

# Investing in the change makers

Triodos Global Equities Impact Fund  
Impact Report 2022

Triodos @ Investment Management

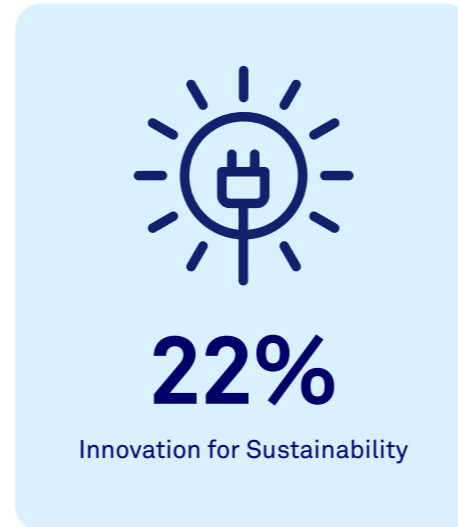
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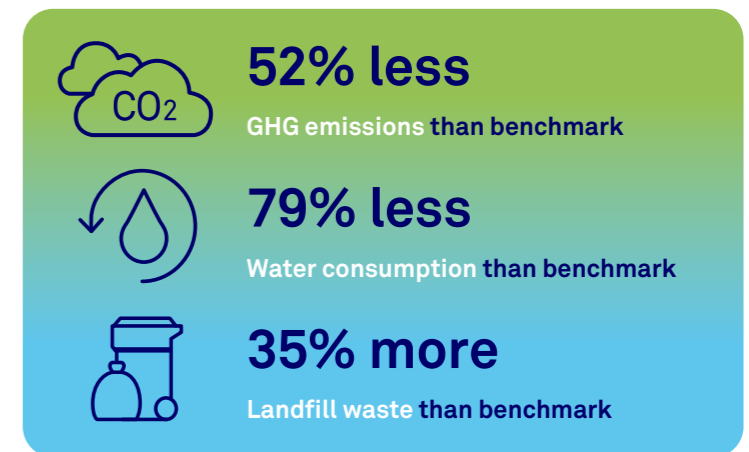
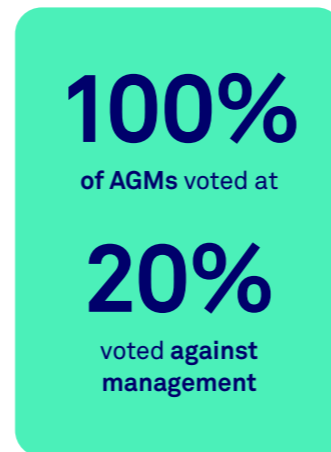


# Impact highlights 2022

## Top 3 transition themes



## Top 3 Sustainable Development Goals contributed to



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# Maximising positive impact

## Foreword by Fund Manager Arjan Palthe



During 2022, we sharpened the impact profile of Triodos Global Equities Impact Fund with the inclusion of Advanced Drainage Systems. This company is the second largest plastics recycler and leading manufacturer of thermoplastic corrugated pipe in the US. The products from Advanced Drainage ensure water conservation and provide safe and affordable water management solutions. This is a clear fit with the Circular Economy theme and the fund's environmental objective.

To support the social objective and fit the Prosperous & Healthy People theme, we included EssilorLuxottica in the fund. This company is one of the world's leading makers of ophthalmic lenses, frames and sunglasses. The company raises awareness of the importance of vision protection through its contribution to the UN Resolution of Vision, and the co-founded non-profit OneSight Foundation which provides free eye exams and glasses to people in need. The company has created sustainable access to vision care in developing communities by establishing more than 19,000 vision care centres.

As well as increasing its positive impact, the fund's ecological footprint (portfolio CO<sub>2</sub> emitted, water consumed, waste produced) improved compared to previous years and was mostly lower than the footprint of the broader market.

In 2023, we will continue to look for companies that fit our transition themes, and thus maximise our positive impact. As before, we will do so with a concentrated portfolio of high-conviction positions.

