

Triodos Bank

Minimum standards

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Since its foundation in 1980, Triodos Bank is in business to create a society that protects and promotes quality of life for all and has human dignity at its core. Triodos Bank enables individuals, organisations and businesses to use their money in ways that benefit people and the environment. The bank promotes sustainable development by offering our customers sustainable financial products and high-quality services.

Our mission – to use money consciously to create positive development in society, with human dignity at its core – has been a guiding principle throughout our history and has found a lot of resonance in society and the financial sector.

Scope of this document

The Triodos Bank minimum standards set out the *absolute minimum* standards that Triodos Bank applies for all its direct investment activities and credit agreements. The minimum standards are applied based on environmental, economic and social externalities. The minimum standards also form the basis for the acceptance criteria for the current and saving accounts of business clients, for suppliers as well as their suppliers, acceptance and for relationships with the investment community. The minimum standards are applied based on reasonability and proportionality, with the main purpose of avoiding unreasonable demands for our smallest clients.

All parties that Triodos Bank engages with should respect (the spirit of) Triodos Bank's minimum standards.

Where our client's relations are relevant (e.g. supply chain), this is specifically mentioned in the minimum standards.

The minimum standards are based on our values. For all financial activities of Triodos Bank, the minimum standards are embedded in the finance and investment processes. Where relevant and possible we apply industry standards, for example the IFC Performance Principles for financial inclusion funds and renewable energy projects in emerging markets.

When we refer to 'companies' in this document, this can be seen as synonym for business clients, institutions, NGOs, foundations, suppliers and other organisations that we finance. It refers to all our business clients and direct investment clients and projects financed, as well as stock-listed companies via dedicated investment funds.

Market and core activities

Triodos Bank works on its mission in three core divisions. Triodos Bank's savings and lending business, active in the Netherlands, Belgium, Germany, Spain and the United Kingdom; Triodos Investment Management, which is a globally active impact investor; and Triodos Regenerative Money Centre, which supports initiatives that pioneer, catalyse, build communities and create change for the benefit of ecosystems, people and society, mainly through donations and catalytic money.

Triodos Bank aims to achieve its mission as a sustainable bank in three ways:

As a values-driven service provider Customers not only want sustainable products and services, but also fair prices and a reliable service. Triodos Bank offers products and services with a purpose to promote sustainable development. And it does so in the context of meaningful, transparent relationships with its customers and investees.

As a relationship bank and investment manager Triodos Bank's service is built on deepening and developing long-term relationships with its customers and investees. Relationships are nurtured through various online and offline channels, including offices where customers meet co-workers face to face and at community events. We build long-term relationships with our investees via our funds. Triodos Bank's aim is to create a broad customer base that is closely connected to its mission – a combination of private and corporate customers who have made a conscious decision to bank with Triodos Bank. Exactly how this happens differs in each country. The bank's services have developed in different ways in each of the countries where it works, depending on the stage of development of the banking entities in question.

As a frontrunner in sustainable finance Triodos Bank wants to promote the conscious use of money in its own organisation, but also in the financial sector as a whole. It stimulates public debate as a frontrunner of values-based banking and impact investing that can transform the economy.

Our strategy

Finance Change – Change Finance

Triodos Bank wants to finance change and make money work for positive social, environmental and cultural change. To make sure its influence in these areas is positive, it aims to invest in companies with positive impact and use the 'real' money entrusted to the bank by savers and investors. In addition, Triodos Bank explores new ways and models of finance, or new ways to collect money for pioneering ideas. Triodos Bank also aims to influence the financial sector to change finance by becoming more transparent, diverse and sustainable.

In essence, Triodos Bank aims to maximise positive impact, embracing the need to be profitable but only as a means to a sustainable end. Profit can be – and widely is – seen as a yardstick for corporate performance. However, it says nothing about the actual impact of a business' products, services and activities.

Triodos Bank connects savers and investors who want to change the world with sustainable entrepreneurs, organisations and companies in selected sectors. We have built a track record financing organisations that contribute to making a positive impact.

Environment. Triodos Bank believes profit doesn't need to be at the expense of the environment. That is why we help our clients to make a positive difference to the environment we share.

Culture. Triodos Bank believes that culture is a powerful force for positive change, driving creativity and innovation in business and providing lasting opportunities for personal development.

Social. The social businesses we finance work to improve and enrich the lives of millions of people. They tackle inequality and injustice and develop strong communities in the process.

Approach

As a values-based bank, Triodos Bank's approach is to first assess the positive and negative impact of an activity before making the decision to finance or donate. Next, we assess the risk and return.

Impact, risk and return relate to each other as follows:

Impact

We want to deliver sustainable impact.

When we talk about impact, we are concerned with what our actions, in particular financing and investing, mean to people and the planet in concrete terms.

Impact means the effect that our finance decisions have on the outside world, not only at a transactional level but also at a social and ecological system level. Impact can be positive and/or negative. Triodos Bank strives to deliver positive outcomes. With the minimum standards, we aim to avoid negative impact.

Risk

Because our starting point is to deliver greater impact over the long term, it is essential that we are financially resilient. We therefore focus on maintaining a consistently high-quality loan and investment portfolio. By applying minimum standards, we exclude most of the sustainability risks as defined by regulators.

Return

We have been able to deliver stable, fair returns over a sustained period. For us, financial performance is important because being a resilient financial institution is essential for the delivery of lasting, sustainable change.

Triodos Bank's approach to achieve positive impact involves:

- Identifying sustainable activities and initiatives, companies, organisations and projects which Triodos Bank can finance and invest in or that we can support with donations or catalytic money.
- Selecting companies, organisations and projects that will deliver the envisioned positive social, cultural or environmental impact.
- Evaluating the motivations of the people related to companies, organisations and projects, as well as the feasibility of their objectives and their capacity to realise them.
- Ensuring that clients, companies, organisations and projects we finance meet and keep meeting the minimum standards, thereby minimising potential negative impact – according to Triodos Bank's values – of these companies, organisations, and projects on people or the planet.
- Financing and supporting sound business, activities and projects addressing clearly defined needs.

Excluded products and processes

Sustainable finance requires choices; very deliberate choices about what Triodos Bank finances and invests in, and what really contributes to a sustainable future. This process also requires clear boundaries for what Triodos Bank can finance. Triodos Bank deems some investments, products, processes and activities incompatible with a sustainable future. Therefore, Triodos Bank has adopted minimum standards that clearly explain the products, processes and activities that Triodos Bank does not want to be involved in.

The rest of this document provides an overview of these boundaries and contains (partial) exclusions that logically follow from our approach. These exclusions are described and categorised within the following topics:

Human dignity

Triodos Bank has specified minimum standards relating to alcohol & cannabis, gambling, tobacco and weapons (health and safety), human rights, labour rights, conflict minerals and the sex industry.

Planet awareness

Triodos Bank has specified minimum standards relating to animal testing, factory farming and animal welfare, fisheries and aquaculture, trade in endangered species, fur and specialty leather (animals), biodiversity, deforestation, energy, genetic engineering, hazardous substances, contamination, natural resources and water (environment).

Governance awareness

Triodos Bank has specified minimum standards relating to accounting and remuneration, corruption, taxes and violation of legislation.

Principles

Triodos Bank takes a holistic approach which means that making choices is not always straightforward. We therefore apply the following principles in our due diligence and decision-making process.

Zero tolerance and maximum thresholds

Some of the numerous resources and products that companies use, manufacture or sell are not aligned with Triodos Bank's positive impact ambitions.

For these products, Triodos Bank distinguishes two approaches. For involvement with genuinely unsustainable products, Triodos Bank applies a zero-tolerance policy (e.g. for weapons and nuclear energy). Deriving revenue from the production of such products leads to exclusion from financing or investment. For other products, maximum revenue thresholds are in place to minimise exposure (e.g. for tobacco products).

A company or activity that exceeds the set threshold demonstrates a strategic choice for involvement and is therefore excluded from financing or investment.

