

**50% equity**  
**50% bonds**  
**100% impact**

Triodos Impact Mixed Fund - Neutral  
Impact Report 2021

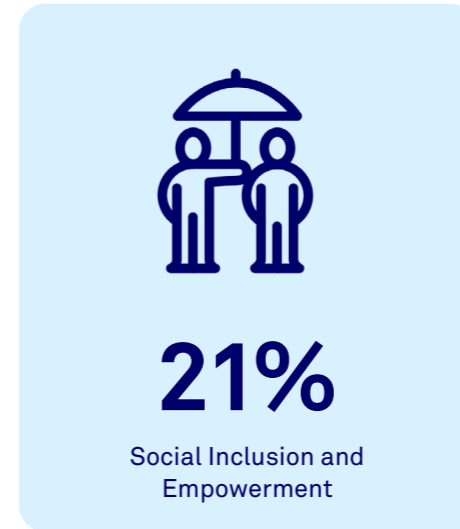
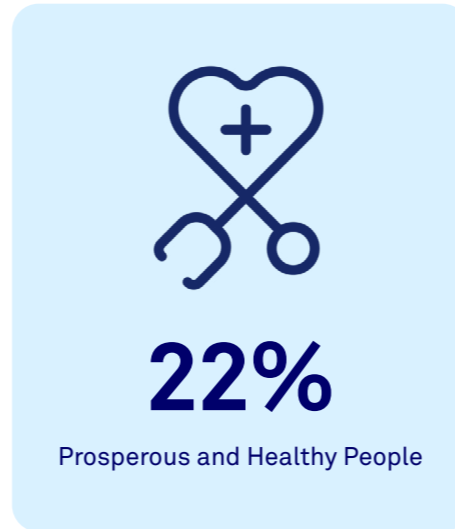
Triodos  Investment Management

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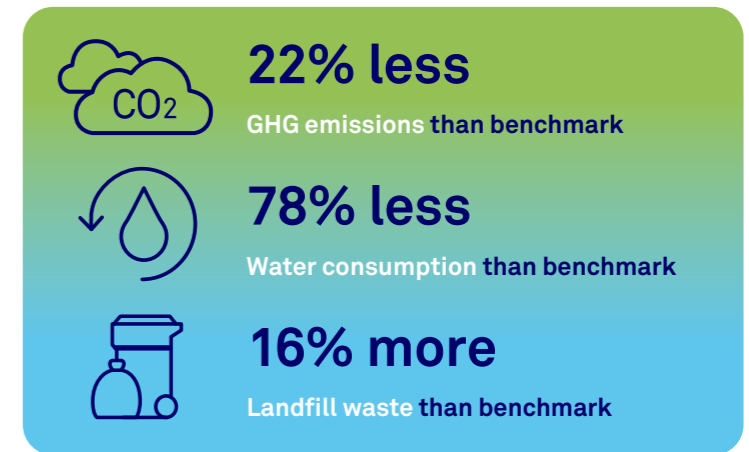
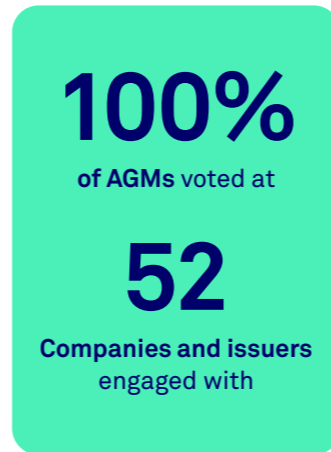
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# Impact highlights 2021

## Top 3 transition themes



## Top 3 Sustainable Development Goals contributed to



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# Increasing our focus on impact bonds

## Foreword by Fund Manager Rob van Boeijen



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 Impact Mixed Fund - Neutral's ongoing focus on increasing its positive impact. The fund does so by selecting equity and bond issuers that have a clear fit with one of our seven transition themes. In line with this strategy, we invested in several new impact bonds that offer the opportunity to invest additional funds in specific assets or projects. Within the themes *Renewable Resources* and *Sustainable Mobility and Infrastructure*, for example, we invested in green bonds issued by Hamburger Hochbahn, Nidec, and Redes Energéticas Nacionais. 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.

