

Generating positive impact through euro-denominated bonds

Triodos Euro Bond Impact Fund
Impact Report 2022

Triodos  Investment Management

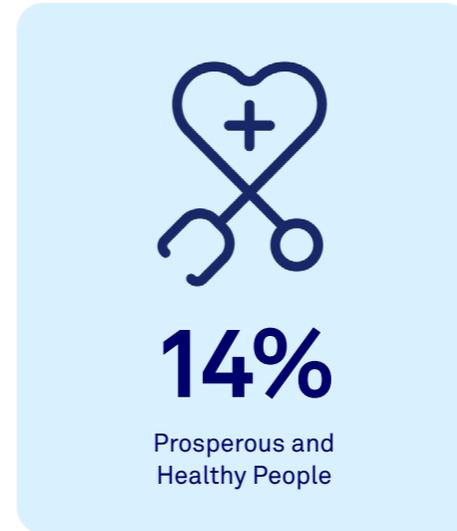
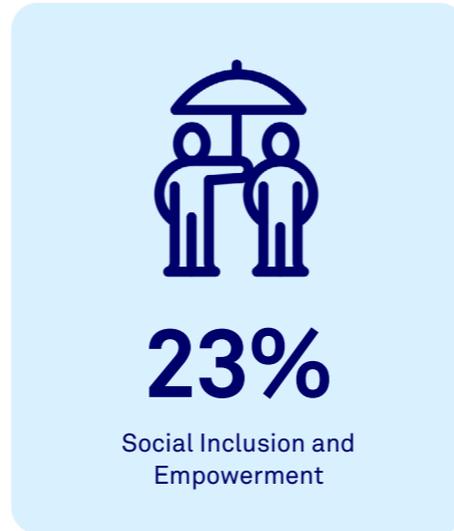
This is a marketing communication. Please refer to the prospectus and the KID of Triodos Euro Bond Impact Fund before making any final investment decisions. An overview of the investor's rights can be found in the prospectus. The value of your investment can fluctuate because of the investment policy. Triodos Euro Bond Impact Fund is managed by Triodos Investment Management. Triodos Investment Management holds a license as alternative investment fund manager and UCITS and is under the supervision of the Dutch Authority Financial Markets and De Nederlandsche Bank.



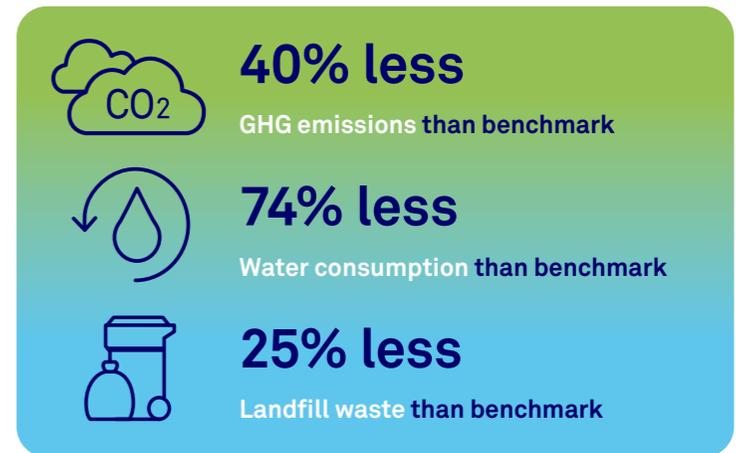
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Impact highlights 2022

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



Many different crises interacted in 2022, exacerbated by the war in Ukraine and the reopening of most economies after the COVID-19 pandemic. This demonstrated the vulnerability and boundaries of our current economic system based on growth and profit maximisation, at the cost of societal wellbeing and our environment. As dedicated impact investors, last year only convinced us more of the urgent need for transformation. This is why we make money work by solely investing in companies and institutions that use the proceeds of our investments for the benefit of people and the environment.

Last year we enhanced the impact profile of the fund, primarily by expanding investments related to our transition themes Prosperous and Healthy People and Renewable Resources. One example in the Prosperous and Healthy People theme is EssilorLuxottica. This company is one of the world's leading makers of ophthalmic lenses, frames, and sunglasses. It has created sustainable access to vision care in developing communities by establishing more than 19,000 vision care centres.