For financial inclusion funds (offered by Triodos Investment Management), we apply thresholds on the portfolio of the institution, rather than on the institution's revenues due to the indirect exposure. These funds mainly finance financial intermediaries and increasingly more small and medium-sized enterprises and fintechs. Further detailed guidelines are provided in the section Triodos Bank's policies in practice.

Precautionary requirements

Triodos Bank also uses a precautionary approach (norms-based approach) to minimise the risk of negative impact. This approach is used to set preconditions for companies that operate in industries with increased sustainability risk, such as human rights violations or high levels of greenhouse gas emissions. The precautionary requirements relate to the evidence of policies, programmes¹ and performance data through which companies/clients or suppliers demonstrate their awareness and aim to prevent and manage involvement in controversies and negative effects of their activities. Companies that lack the required precautionary approach may be excluded from financing or investment. Triodos Bank encourages its relations to develop prevention plans. Where we rely on international frameworks and governmental regulation, Triodos Bank continues to apply its own strict due diligence and selection process.

Proportionality

All the companies we finance or invest in are screened on the minimum standards. We apply the exclusions

without prejudice to all direct loans and investments. Triodos Bank applies the precautionary requirements proportionally and reasonably. This means that we consider the type of customer, project or the company we invest in (e.g. on size and type of products), the local context and the type of financing. We also apply the precautionary requirements proportionally and reasonably when we look at holdings and financial relationships with third parties. Triodos Bank wants to prevent, for example, SME or microfinance customers from being confronted with unreasonable policy requirements based on international standards that apply to multinational companies.

Controversies

Companies that have good standards may still behave unethically, not living up to their own standards. Companies may get involved in disputes and controversies related to sustainability topics which undermines their alignment with the mission of Triodos Bank. For this reason, controversies are always part of our assessment of companies (also when not specifically mentioned for each topic) and may lead to the termination of business relations or divestment. Severe or frequent controversies, for example relating to pollution, may lead to exclusion of the investment or client from Triodos Bank's assets.

The following section highlights three topics – human dignity, environment and governance – that relate to Triodos Bank's minimum standards in line with values, beliefs and guiding principles.

Human dignity

One of Triodos Bank's main ambitions is to promote human dignity and a focus on people's quality of life. We have therefore developed minimum standards on products jeopardising people's dignity, health and safety as well as on the protection of human rights and labour rights.

Health and Safety

Health and safety are considered integral aspects for quality of life. Triodos Bank developed minimum requirements with respect to companies involved with products or services that may harm people's health and safety. These products or services include alcohol, gambling products, pornography, tobacco and weapons.

Alcohol & cannabis²

Alcohol and cannabis have addictive qualities that affect judgement, mood and physical coordination. The (recreational) use of alcohol and cannabis can have a serious impact on people's health, wellbeing and accountability. Consumption of alcohol is widely accepted in many societies and is considered an impor-

¹ Programmes may include but are not limited to training and education, specific standards or guidelines, targets, projects to reduce/mitigate/prevent externalities, measuring devices etc, concrete steps to uphold and support policies.

² With cannabis, we refer to the recreational use of cannabis, especially with regard to the THC component.

tant part of some social activities. This is not the case for cannabis; however acceptance and legalisation of cannabis is growing. Triodos Bank defines involvement in alcohol and cannabis as active participation in the production, marketing or sales of alcohol and (recreational) cannabis products.

What we believe

- Individuals have the right to pursue the leisure activities of their choice, including drinking alcohol or using cannabis, insofar as these activities are legal and do not negatively affect others or the environment.
- (Excessive) alcohol and cannabis use has negative effects on the health and wellbeing of individuals, their families and wider society, and can be particularly damaging for children. The use of alcohol can also result in antisocial behaviour such as drink-driving.
- Minors and vulnerable people's health can be disproportionately affected by excessive alcohol and cannabis use.
- This minimum standard applies to the recreational use of legal cannabis. We have no concern with the medical use of cannabis via legal channels.

Guiding principle: Triodos Bank does not finance or invest in companies involved in the production and sale of alcohol and cannabis that do not show responsibility for alcohol and cannabis use and abuse as well as for the negative social impacts of alcohol and cannabis.

Triodos Bank excludes companies that:

- Produce or retail alcoholic beverages and recreational cannabis products and do not prevent the sale and marketing of alcohol and cannabis to minors, the use of alcohol and cannabis while driving and the excessive use of alcohol and cannabis, with sufficient measures. Where relevant, companies need to have programmes in place mitigating the negative effects.

In practice

Triodos Bank may invest in a supermarket company (meeting our positive impact criteria) if this company has a policy on responsible sales and marketing of alcohol and cannabis products, and concrete programmes to support and uphold these policies, for example an age check. We do not require a formal policy when financing an organic vineyard, but we do discuss the issue with our borrowers.

Gambling

Gambling is the act of betting money or material goods with the intention of winning additional money and/or material goods. The outcome of this wager is partially or totally dependent upon chance. Gambling is a social issue because it can be addictive, especially when it is focused on short odds.

What we believe

- Individuals have the right to pursue the leisure activities of their choice, including gambling, insofar as these activities are legal and do not negatively affect themselves or others, or the environment. Excessive gambling has a negative effect on the wellbeing of individual gamblers, their families and wider society.
- Some forms of gambling are more addictive than others and therefore pose a greater risk. The risk of addiction is typically linked to the length of time that passes between the wager and the result of the game. Addicted gamblers suffer personally, as well as negatively impacting their families and society when they cannot pay for their addiction. This can lead to high level of debt, theft and/or other social problems.
- Companies that profit from gambling have a responsibility to manage the risk of people becoming addicted to their products or services, and to protect young people from underage gambling.

Guiding principle: Triodos Bank does not finance or invest in the gambling industry.

Triodos Bank excludes companies that:

- Develop, produce, distribute, sell or market gambling products or tailor-made services to the gambling industry, with the exception of long odds activities or lotteries.³

In practice

Triodos Bank can invest in a company that provides internet services with access to gambling sites, but not in a company that is offering short odds gambling products.

Tobacco

Tobacco products include cigarettes, cigars, pipe tobacco, smokeless tobacco products (snuff, chewing tobacco) and key materials necessary for the production of tobacco products, such as cigarette paper, tobacco flavouring and filters. Nicotine, the stimulant in tobacco, is very addictive. Triodos Bank defines involvement in tobacco as active participation in the production, marketing, sales and distribution of tobacco products.

What we believe

- Using tobacco has serious negative health impacts for users, both for active and passive smokers. The use of tobacco, and especially smoking, is connected to diseases such as cancer and heart disease.
- As with other similar types of agriculture, tobacco farming can contribute to environmental problems through widespread pesticide use, use of agricultural land for non-food production and poor labour standards.

³ A threshold of 5% of company revenue applies.

- Companies involved in the production or sale of tobacco products are responsible for preventing the misuse and diminishing the negative health and social impacts of tobacco.

Guiding principle: Triodos Bank does not finance or invest in the tobacco industry.

Triodos Bank excludes companies that:

- Produce tobacco products or sell such products.⁴
- Market tobacco to underage customers or companies with serious and/or frequent involvement in tobacco-related controversies.

In practice

Triodos Bank may invest in a supermarket chain that also retails small amounts of tobacco or in a micro-finance institution that occasionally provides a loan to a retail shop or tobacco leaf farmer, but we will not finance companies producing tobacco products.

Weapons, arms and munitions

Arms, or weapons, are specifically designed for the execution of physical force by people towards other people, their infrastructure or animals. Arms include conventional weapons and non-conventional weapons (such as nuclear, chemical and biological weapons) and complete weapons systems.

The term 'dual-use' is frequently used in relation to weapons. Dual-use items are goods, software and technology that may have both a civilian use and military application (such as vehicles or communication equipment). Strategic services include the repair and maintenance of military or dual-use goods and teaching people how to use them, as well as certain types of software deliveries.

