Generating positive impact through sterling-denominated bonds

Triodos Sterling Bond Impact Fund
Impact Report 2024

Triodos Investment Management

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1	**2**	3	4	5	6	7

Lower risk — Higher risk

Typically lower rewards — Typically higher rewards

Impact highlights 2024

Top 3 transition themes

22%
Energy transition

18%
Wellbeing transition

13%
Resource transition

Top 3 Sustainable Development Goals contributed to

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

3 GOOD HEALTH AND WELL-BEING

13 CLIMATE ACTION

5 key engagement topics

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

22
bond issuers engaged with

24%
impact bonds in portfolio

91%
of holding companies committed to or aligned with the Science Based Targets initiative

44% more
GHG intensity than benchmark

75% less
Non-recycled waste than benchmark

46% less
Excessive CEO pay ratio than benchmark

Greater focus on green and social bonds

2024 was the hottest year on record and the first calendar year in which the Earth was more than 1.5 degrees Celsius warmer than in pre-industrial times. On top of this, biodiversity declined further, social injustice increased and geopolitical uncertainties intensified. These trends have increased the need for impact investing. Triodos has identified five transitions that are needed to improve our wellbeing on a healthy planet. This impact report shows that we have managed to increase our contribution to these transitions by investing in entities that deliver positive social, environmental and cultural change.

Triodos Sterling Bond Impact Fund increased its positive impact by adding more green and social bonds to the portfolio and by reducing the allocation to regular UK Gilts. Part of the allocation to regular Gilts was switched for a green Gilt. Although some of the activities financed with the proceeds of the green Gilt are not considered green by us, the exposure to these activities is very small (less than 1%) and unlikely to grow in future. Other bonds added to the portfolio were issued by Deere & Co, AstraZeneca, AT&T and Vonovia. With the addition of Deere & Co, the exposure to the food transition has increased. Deere & Co delivers precision agriculture technology and by applying this technology, farmers can make considerable savings on energy, water, nitrogen and crop protection products.

Triodos Sterling Bond Impact Fund will enhance its impact by keeping UK Gilt exposure low and further optimising the distribution across the five transitions.

Rosl Veltmeijer
Portfolio Manager Triodos Sterling Bond Impact Fund

Portfolio management team


Rosl Veltmeijer


Jeroen van Herwaarden


William de Vries

Fund characteristics

Asset class
sterling bonds

Domicile
Luxembourg

Legal structure
sub-fund of Triodos SICAV I

Inception date
October 2020

AUM per December 2024
GBP 19,257,230

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

Managed by
Triodos Investment Management

Depository
CACEIS Bank, Luxembourg Branch

SILVER

Investing in the changemakers

Triodos Sterling Bond Impact Fund invests in listed regular and impact bond issuers that show, through their revenues or proceeds, the potential to transform their sectors toward an economy within planetary boundaries, where all humans can enjoy a prosperous life. We call them the changemakers for tomorrow. As an SFDR Article 9 fund, we focus on five key transitions, each linked to sustainable investment objectives and aligned with the UN Sustainable Development Goals (SDGs):

Sustainability Objectives

- Contribute to the transition to an economy within planetary boundaries
- Contribute to the transition to an economy where all humans can enjoy a prosperous life
- Make money work for environmental and social change

Triodos Transitions	Resource transition	Energy transition	Food transition	Societal transition	Wellbeing transition
	From a wasteful extract-use-dispose (linear) paradigm to an economy where resources are truly valued and used prudently	From fossil fuel-based energy production to renewable energy generation and energy efficiency	From a predominantly extractive food system to regenerative agriculture, fair supply chains and healthy diets	From a society that incentivises competition and divisiveness to one that is rooted in solidarity and collaboration	From a narrow focus on material satisfaction to an economy that deeply values and nurtures broader individual wellbeing
UN SDGs	6 Clean water and sanitation; 11 Sustainable cities and communities; 12 Responsible consumption and production; 14 Life below water; 15 Life on land	7 Affordable and clean energy; 13 Climate action	2 Zero hunger; 15 Life on land	1 No poverty; 3 Good health and well-being; 4 Quality education; 5 Gender equality; 6 Clean water and sanitation; 7 Affordable and clean energy; 10 Reduced inequalities; 11 Sustainable cities and communities	3 Good health and well-being; 4 Quality education; 6 Clean water and sanitation; 16 Peace, justice and strong institutions