Within Renewable Resources, we have added Statkraft as a new bond issuer. The company is Europe's largest producer of renewable energy, with a renewable percentage of 96% (90% hydro, 5% wind and 1% solar and biomass). We have invested in a newly issued green bond of which the proceeds are used for the construction of wind, solar and hydropower plants and the construction, maintenance and upgrading of charging infrastructure for electric vehicles.

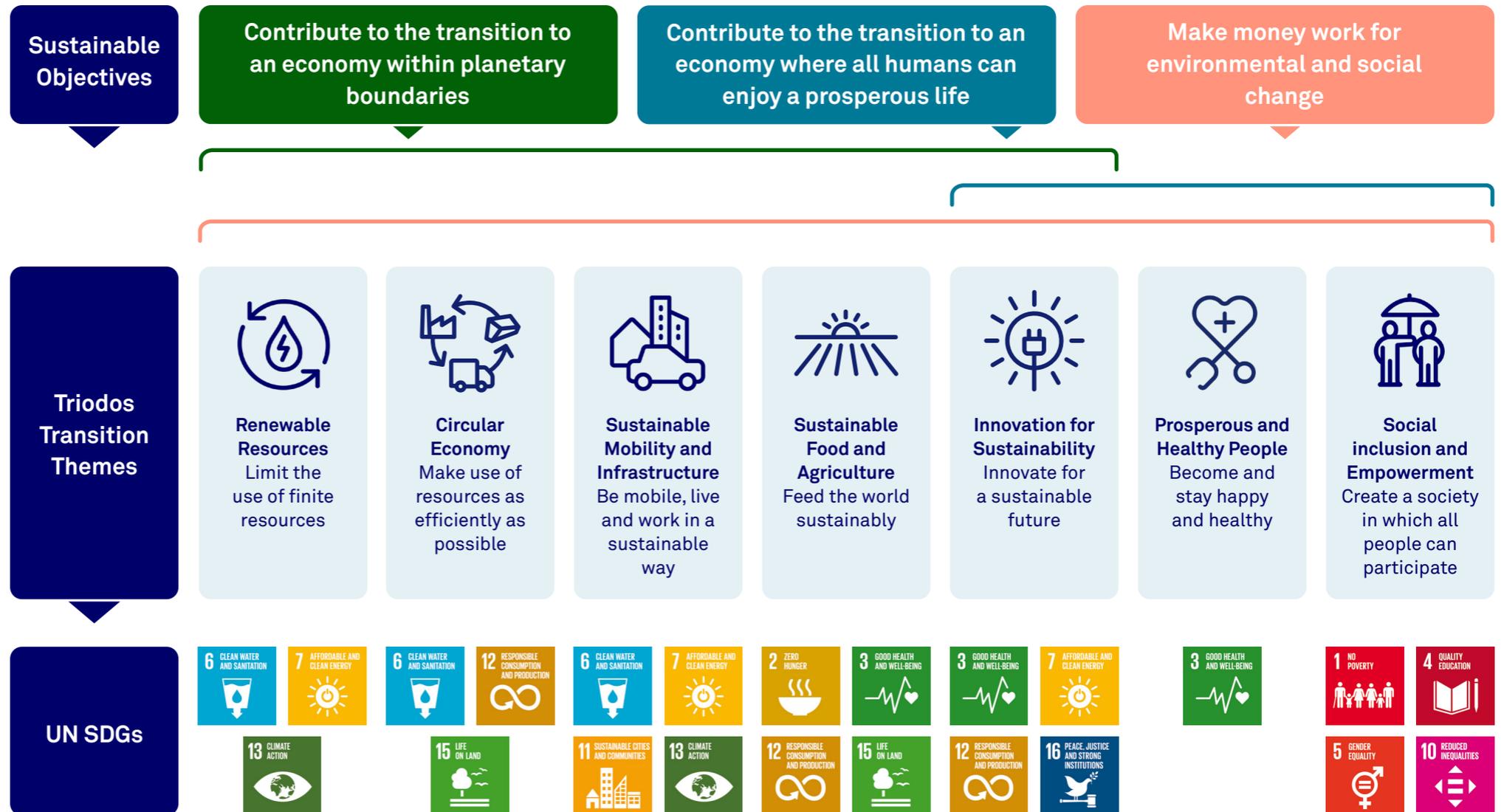
Triodos Euro Bond Impact Fund will continue to strive for positive change by investing in bond issuers and impact bonds that make a clear contribution to a more sustainable economy and a more inclusive society.