What we believe

- The use of arms contradicts Triodos Bank's mission, and we do not finance companies that make or sell them. While we acknowledge the right of democratic governments to defend their citizens and to safeguard internal security, as a point of principle, we do not want to be involved in the arms industry.

Guiding principle: Triodos Bank does not finance or invest in companies or organisations that produce or sell weapons, specifically designed components for weapons and weapons related services nor in financial institutions that finance these companies and organisations.

Companies involved with the production or sale of dual-use technologies are subjected to investigation as their products must not be designed to inflict, or contribute to, physical force on people or animals.

Triodos Bank excludes companies that:

- Produce or sell weapons, specifically designed components for weapons and/or provide weapons related services. Here weapons include conventional weapons and non-conventional weapons such as nuclear, chemical and biological weapons, and complete weapons systems (zero tolerance).
- Provide financial services to companies that produce or sell weapons and weapon-related services.⁵
- Participate in, have investments in shareholdings or bonds, and/or provide loans to companies that are involved in anti-personnel landmines, cluster bombs, biological weapons, chemical weapons and/or nuclear weapons.

In practice

Triodos Bank would not be involved in – for example – supermarkets that sell weapons. In addition, Triodos Bank requires other financial companies that Triodos Bank invests in to refrain from weapon-related finance.

Human rights

Human rights are the rights of people as defined in the United Nations' Universal Declaration of Human Rights (UDHR) which says, 'All human beings are born free and equal in dignity and rights. They are endowed with reason and conscience and should act towards one another in a spirit of brotherhood'. Human rights are universal and applicable to all human beings. In the past, upholding respect for human rights was mainly viewed as a government responsibility but nowadays companies share a clear responsibility for this.

Triodos Bank uses the principles of frameworks such as the UDHR, the OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights and the UN Global Compact as the basis to assess and select companies and relationships prior to financing or investment, applying the proportionality principle. In addition to governmental regulation and international guidelines, Triodos Bank has its own strict due diligence and selection process. Since most of our business banking clients are small or medium sized, we apply our policies and international standards based on and in proportion to the size and activities of a company.

Business relations are expected to respect human rights standards as defined by the organisations referenced above, especially the rights of women, members of LGBTQIA+ community, people with disabilities, indigenous people, children and other groups that are at greater risk of having their human rights being violated. Human rights are universal, indivisible and interdependent. Triodos Bank will not finance involvement in their violation, and respect for human rights is one of Triodos Bank's key values.

⁴ A threshold of 5% of company revenue applies.

⁵ Mainly investment and business banking activities (Financial Industry).

What we believe

- It is of the highest importance that companies respect human rights both within their operations and across their spheres of influence, including:
 - own operations
 - business partners and suppliers, and further supply chain where possible
 - clients or customers
 - host communities
 - interaction with (local) governments
- Companies should neither violate human rights nor be involved in violations of them. A company operating in countries where human rights violations are institutionalised is at risk of becoming implicated in them. The responsibility of a company stretches well beyond legal compliance into moral obligations.

Guiding principle: Triodos Bank only finances and invests in companies that respect and uphold human rights.

Triodos Bank excludes companies that:

- Are at high risk⁶ for the violation of human rights and do not take action to prevent and/or remediate potential and/or actual human rights infringement risks that arise from their business activities.
- Do not respect international humanitarian law or employ or co-operate with parties that infringe political and civil rights, like security forces or repressive regimes. This is assessed on a case-by-case basis applying relevant UN conventions and international human rights' legislative frameworks.
- Do not prevent conflicts over land rights and acquire natural resources without engaging in meaningful consultation with local government bodies and communities and by obtaining free, prior and informed consent of (traditional) land users.
- Are involved in human rights violations, including contributing to or benefitting from structural and gross human rights violations.
- Supply strategic products or services that directly contribute to the violation of political and civil rights (misuse of products and services).

- Operate in weak governance zones, disputed territories or conflict affected areas without taking action to prevent human rights abuses and to uphold human rights.
- Deny people their basic needs, for example by claiming local water reserves in water-scarce areas.
- Produce or sell breast milk substitutes while not having a policy in place acknowledging the WHO Code on Marketing of Breast Milk Substitutes.⁷

In practice

Triodos Bank will not tolerate – for example – companies that provide phone tapping equipment for repressive regimes. Triodos Bank does however support microfinance institutions that are located in countries prone to conflicts or with weak governance

Labour rights

Labour rights are a set of rights that concern the labour relations between workers and their employers and are an important part of human rights. The fundamental rights of people in relation to work, as defined by the International Labour Organisation (ILO), form the basis of Triodos Bank's policy on labour rights.

What we believe

- Larger companies should have publicly available labour rights policies and supporting management systems in place addressing the fundamental labour rights of no child labour, equality (non-discrimination⁸), no forced labour, unionisation⁹, as well as occupational health and safety, both within their operations and across their spheres of influence, including suppliers and contractors.
- Companies should respect the labour rights defined by the ILO and described in the Tripartite Declaration and establish procedures for processing employee complaints and solving violations and conflicts, preferably in consultation with labour unions.
- Companies should treat all workers – including migrant workers – fairly and equally, independent of their gender or background, and eliminate all forms of discrimination and exclusion.

6 We believe all companies are at risk to violations of human rights, but the risk is highest for certain industries (e.g. construction). The risk also depends on the country or region of the company's activities. Our due diligence takes these factors into account. The actual activities and the locations of the company's activities are leading in this process.

7 The International Code on Marketing of Breast Milk Substitutes, or the WHO Code, is an international health policy framework for breastfeeding promotion adopted by the World Health Organization and UNICEF in 1981. Its main purpose is to contribute to the provision of safe and adequate nutrition for infants by the protection and promotion of breastfeeding, and by ensuring the proper use of breast milk substitutes through adequate information and appropriate marketing and distribution. The protection and promotion of breastfeeding is crucial as there is a consensus among infant nutrition experts that it gives babies the best start in life and protects health over their lifetime. Companies that sell breast milk substitutes must adopt this policy and act upon it.

8 Discrimination is the unjust or prejudicial treatment of people based on their identity or their ascribed characteristics. Attributes or characteristics are gender, age, sexual orientation, religion, ethnicity, disability, migration status, employment status and/or economic status.

9 Unionisation includes freedom of association and the right to collective bargaining.

- Companies should pay their workers at least a living wage,¹⁰ respect a maximum number of working hours and otherwise aim to improve labour standards for employees and supply chain workers.
- Triodos Bank acknowledges the importance of various industry-specific sustainability initiatives that aim to improve labour conditions and advance companies' broader social, environmental and ethical responsibilities.¹¹ In addition to protecting workers, companies should protect people otherwise negatively affected by their business, from sickness, disease and injury.

Guiding principle: Triodos Bank does not finance or invest in companies that do not uphold fair and equal labour standards

Triodos Bank excludes companies that:

- Are at high risk¹² for the violation of their own employees' labour rights and do not have policies and programmes, including clear targets, addressing industry-specific labour rights issues such as child labour, equality (non-discrimination), forced labour, unionisation and health and safety, as defined by the ILO.
- Are at high risk for the violation of labour rights of contractors' employees and do not have a policy addressing their supply chain, on health and safety and the four fundamental labour rights covered in the basic ILO conventions, nor an additional management programme including clear targets, monitoring, annual evaluation and corrective measures.
- Deny their employees a safe and healthy workplace or thwart the basic needs of employees, such as access to medication and to adequate food.
- Structurally violate the labour rights of their own employees or contract suppliers that violate their employees' labour rights.

In practice

Triodos Bank can finance and/or invest in organisations that largely rely on low-skilled human labour at risk of being exploited (e.g. in the garment sector) if these companies have solid programmes in place to uphold and improve labour rights in the supply chain, either in large companies, or via certification systems and dedicated procurement programmes for smaller companies.