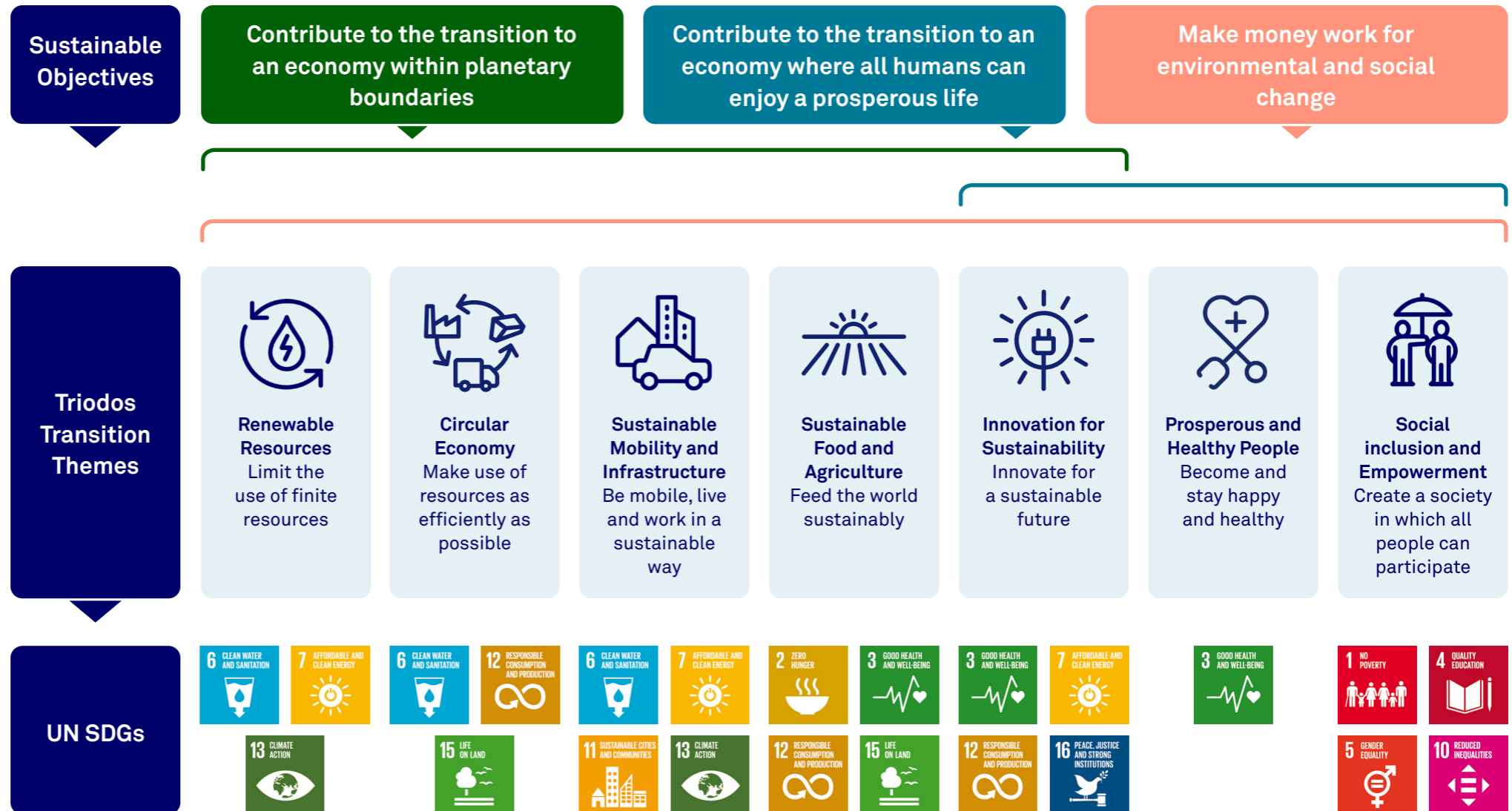
### **Arjan Palthe**

Fund Manager Triodos Global Equities Impact Fund

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# Investing in the change makers

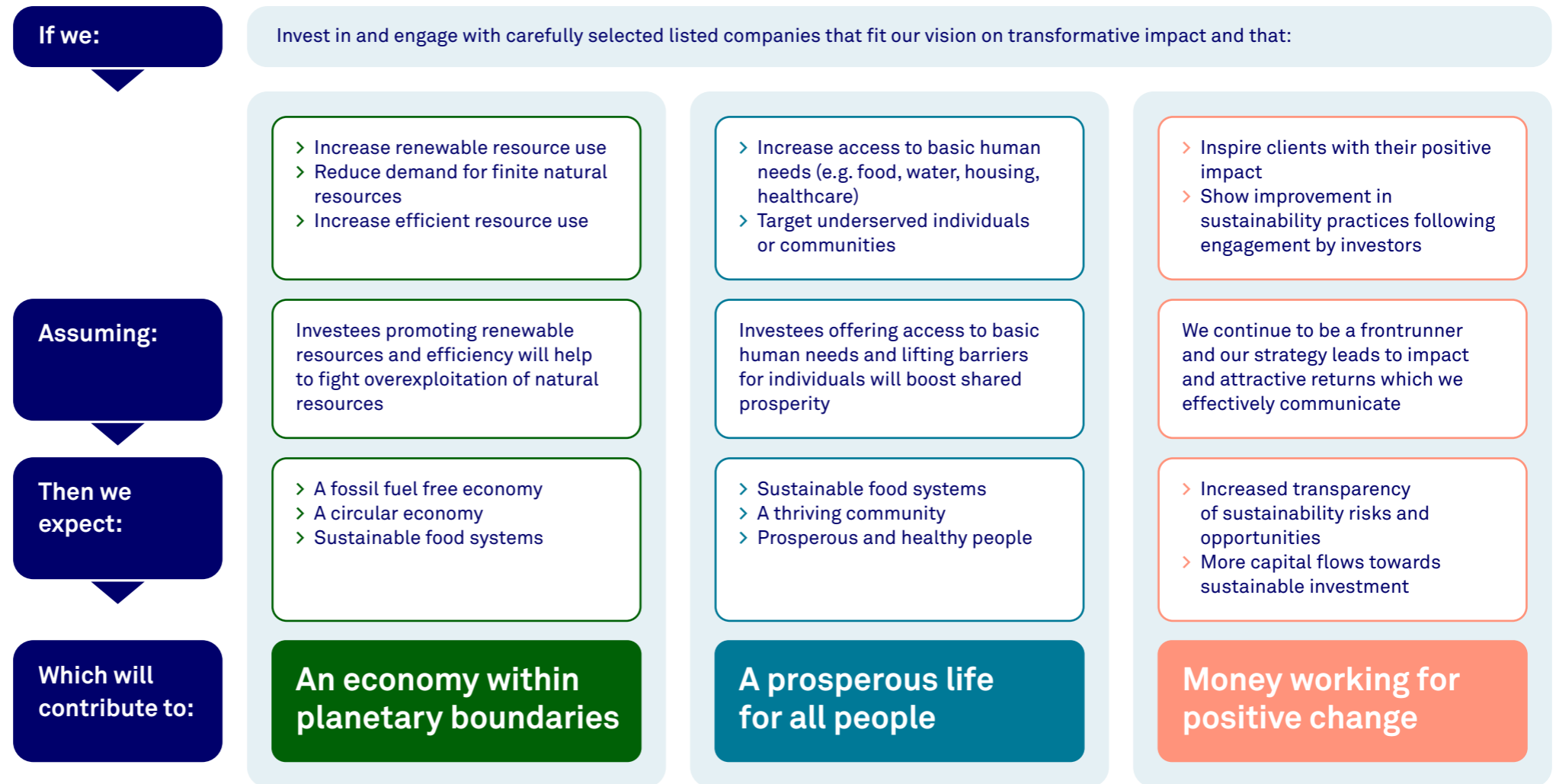
Triodos Global Equities Impact Fund classifies as an SFDR Article 9 fund. The fund invests in listed equities that actively contribute to at least one of Triodos' transition themes, which in turn address at least one of the sustainable investment objectives. Each Triodos transition theme is linked to one or more UN Sustainable Development Goals (SDGs):