Jeroen van Herwaarden
Fund Manager Triodos Euro Bond Impact Fund

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Investing in the change makers

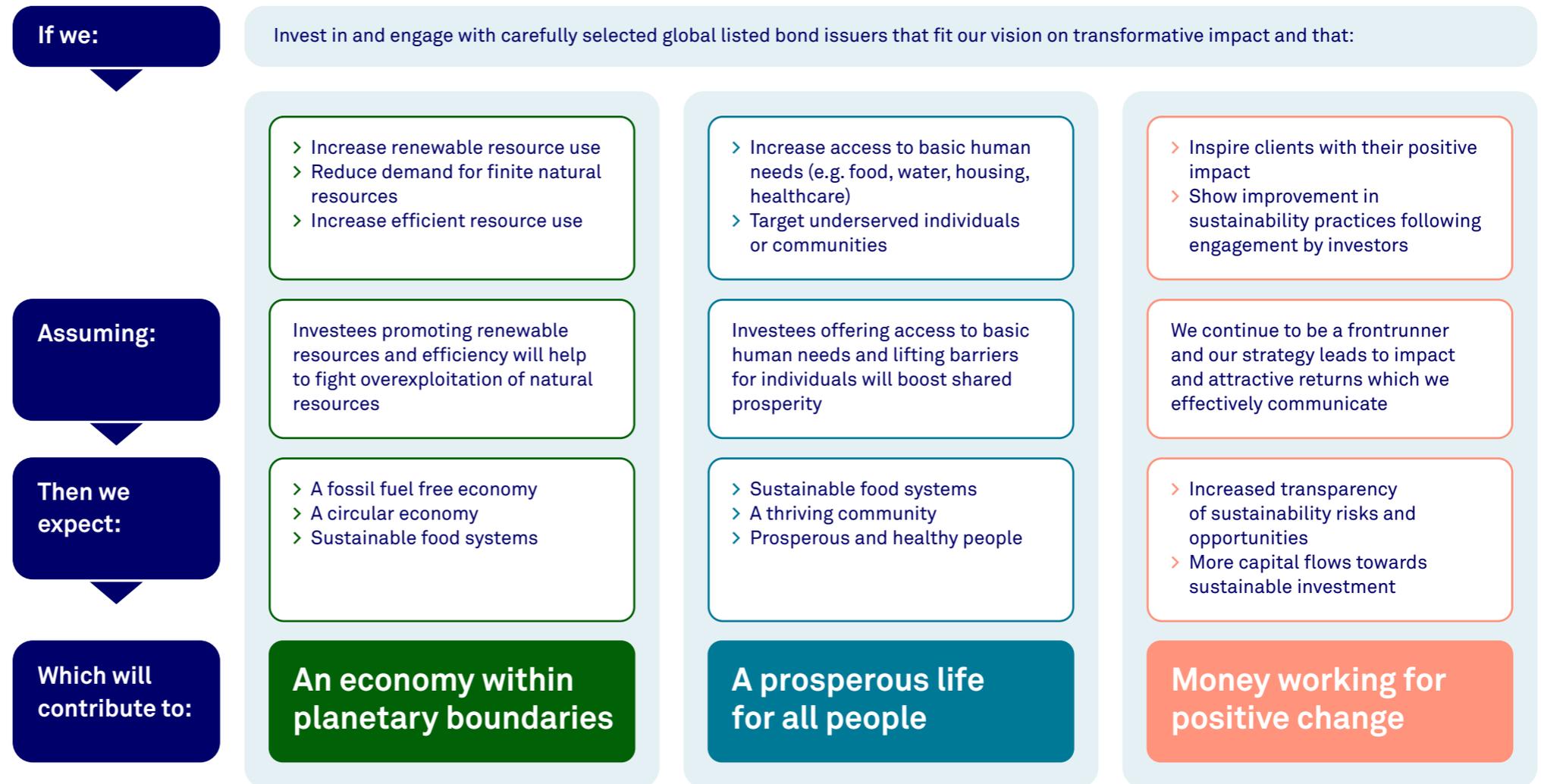
Triodos Euro Bond Impact Fund classifies as an SFDR Article 9 fund. The fund invests in listed bonds that actively contribute to at least one of Triodos' transition themes, which in turn address at least one of the sustainable investment objectives. Each Triodos transition theme is linked to one or more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