Conflict minerals

Tantalum, tin, tungsten and gold are minerals that originate from the Democratic Republic of Congo and adjoining countries. They are categorised as 'conflict minerals' as this region is heavily torn by armed conflict. Control over the mines and their revenue is linked to financing the fighting parties and fuels the ongoing conflict.

What we believe

When sourcing minerals or other products from weak governance zones or conflict affected areas, there is always a due diligence responsibility for the sourcing partner to mitigate human rights violations. For conflict minerals, the relationship between the profits from the sourcing and the financing of armed conflicts is very clear and therefore needs to be addressed specifically by companies.

Guiding principle: Triodos Bank does not finance or invest in companies that are exposed to the use of conflict minerals or extract and supply such minerals and do not take action to source conflict-free minerals. Triodos Bank requires the same from their suppliers.

Triodos Bank excludes companies that:

Are exposed to the (potential) use of conflict minerals¹³ or extract and supply such minerals, and do not take action to source conflict-free minerals and do not require their suppliers to comply with the statement. Companies that have a statement to source conflict-free (allowing in-region sourcing), while participating in or relying on the (outcomes of the) Conflict Free Smelter programme, can be included,¹⁴ as well as companies that can demonstrate non-involvement.

Sex industry

The sex industry includes pornography, films, photographs and performances that are sexually explicit and intended to arouse sexual excitement, as well as sex workers.

What we believe

- Individuals have the right to pursue the leisure activities of their choice, insofar as these activities are legal and do not negatively affect others or the environment.
- The sex industry and pornography can have negative social impacts: Pornography and the sex industry are related to human trafficking and abuse, drugs and other illegal practices, especially in emerging markets. Companies involved in pornography and the sex industry risk involvement in these practices.

¹⁰ Definition living wage: The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and their family. Elements of a decent standard of living include food, water, housing, education, healthcare, transportation, clothing and other essential needs including provision for unexpected events." (Global Living Wage Coalition, 2018).

¹¹ Examples are the Clean Clothes Campaign, the Better Cotton Initiative and Fair Wear for the garment industry, the International Council of Toy Industries for the toy industry, the Responsible Care Global Charter for the chemical industry and Electronic Industry Citizenship Coalition and the Guide to Greener Electronics for the IT industry.

¹² We believe all companies are at risk to violations of labour rights, but generally the risk is highest for industries and activities that require intensive low-skilled and low-paid labour (in company or in the supply chain), for example the textiles and apparel industry.

¹³ As defined by the OECD Due Diligence Guidance for Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas and the Kimberly Process Certification Scheme amongst others.

¹⁴ The Conflict Free Smelter programme supports companies in making informed choices about conflict minerals in their supply chain.

People employed by the sex industry are therefore at risk of exploitation and degradation. At the same time, we acknowledge that this is not always and everywhere the case, and some people work freely and deliberately in the industry.

- The internet is the main distribution platform for pornography, including illegal types of pornography. Therefore, internet providers and browsers are key in preventing access to minors and fighting the distribution of illegal material.
- Companies active in the distribution of pornographic materials should take responsibility for preventing abuse and diminishing the negative social impacts of pornography, especially online.
- Due to the global nature of our financial activities, Triodos Bank chooses to limit its involvement with pornographic products and the sex industry as the industry is linked to the risk of exploitation of people and illegal practices.

Guiding principle: Triodos Bank does not finance or invest in the sex industry.

Triodos Bank excludes companies/activities that:

- Produce or design pornographic products or that are otherwise related to the sex industry.
- Provide services related to the sex industry, including pornography, films, photographs and performances that are sexually explicit and intended to arouse sexual excitement, as well as sex workers.
- Provide access to the internet without active measures to prevent the exposure of pornography to minors, the distribution of child pornography and other illegal forms of pornography.

In practice

Triodos Bank may invest in a hotel chain that provides for pay-per-view adult channels controlled by credit card age verification systems. However, Triodos Bank will not finance sex clubs.

Triodos Bank may invest in a company that provides internet access, if these companies have taken measures to stop distribution of illegal materials and to control access to pornography for users (preventing access to minors). Such measures could include age verification systems, parental control tools, special teams or responsible persons in the company to oversee the topic, membership of industry or (inter)national codes of conduct and discouraging use of pornographic sites (due to risk of spam, unwanted content).

Planet awareness

Triodos Bank strives to minimise potential negative impact of its lending and investment activities, in support of a sustainable society with respect for the animal world and the environment.

Animals

Triodos Bank acknowledges the intrinsic value of animals and the responsibility of humans to protect animals. Triodos Bank is a committed advocate of animal welfare and acknowledges that animals contribute to a better quality of life in various ways. Animal-related considerations include animal testing, farm animal welfare (we oppose factory farming), fur and specialty leather.

Animal testing

Animal testing includes all forms of experimenting performed on vertebrate animals and covers all vertebrate animals that are purchased or bred solely for this purpose. The primary purpose of the experiments is to guarantee the safety or effectiveness of new products or ingredients. National and international laws usually require animal tests before new medicines, chemical substances or products for personal care or housekeeping can be brought to the market. Such testing may also be required for new ingredients, including ingredients for food products. Tests on non-vertebrate animals such as the daphnia species (water fleas) are not considered highly controversial and remain out of scope.

What we believe

- Animal testing may be legally required under specific circumstances. We do accept investment in companies that use carefully controlled animal testing for legitimate medical purposes if there are no viable alternatives. At the same time, we require these companies to reduce, refine and replace (3Rs) animal testing wherever possible.¹⁵
- Testing can only be justified if it is clear that every effort has been made to reduce both the number of animals used and the extent of their suffering.
- We oppose animal testing for non-medical purposes. Many products have been tested on animals in the past and are now used in food, household and personal products, but innovation is possible without testing new ingredients on animals.

Guiding principle: Animal testing is only acceptable for legitimate medical purposes, and Triodos Bank does not finance or invest in companies that do not apply carefully controlled animal testing and apply the principles of the 3Rs.

¹⁵ The Three Rs principle is widely accepted as the ethical framework for animal experimentation and guides those using animals for scientific purposes in certain countries. It prescribes to Reduce the number of animals used, to Replace animal testing with other solutions if possible and to Refine tests to minimise animal suffering.

Triodos Bank excludes companies that:

- Manufacture non-medical products that are tested on animals.¹⁶
- Carry out animal tests for non-medical products without a legal obligation to do so.
- Carry out animal tests for medical products but do not have a policy on the principles of the 3Rs in place and do not promote the principles of the 3Rs.

Animal testing is most widespread in the pharmaceutical industry. Triodos Bank values companies that actively search for alternatives to animal testing, through participation in or financing of initiatives with that objective. Pharmaceutical companies that carry out animal tests must meet additional criteria.¹⁷

In practice

Triodos Bank does not provide loans/equity/donations to personal products companies that do not reject animal testing for their products. Triodos Bank may invest in pharmaceutical companies via its investment funds, but only if they have a transparent and comprehensive policy on animal testing (3Rs), publish figures on the number and type of animals used, and have a procedure in place including an ethical review of animal testing practices and animal welfare.

Factory farming and animal welfare

Factory farming is characterised by livestock kept in confinement and at high density. Factory farming, often referred to as industrial and/or intensive farming, can be defined as a total of methods of farming in which the breeding, raising, treating, processing, transporting and slaughtering of animals for their products are conducted in an intensive manner. The term relates to the intensive manner of production, less on the size of a farm alone.

Triodos Bank has strong concerns about animal welfare associated with these intensive production systems. Evidence shows that animals in these systems often live in discomfort and suffer unnecessarily. Examples of harmful factory farming practices include restricted space, interventions such as the un-anaesthetised castration of pigs, debeaking of chickens and the systematic use of hormones and antibiotics to enforce growth and prevent diseases. All these measures are taken to enable housing animals at even higher densities.