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# Theory of Change

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

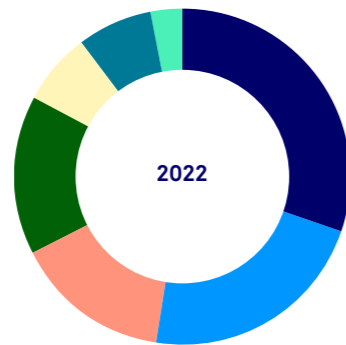


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# Impact data

Triodos Global Equities Impact Fund measures impact first and foremost as positive contribution to our sustainable transition themes. Each company in the portfolio must positively contribute to at least one of these themes through its commercial strategy. In 2022 and 2021, the fund's portfolio contributed positively to the following themes:

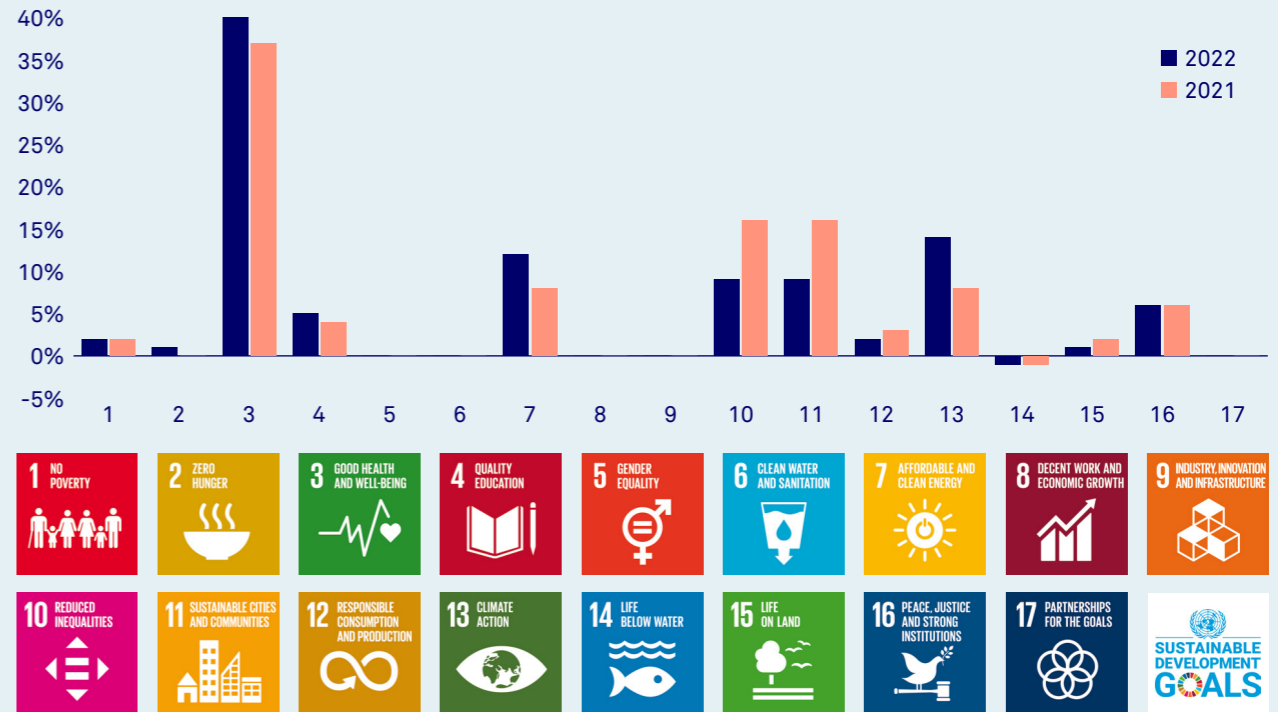
Portfolio contribution to transition themes



	2022	2021
Prosperous and Healthy People	30%	32%
Innovation for Sustainability	22%	21%
Social Inclusion and Empowerment	15%	14%
Sustainable Mobility and Infrastructure	15%	16%
Sustainable Food and Agriculture	7%	7%
Renewable Resources	7%	6%
Circular Economy	3%	3%