In equities, we added exposure to the *Renewable Resources* theme via an investment in the Spanish renewable energy utility Acciona Energías Renovables, as well as to *Social Inclusion and Empowerment* through a new position in the British education company Pearson.

Triodos Impact Mixed Fund - Neutral will continue to maximise its impact by investing in companies and institutions that accelerate the transition to a better world. As the markets for impactful investments are getting more mature we can do so and simultaneously manage risk and liquidity of the fund at high standards.

### **Rob van Boeijen**

Fund Manager Triodos Impact Mixed Fund - Neutral

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# Contributing to the transition to a sustainable future

Triodos Impact Mixed Fund - Neutral 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 companies and 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 company and bond issuer we select in the portfolio must positively contribute to at least one of these themes through its commercial strategy.

### Do no significant harm

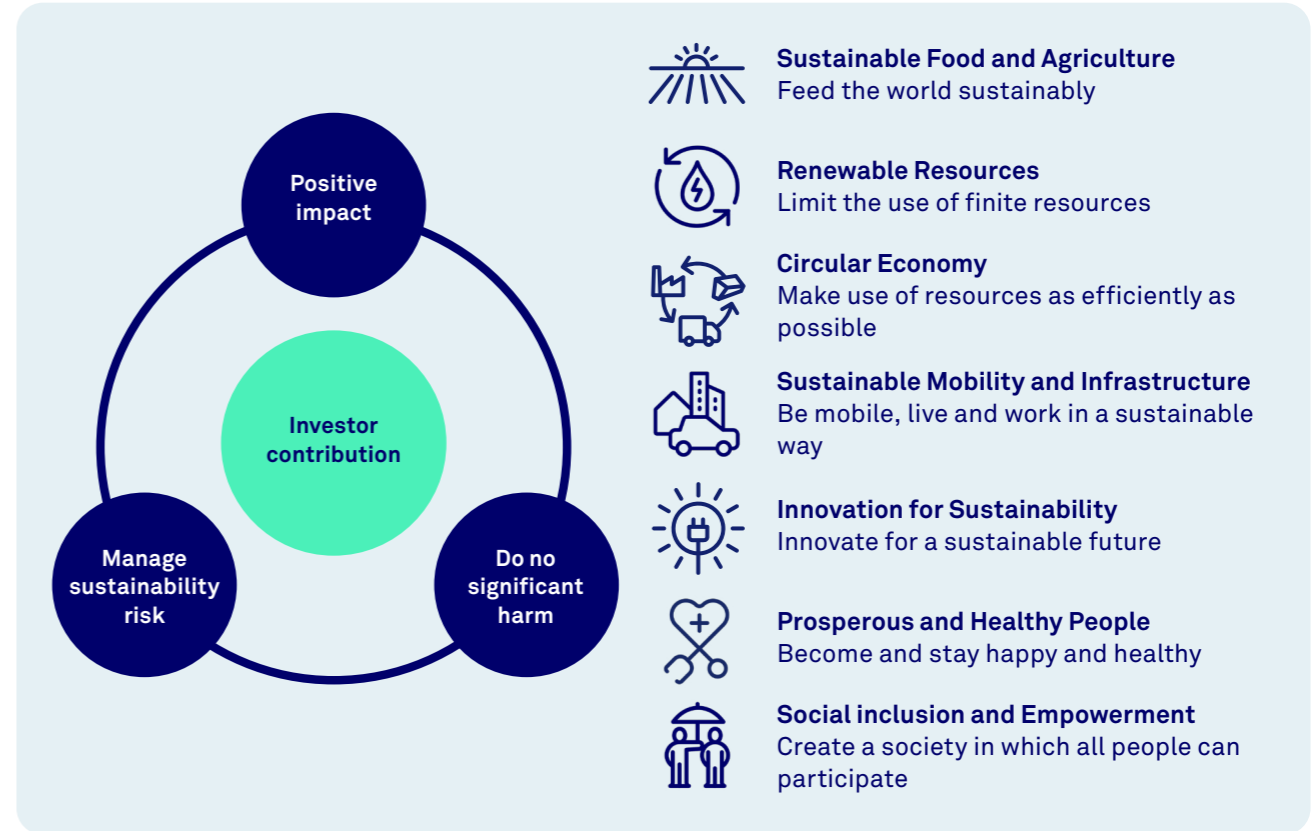
Through the strict Triodos Minimum Standards, companies and bond issuers are reviewed for the possible risk that their business practices could jeopardise the transition we envision. Companies and issuers that do not meet the Minimum Standards are ineligible for investment.