What we believe

- Animals are an integral part of life. Triodos Bank accepts the use of some animal products in human diets although we are advocates of diets with mostly plant-based proteins.
- Triodos Bank is strongly committed to ensuring and advocating the highest level of animal welfare.
- Triodos Bank acknowledges the intrinsic value of animals and the responsibility of humans to protect and take good care of all animals.¹⁸
- Triodos Bank believes that agriculture based on the principles of organic agriculture is the best systematic approach to sustainable agriculture and food production. Our commitment to this type of farming with an innate respect for animal welfare is consistent with our commitment to the highest standards of animal welfare in the case of the food systems use of factory farming sourced animal products.
- Triodos Bank expects companies that are involved with (wild) animals to respect the Five Freedoms principle,¹⁹ referring to freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behaviour and freedom from fear or distress.
- We expect companies using products or ingredients derived from animals for food purposes to acknowledge animal welfare as an issue in animal food production.
- We expect companies that use animal products or ingredients to have good standards on housing, feed, transport, systemic (prophylactic) antibiotics and hormones, slaughtering and interventions.

Guiding principle: Triodos Bank only finances or invests in companies that use animal products or ingredients if they have animal welfare policies and practices in place that go beyond legal requirements. We favour companies that have clear animal welfare improvement targets and actively work for better animal welfare standards in the industry, as well as companies that produce or use plant-based alternatives to animal products.

Triodos Bank excludes companies that

- Are involved in animal farming or use products and ingredients from animals that come from factory farming in their products if they do not act on farm

¹⁶ A threshold of 5% of company revenue applies.

¹⁷ Based on case-by-case assessment, including for example an ethical review of animal tests, reporting/transparency on number and type of animals used.

¹⁸ Also based on the two main principles of the Dutch animal welfare organisation:

The acknowledgement of the intrinsic value of animals; animals are considered autonomous creatures and should therefore be treated as such and not only as a way of means for others. It is a moral obligation to respect animals and acknowledge their feelings, consciousness and integrity. Responsibility of humans to protect animals, take good care of them, to respect their freedom and private life and save their lives as much as possible.

¹⁹ The Five Freedoms is a widely accepted framework to capture the key aspects of animal welfare in animal husbandry: Freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury or disease; freedom to express normal behaviour; and freedom from fear and distress.

animal welfare improvement and if they do not offer products with better animal welfare standards. More specifically, these companies are required to:

- have sufficient animal welfare policy and standards for the animal products they use or produce.²⁰
- take action to improve animal welfare in the supply chain, for example by being part of industry initiatives, by having programmes to promote animal welfare or by promoting products with better animal welfare standards.
- provide organic animal products/ingredients or other products with better animal welfare standards as alternatives to regular products and services.
- Offer products and services related to factory farming, like transport, slaughtering or equipment, and do not have a policy or do not apply sufficient standards to reduce animal suffering.²¹
- Engage in educational or nature protection activities in which wild animals are involved and cannot guarantee the welfare of those animals.
- Engage in entertainment activities in which wild animals are involved.
- Are involved in frequent or major controversies regarding animal abuse.

In practice

Triodos Bank can invest in a globally operating food or restaurant company if this company has implemented strong animal welfare standards in its supply chain and when it also offers its customers organic (animal) products. Triodos Bank will not require animal welfare standards when providing equity to microfinance institutions that have clients in the agriculture sector.

Fisheries and aquaculture

Fisheries comprise enterprises and individuals associated with wild-catch or aquaculture resources and the various transformations of those resources into products for sale, and the sale of such products. It is also referred to as the “seafood industry”, although non-food and freshwater items such as pearls are included among its products. Products related to this sector include all kinds of sea and freshwater animals such as fish, shellfish, sponges, shrimps, as well as seafood or freshwater products such as plants. Aquaculture, also known as aquafarming, is the farming of fish, crustaceans, molluscs, aquatic plants, algae and other aquatic organisms. Aquaculture involves cultivating freshwater and saltwater populations under controlled

conditions, and can be contrasted with commercial fishing, which is the harvesting of wild fish. Mariculture refers to aquaculture practiced in marine environments and in underwater habitats. Aquaculture is included in the definition of this topic.

What we believe

- Unsustainable fishing poses a threat to the maintenance of fish stocks and conservation of the marine environment for future generations. The monitoring and managing of fish stocks is impeded by ships sailing under the flag of countries with weak regulatory frameworks.
- Aquaculture can play an important role in the provision of healthy and more sustainable proteins but must be managed in a sustainable manner.
- Triodos Bank expects companies to engage in responsible fishery and aquaculture practices.

Guiding principle: Triodos Bank only finances and invests in companies that foster sustainable fishery and aquaculture practices.

Triodos Bank excludes companies that

- Operate in the fishery and aquaculture industry, or that process or sell fishery and aquaculture products and
 - do not have sustainable fisheries programmes and policies.
 - do not have a sustainable aquaculture programme, preferably via certification systems or equivalent and/or do not comply with international standards and agreements.²²
 - engage in controversial fishing techniques.²³

In practice

Triodos Bank may be involved in local fisheries via its financial inclusion activities in emerging markets. Triodos Bank can also finance (organic) aquaculture activities providing the companies adhere to good certification systems and industry best practices.

Fur and specialty leather

Animal fur and skin are used for clothing, furniture, or other purposes. Fur and specialty leather are luxury products when the animals are specifically bred or hunted for their skin only and not necessary to fulfil basic human needs as there are adequate alternatives.

²⁰ A ‘sufficient animal welfare policy’ adheres to the internationally recognised Five Freedoms or acknowledges the intrinsic value of animals and specifies the responsibility of humans towards animals. Sufficient animal welfare standards must go beyond legal requirements on animal welfare and address for example housing, transport, feed and natural behaviour.

²¹ A threshold of 5% of company revenue applies.

²² Examples (not limited) of relevant international agreements are EU and MARPOL regulations, the Marine Stewardship Council, the FAO Code of Conduct for Responsible Fisheries, the Aquaculture Stewardship Council, Marine protected areas and the International Principles for Responsible Shrimp Farming.

²³ Examples (not limited) of controversial fishing techniques are (bottom) trawling, deep-sea fishery, drift nets and shark-finning, as well as ghost fishing and disrespecting no-take zones.

What we believe

- Animals have a right to freedom from pain and fear and all appropriate steps should be taken to prevent cruelty to animals and to reduce their suffering.
- We recognise that animals provide products that meet human needs. But we do not believe that breeding or hunting animals only for their fur or skin is necessary for human wellbeing.
- There are good alternatives to animal fur and skin products which can be used to fulfil basic human needs.

Guiding principle: Triodos Bank does not finance or invest in companies that are involved in the production and sale of fur and specialty leather.

Triodos Bank excludes companies that:²⁴

- Are involved in the breeding or hunting of animals for fur and specialty leather.
- Manufacture or sell fur and specialty leather products.
- Provide tailor-made products to the fur and specialty leather industry.

In practice

Triodos Bank may finance or invest in companies that produce and sell cow leather products, as cows are not bred for the skin, but cow leather is a by-product of the dairy and meat industry.

Environment

Triodos Bank works to deliver positive environmental impact. Environment-related topics are biodiversity, deforestation, climate change, energy, genetic engineering, hazardous substances and contamination, natural resources and mining and water.

Biodiversity

Biodiversity refers to the variety of animals, plants, their habitats and genes on which life depends.

Triodos Bank believes that biodiversity is the foundation of life on earth and that people depend on it for their wellbeing and survival. Triodos Bank closely monitors companies operating in industries that could damage biodiversity.

Companies should refrain from negatively impacting biodiversity and sensitive ecosystems, mainly caused by climate change, pollution, land and water use change, overexploitation and invasive species. In order to prevent biodiversity decline Triodos Bank expects its business relations to follow the UN Convention on Biological Diversity and related documents such as the Bonn Guidelines, the Nagoya Protocol and the Cartagena Protocol.

