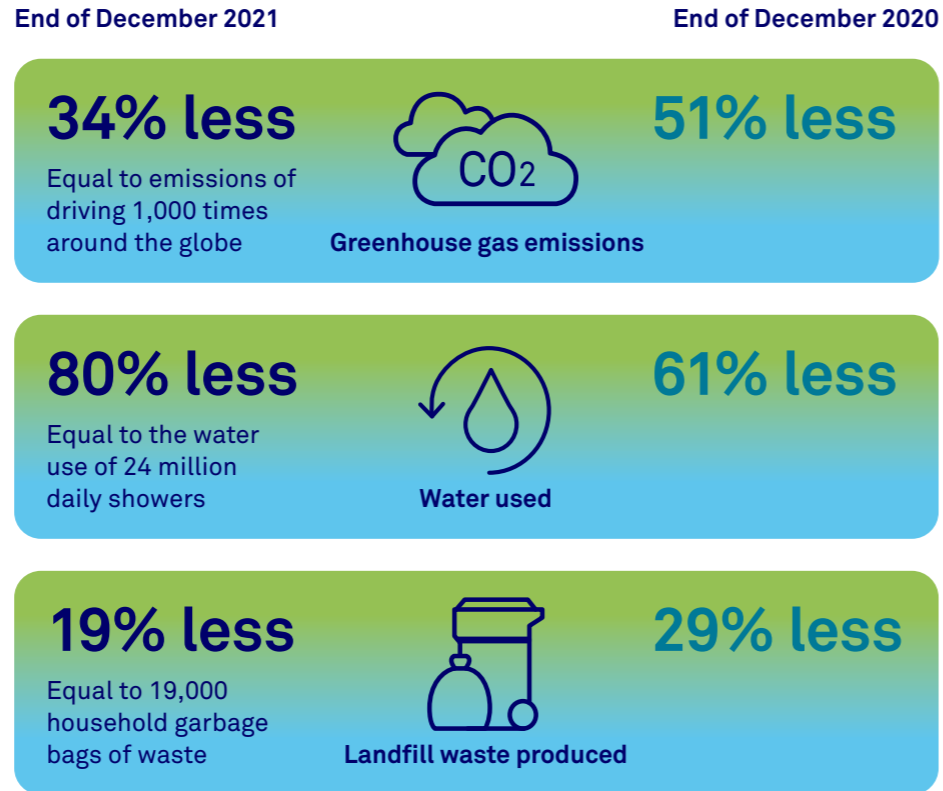


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# Ecological footprint

The carbon, water and waste footprints of the fund illustrate the lower environmental impacts of the portfolio companies' activities compared to those of the benchmark. These figures provide an indication of the fund's sustainability performance as an outcome of the fund's strict impact selection and exclusion criteria.

In 2021, the fund significantly increased its exposure to (impact) bonds from corporate issuers, in order to improve its overall positive impact as defined by contribution to our seven transition themes. By increasing the exposure to corporate bonds, the coverage of the footprint data for the portfolio has also increased. The fund performs better on all three footprints compared to the benchmark but as a result of the higher coverage of the data, the relative carbon footprint has worsened compared to last year, whereas the relative water footprint has improved compared to last year.



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

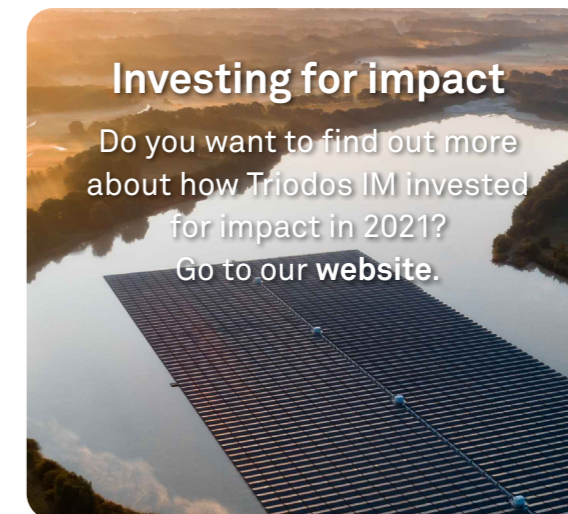
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# Impact measurement

Contribution to the **UN Sustainable Development Goals** is based on the ISS ESG Sustainable Solutions Assessment, which is a comprehensive assessment of company products and services that affect the SDGs. This data enables investors to identify the share of products and services that have a positive or negative impact on 15 different social and environmental objectives. Those objectives, defined by ISS ESG, take into account the SDGs that are relevant to the private sector and to a company's product portfolio. Revenues linked to social and environmental objectives are summed across the different objectives and mapped to each individual SDG as a direct contribution.

The **carbon, water and waste footprints** are calculated using carbon emissions data from ISS ESG and water and waste data from S&P Trucost. Whereas the model calculations for the ecological footprint figures only take into account current (negative) impact (direct and indirect water, waste and emissions generated, i.e. Scopes 1-3 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.



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## 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 25+ years of impact investing in sectors such as Energy and Climate, Financial Inclusion and Sustainable Food and Agriculture. Triodos IM also invests in listed companies that support sustainable solutions for the future. Assets under management as per end of December 2021: EUR 6.4 billion.

Triodos IM is a wholly owned subsidiary of Triodos Bank, a leading expert in sustainable banking.

## Investing in positive change

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

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### Published

April 2022

### Text

Triodos Investment Management

### Design and layout

Via Bertha, Utrecht