

# Generating positive impact through sterling-denominated bonds

Triodos Sterling Bond Impact Fund  
Impact Report 2021

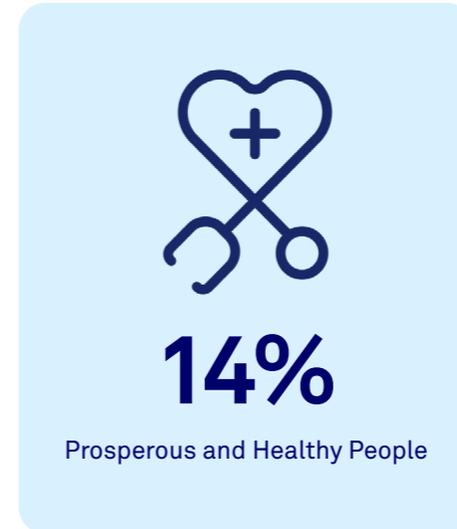
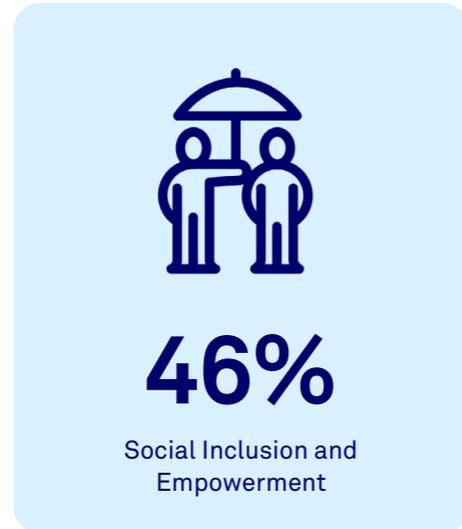
Triodos  Investment Management

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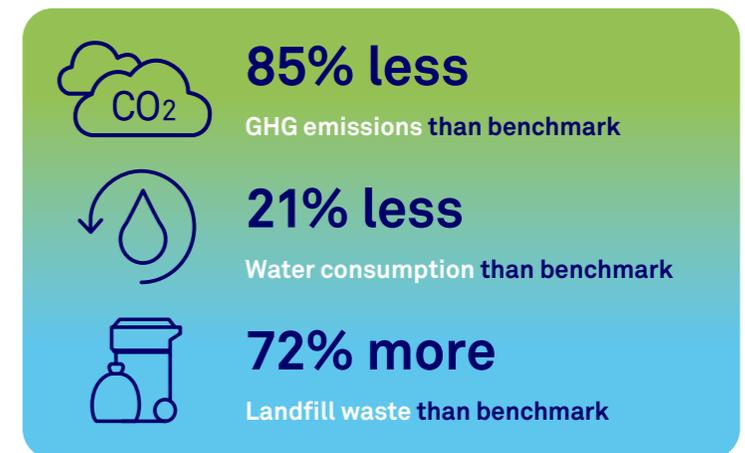
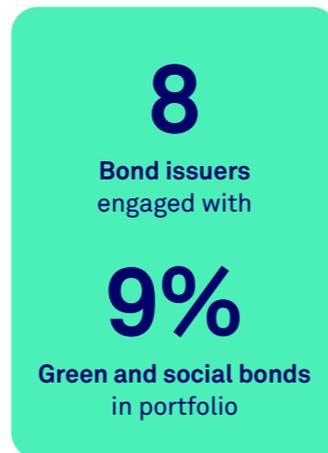
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# Impact highlights 2021

## Top 3 transition themes



## Top 4 Sustainable Development Goals contributed to



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# Increasing positive impact

## Foreword by Fund Manager William de Vries



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 Sterling Bond Impact Fund's ongoing focus on increasing its positive impact. The allocation to UK gilts was reduced and the number of positions and the allocation to corporate bonds with a positive impact was increased. The much applauded first issuance of a UK "green" gilt was a great success, but the sub-fund did not participate, as the green bond framework did not meet the Triodos Minimum Standards, more specifically regarding the financing of blue hydrogen and carbon capture projects. The fund did invest in a green bond issued by Anglian Water. The proceeds of the bond are used to improve water infrastructure and waterways. The bond is classified under the *Renewable Resources* theme. Another example of a position that was added to the portfolio is Transport for London. This company is responsible for ensuring the continuity of (public) transportation services throughout London. This bond is classified under the *Sustainable Mobility and Infrastructure* theme.