### 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, voting 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.

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Companies and issuers engaged with

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



Engagement agenda 2020-2023

**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**

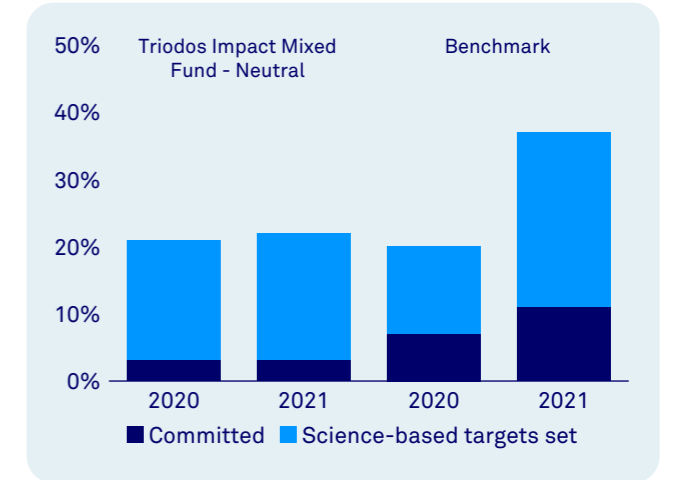
Engaging with companies on:

- 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



## 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.

14%

voted against management

The fund voted at 43 Annual General Meetings on a total of 655 agenda items. A full breakdown of the fund's voting records is available for [download](#).

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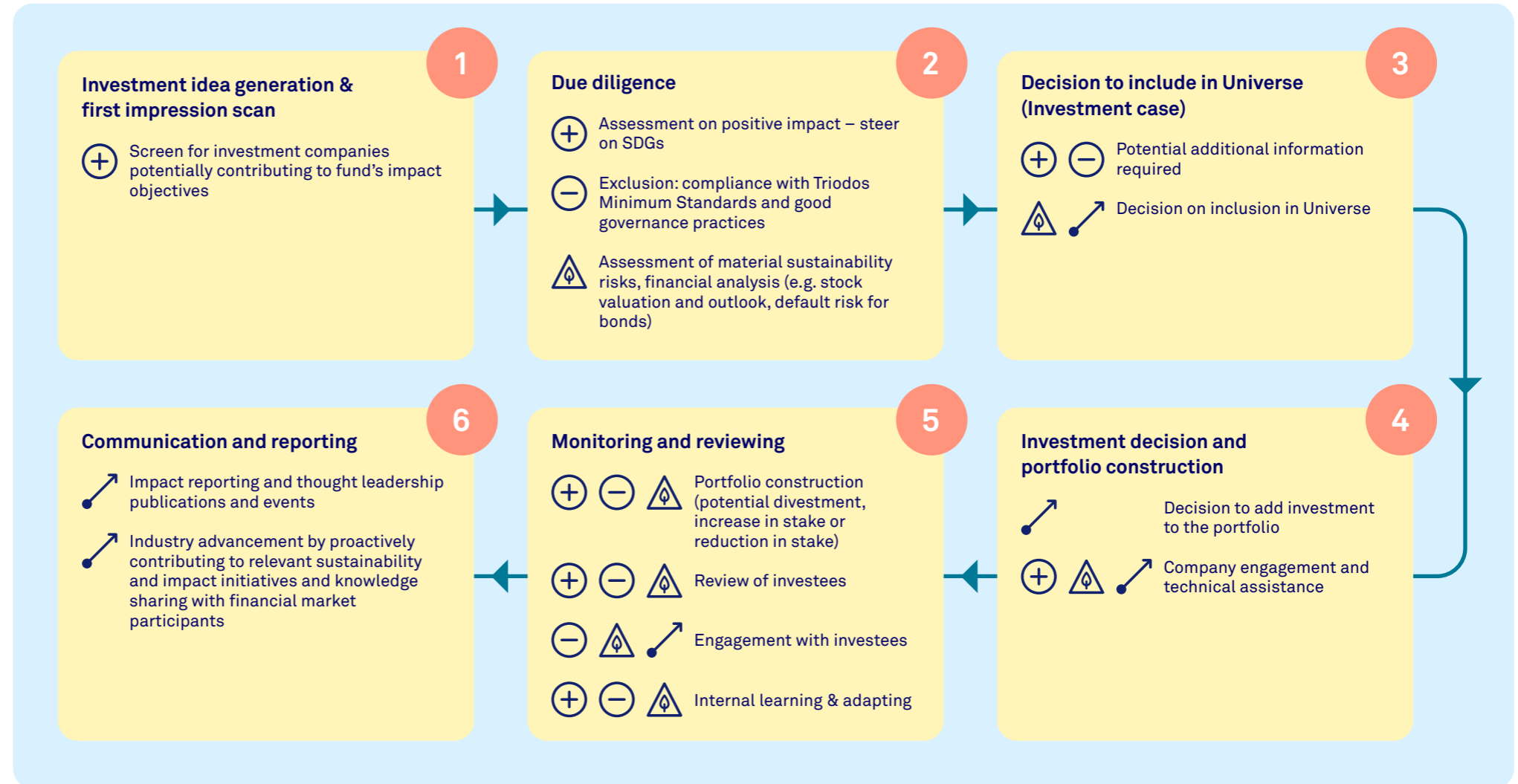
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# A values-driven investment process