Positive impact through bonds

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

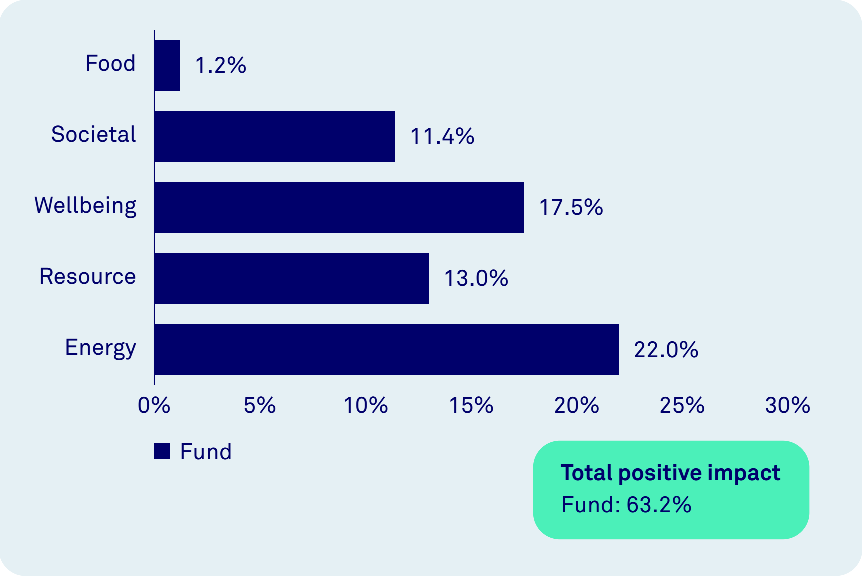
Impact bonds	› Bond proceeds are used to generate positive impact › Assessment of Green or Social Bond framework › Additionality of the projects financed › Issuer adheres to Triodos Minimum Standards	23.7%
Corporate bonds	› Issuer's business model contributes to our sustainable transition themes › Issuer adheres to Triodos Minimum Standards	44.3%
Financial bonds	› The issuer focuses on triple bottom line finance › Issuer adheres to Triodos Minimum Standards	24.7%
Gilts	› Sovereign signed and rectified main UN conventions › Only used to mitigate liquidity risks, manage interest rate risk and credit quality if needed	6.0% No impact

The cash position of the fund was 1.3% per end December 2024.

Impact achieved

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

Contribution to transitions



Source: Triodos IM. Data per year end 2024

Two examples

UK Green Gilt (green bond)
In total, 99% of the proceeds of the impact bond is aligned with one or more Triodos transitions.
59% of revenues is aligned with the Energy transition and 40% with the Resource transition. The bond contributes to SDGs 8 (45%), 9 (60%) and 13 (94%).

The contribution to the Resource transition comes from 21% of proceeds allocated to the impact objective Circular Economy, 14% of proceeds allocated to Climate Change Adaptation, and 6% of proceeds allocated to Climate Change Mitigation.

The contribution to the Energy transition comes from 23% of proceeds allocated to the impact objective Energy Efficiency, 22% of proceeds allocated to renewable energy, and 15% of proceeds allocated to terrestrial and aquatic biodiversity conservation.

Pearson (social bond)
In total, 100% of the proceeds of the impact bond is aligned with one or more Triodos transitions and SDGs 4, 8 and 10. 67% of revenues is aligned with the Wellbeing transition and 33% of revenues is aligned with the Societal transition.

The contribution to the Wellbeing transition comes from 67% of proceeds allocated to the impact objective access to essential services: education. The contribution to the Societal transition comes from 33% of proceeds allocated to the impact objective socioeconomic advancement and empowerment.

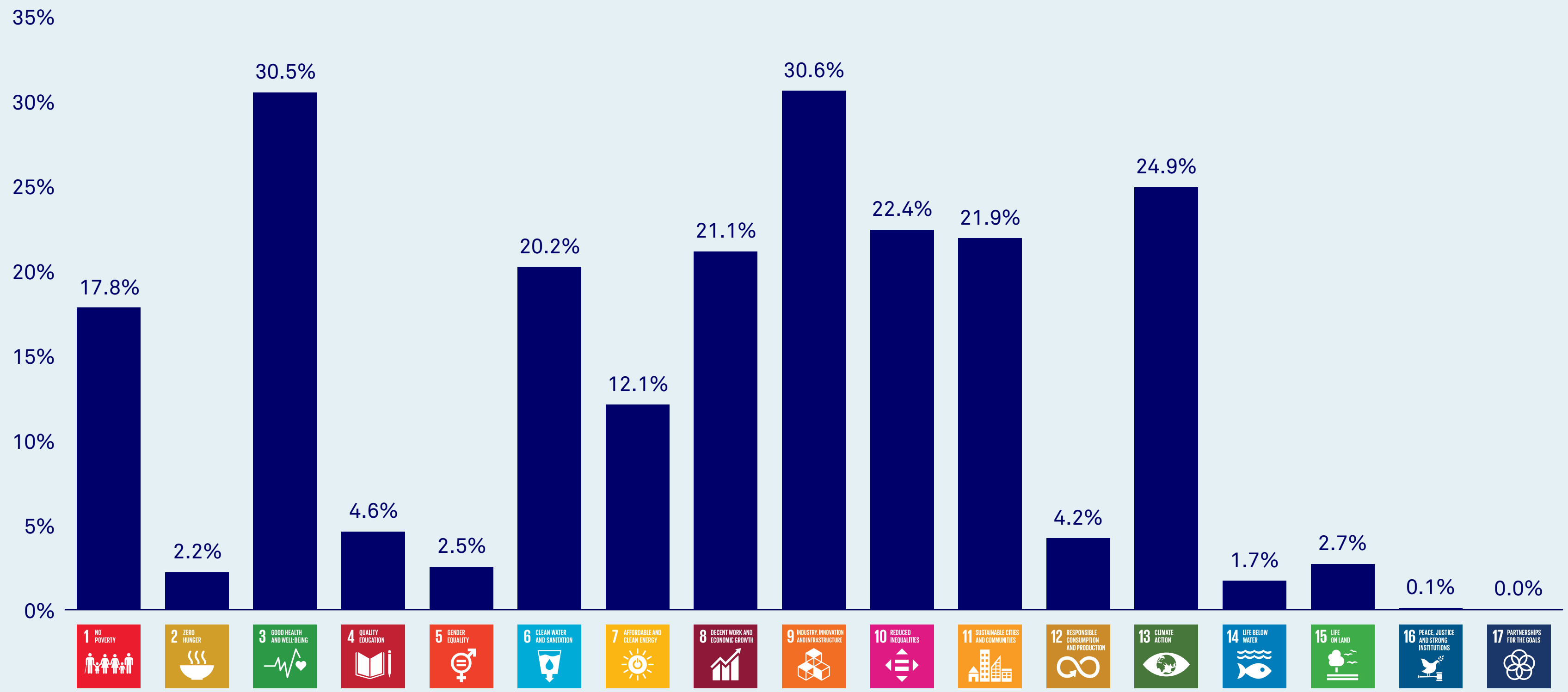
The total positive impact is not necessarily equal to the sum of the contributions to each transition, as some products and services (corporate bonds) or assets and projects (impact bonds) with positive impact can be linked to multiple transition themes. This 'double counting' is eliminated at fund level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