Triodos Sterling Bond Impact Fund will continue to maximise its impact by further reducing its exposure to UK gilts and by adding at least one of our transition theme to the fund.

### **William de Vries**

Fund Manager Triodos Sterling Bond Impact Fund

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# Generating positive impact through sterling-denominated bonds

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

## Managing impact through four pillars

### Positive impact

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

### Do no significant harm

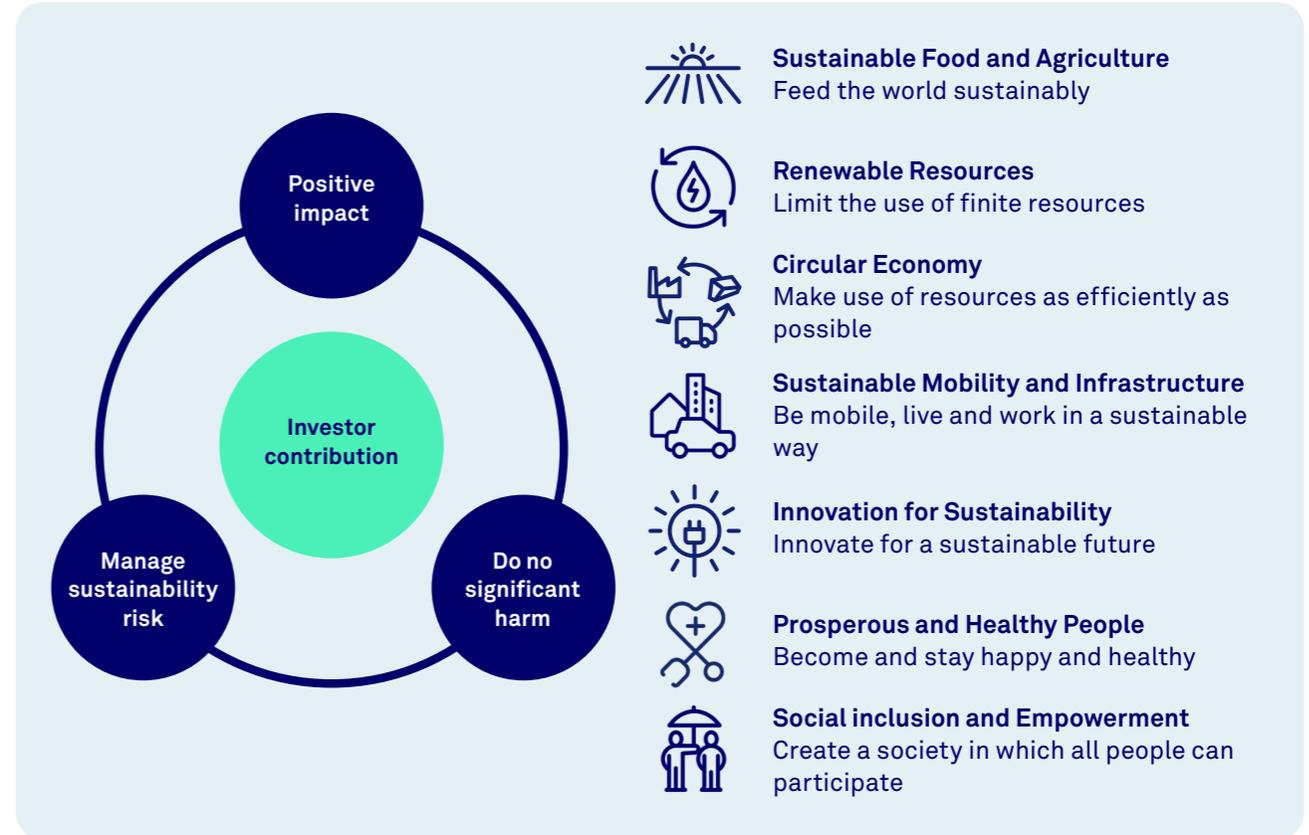
Through the strict Triodos Minimum Standards, bond issuers are reviewed for the possible risk that their business practices could jeopardise the transition we envision. Bond issuers that do not meet the Minimum Standards are ineligible for investment.