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Theory of Change

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

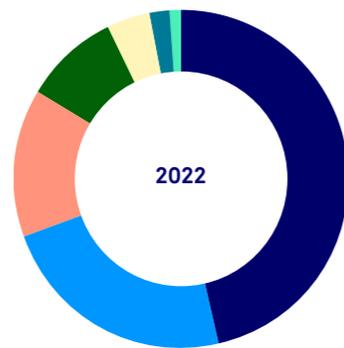


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Impact data

Triodos Euro Bond Impact Fund measures impact first and foremost as positive contribution to our sustainable transition themes. Each 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:

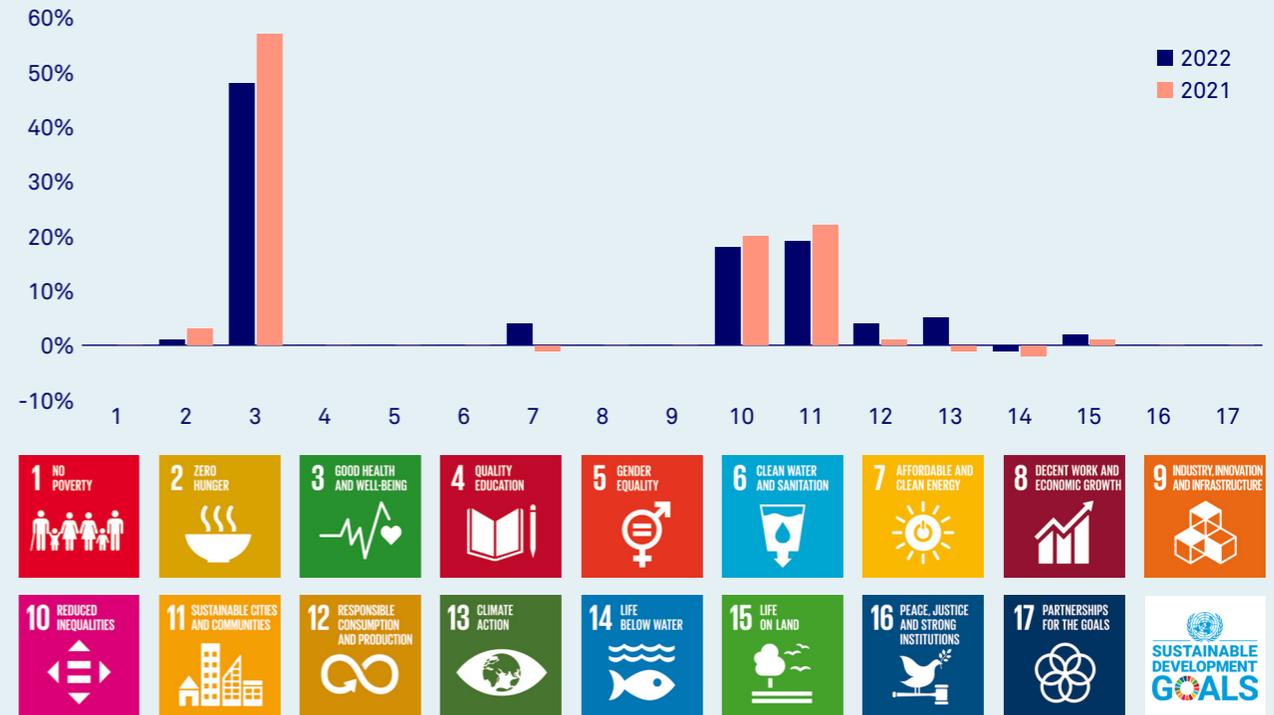
Portfolio contribution to transition themes



	2022	2021
Sustainable Mobility and Infrastructure	46%	48%
Social Inclusion and Empowerment	23%	29%
Prosperous and Healthy People	14%	10%
Renewable Resources	9%	7%
Sustainable Food and Agriculture	4%	3%
Innovation for Sustainability	2%	2%
Circular Economy	1%	1%

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.

In 2022, the total SDG contribution of the fund has improved, both on an absolute basis and relative to the benchmark. The largest contributions were to SDGs 3, 10 and 11. On a portfolio level, the largest changes in the composition of the percentual SDG contribution compared to last year are to SDGs 7 and 13. Both improved due to the addition of Continental and the higher reported SDG scores of several invested companies, such as Kerry Group, Telenor, Terna and Alliander. SDG 3 also improved as a result of the addition of Aedifica and Essilor Luxottica. On a portfolio level, however, the total share of this SDG decreased.