Find out more about how we optimise impact and accelerate key transitions.

Impact achieved

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

Contribution to UN SDGs



Source: Triodos IM. Data per year end 2024

Impact investments

Click here for an overview of all investments of the fund in 2024.

AstraZeneca

AstraZeneca researches, manufactures and sells pharmaceutical and medical products. The company ranks third (out of 20 pharmaceutical companies) in the 2022 Access to Medicine Index, which is a recognition of its focus on increasing equitable and affordable access to its treatments. Its patient access and affordability programmes help patients to fund and access medicines.

> Find out more here

BT Group

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

> Find out more here

SNCF Réseau

SNCF Réseau is the main operator of the French national rail network. Rail transport plays a key role in the ecological transition to face the challenge of climate change. The company has committed to reducing its energy consumption and GHG emissions by 20% between 2015 and 2025.

> Find out more here

Severn Trent

The proceeds of Severn Trent's sustainability bond are used to finance projects that restore biodiversity, reduce pollution and leakage, enhance renewable energy generation and support customers in financial difficulty. This is especially important in the context of the state of the UK water infrastructure, which is relatively old and has among the highest leakage rates in Europe.

> Find out more here

Deere

Deere provides agriculture tech products, solutions and services which support end users to prepare soil, to seed and harvest crops but also to renovate roads. Its machines and online management systems contribute to better outcomes, with fewer resources required, including labour time, energy, nitrogen and crop protection products (e.g. pesticides).

> Find out more here

Theory of Change

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

If we: Invest in and engage with carefully selected global listed bonds that fit our vision on transformative impact and that:

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

Do no significant harm

To make sure that its investments do not cause any significant harm, the fund continuously monitors alignment with the strict Triodos Minimum Standards. In the course of 2024, the fund excluded no bond issuers from the portfolio due to either a breach of the minimum standards, or a persisting unacceptable risk.

Investments are also assessed on their Principal Adverse Impacts (PAIs) in line with SFDR guidelines for Article 9 funds. The GHG intensity, fossil fuel involvement, non-recycled waste, UNGC / OECD violations and excessive CEO pay ratios illustrate the lower negative impact of the portfolio companies' activities compared to those of the benchmark: Bloomberg Barclays UK Gilt 1-5 year Total Return Unhedged GBP index (50%) and Bloomberg Barclays Sterling Non-Gilts Total Return Value Unhedged GBP index (50%).

The impact indicators are calculated using PAI data from Morningstar Sustainalytics.

The fund aims to fare better than the index on the following indicators:

- GHG intensity scope 1+2
- Fossil fuel involvement
- Excessive CEO pay ratio

Please see page 19 for the calculation methodology used.

* The higher carbon footprint compared to the benchmark can be explained by the higher share of corporates in the fund compared to the benchmark, as the carbon footprint data only covers corporates.

Environmental indicators

GHG intensity scope 1+2

44% more*

Fund
65.49t CO_2eq / EURm — Coverage: 50.7%

Index
45.57t CO_2eq / EURm — Coverage: 22.5%

Fossil fuel involvement

65% less

Fund
3.50% involvement — Coverage: 60.0%

Index
9.90% involvement — Coverage: 27.2%

Non-recycled waste

75% less

Fund
0.62t / EURm — Coverage: 11.3%

Index
2.46t / EURm — Coverage: 3.2%

Social

UNGC / OECD violations

100% less

Fund
0.00% involvement — Coverage: 60.0%

Index
0.40% involvement — Coverage: 27.2%

Governance

Excessive CEO pay ratio

46% less

Fund
75.05 times median — Coverage: 29.0%

Index
139.93 times median — Coverage: 12.6%

Excessive CEO pay sets a dangerous precedent for business and society

Excessive executive remuneration has become a critical issue, not just for businesses but for society as a whole. Inflating CEO salaries, especially through complex bonus structures and stock options, exacerbate wealth inequality. A striking example is the staggering USD 56 billion bonus recently approved by shareholders to Tesla CEO Elon Musk. Unchecked remuneration packages are more than just a corporate issue - they are a ticking time bomb for business stability and even democracy. Triodos Investment Management analysts Lilia Feghiu and Fabian Meijs advocate for balanced and fair remuneration.