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

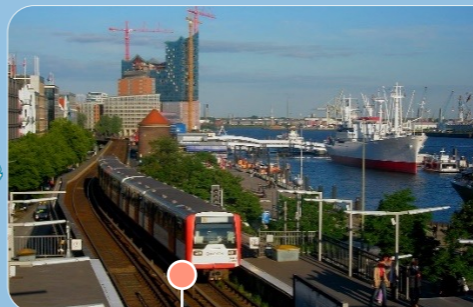
Click [here](#) for an overview of all investments of the fund.



## 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, it positively contributes to our *Sustainable Mobility and Infrastructure* theme.

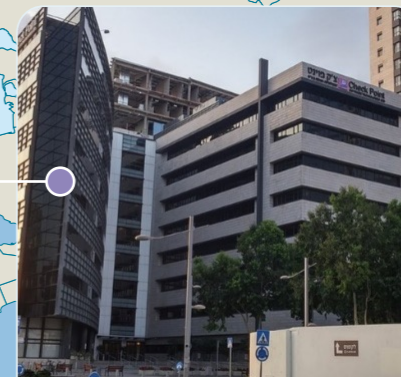
> Find out more [here](#).



## Pearson

In Q1 2021, the fund added Pearson to the portfolio. The company provides educational materials and services to institutions and individual learners in various countries, positively contributing to our *Social Inclusion and Empowerment* theme.

> Find out more [here](#)



## Check Point Software

In Q2 2021, the fund invested in Check Point Software, which provides security software and appliances for corporate networks and service providers. The company contributes to our *Innovation for Sustainability* theme by actively combatting cybercrime.