## 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 2021 and 2022.

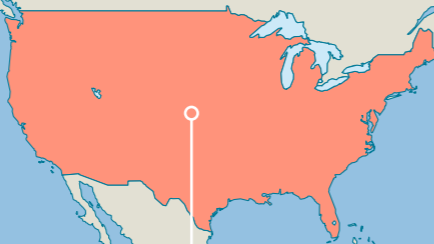
The increased contribution to SDG 3 is explained by the strong performance of our positions in Novo Nordisk and Elevance Health and by lowering the weight in some names that scored negative on this SDG. The increased contribution to SGD 7 and SDG 13 is for a large part explained by increasing our position in Vestas and Assa Abloy and decreasing or selling the positions in Kuraray, Ulvac and Cognizant. These three had deteriorating fundamentals or a weakened impact narrative. The lower contribution to SDG 10 is partly explained by the removal of Philips and Fresenius Medical Care. Both were sold as they no longer had a valid investment case.



# Impact investments

Click [here](#) for an overview of all investments of the fund in 2022.

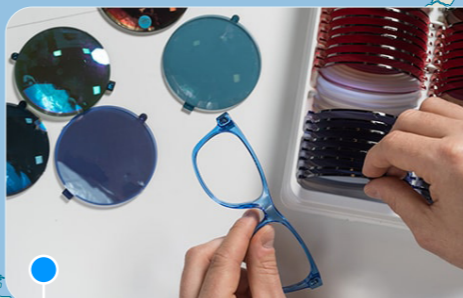
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## Advanced Drainage Systems

Advanced Drainage Systems (ADS) was added to the portfolio in Q3 2022. The company is the second largest plastics recycler in the US, recycling 550 million pounds of household and industrial plastics annually. Its drainage systems help to manage storm and wastewater efficiently and safely.

> Find out more [here](#)



## EssilorLuxottica

French EssilorLuxottica is one of the world's leading makers of ophthalmic lenses, frames and sunglasses for both wholesale and retail customers. The company contributes to improving and protecting the vision of millions of people. The fund invested in the company in Q3 2022.

> Find out more [here](#)



## Shimano

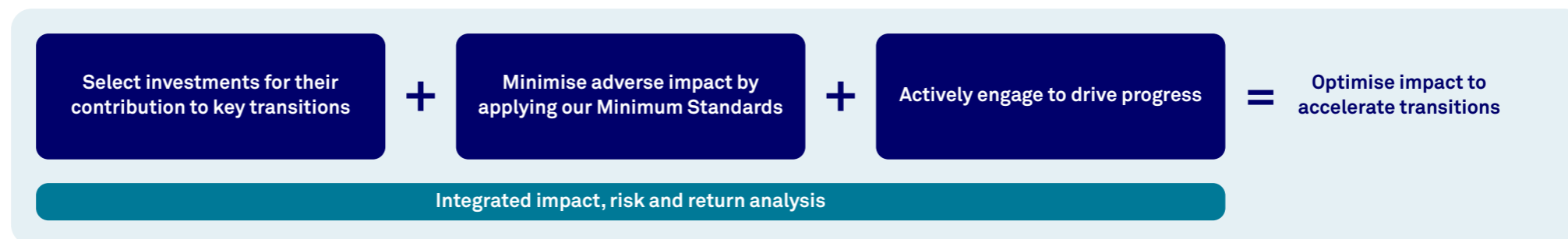
A long-time holding, the company is renowned for its high-quality bicycle components. With its products, the company provides an alternative to motorised transportation and solutions to increase quality of life and improve health conditions.

> 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



### Contribution to transitions

We invest to realise our vision of a prosperous life for people on a thriving planet. Each fund has a Theory of Change, which describes how the fund can enable, contribute and accelerate sustainable transitions. This ambition is translated into a set of objectives, indicators and internal targets per fund.

Each potential investment must significantly contribute to at least one of fund's sustainability objectives to qualify for investment. This is shown on pages 4 and 5.

### Minimise adverse impact

We select for positive impact but also determine the level of potential adverse impact. This includes a screening based on the Triodos Minimum Standards, potential controversies, the EU SFDR Principal Adverse Impacts (PAIs) and relevant sector-specific standards to ensure our investments do not cause any significant harm.

We also mitigate and manage any material sustainability risk. Read more on the next page and in [Our approach to impact](#).

### Engage to drive progress

We aim to accelerate transitions and promote sustainable long-term value creation for all our stakeholders. To this end, we frequently engage on environmental and social topics that are relevant to each investee's business models, as well as on general corporate governance issues.

We engage to obtain information both in response to (potential) controversies and proactively on strategic topics. Furthermore, we believe that by active ownership - exercising voting rights for listed investments and board seats for private equity investments - we can exert a positive influence on a company's long-term strategy. Read more on the next page.