What we believe

- Biodiversity is the foundation of life on earth. It is the link between all organisms, binding each to a complex web of interdependent ecosystems, in which all species have a role.
- People – families, communities, nations and future generations – depend on biodiversity for their wellbeing and survival. Even a small loss of biodiversity has a negative impact on the quality of life.
- Biodiversity underpins the global economy, providing the goods and services upon which economic activity is based. Companies are responsible for protecting species and ecosystems which may be threatened by their operations.
- We finance companies that demonstrate awareness of their impact on biodiversity, and which take credible measures to mitigate negative effects on biodiversity or that improve biodiversity.
- Certain products have a higher risk of causing damage to biodiversity. Companies that produce and distribute such products have a responsibility to formally acknowledge the risks, to have programmes to reduce and manage their impacts, and to report on their results.

Guiding principle: Triodos Bank does not finance or invest in companies that cause extensive or repeated damage to biodiversity, or in companies that have a high potential risk of causing such damage without managing them.

Triodos Bank excludes companies that:

- Are involved in controversies regarding biodiversity and/or protected areas²⁵ and/or controversial projects and one or more of the following cases apply:
 - extensive harmful effects on ecosystems and/or protected areas and/or extensive loss of biodiversity, regardless of whether or not fines have been imposed on the company.
 - cause minor but repeated damage to biodiversity and/or protected areas, when the company's steps to limit the damage are obviously inadequate.
- Have activities with a large negative impact on biodiversity and do not take sufficient action to reduce their impact. An example of taking action is an environmental impact assessment of the total consequences on biodiversity of the activity.
- Use palm oil in their products but are not a member of the Round Table of Sustainable Palm Oil (RSPO) or the Palm Oil Innovations Group (POIG) or have not set a clear target for sourcing 100% sustainable palm oil or cannot demonstrate in another way that it has sustainable farming or sourcing practices in place.

²⁴ A threshold of 5% of company revenues applies.

²⁵ Protected areas are those identified as such by relevant bodies, for example categories I-IV of the World Conservation Union, the UNESCO World Heritage Committee, Ramsar Convention on wetlands and as described in the High Conservation Value (HCV) concept.

- Use soy in food products or animal feed products and are not a member of the Round Table for Responsible Soy or cannot demonstrate in another way that it has sustainable farming or sourcing practices in place.
- Do not prevent or cause negative impact in protected areas.
- Do not prevent or cause negative impact on protected animals.²⁶
- Use or trade in species that are on the CITES list²⁷ and do not have responsible sourcing guidelines for such activities.
- Use cotton in their products but do not use sustainable cotton or are not a member or supporter of a sustainable cotton initiative or have not set a company-wide policy or target for the use of sustainable cotton.²⁸
- Forests have inherent value, outside of their importance to people and economies. Primary forest in particular has unique ecological features and is vital to sustaining biodiversity. It should be protected from deforestation.
- Preserving forests but also reforestation projects are essential to mitigate climate change.
- We support major, internationally recognised sustainable forestry standards such as the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification PEFC.
- We respect the tenure rights of indigenous peoples where forestry activities occur.
- We do not accept illegal deforestation, illegal timber trade or logging in protected or otherwise sensitive areas.

In practice

Triodos Bank may invest in a personal products company that has adopted the principles of the RSPO or POIG in its supply chain and have a sustainable sourcing programme related to palm oil. For a smaller company that Triodos Bank finances with a loan for example, Triodos Bank does not require membership of the RSPO or POIG, but the company needs to have sustainable sourcing practices in place.

Deforestation

Deforestation is the intentional clearance of forest. Triodos Bank believes that forests are a valuable source of biodiversity and a resource of many forest products, ranging from medicine to timber. Forests, especially High Carbon Stock (HCS) forests,²⁹ have an important capacity to absorb greenhouse gases and to hold large stores of carbon. Triodos Bank expects companies to take responsibility with respect to preserving forest areas.

What we believe

- Forests are fundamental to the long-term future of the environment and for mitigating climate change.
- Forests provide a breadth of products and services essential to the health, wellbeing and survival of people.
- Forests underpin the economy providing the raw materials essential to many industries and sectors and extends beyond timber and other traditional forest products.
- Forests can only be used in sustainable way through awareness and concern for living creatures and natural systems.
- *Guiding principle:* Triodos Bank only finances or invests in companies that demonstrate awareness of deforestation as an issue, with sustainable forestry practices and responsible sourcing and use of forest products.
- Triodos Bank excludes companies that:
 - Are involved in illegal deforestation or controversial logging activities in protected areas, including but not limited to the conversion of peatland and HCS forests for agricultural development.
 - Do not prevent the use of illegally cut and traded timber throughout their wood supply chain.
 - Do not respect the human rights of local and indigenous communities on the fair and equal use of forests.
 - Own forests that are not certified, preferably by the FSC or otherwise by the PEFC or equivalent.
 - Use large amounts of wood or pulp and do not purchase or strive for 100% of those materials from certified forests.
 - Use of large amounts of paper in the production process of their core products and do not purchase or strive for 100% from certified or post-consumer recycled origin.
 - Sell large amounts of beef originating from South America and do not have a policy on deforestation.

²⁶ Protected animals are those identified as such by relevant bodies, for example the Red List of the International Union for the Conservation of Nature.

²⁷ CITES: Convention on International Trade in Endangered Species of Wild Fauna and Flora.

²⁸ Examples of sustainable cotton initiatives are Organic Cotton Accelerator (OCA), Better Cotton Initiative (BCI), Cotton made in Africa (CmiA) and Fairtrade Cotton. This exclusion is mainly relevant for companies that use large amounts of cotton.

²⁹ The HCS approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed.

In practice

Triodos Bank does not require all companies to – for example – source FSC certified paper for their office printers, but the forestry requirements apply to companies that use or produce large amounts of wood and pulp, e.g. companies that produce nappies and tissues.

Natural resources and mining

Extraction of non-renewable resources, such as iron, aluminium and copper, will eventually lead to their depletion. Currently recycling does not meet all urgent needs for raw materials.

What we believe

- Triodos Bank supports companies that aim to regenerate instead of depleting of natural resources, for example by enhancing efficient utilisation, recycling or replacing commodities with more sustainable substitutes.
- Sourcing non-renewable resources directly and significantly contributes to the emission of greenhouse gases, air pollution and the extraction or sourcing of non-renewable resources is often detrimental to the environment.

Triodos Bank excludes companies that:

- Extract or produce conventional oil and gas³⁰ and unconventional oil and gas,³¹ including producing equipment, making specific components for or providing specific services to the oil and gas extraction processes.
- Extract or process scarce commodities and do not undertake activities to prevent depletion.
- Process metals or minerals and do not have clear environmental requirements regarding suppliers or a sound environmental management system in place including the supply chain.
- Are involved in controversial mining activities, for example deep sea mining or asbestos mining.
- Mine coal or uranium.³²
- Are active in the metals and mining industry and do not have global environmental management systems in place, covering the most relevant environmental impacts (soil, water and air pollution, erosion and a mine reclamation plan) or are not a member of the International Council on Mining and Metals (ICMM).

³⁰ A threshold of 5% of company revenue applies.

³¹ Unconventional oil includes a variety of heavy and extra heavy oil resources that are more viscous than conventional oil, do not flow as easily and are therefore more difficult to extract. Unconventional oil includes oil from oil (tar) sands and shale oil, and oil extracted from the Arctic region, as well as fuel resulting from 'gas to liquids' and 'coal to liquids' technology. Unconventional gas includes shale gas, coal seam gas, coal bed methane and tight gas have a substantially higher environmental impact than 'conventional' gases. These unconventional gases have a larger CO₂ footprint than conventional gas, due to the more complex extraction process (fracking) with a high energy intensity and the substantial leakage of methane. Moreover, these unconventional gas extraction methods have a substantially higher risk of other environmental impact compared to conventional gas extraction, more specifically the risk of contamination of water, air or soil due to the use of chemicals in the process.

³² A threshold of 5% of company revenue applies, as well as a maximum company coal production of 10 megaton per year.

In practice

Triodos Bank generally does not invest in or finance the mining industry, but it may invest in companies that are focused on recycling metals and minerals, which falls within the mining industry.