Impact investments

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



Aedifica

Belgian Aedifica specialises in investments in European healthcare real estate, in particular housing for seniors with care needs, which positively contributes to fulfilling the care needs for the rapidly aging European societies. Its sustainability bond finances the acquisition and construction of energy efficient real estate as well as the refurbishment of buildings to increase energy efficiency.

> 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](#)



Statkraft

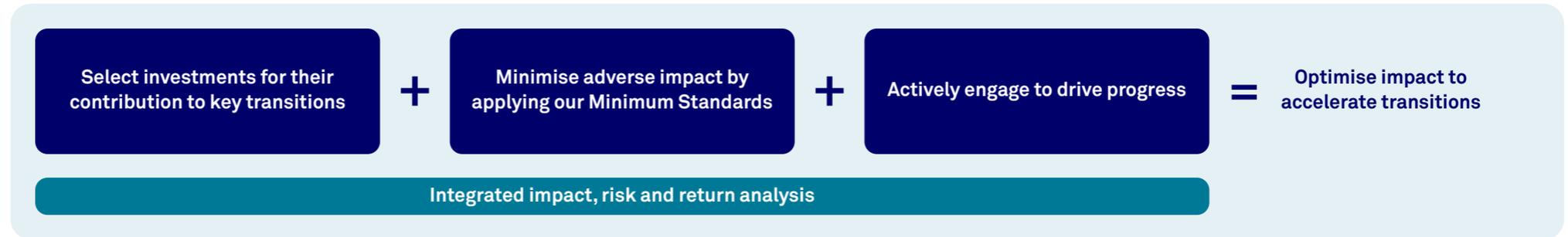
Norwegian Statkraft is a leading renewable energy generator, specialized in hydropower. The company aims to remain Europe's largest renewable energy generator and to be among the top three most climate-friendly European-based power generators going forward to 2025. The proceeds of this green bond will be mostly used to finance the construction and reconstruction of new wind, solar and hydropower plants.

> 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 no companies from the portfolio due to either a breach of the Triodos Minimum Standards, or a persisting unacceptable risk.

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

40% less

Equal to emissions of driving 1,150 times around the globe



Greenhouse gas emissions

34% less

74% less

Equal to the water use of 24 million daily showers



Water used

80% less

25% less

Equal to 18,713 household garbage bags of waste



Landfill waste produced

19% less

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.

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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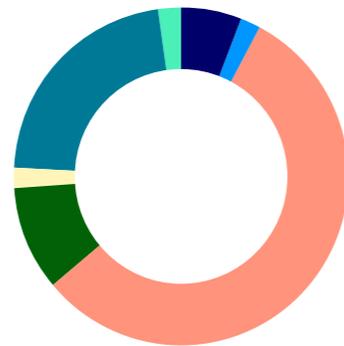
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Engagement and voting summary

Engagement in 2022

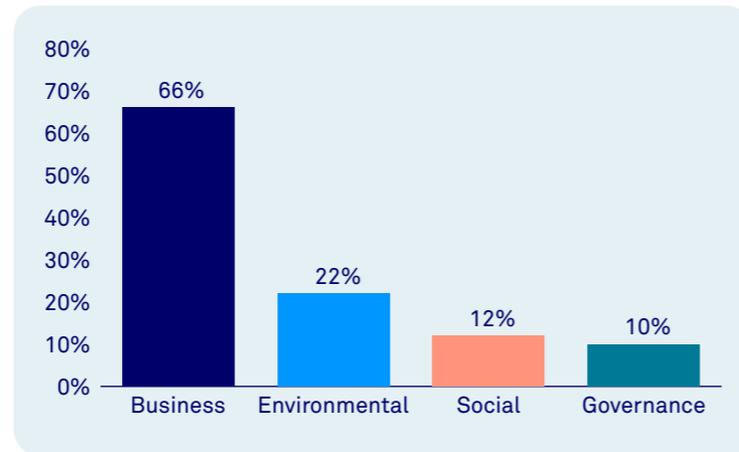
On top of the engagement agenda, we have conversations with companies to discuss topics that are important to us as an impact investor. In 2022, we engaged with 35 companies.