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# Do no significant harm

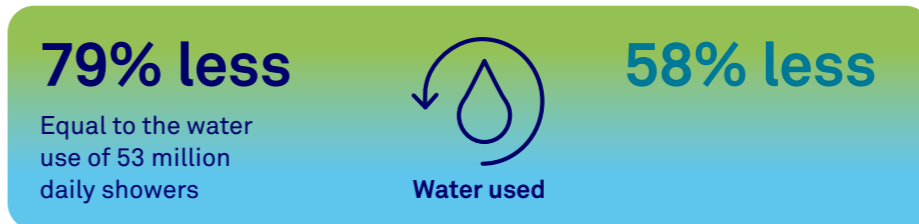
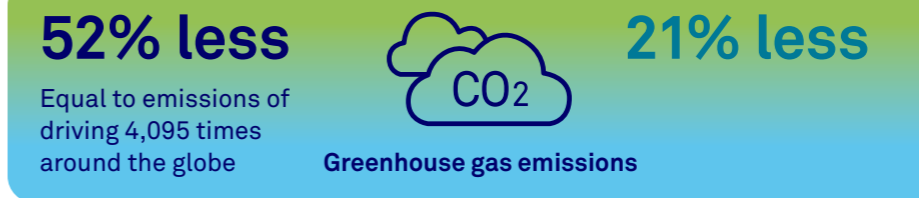
To make sure that its investments do not cause any significant harm, the fund continuously monitors alignment with the strict Triodos Minimum Standards. In the course of 2022, the fund excluded one company from the portfolio due to either a breach of the Triodos Minimum Standards, or a persisting unacceptable risk.

Company name	Reason for exclusion
Adecco	With the full acquisition of Akka Technologies, Adecco has become involved in (nuclear) weapons production. Akka Technologies provides engineering and test services in support of the avionics system of the M51 submarine-launched ballistic missiles, which have the sole purpose of carrying nuclear warheads. We have asked the company if it intends to terminate Akka Technologies' contract related to nuclear arms. Adecco explained it will not renew the contract, but that this will take several years instead of several months. We exclude companies involved in providing services that are tailor-made and essential for the functioning of arms (0% threshold). We therefore removed Adecco from our list of eligible investments.

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.

End of December 2022

End of December 2021



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

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

The main reason for improved ecological footprint are the lower weight in Essity and the exit of names like International Paper and Kuraray.

# Engagement agenda

Stewardship is integrated in every aspect of the fund's investment management process to promote sustainable value creation for all our stakeholders. We engage with companies and institutions to drive positive change. Where appropriate, we discuss governance, environmental and social issues relevant to their specific business models. These discussions often take place before a company is added to the investable universe. In 2022, the Impact Equities and Bond funds' formal engagement agenda focused on five topics:

## Climate change



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

Read the full [article](#).

## Executive remuneration



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

Read the full [article](#).

## Hazardous chemicals



Chemical companies should phase out substances that are harmful to the environment and people's health. Triodos participated in engagement with ChemSec to urge companies to improve transparency on hazardous and persistent chemicals.

Read the full [article](#).

## Living wages



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

Read the full [article](#).

## ESG in Japan



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

Read the full [article](#).

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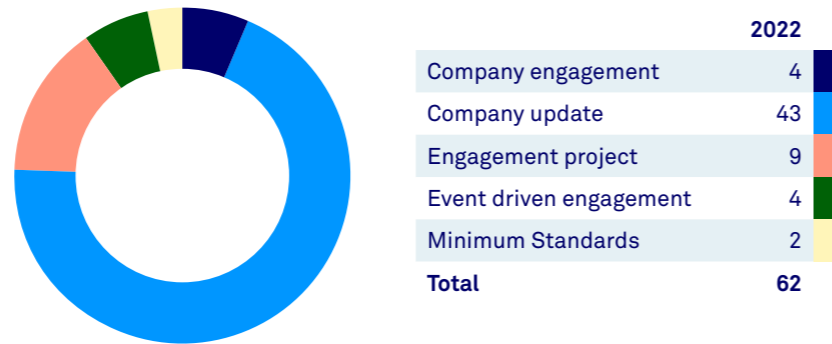
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# Engagement and voting summary

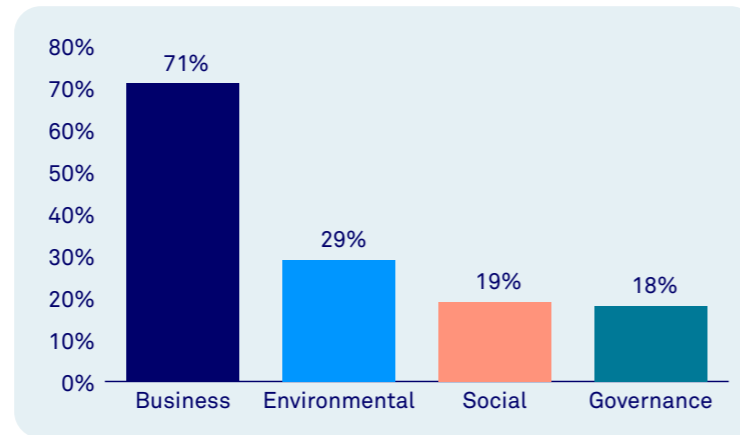
## Engagement in 2022

On top of the engagement agenda, we have conversations with companies to discuss topics that are important to us as an impact investor. In 2022, we engaged with 37 companies.

### Company contact purpose



### ESG topics discussed



## Voting

**100%**  
of AGMs voting at

We vote in-person or by proxy for all investments in which we hold voting shares. We inform all investees of our decisions to stimulate awareness.