Climate change & energy

Climate change refers to alterations to the climate due to a sustained rise in the earth's temperature caused by the accumulation of greenhouse gases in the lower atmosphere. Since the Industrial Revolution, widespread use of fossil fuels, extensive deforestation and particular farming methods have resulted in a sharp rise in the amount of greenhouse gases released. As the high level of greenhouse gases is a consequence of human actions, the process is called anthropogenic ("man-made") climate change. Climate change already causes an increase in extreme weather such as hurricanes, droughts, floods and wildfires. A further rise in the earth's average surface temperature will accelerate this process and poses a real threat to our delicate ecosystems and therefore to life on earth.

Energy refers to the sources of energy and energy security as well as the generation, production, supply and use of energy. Energy derived from fossil fuels is a major contributor to climate change also fuelling the economy with growing energy demand.

What we believe in

- Climate change must be halted to minimise its impact on the planet and its ecosystems; the longer we wait, the more it will cost, so immediate action is necessary. Triodos Bank stands behind the Paris Agreement and the Glasgow Climate Pact of limiting global temperature rise to 1.5 °C.
- Businesses should be transparent about their decarbonisation targets, and businesses that actively reduce their greenhouse gas emissions and transition to low carbon technologies are better prepared for the future than their competitors. We expect all businesses to do this.
- Companies should not participate in lobbying activities with the purpose of weakening climate policy.
- Nuclear power is – in our view – not the solution to tackle climate change as it creates other significant problems such as nuclear waste and potential nuclear meltdowns. A single accident could have severe consequences on both society and the environment.

Guiding principle: We only finance and invest in companies that demonstrate awareness of climate change and make credible efforts to eliminate their abatable greenhouse gas emissions, while finding alternatives for non-abatable emissions, as soon as possible.

Triodos Bank excludes companies that:

Retail petrol.³³

- Operate in energy-intensive industries or activities, do not disclose the greenhouse gases they emit and do not have a sound programme with clear targets and acceptable for the reduction of greenhouse gases. We require companies to have policies and implement programmes to reduce their climate change impact, to have clear targets for CO₂ emissions reduction, to report on progress and to find alternatives for products and services with a large carbon footprint.
- Produce biomass energy with feedstock that competes with food production or comes from energy crops grown for the purpose or biomass energy or from genetically modified crops or with feedstock that has its origin in intensive farming.³⁴
- Produce or sell nuclear power, nuclear power stations or specific components for nuclear power production.
- Transport or store spent nuclear fuel.
- Produce or retail energy from fossil fuel (coal, oil and gas) power plants (utilities).³⁵
- Build coal-fired power plants or operate such plants.³⁶

In practice

Triodos Bank may invest in a hypermarket company that retails petrol on its premises.

Genetic engineering

Genetic modification is the artificial manipulation of genes. Genetically modified crops are part of today's food production chain, even though the environmental consequences thereof have not been extensively researched. Genetic modification of animals is also anticipated to enter the food production chain. Genetic engineering is already widely used for medical purposes in research.

What we believe

- Triodos Bank acknowledges the benefits of genetic engineering and its contribution to human health and quality of life, especially for healthcare. However, the

use of genetic engineering is also surrounded with many uncertainties and risks, and it is questioned whether it can be part of sustainable development.

- There is an ethical limit to altering nature, and we will always conduct an ethical review of using genetic engineering in relation to the purposes and applications.
- Triodos Bank believes in organic food and farming, based on natural ecosystems, sustaining biodiversity and with care for human health and animal welfare.
- Nature is complex and interfering in natural processes can lead to unpredictable consequences.
- We acknowledge that in some areas it is difficult to source GM-free ingredients for example in the US.
- People should always and everywhere have the option to choose non-genetically modified food.
- Products from new technologies must be based on the precautionary principle, which is also an element of the Cartagena Protocol on Biosafety.
- Modified food and feed crops are not the best solution for food scarcity.
- Companies are responsible for limiting the use of GMOs and for adopting, developing and promoting alternatives.
- Companies do not have the right to claim ownership of natural substances, whether modified or not.

Guiding principle: Triodos Bank chooses not to finance the use or development of genetic modification and other controversial biotechnologies by companies.

Triodos Bank excludes companies that:

- Develop or commercialise transgenic food or feed crops.
- Process genetically modified food crops, unless they proactively reduce their use or provide consumers' freedom of choice.
- Emphasise the benefits of genetically modified food crops and do not take a precautionary approach.
- Actively oppose labelling regulation, thereby obstructing transparent information and the consumers' freedom of choice.
- Genetically modify animals for non-medical purposes.

³³ A threshold of 10% of company revenue applies.

³⁴ A threshold of 5% of company revenue applies.

³⁵ A threshold of 5% of company revenue applies, as well as a maximum installed capacity of 5 gigawatt.

³⁶ After 2009, awareness of climate change and its origin is paramount. Involvement in such activities indicates a conscious decision.

- Genetically modify animals for medical purposes when alternatives are available.
- Are involved in xenotransplantation of full organs.
- Are involved animal cloning.

In practice

Triodos Bank can invest in a food producer using GM food ingredients in its products when the company also offers its customers GM-free alternatives and when it tries to limit the use of GM ingredients. Triodos Bank can also invest in a microfinance institution that provides a loan to a farmer that may use GM seeds. But we will not invest in a company producing those seeds. Hazardous substances, contamination and pollution
Hazardous substances can cause environmental and health problems, either by accumulation in the food chain or acute toxicity. Contamination refers to the introduction of micro-organisms, chemicals, toxic substances, waste or wastewater into the environment (air, water or soil) at concentration levels that decline the health and usefulness of living organisms. Triodos Bank expects companies to minimise the use of hazardous substances, such as pesticides, and to manage waste with caution.

What we believe

- Hazardous substances can seriously damage the environment and interfere with natural processes.
- Hazardous substances pose a threat to human health and quality of life.
- Despite the availability of alternatives, hazardous substances are widely used in agriculture and industry. Companies are responsible for reducing the use of harmful substances, and for adopting, developing and promoting less harmful alternatives.
- Despite being the oldest concern on the environmental agenda, contamination remains a significant global problem and the environment should be protected from it.
- Contamination has adverse impacts on human communities, and these impacts occur disproportionately among poorer communities and in developing countries. People everywhere should be protected from contamination.
- Industrial and commercial activities are responsible for most contamination. Companies have a responsibility to prevent contamination from their supply chains, production processes and products.

³⁷ A threshold of 5% company revenues applies.

³⁸ The best available technology or best available techniques (BAT) is the technology approved by legislators or regulators for meeting output standards for a particular process, for example for preventing and controlling industrial pollution.

³⁹ We make one exception – the use of DDT under World Health Organization guidelines is acceptable because it is still considered essential to controlling disease transmission by mosquitoes in many countries.

⁴⁰ For example, as prescribed by the Montreal Protocol.

⁴¹ For example, as prescribed by the Basel Convention and the Rotterdam Convention.

Guiding principle: We invest in companies that demonstrate awareness for the dangers associated with the use of hazardous substances, and in companies that adopt, develop and promote less harmful alternatives. We invest in companies that demonstrate awareness about, and management of, contamination risks.

Triodos Bank excludes companies that:

- Operate at locations where potential negative consequences of their activities are unmanageable.
- Produce or sell pesticides³⁷ or other hazardous substances that form a threat to the wellbeing of humans, animals and the environment.
- Are involved in controversies related to contamination and hazardous substances, and have not taken sufficient measures, using best available technologies (BAT),³⁸ to prevent future occurrences.
- Produce or sell the most dangerous internationally acknowledged substances as identified by the UN Stockholm Convention on Persistent Organic Pollutants (POP).³⁹
- Run their businesses in a way that causes serious and irreversible environmental damage.
- Do not respect relevant international agreements on the production and use of hazardous or toxic substances.⁴⁰
- Do not respect relevant international agreements on trade in chemicals and chemical waste.⁴¹
- Are involved in riverine tailings disposal and submarine tailings disposal.
- Are at high risk of causing contamination and do not have policies and programmes which include targets and data on pollution, or do not develop and promote products and processes that are less harmful to the environment.