Company contact purpose



	2022
Collaborative Engagement	3
Company Engagement	1
Company Update	28
Engagement Project	5
Event Driven Engagement	1
Impact Bond Engagement	11
Minimum Standards	1
Number of contacts	50

ESG topics discussed



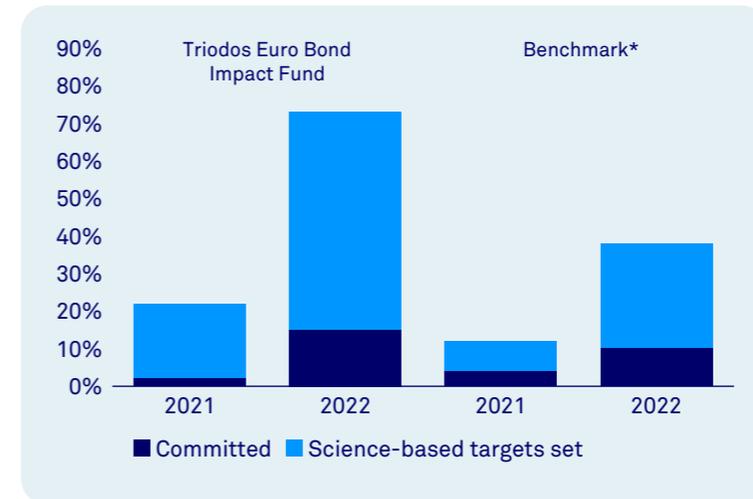
35
impact bond issuers engaged with

55%
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, and
2. a company has set science-based targets, in line with the 1.5°C trajectory.



* iBovx Euro Corporates Overall Total Return (60%) and iBovx Euro Eurozone Sovereign 1-10 Total Return (40%)

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
Germany (two impact bonds)	In the category Research, Innovation and Awareness Raising, the green bond finances projects that enhance knowledge and innovation about climate and environmental matters. For such research projects it is difficult to determine what the positive impact is and how they contribute to reaching Germany's climate goals.	Germany is highly committed to achieving its climate goal of carbon neutrality by 2050. It has emission goals for sectors including transport, renewable energy, industry, agriculture and waste management and has issued green bonds to finance projects that contribute to achieving such climate goals.
European Union	The EU issues impact bonds to finance the SURE program. The program does not apply exclusion criteria for sectors that have negative environmental or social impact, so there is a risk that proceeds from the bond will eventually be allocated to sectors with negative impact.	The EU set up the SURE program to support member states to alleviate social and economic impact of the COVID-19 crisis. The overall impact of the SURE program will be to protect income and preserve productive capacity and human capital of enterprises and the economy as a whole.
Akzo Nobel	For AkzoNobel, main ESG risks are related to GHG emissions, air quality, energy management, water management, hazardous waste management and workforce health & safety.	AkzoNobel's products contribute to energy efficiency and the extended shelf life of vehicles and building materials. The company also sources some bio-based feedstock, such as algae-derived oils. In addition, AkzoNobel is taking steps to address several sustainability issues, including reducing emissions and decreasing and eliminating substances of concern.
Comunidad de Madrid	The impact and allocation reporting by the issuer is not very extensive. Not much detail is provided on the projects financed by the impact bond and the methodology of calculating the impact reported by the issuer.	The green bond is issued to finance the decarbonization of public transport in the region of Madrid. Proceeds are mainly used to finance the purchase of electric buses and for development and maintenance of the fully electrified metro system in Madrid.
Coloplast	Product-related risks arise from faulty or potentially harmful products. As medical products might contain critical substances and single-use medical products produce rather large amounts of waste and packaging, the whole-life cycle of medical products should be taken into account from an environmental point of view.	Coloplast develops medical products in the areas of ostomy care, wound care, urology and continence care, which are of growing significance, especially in an aging society.
Council of Europe Development Bank	For development banks financing projects in developing countries there is a risk of financing projects that violate the rights or environment of local communities. Besides that, CEB provides limited transparency on the individual projects it finances.	The CEB finances projects to support financially disadvantaged people and economically underdeveloped regions and projects such as migrant and refugee crisis response and long-term integration, access to social and affordable housing, improvement of living conditions and social welfare, and environment and climate action.
Philips	Product-related risks arise from faulty or potentially harmful products.	Philips' portfolio provides solutions to major challenges posed by health problems and diseases. Its products include diagnostic and treatment devices (e.g. diagnostic X-ray and ultrasound), oral healthcare as well as healthcare informatics.
NRW Bank	The green bond finances renovations to a hydropower plant. In some instances, hydropower plants can be linked to negative impact on local communities and biodiversity. No such impact has been observed so far.	The proceeds of this green bond are used to finance projects that focus on both climate mitigation and climate adaptation. These projects contribute to reduced emissions and improved biodiversity in North Rhine-Westphalia through better energy efficiency in buildings, more renewable energy generation, electric public transport, and river restoration.
Baxter	Product safety is a major risk for Baxter and the company has recorded several product recalls in recent years. Supply chain risk is also important, and Baxter addressed both labour and environmental risk via its supplier code.	Baxter offers hospital products including infusion pumps and syringes and renal care platforms for blood purification therapies. The company contributes to global health via its products and by making product donations and improving healthcare infrastructure.