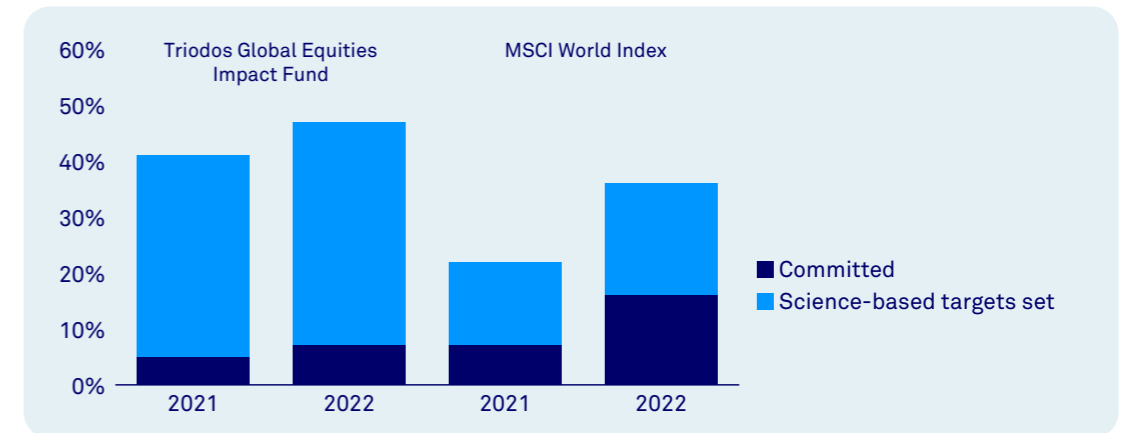
**20%**  
voted against management

The fund voted at 54 Annual General Meetings on a total of 777 agenda items. A full breakdown of the fund's voting records is available for [download](#).

### Alignment with the Science Based Targets initiative

As part of our climate change engagement, we measure two company milestones:

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



Note: the calculation methodology was adjusted in 2022 to better align with SBTi best practices by taking into account the weight of our investment. Consequently the 2021 numbers are not comparable with the 2022 numbers.



# Sustainability risks and opportunities

## ESG risks and opportunities of the ten largest holdings

Company name	Risks	Opportunities
<b>EssilorLuxottica</b>	The main risks are product quality & safety, competitive behaviour (antitrust) and data security. The company also displayed anti-union behaviour in the US and there is no split between the roles of chair and CEO.	EssilorLuxottica is working on products slowing myopia in children, and also has several programmes to increase the access and affordability of its glasses.
<b>ACCIONA Energias Renovables</b>	Risk of biodiversity loss via its wind turbines and health & safety risk in the development of its wind and solar parks.	Facilitating the energy transition, ACCIONA works on extending the life of wind turbines, e.g. via repowering and improving the recyclability of wind turbines and solar panels.
<b>Vestas Wind Systems</b>	As a producer of wind turbines for both onshore and offshore power generation, the company could be involved in controversies related to safety at work, biodiversity, and human rights.	The increase in traditional energy costs could accelerate the energy transition. Wind energy represents off- and on-grid opportunities for developing countries to develop their energy infrastructure.
<b>Elevance Health</b>	As a health insurer, Elevance's main ESG risks are data security and competitive behaviour. In the past Elevance settled a case in which they were accused of collaborating and splitting up regions.	The company is an enabler of the transition to value-based care in the US, operating a reimbursement model that pays for outcome (or value) rather than procedure, avoiding the perverse incentive to overtreat.
<b>RELX</b>	RELX's business model may be unsustainable, as scientists are beginning to boycott its publishing platform for not being paid. The company also faces risks related to information security and data protection.	Through its publishing and distribution services the company contributes to society by advancing science and health, protecting people, improving the rule of law and providing access to justice.
<b>Procter &amp; Gamble</b>	Accelerating loss of biodiversity, climate change and water stress impair agricultural production, which might pose a material risk to P&G's sourcing operations. Packaging materials also pose risks.	P&G may increase its brand value by being positively associated with sustainable sourcing, deforestation-free programmes and shifting towards more sustainable packaging solutions.
<b>Deutsche Telekom</b>	Data security and privacy of its customers are the main risks. Energy management is also a risk, given the large amounts of energy needed to operate its extensive network.	Deutsche Telekom actively empowers customers by promoting media literacy. It uses 100% of its electricity from renewable sources and aims to have net zero emissions operations by 2025.
<b>KDDI</b>	Data security, privacy of its customers and energy management are the main risks. Through its operations in Myanmar it may get involved in human rights violations, following the recent coup in that country.	The company offers special products and services for older users and education programmes for children. It operates mobile networks in countries like Mongolia and Myanmar.
<b>NVIDIA</b>	With an outsourced manufacturing process, the company runs supply-chain risks, related to the use of conflict minerals, labour rights violations, disposal of hazardous materials, or violation of international legislation.	NVIDIA contributes to and accelerates the development of various aspects of artificial intelligence (AI). Improving performance and energy efficiency is a principal goal in NVIDIA's research and development processes.
<b>Novo Nordisk</b>	Novo Nordisk has a track record of marketing-related controversies. As transparency on lobbying activities is limited, it may be that the company lobbies against health care reforms which benefit the general public.	It has a comparatively clear strategy to enhance access to diabetes treatment in low and middle-income countries, which includes addressing distribution challenges, tiered pricing models and capacity building.