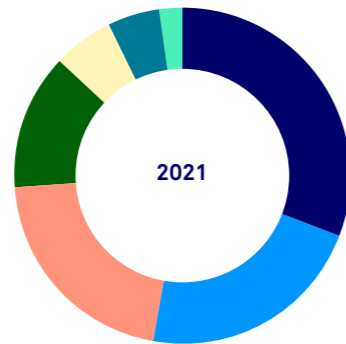
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# Impact data

Triodos Impact Mixed Fund - Neutral measures impact first and foremost as positive contribution to our sustainable transition themes. Each company or 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:

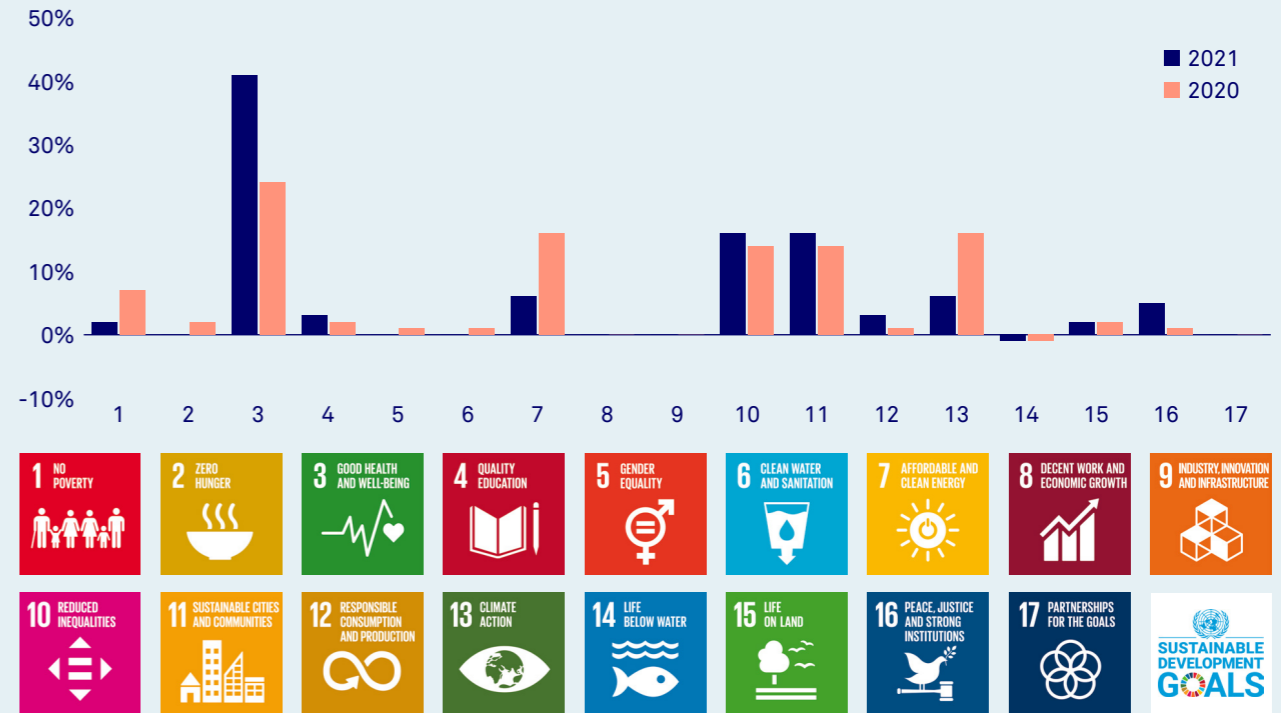
**Portfolio contribution to transition themes**



	2021	2020
Sustainable Mobility and Infrastructure	31%	32%
Prosperous and Healthy People	22%	22%
Social Inclusion and Empowerment	21%	19%
Innovation for Sustainability	13%	13%
Renewable Resources	6%	7%
Sustainable Food and Agriculture	5%	6%
Circular Economy	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 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), 13 (Climate Action) and 17 (Partnerships for the Goals). These changes are not due to active theme re-allocations but rather to portfolio management. As the fund experienced strong inflows during the year, the team was able to allocate new money to companies and bonds with high impact, which partly explains these changes.