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Sustainability risks and opportunities

Risks and opportunities of largest GHG emitters

Company name	Risks	Opportunities
Continental	Key impact areas include greenhouse gas emission reduction targets and action plans, performance of tyre models according to EU Regulation on tyre labelling and a strategy to optimise energy efficiency of products.	Continental strives to reduce fuel consumption of vehicles by means of lowering the rolling resistance and friction resistance of tires, engines, and transmissions. The company is also active in developing hybrid drive technologies.
Danone	Key impact areas include greenhouse gas emission reduction targets and action plans, measures to reduce the climate impact of agricultural production along the value chain and greenhouse gas emission intensity.	The company offers several products that are certified organic. In addition, Danone's offering of plant-based products contribute to a diet that has a much lower environmental footprint.
Evonik Industries	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.
Deutsche Post	Key areas of impact include greenhouse gas emission reduction targets and action plans, energy use by source and energy use reduction targets.	While efforts have been made to promote the use of renewable/alternative vehicles and propulsion systems, the company's product portfolio still mainly depends on modes of transport which are detrimental to sustainable development.
ASML	Key impact areas include a strategy to optimise energy efficiency of products, life cycle assessments and greenhouse gas emission reduction targets and action plans.	The company has a comprehensive strategy to improve the energy efficiency of its products, especially for its most advanced EUV machines.

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
Ferrovie dello Stato Italiane	To connect cities and villages, railways use up 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.	The company states that safeguarding biodiversity is a top priority and has a program for this: it prevents negative impact by avoiding protected areas when constructing infrastructure, mitigates impact by using measures such as underpasses and overpasses for animals and compensates negative impact by restoring the biodiversity lost during infrastructure construction through ecosystem restoration. Another opportunity for railway operators is to conserve and manage vegetation along the railroads in a way that contributes positively on biodiversity.
Deutsche Post	Deutsche Post is an international postal and logistics group and therefore relies on several modes of transport such as aviation, automotive, ship and railway, with the majority being air and road transport. These modes of transport are energy- and emissions intensive, which has a negative impact on biodiversity.	Given its global reach, Deutsche Post must rely on traditional and hard to abate modes of transport. For its aviation transport, Deutsche Post aims to become the leader in sustainable aviation and is investing heavily in developing and sourcing sustainable aviation fuel and in developing alternative power solutions. Besides that, ambitious efforts are taken to electrify its fleet, with a target to electrify 60% of last-mile delivery vehicles by 2030.
East Japan Railway	To connect cities and villages, railways use up 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.
BMW Finance	For automobile manufacturers, the main sustainability risks are the reduction of CO ₂ emissions, as well as environmental and social standards in the supply chain. Besides that, with the transition to electric vehicles, the mining of more (rare earth) materials is needed for the manufacturing of batteries. Without certain biodiversity assessments and policies in place, the mining of these materials can lead to significant negative impact on biodiversity. The company allegedly sources lithium from the Atacama desert in Chile, which severely impacts the local water cycle and ecosystems.	BMW has been an early adapter in producing electric and hybrid vehicles, thereby reducing emissions of its vehicles. Besides that, BMW has set targets to reduce waste and emissions in its operations and to promote recycled content in its vehicles. The company has taken comprehensive measures to manage environmental and social issues in its supply chain and shows above-average performance in areas like life cycle engineering and material efficiency.
Toyota Motor Finance Netherlands	For automobile manufacturers, the main sustainability risks are the reduction of CO ₂ emissions, as well as environmental and social standards in the supply chain. Besides that, with the transition to electric vehicles, the mining of more (rare earth) materials is needed for the manufacturing of batteries. Without certain biodiversity assessments and policies in place, the mining of these materials can lead to significant negative impact on biodiversity. Another risk for Toyota is that has been alleged to source leather for its car seats from areas in Brazil which are at high risk for 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 ₂ 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.