Excessive CEO pay has become a flashpoint in the debate over growing wealth inequality. While company executives amass billions, the gap between their salaries and those of average workers continues to grow. This disparity is a key consideration for Triodos Investment Management (Triodos IM) when selecting and engaging with companies, say Lilia Feghiu and Fabian Meijs.

"In our recently updated white paper about excessive remuneration we show that the gap between CEO compensation and employee wages has grown significantly," says Meijs. In 1978, a typical CEO earned roughly 30 times more than the median employee. By 2023, that number had ballooned to over 300 times. "This imbalance is increasingly difficult to justify and leads to all kinds of undesirable side effects," continues Meijs.

This trend appears unstoppable, with Musk's eye-popping compensation package of USD 56 billion serving as the latest example. "Is it ethical for one person to have so much more money and power? A CEO deserves to be paid well for good performance, but it shouldn't spiral out of control, especially when it contributes to greater wealth inequality," Meijs argues. "In the case of Tesla, we decided a few years ago not to invest in the company because of what we then already thought was an excessive pay rate."

"The growing wealth gap is increasingly seen as a serious challenge to social cohesion and our democratic institutions," adds Feghiu. "Inequality is not just an economic issue but very much a social and political one."

Remuneration packages should challenge a CEO

According to Feghiu, the focus should not solely be on the absolute level of CEO pay but also on the structure. "An executive should be paid based on their performance according to clear criteria, not just for holding the position. A CEO must be incentivised to grow the business and support long-term goals like sustainable growth, return on investment and climate policies. These criteria should be integrated into the remuneration structure with a long-term view."

Bonuses for short-term goals, like a certain share price level, do not support long-term growth. Feghiu: "Short-term stock-related bonuses may tempt CEOs to take on excessive risks that could harm the company and ultimately destroy shareholder value." Meijs points out another potential danger for shareholders. "In Tesla's case, the proposed compensation package was in the form of newly issued shares, which dilutes the stake of existing shareholders.

The growing role of ESG metrics

A long-term approach to executive compensation should also incorporate environmental, social and governance (ESG) factors. While some companies have begun integrating these metrics into their incentive plans, these measures are often insufficient and do not drive meaningful change.
Triodos IM has been pushing to integrate ESG factors into executive pay structures. "Any reward structure should be based on ESG metrics," Feghiu emphasises. "We want executives to focus on long-term, sustainable value creation – not just the next quarterly report."

Progress is being made. Feghiu observes: "More than five years ago, it was almost unheard of to include ESG metrics in a structured way. That has changed. We now see that companies are also starting to include ESG metrics in their long-term plans. This is exactly what we want to see, if only because most ESG issues cannot be solved on an annual basis. Now, we have to safeguard that metrics are effective and measurable and contribute to real change."

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 2024, the Impact Equities and Bond funds' formal engagement agenda focused on five topics:

Climate change

Since 2020, our engagement approach has evolved from encouraging basic GHG reporting to driving comprehensive, science-based climate action. Initially, discussions focused on scope 1 and 2 emissions reporting and setting reduction targets. Today, we challenge our portfolio companies on data quality, the credibility of their strategies, and their capacity to achieve net-zero goals - especially around the complex issue of scope 3 emissions.

Read the full article.

Energy transition

Executive remuneration

Throughout 2024, we have engaged with companies, predominantly from the US, which we deem have excessive remuneration schemes.
An important objective of our engagement project is to push for the inclusion of ESG metrics in executive compensation schemes.

Read the full article.

Societal transition

Plastic pollution

The plastic waste crisis has reached a critical point, with oceans overflowing, ecosystems under severe strain and communities grappling with the fallout of plastics pollution. Recognising the urgency, we launched our plastics and packaging engagement project in 2023. In 2024, we met with Danone, Henkel and Procter & Gamble, the three companies in our Impact Equities and Bond portfolios with the highest exposure to plastic pollution.

Read the full article.

Resources transition

Family-friendly working policies

Throughout 2024, we continued our engagement with most of the companies in Triodos Future Generations Fund's portfolio. The deep dive performed in 2024 provided us with a comprehensive overview of the current landscape of family-friendly policies and uncovered valuable insights that will shape our priorities moving forward.

Read the full article.

Wellbeing / Societal transition

Hazardous chemicals

Hazardous chemicals have been a key topic of our company engagement agenda since 2021. In a collaborative effort we encourage chemical companies to phase out hazardous chemicals and transition toward more sustainable solutions. In 2024, we met with chemical companies Akzo Nobel, Evonik, and Shin-Etsu to discuss synthetic, highly toxic per- and polyfluoroalkyl substances, in short: PFAS.

Read the full article.