### Manage sustainability risk

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

### Investor contribution

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



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

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



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# Stewardship

## Engagement

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

### Direct company engagement

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

### Collaborative and industry engagement

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

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

**Climate change (see article)**

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

**Labour rights**

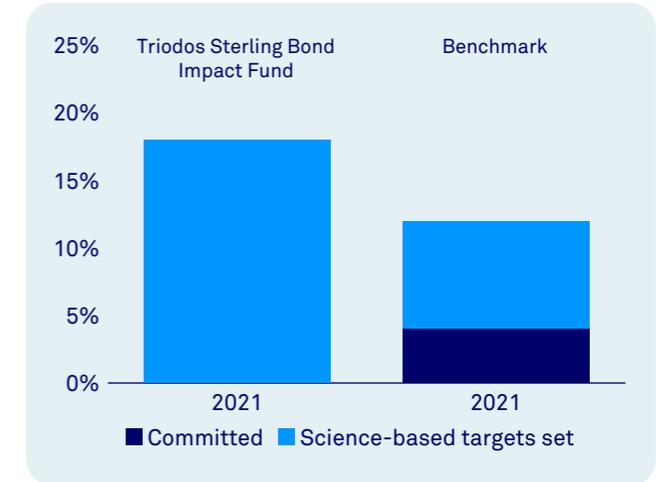
Engaging with companies on:

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

**Remuneration**

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

## Alignment with the Science Based Targets initiative



8

Bond issuers engaged with

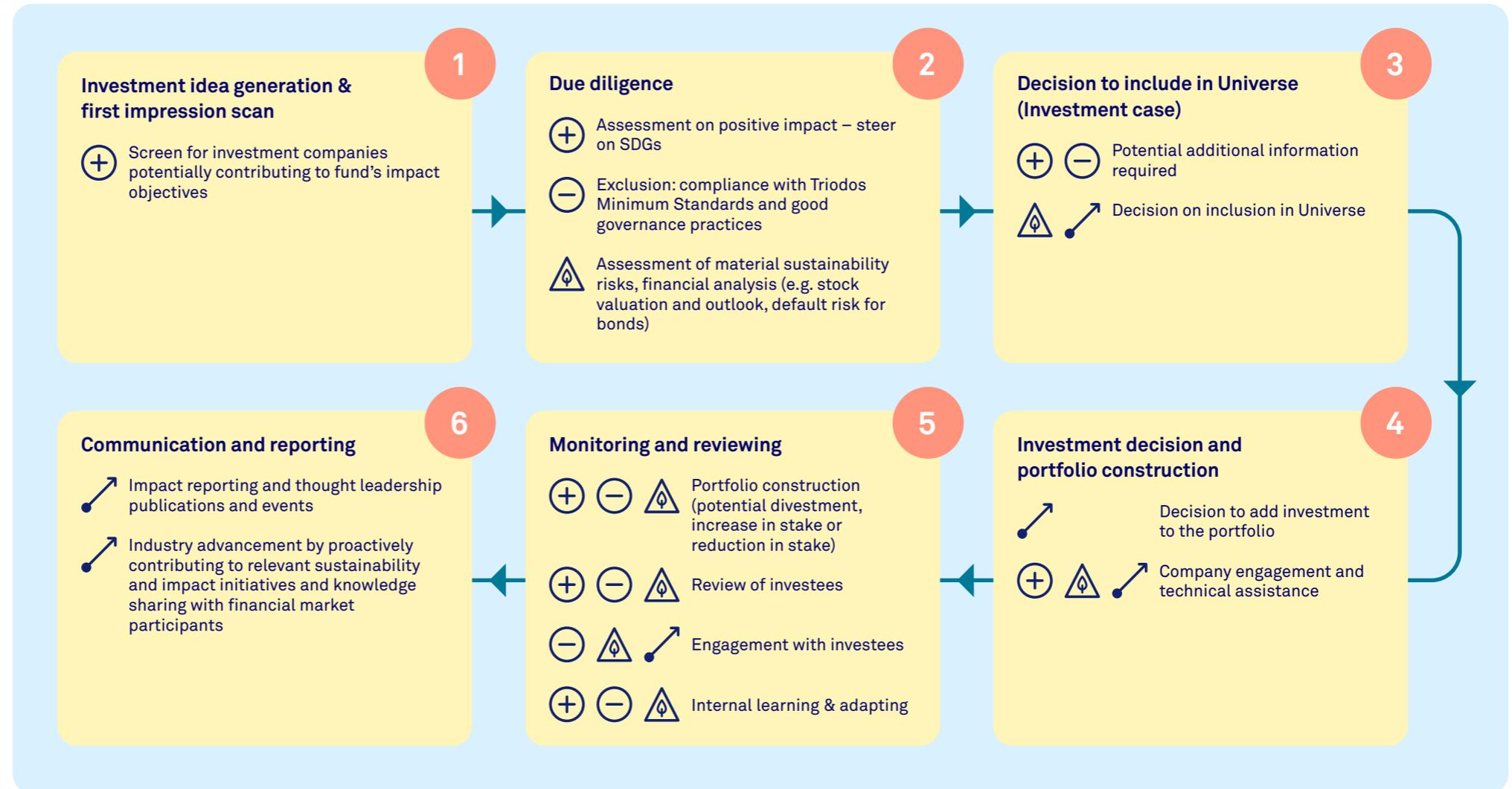
9%

Green and social bonds in portfolio

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# A values-driven investment process

How we manage impact



Positive impact  
 Do no significant harm  
 Manage sustainability risk  
 Investor contribution

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

# Impact investments

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



## Transport for London

Transport for London is the local public body responsible for public transport in the City of London and the Greater London area. The company, which the fund added to the portfolio in Q3 2021, contributes to our *Sustainable Mobility and Infrastructure* theme by improving public transportation and increasing cycling and walking.

> Find out more [here](#).



anglianwater

## Anglian Water

The fund participated in Anglian Water's green bond in Q3 2021, which contributes to our *Renewable Resources* theme. The proceeds of the bond are used to support the company in its strategy to prepare the infrastructure for the effects of climate change, by financing more sustainable water infrastructure and waterways.

> Find out more [here](#)



## Henkel

In Q1 2021, the fund invested in a bond issued by Henkel, a manufacturer of industrial, commercial and consumer chemical products. Its positive impact derives from its operations in personal hygiene and technological innovation, contributing to our *Prosperous and Healthy People* theme.

> Find out more [here](#).

## Council of Europe

In Q3 2021, the fund purchased a bond of the Council of Europe Development Bank, a multilateral development bank. Its main activity is to provide financing and technical expertise for projects with a high social impact in its member states, contributing to our *Social Inclusion and Empowerment* theme.

> Find out more [here](#).



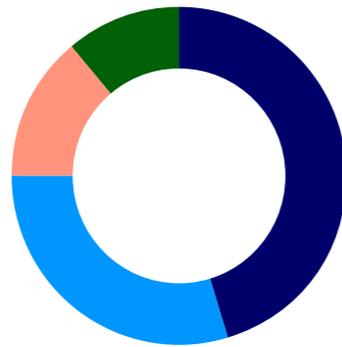
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# Impact data