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Engagement with the ten largest holdings

Company name	Bond type	ESG engagement 2022
Germany (two impact bonds)	Impact bond	Reviewed allocation and impact reporting but no engagement with the issuer
European Union	Impact bond	Reviewed allocation and impact reporting but no engagement with the issuer
Akzo Nobel	Corporate bond	Hazardous chemicals via collaborative engagement with Chemsec
Comunidad de Madrid	Impact bond	Impact reporting, allocation reporting, Taxonomy alignment
Coloplast	Corporate bond	No engagement with the issuer
Council of Europe Development Bank	Corporate bond	CEB social inclusion bond framework
Philips	Corporate bond	Executive remuneration
NRW Bank	Impact bond	Reviewed allocation and impact reporting but no engagement with the issuer
Baxter	Corporate bond	No engagement with the issuer

Implementation of sustainability regulation

New regulatory requirements on sustainability have been implemented for Triodos Euro Bond 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 Euro Bond 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.

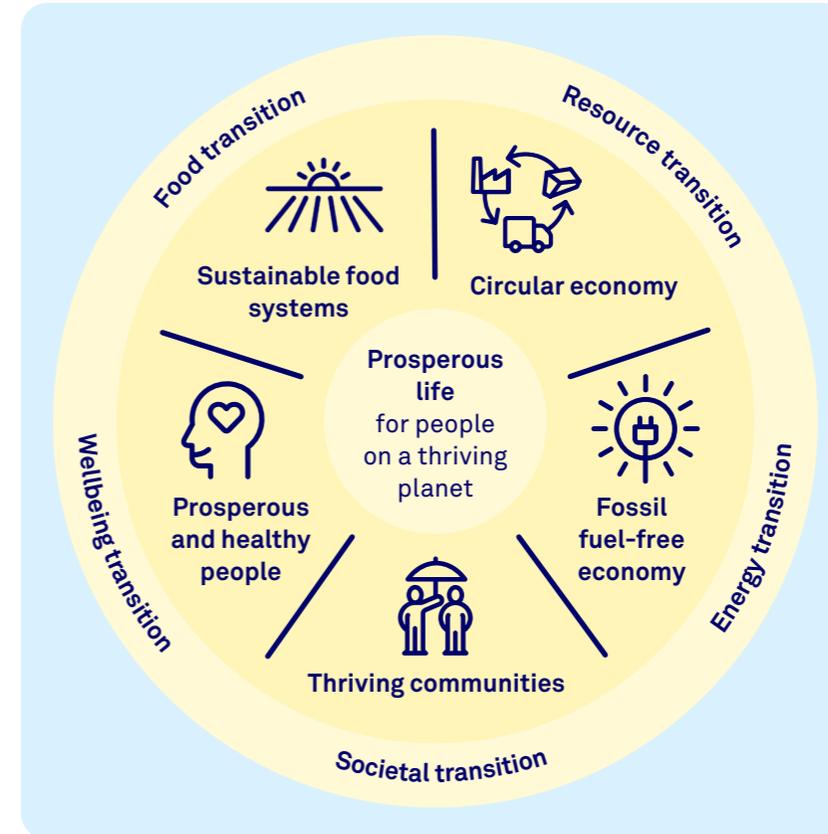
During 2023, we will take steps to integrate the five transition themes into the fund’s impact management and measurement process.

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.

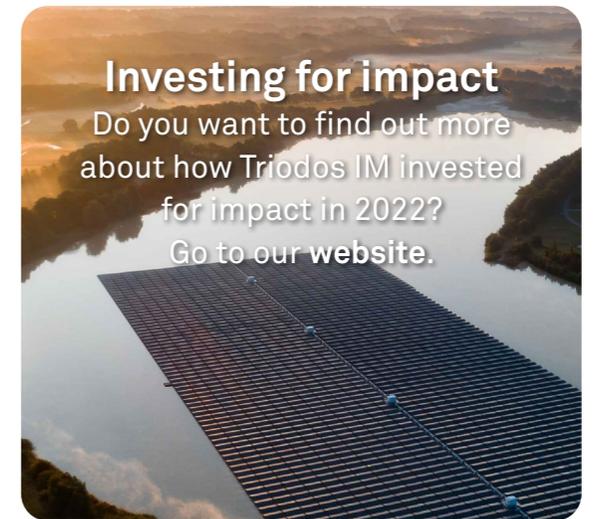
International sustainability recognition



Fund 3101 0017



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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 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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