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# Sustainability risks and opportunities

## Risks and opportunities of largest GHG emitters

Company name	Risks	Opportunities
<b>Toyota Motor</b>	For automobile manufacturers, the main sustainability issues are the reduction of CO <sub>2</sub> 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.
<b>Procter &amp; Gamble</b>	For household and personal care companies, the main sustainability risks are directly related to the life cycle of the products.	There is no indication that the company has implemented comprehensive measures to actively promote products with an improved and/or externally certified sustainability profile.
<b>Bridgestone</b>	Key impact include a strategy to optimise energy efficiency of products, greenhouse gas emission reduction targets and action plans and the energy intensity of its operations.	The company has introduced measures to increase tires' contribution to fuel efficiency, including targets for lowering the rolling resistance of its tires. The company conducts research on sustainable alternatives for rubber and incorporates recycled rubber into its products.
<b>Henkel</b>	The main risks include greenhouse gas emission reduction targets and action plans and the energy intensity of its operations.	The company shows efforts to shift its portfolio to a more sustainable direction, by offering products with an added social and/or environmental value, or solutions that help increase energy efficiency.
<b>Evonik Industries</b>	Key areas of impact include greenhouse gas emission reduction targets and action plans, the energy use by source and energy use reduction targets.	As a specialty chemicals company, Evonik can contribute to climate change mitigation through the use of alternative raw materials to generate feedstock for chemical synthesis and products used by downstream industries.

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

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# Sustainability risks and opportunities

## Risks and opportunities of biodiversity laggards

Company name	Risks	Opportunities
<b>Central Japan Railway</b>	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.	Travel by train mitigates impact on biodiversity compared to travel by car or plane. Also in terms of energy use, GHG emissions and air pollution, trains are far more efficient than other mass modes of transport. Railway operators are in a unique position to conserve and manage the vegetation along their lines in such a way that it contributes positively to biodiversity.
<b>Sekisui House</b>	Sekisui House manufactures pre-fabricated housing. The main material for these houses is wood. When sourcing such large amounts of wood, there is a biodiversity risk that the wood is extracted from unsustainable sources such as illegal logging or vulnerable sources.	The real estate sector has a substantial negative impact through the energy used in housing and through non-renewable or highly energy-intensive building materials such as steel and concrete. Sekisui House builds zero-energy houses with wooden materials, thereby promoting renewable building material use and energy efficiency in buildings. The company also has a positive impact on biodiversity as it plants, designs and maintains gardens.
<b>Toyota Motor</b>	For automobile manufacturers, the main sustainability risks are the reduction of CO <sub>2</sub> emissions of the car fleet across the whole product lifecycle as well as environmental and social standards in the supply chain. Also, the mining of more (rare earth) materials needed for the manufacturing of batteries for electric cars can lead to significant negative impact on biodiversity. A Toyota-specific risk is the sourcing of leather for its car seats from areas in Brazil which are at high risk of deforestation.	Toyota has been a frontrunner for years with its hybrid vehicles and the fuel-efficiency of its internal combustion-engine vehicles. This leads to Toyota cars having on average the lowest emissions of CO <sub>2</sub> per km travelled compared to all other major car manufacturers. Besides that, Toyota has a biodiversity policy in which it contributes to biodiversity conservation initiatives and in which it aims its factories to be in harmony with nature as much as possible.
<b>Procter &amp; Gamble</b>	The main biodiversity risks are directly related to the life cycle of its products, mainly the choice and sourcing of raw materials (palm oil, paper, guar beans, shea nuts, etc.) as well as their use and disposal by consumers.	Demand for more sustainable products and ingredients is increasing, as well as how these are produced and packaged. We see an opportunity for P&G to increase brand value by being positively associated with sustainable sourcing, deforestation-free programmes and shifting towards more sustainable packaging solutions.
<b>Danone</b>	Danone's activities are directly related to nature and agriculture. Its value chain may be impacted by climate change and its consequences on soil, biodiversity, and ecosystems. The company is also vulnerable to (the consequences of) shifts or disruptions in availability, quality and prices of raw materials and ingredients used. Also, the disposal of sold products, mainly the packaging has negative risks to biodiversity.	Demand for more sustainable products is increasing. We see an opportunity for Danone to increase brand value by being positively associated with sustainable sourcing, deforestation-free programmes and shifting towards more sustainable packaging solutions.

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# Engagement with the ten largest holdings

Company name	Engagement topics
EssilorLuxottica	Animal testing, use of cotton
ACCIONA Energias Renovables	Governance, ESG-driven PPAs, extending useful lives of wind turbines
Vestas Wind Systems	Violation of legislation
Elevance Health	Value-based care, CEO remuneration
RELX	No engagement
Procter & Gamble	Biodiversity
Deutsche Telekom	Energy management, emissions reporting
KDDI	GHG emissions reduction strategy, gender diversity
NVIDIA	Climate change, violation of legislation, waste and energy management, corporate governance
Novo Nordisk	Access and affordability

## Implementation of sustainability regulation

New regulatory requirements on sustainability have been implemented for Triodos Global Equities Impact Fund during 2022.

### SFDR

All Triodos Investment Management funds are classified as Article 9 Funds under the EU Sustainable Finance Disclosure Regulation (SFDR). Article 9 classification refers to the most sustainable product category and has the strictest requirements on sustainability disclosures.

This includes information on the adherence to the sustainable objectives of the fund, how we mitigate adverse impact on people and planet, how sustainability risks are assessed and managed and how we ensure good business conduct of all investments.

### EU Taxonomy

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

Find out more: [EU SFDR and Taxonomy requirements](#) and the disclosures of Triodos Global Equities Impact Fund.

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# Looking ahead

Facing several interrelated social and environmental challenges, our most critical task today is to navigate a social and ecological transformation based on a new economic paradigm. We have identified five interlinked areas of intervention – food, resource, energy, society and wellbeing – where deep changes in human systems and institutions need to take place to achieve our goal of a prosperous life for people on a thriving planet.