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

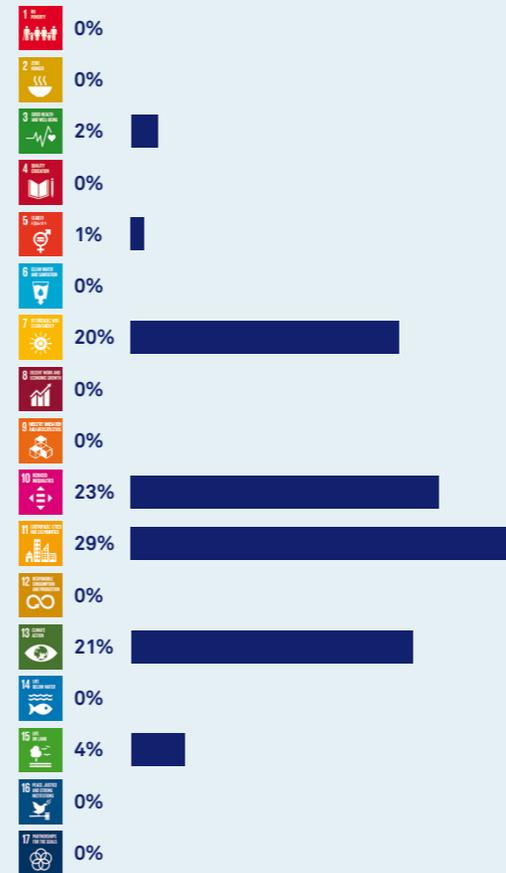
## Portfolio contribution to transition themes



	% of portfolio
Social Inclusion and Empowerment	46%
Sustainable Mobility and Infrastructure	30%
Prosperous and Healthy People	14%
Renewable Resources	11%
Innovation for Sustainability	0%
Sustainable Food and Agriculture	0%
Circular Economy	0%

## Sustainable Development Goals

To further measure the impact of the fund, we assess its contribution to the UN SDGs, based on the underlying revenue streams from the product and services of each company.



Source: ISS ESG as per end of December 2021.

## 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.

**85% less**

**Greenhouse gas emissions**  
Equal to emissions of driving 124 times around the globe



**21% less**

**Water used**  
Equal to the water use of 10,000 daily showers



**72% more**

**Landfill waste produced**  
Equal to 1,600 household garbage bags of waste



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

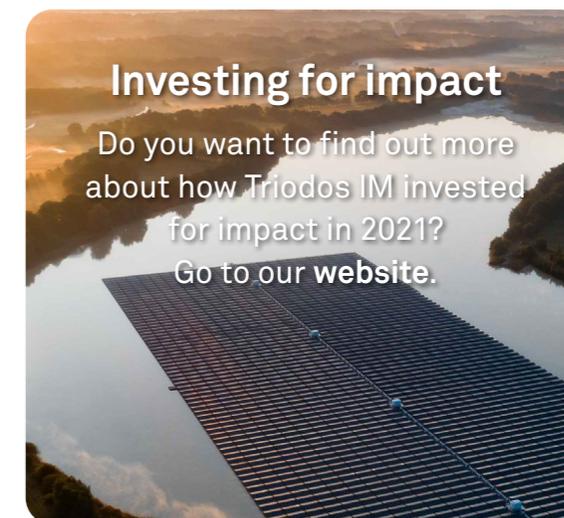
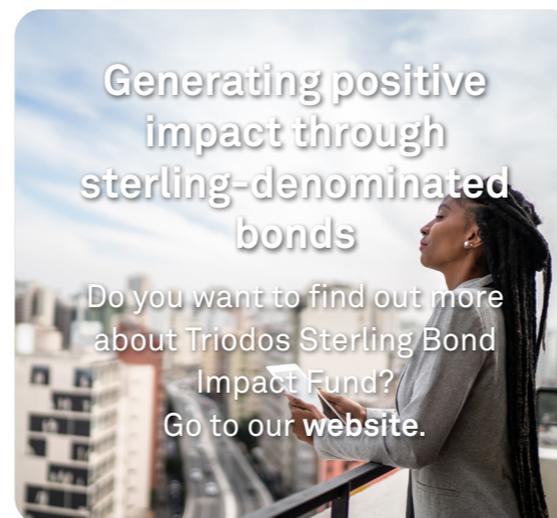
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# Impact measurement

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

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

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



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## About Triodos Investment Management

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

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

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

## Investing in positive change

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

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### Published

April 2022

### Text

Triodos Investment Management

### Design and layout

Via Bertha, Utrecht