Resources transition

Engagement summary

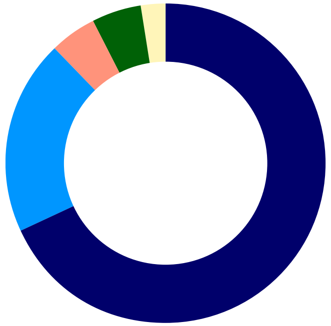
Engagement in 2024

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

22
bond issuers engaged with

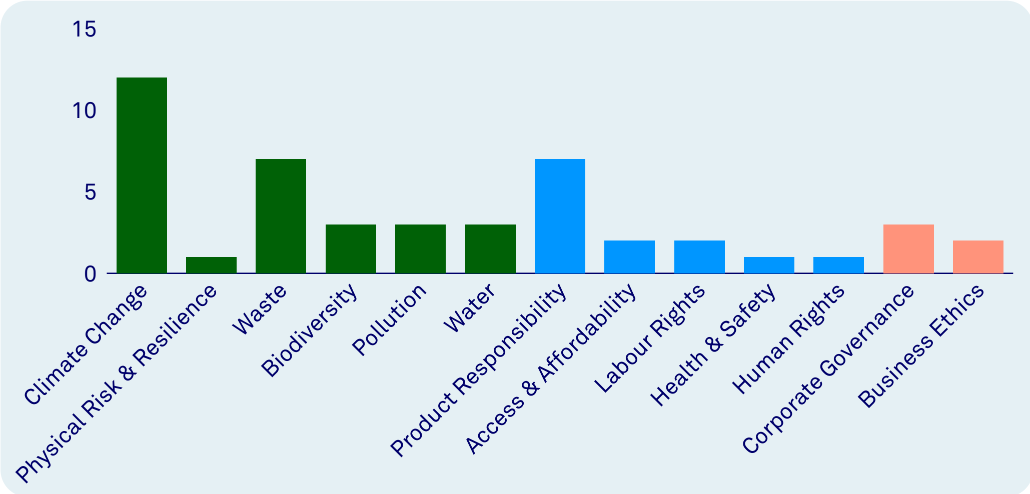
24%
impact bonds in portfolio

Company contact purpose



	2024
Company Update	28
Company Engagement	8
Engagement Project	2
Impact Bond Engagement	2
Collaborative Engagement	1
Event Driven Engagement	0
Minimum Standards information	0
	41

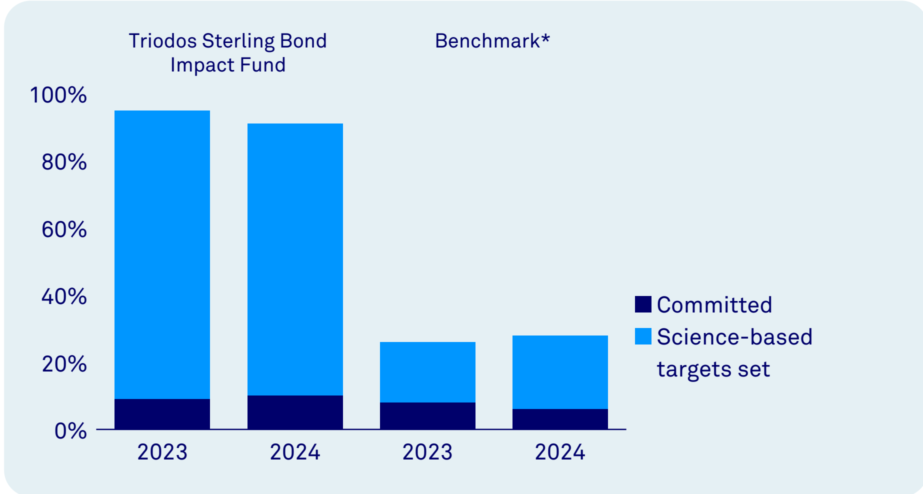
ESG topics discussed



Number of times the topic was discussed. Environmental Social Governance

Alignment with the Science Based Targets initiative

As part of our climate change engagement, we measure two company milestones:
1. a company is committed to setting science-based targets,
2. a company has set science-based targets, in line with the 1.5°C trajectory.