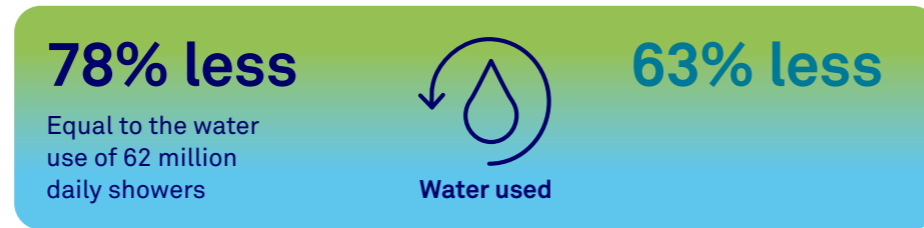
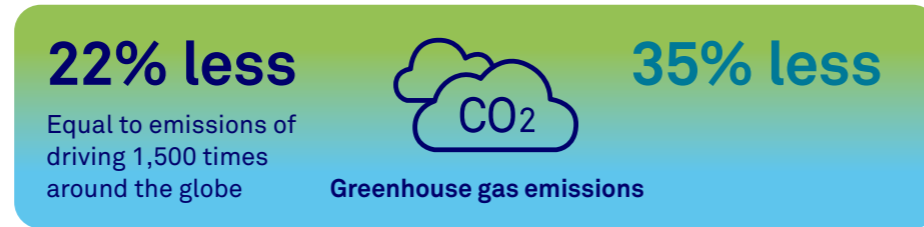
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# Ecological footprint

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.

End of December 2021

End of December 2020



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

We select companies based on overall positive impact as defined by contribution to our seven transition themes. For Triodos Impact Mixed Fund – Neutral, we invest in a number of paper (packaging) companies promoting the transition from plastic to paper packaging, as well as selected food and chemical companies. Since landfill waste is defined as all waste eligible to be disposed of via landfills, it includes paper and plastic packaging and certain chemical products as well, which in many instances can be recycled so they do not end up in landfill. We consciously accept that a handful of investments with positive overall impact results in the fund having a larger waste footprint than the reference index, as we firmly believe these companies deliver a positive impact on problems like plastics pollution in our oceans.

In 2021, the team has removed from the portfolio some holding companies with very low emissions but also a weaker impact rationale, while adding new names that have higher emissions, but a clearer impact strategy. Even though this explains in part the higher greenhouse gas figure for 2021, compared to 2020, we strongly believe that these adjustments have increased the overall positive impact of the fund.

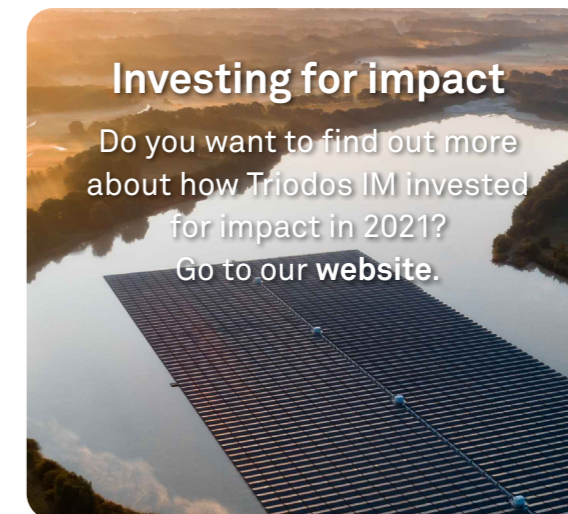
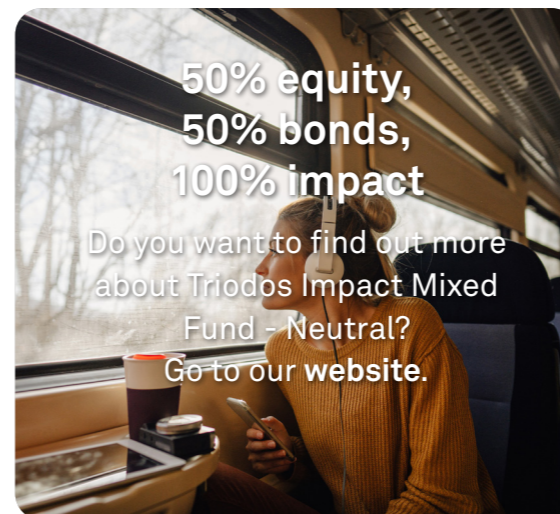
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# Impact measurement

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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