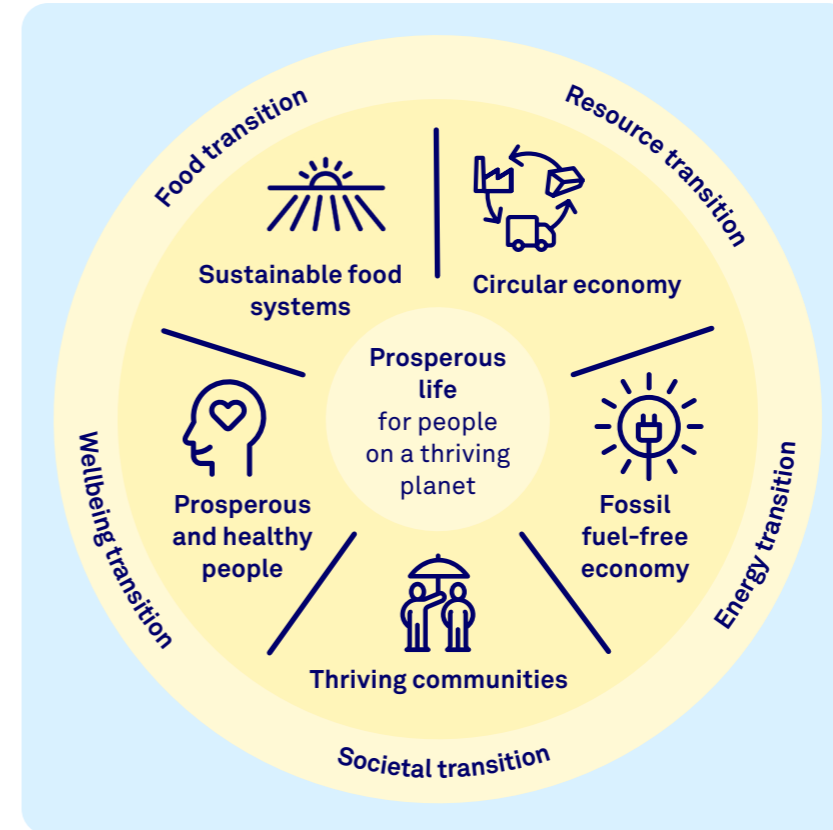
During 2023, we will take steps to integrate the five transition themes into the fund’s impact management and measurement process.

We will also continue to implement external requirements driven by increasing EU regulation on sustainability, such as the EU Sustainable Finance Disclosure Regulation (SFDR), EU Taxonomy and Corporate Sustainability Reporting Directive (CSRD).

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

Our 2023 strategic engagement topic focuses on climate change following our AsOneToZero ambition. Other prioritised engagement topics include plastic, excessive remuneration for our Impact Equities and Bond funds and progress on impact indicators for our Impact Private Debt and Equity funds.

## Focus on five interlinked transitions



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# Impact metrics explained

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

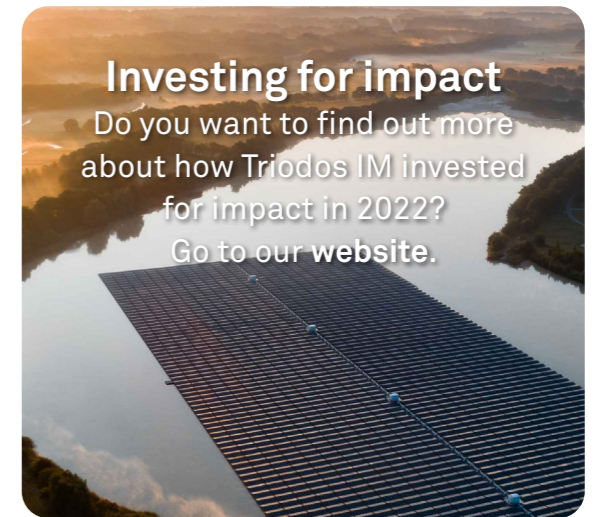
The **carbon, water and waste footprints** are calculated using carbon emissions data from ISS ESG, and water and waste data from S&P Trucost. Whereas the model calculations for the ecological footprint figures only take into account current (negative) impact (direct and indirect water, waste and emissions generated, i.e. Scopes 1-3 as defined by the GHG Protocol), the positive impact of many of our portfolio companies is transitional (such as water, waste and emissions avoided), for which data is still scarce and thus not used in the calculations. For instance, as we invest in companies promoting the transition from plastic to paper packaging, the model calculations only measure Scopes 1-3 (waste-generating manufacturing operations), leaving out the indirect positive impact (such as plastic waste avoided).

The **Science Based Targets initiative** (SBTi) data has been retrieved from the SBTi's public database of committed and aligned companies. Targets adopted by companies to reduce greenhouse gas emissions are considered science based if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Climate Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

## International sustainability recognition



Read more about the [Nordic Swan Ecolabel](#)





## About Triodos Investment Management

Triodos Investment Management (Triodos IM) is a globally active impact investor. We see impact investing as a driving force in the transition to a green, inclusive and resilient economy.

We have built up in-depth knowledge throughout our 30+ years of impact investing in sectors such as Energy and Climate, Financial Inclusion and Sustainable Food and Agriculture. Triodos IM also invests in listed companies that support sustainable solutions for the future. Assets under management as per end of December 2022: EUR 5.5 billion.

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

## Investing in positive change

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

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