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

Sustainability risks and opportunities

ESG risks and opportunities of the ten largest holdings

Company name	Risks	Opportunities
United Kingdom Gilt	The green bond framework of the UK Government includes CCS and blue hydrogen. Both CCS and blue hydrogen can encourage a lock-in of fossil fuel resilient technologies.	By issuing green bonds, the UK Government is mobilising capital to fund a green transition. A category that could be added to the green bond framework is nature conservation and biodiversity. The UK Government could also consider to develop a social bond framework.
Kreditanstalt für Wiederaufbau	KfW is active in emerging markets where labour and human rights standards may be lower. The company therefore runs the risk of financing projects that violate the rights or the environment of local communities.	KfW has strict social and environmental policies and a comprehensive grievance mechanism. It is transparent in handling controversies. KfW focuses on mobilising private capital to fund the transformation of Germany's economy and to strengthen and broaden the EU common market.
European Investment Bank	Among the eligible projects for the impact bond is energy generation through biomass. There is the risk that the feedstock for biomass energy is from unsustainable sources and that the actual GHG emissions are higher than projected. For development banks financing projects in developing countries, there is also the risk of financing projects that violate the rights or the environment of local communities.	The EIB issues Climate Awareness Bonds to finance projects that contribute to climate action worldwide. The proceeds of this impact bond are used to fund renewable energy projects (solar, wind, hydro, geothermal) and energy efficiency projects (district heating, building insulation, efficiency measures in energy transmission and distribution).
Landwirtschaft-liche Rentenbank	Rentenbank finances agriculture, forestry and food value chain, which involves risks regarding biodiversity, land use, and water scarcity. It can also be indirectly associated with problematic labour practices and community relationship in these sectors.	Rentenbank acts as a sustainable enterprise and transformation bank in the field of agriculture and in rural areas in Germany. Agriculture plays a key role in climate and environmental protection, being a critical part of both the problem and the solution.
Procter & Gamble	Biodiversity loss, climate change and water stress impair agricultural production, posing a material risk to P&G's sourcing operations, including palm oil and wood pulp. Deforestation is linked to soil erosion and disrupted rainfall patterns, and has also been associated with problematic labour practices. An additional risk are the packaging materials used by the company, in particular whether they can be recycled and reused.	P&G is working towards minimising its environmental footprint and on circular solutions. It may increase its brand value by being positively associated with sustainable sourcing, deforestation-free programs and shifting towards more sustainable packaging solutions.
Nederlandse Waterschapsbank	Risks are limited, as Nederlandse Waterschapsbank (NWB) has good ESG policies and mostly finances projects in the Netherlands, which have good environmental and social minimum standards, legislation and oversight. NWB recently got involved in export financing, however, and it is far less transparent about what kind of activities and countries are financed.	The bank's primary clients, the Dutch water boards, are responsible for clean water and sanitation by managing flood protection, waterways and water quality control, ensuring health and safety for communities exposed to rising sea levels. In addition, the bank's long-term loan book is up to 70% dedicated to financing social housing, healthcare and education.
SNCF Reseau	As a railway company, SNCF is particularly exposed to risks concerning the environmental impact of its business regarding GHG emissions, energy use, climate risk and resilience. Other risks are labour rights and health and safety of employees.	Gradually shifting to all-green financing, SNCF is developing indicators and approaches that will expand its base of eligible assets. For example, SNCF is integrating its Voyagers, Gare and Connections subsidiaries (real estate/stations) and in the future also the logistics unit.
Agence Francaise de Développement	Due to weaker legal frameworks and oversight, financing projects in developing countries comes with the risk of violating the rights or environment of local communities.	AFD finances projects that support and enhance climate, biodiversity, peace, education, urban development and health in the French overseas territories and in developing countries.
Pearson Funding	As a company active in publishing and information provision, Pearson faces risks related to information security and data protection. For handling large amounts of data and publishing printed journals, there are also environmental risks related to energy management and sourced wood fibres.	Pearson is a leading global publisher in the field of education, which empowers people and enhances their employability prospects
Council of Europe Development Bank	Development banks financing projects in developing countries always run the risk of financing projects that violate the rights or environment of local communities.	Its social inclusion bond finances social housing for low-income persons, education and vocational training, and support micro, small and medium-sized companies to create and preserve viable jobs.

Sustainability risks and opportunities

Risks and opportunities of largest GHG emitters

Company name	Risks	Opportunities
Toyota	For car manufacturers, the main sustainability issues are the reduction of CO_2 emissions of the car fleet across the whole product lifecycle as well as environmental standards in the supply chain.	Toyota is committed to contributing to safe and energy-efficient mobility concepts. Toyota has a market leading presence in hybrid technology with more than 45% of unit sales being either hybrid or fully electrified models. The core focus of Toyota is on developing vehicles that have the lowest environmental footprint across the whole value chain from raw material sourcing, vehicle production, driving, maintenance and end-of-life solutions, instead of a narrow focus on only tailpipe emissions.
Procter & Gamble	P&G faces several climate-related risks despite its progress on reducing absolute scope 1 and 2 emissions. Significant challenges remain in addressing scope 3 emissions – nearly 98% of which stem from purchased goods, upstream transportation, product use, and end-of-life treatment. Additionally, product usage emissions and physical risks such as water scarcity, drought, flooding, and tropical cyclones continue to expose the company to potential operational and cost volatility.	Opportunities for P&G include further leveraging its strong climate strategy to drive deeper decarbonisation. By continuing to expand its renewable energy portfolio - aiming for full grid integration across all sites - and promoting consumer practices like cold-water washing, the company can further lower product usage emissions.
Deere & Co	While Deere has validated SBTi targets covering scope 1, 2, and 3 emissions, most of its reductions are scope 2. With scope 3 accounting for 99% of total emissions, the challenges of reducing emissions in purchased goods, services, and the use of sold products remain substantial. Additionally, rising energy consumption and reliance on fossil fuels expose Deere to regulatory and cost pressures, making it vulnerable to future carbon pricing and operational inefficiencies.	Deere may improve its climate performance by leveraging its SBTi-validated targets and by investing in energy efficiency and renewable energy. Further reducing scope 3 emissions would also drive significant progress. Expanding its electric and hybrid model offerings and continuing to optimise operations would enable Deere to better manage its carbon footprint and position itself competitively in a low-carbon future.
European Investment Bank	The proceeds of the impact bond can be used to finance energy generation through biomass. The feedstock for biomass energy may come from from unsustainable sources, however, and the actual GHG emissions may be higher than projected.	The EIB issues Climate Awareness Bonds to finance projects that contribute to climate action worldwide. The proceeds of this impact bond are used to fund renewable energy projects (solar, wind, hydro, geothermal) and energy efficiency projects (district heating, building insulation, efficiency measures in energy transmission and distribution).
Reckitt Benckiser	Reckitt's plans to reduce emissions do not cover all relevant risks (e.g. physical, regulatory, market, cost or legal risks). The company's scope 3 emissions, which are outside its direct control, account for 97% of the total. This is inherent to the company's product portfolio in home and personal care.	Reckitt has SBTi-validated targets. The company clearly acknowledges climate change and its own responsibility therein and is committed to reducing its GHG emissions.