In practice

Triodos Bank will not finance companies that produce pesticides. However, we may have some exposure to pesticides by companies using them in the supply chain, or indirectly, via microfinance to farmers in emerging markets that may use pesticides.

Water

The focus here is on fresh water as a resource for drinking, agriculture and industrial processes, as well as the related scarcity that is already visible in some areas in the world. Global demand for fresh water has doubled during the past 50 years and is expected to increase rapidly.

What we believe

- Increasing (fresh) water scarcity is threatening life on earth.
- In water-scarce areas, the demand for fresh water may result in increased competition for water among companies, the general population, agriculture and ecosystems.
- Triodos Bank encourages companies to manage and limit their water use, to minimise the impact of their water use and to prevent water pollution, through water management strategies and programmes.
- We engage with companies to encourage them to understand their water footprint and stimulate good water stewardship.

Triodos Bank excludes companies that:

- Operate in water-intensive industries and do not undertake activities to reduce their fresh water use in all operations. Activities may include, but are not limited to, water scarcity impact assessments and water recycling.
- Start new operations in areas where water scarcity is pre-existing, and operations would compete with the needs of communities.

Governance

Triodos Bank believes that a good corporate governance structure represents the shared philosophy, practices and culture within a company and is self-regulating to ensure good practices in the future. Relevant issues for corporate governance include accounting and remuneration, corruption, taxes and other violations of legislation, codes and conventions.

Corporate governance is the structure of rules, practices and processes used to direct and manage a company and to balance the interests of all company stakeholders. It covers a wide range of aspects, such as transparency, possible conflicts of interest, accountability, diversity and fairness. In general, Triodos Bank is critical about companies with controversial practices in these fields.

What we believe

- Good corporate governance practices are fundamental for managing a company and for transparency and accountability.
- With respect to remuneration, Triodos Bank believes in the intrinsic motivation of employees to uphold good practices and strives to inspire others with this view.

- Good governance standards support transparency (including tax transparency), distribution of power, independency of supervision, fair remuneration principles and a focus on long-term value creation.
- We support the stakeholder model of corporate governance which stipulates that companies should take the interests of their stakeholders into consideration, not only that of their shareholders, such as employees, customers, suppliers and auditors, as well as impacted communities.
- Excessive executive remuneration contributes to social inequalities.

Guiding principle: Triodos Bank only finances companies that uphold good corporate governance practices.

Accounting and remuneration

Solid accounting and (executive) remuneration policies and compliance therewith are essential for companies' long-term health and reputation.

Triodos Bank excludes companies that:

- Are involved in accounting irregularities or remuneration controversies that raise significant ethical/moral concerns and are in clear violation of local or international standards of best practice, while failing to take credible measures.
- Have excessive executive remuneration and compensation packages that lack application of local or international standards of best practice.

Corruption

Corruption refers to the misuse of power in order to alter the course of business, usually characterised by giving or receiving bribes or payments. Triodos Bank believes that corruption can have serious negative consequences for society and the environment, as well as for local, national and international economies.

Triodos Bank excludes companies that:

- Operate in industries identified as high-risk for corruption without having a formal policy addressing the risk of bribery and corruption. In addition to this policy, companies that operate in the construction & engineering industry are required to have business ethics programmes addressing corruption.
- Are involved in controversies related to corruption, bribery or money laundering.
- Directly or indirectly promise or offer bribes or other illegal advantages, to acquire or retain orders or other advantages.

Taxes

Triodos Bank supports a fair and effective tax system, considering the interests of all stakeholders and believes that taxes should be paid in the countries where earnings are realised. In many cases, tax efficiency is legal and can increase the company's financial performance, particularly in the short term. However, the long-term consequences of aggressive tax planning may include financial, regulatory and reputation risks.

Triodos Bank excludes companies that:

- Are involved in tax avoidance schemes that raise significant ethical or moral concerns and are in clear violation of local or international standards, while failing to take credible measures.

Violation of legislation

Legislation, codes and conventions provide the framework within which companies can lawfully conduct their business and are critical for regulating companies' behaviour with regards to their impact on people and the environment.

Triodos Bank excludes companies that:

- Are involved in the violation of laws and legislation, codes of conduct or conventions, unless there is proof of a structural change within the company leading to fundamental changes in conduct.

Triodos Bank policies in practice

The Triodos Bank minimum standards are dynamic and may be subject to changes prompted by legislation, public debate, best practice standards and company behaviour. In addition, engagement and continuous dialogue with experts, interest groups and civil society organisations may prompt policy amendments. The minimum standards are examined at least every two years to enable Triodos Bank to stay abreast of new developments.

Some (controversial) products, services and activities do not fall under one of the categories described in this document but do constitute a significant obstacle for sustainable development. In addition, innovation and scientific evolution can dynamically change both thinking about positive impact and what impedes it.

Triodos Bank reserves the right to exclude companies involved in such products, services and activities. Companies that were involved in controversies related to the minimum standards topics or other topics and do not demonstrate sufficient improvement may also be excluded.

Comply or explain

Triodos Bank applies the comply or explain principle in case it makes an exception to its own policies or to international standards and principles, providing accounts of such a decision. Exceptions may occur when Triodos Bank's involvement stimulates a company or organisation to meet the desired sustainability standards in the short term. Strict requirements apply in such cases, such as a formal and public commitment to meeting the standards, supported by a viable strategy, clear targets and a realistic timeline. Exceptions may also occur when a company is credibly in a transition to become a leader on positive impact/ sustainability, or when the company's activities and products are fundamental for enabling a transition (e.g. renewable energy). Furthermore, exceptions may occur when activities are financed in a very complex and challenging environment, for example in weak governance zones.

Due to the role and nature of Triodos Bank, the impact of its positive approach in the real world depends on cooperation with its business relations, such as the companies and organisations that Triodos Bank finances and invests in. These and other stakeholders should respect the (spirit of) Triodos Bank's policies and principles as outlined in this document and shape their activities accordingly. Triodos Bank actively expects its business relations to incorporate components of relevance to their businesses into their internal procedures and procurement policy, as well as in contracts with subcontractors and suppliers. Triodos Bank serves its mission through the capabilities and human relationships of its co-workers. A clear governance structure aims to support and enhance those capabilities and relationships and should never be seen as a goal in itself.

Approved by the Executive Board of
Triodos Bank NV in December 2022

Appendix

Industry standards and international codes and conventions

Triodos Bank applies the principles of many standards and codes and conventions when relevant and proportional or uses these standards and codes and conventions in our prospect, supplier, and portfolio assessments (due diligence process). These standards, codes and conventions include but are not limited to:

Industry standards

- World Commission on Dams guidelines
- IFC Performance Standards
- Certificates or labels
 - FSC (wood, forest products)
 - ASC, MSC (fish, aquaculture)
 - Kimberley Process (diamonds)
- Conflict Free Smelter Programme (EICC)
- Round Table of Sustainable Palm Oil (RSPO)
- Palm Oil Innovations Group (POIG)
- International Council on Mining and Metals (ICMM)
- Organic Cotton Accelerator (OCA)
- Better Cotton Initiative (BCI)
- Cotton made in Africa (CmiA)
- Fairtrade certification

Codes and conventions:

- OECD Guidelines for Multinational Enterprises
- UN Guiding Principle on Business and Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- International Bill of Human Rights
- WHO (code for marketing of baby-milk substitutes)
- Montreal Protocol
- Basel convention
- Rotterdam Convention
- Cartagena Protocol
- World Conservation Union (categories I-IV)
- UNESCO World Heritage Committee
- Ramsar Convention on Wetlands, as described in the High Conservation Value (HCV) concept
- International Union for the Conservation of Nature Red List
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- United Nations Global Compact