The top 5 highest emitters per fund are identified based on their total GHG emissions scope 1-3 per year end 2024 as reported by Morningstar Sustainalytics.

Sustainability risks and opportunities

Risks and opportunities of biodiversity laggards

Company name	Risks	Opportunities
East Japan Railway	Railways use vast amounts of land and go through nature reserves. This comes with the risk of disrupting biodiversity in these areas, cutting off habitats and migration routes for local species and animal collision with trains.	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 transport by train is 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.
Procter & Gamble	P&G's main biodiversity risks are directly related to the life cycle of the products, mainly the choice and sourcing of raw materials (palm oil, paper, guar beans, shea nuts, etc.) as well as their use and disposal by consumers.	Demand for more sustainable products and ingredients is increasing. The company may increase its brand value by being positively associated with sustainable sourcing, production and packaging solutions.
Reckitt Benckiser	The company is exposed to environmental risks related to its raw materials supply chain. While it has established reasonable standards and procedures to ensure the sustainable sourcing of these raw materials, such as palm oil, soy and corn, the company could improve through better traceability and using independent certification systems.	The company may increase its brand value by being positively associated with sustainable sourcing, production and packaging solutions. While the company has established a strategy to shift its portfolio in a more sustainable direction, it lacks detail on criteria and quantitative targets. Moreover, there is no evidence of comprehensive measures to promote products with an added social/environmental value among customers.
National Grid	National Grid's activities may cause loss of biodiversity. The scope of its impact depends on the biodiversity density in specific operating areas. In addition, the company's facilities may create dispersal route for invasive species and a migration barrier for vulnerable species.	National Grid acknowledges the impact of its own activities on nature. The company commits to achieving a 10% biodiversity net gain for new major projects and for selected primary and grid substation sites.
Toyota	For car manufacturers, the main sustainability issues are the reduction of CO_2 emissions of the car fleet across the whole product lifecycle as well as environmental standards in the supply chain.	Toyota is committed to contributing to safe and energy-efficient mobility. Toyota has a market leading presence in hybrid technology with more than 45% of unit sales being either hybrid or fully electrified models. The core focus of Toyota is on developing vehicles that have the lowest environmental footprint across the whole value chain from raw material sourcing, vehicle production, driving, maintenance and end-of-life solutions, instead of a narrow focus on only tailpipe emissions.

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

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

Finally, we use PAI data from Morningstar Sustainalytics to identify companies that negatively affect biodiversity-sensitive areas. One company was identified as having a negative effect on biodiversity-sensitive areas and was added to the top 5 biodiversity laggards of the relating funds.

Engagement with the ten largest holdings

Company name	Engagement topics
European Investment Bank	Arms
Landwirtschaftliche Rentenbank	No engagement
Procter & Gamble	Biodiversity, climate change, pollution, waste, corporate governance, labour rights
Nederlandse Waterschapsbank	Social housing
SNCF Reseau	Business strategy
Agence Francaise de Développement	Climate change
Council of Europe Development Bank	Social inclusion strategy
United Utilities	Climate change
East Japan Railway	Climate change
BNG Bank	Business strategy

Implementation of sustainability regulation

SFDR
We classify all our funds as Article 9 Funds under the EU Sustainable Finance Disclosure Regulation (SFDR). Article 9 classification refers to the most sustainable product category and has the strictest requirements on sustainability disclosures.

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

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

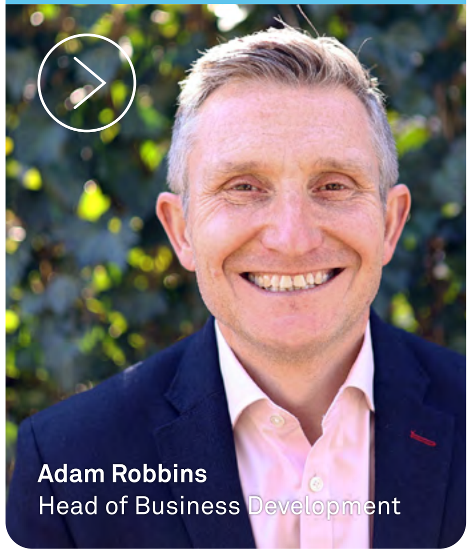
Find out more about the EU SFDR and Taxonomy requirements. The fund's sustainability-related disclosures in accordance with SFDR can be found here.

Watch our bite-sized Masterclasses

Grow your knowledge of impact investing and join our experts as they share practical insights to help you navigate this rapidly developing market.

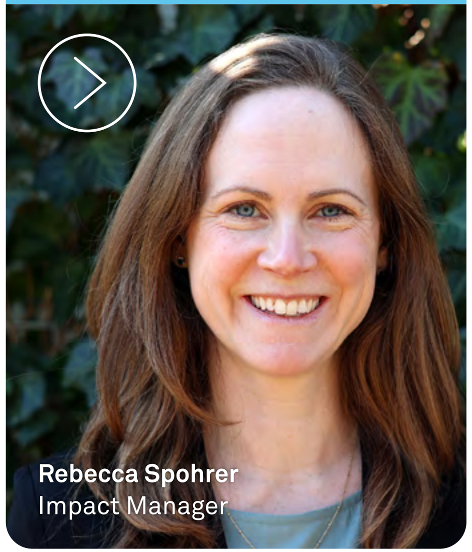
Sustainable investing

Delve into the nuances of sustainable investment strategies, such as ESG integration and impact investing. Learn to identify different approaches and align them with your values and financial goals.



Impact management

Find out how to embed impact into your investment approach, using tools like the impact management cycle and the Theory of Change. Learn to adapt strategies over time to effectively align with your mission and investment goals.

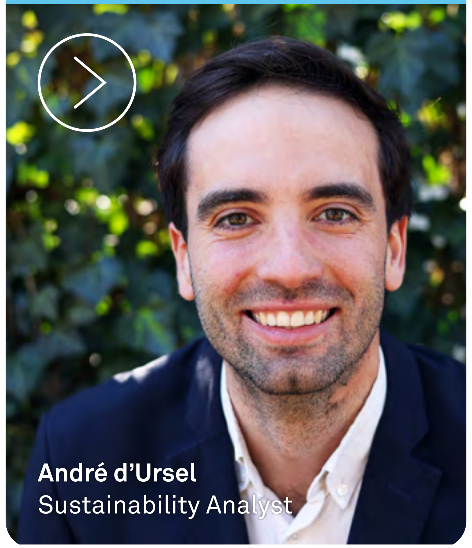


Impact measurement

Learn more about the importance of impact measurement in investing for decision-making, accountability, and transparency. Explore the role of data, legislation, and the Theory of Change in creating a meaningful measurement process.

Engagement

Learn more about the power of shareholder engagement as a tool for driving positive change in listed companies. Gain insight into effective stewardship strategies and the tangible results achievable through impactful company engagement.



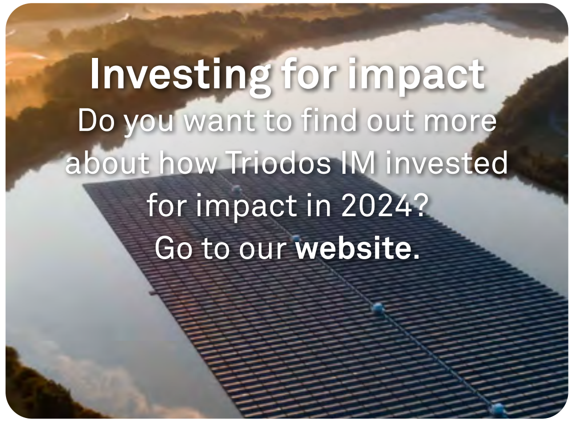
Impact metrics explained

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. Revenue linked to social and environmental objectives is summed across the different objectives and mapped to each individual SDG as a direct contribution.

The **Science Based Targets initiative** (SBTi) provides a common scientifically recognised methodology to calculate GHG emissions and to set targets.Having companies set an SBTi target helps to minimise the existing problems related to a lack of guidelines to measure the companies' scope 3 GHG as well as helping to compare targets among companies. The SBTi data has been retrieved from the SBTi's public database of committed and aligned companies. Targets adopted by companies to reduce greenhouse gas emissions are considered science based if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Climate Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.

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

- **GHG intensity of investee companies:** The GHG intensity is a relative measure of greenhouse gas (GHG) emissions. It is the amount of GHG produced per unit of revenue generated by the company, measured in tonnes of CO_2 per EURm generated in revenue. The carbon intensity is then weighted using the portfolio weight to get a weighted average for the portfolio.
- **Fossil fuel involvement:** This metric tells you the % of the portfolio that is exposed to companies that are involved with fossil fuels.
- **Non-recycled waste ratio:** For each company the non-recycled waste ratio is the total amount in metric tonnes of non-recycled waste produced dividend by the amount invested in EURm, shown as a weighted average.
- **Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises:** Measuring the % of the portfolio's investments that are exposed to companies breaching UNGC principles or OECD guidelines.
- **Excessive CEO pay ratio:** This metric measures the ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees.



Climate-related financial risk disclosures

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

For a full understanding of Triodos IM's approach to climate change, this disclosure should be considered together with Triodos Bank's Integrated Annual Report and our emissions reduction ambitions.

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 2024: EUR 5.8 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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