

**Triodos  Bank**

Annual Report 2019



Triodos Bank produces a printed version of the English annual report. We do this because some of our stakeholders want to read the report in this format and because we are legally required to provide the annual report as a comprehensive, single document.

However, we have chosen to put more energy into producing the annual report online. The online annual report includes content that is not in this document including films highlighting the extraordinary work of the sustainable enterprises we finance.

However you choose to read or view the annual report, we hope it provides you with a rich picture of Triodos Bank's values-based mission, strategy and impact in the wider world.

[www.annual-report-triodos.com](http://www.annual-report-triodos.com)

## Triodos Bank

Triodos Bank is a co-founder of the Global Alliance for Banking on Values, a network of leading sustainable banks – visit [www.gabv.org](http://www.gabv.org)

Important dates for Triodos Bank's shareholders and depository receipt holders.

Annual general meeting	15 May 2020
Ex-dividend date	19 May 2020
Dividend payment date	22 May 2020

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**Content only available online at [www.annual-report-triodos.com](http://www.annual-report-triodos.com)**

Annual Report 'at a glance' – A brief summary of our performance  
 Europe's sustainable bank – Integrated summary of country banking operations' activities  
 Impact – Vision and practice, including case studies  
 Country Reports – A summary of activities in each of the countries where we operate  
 Global Reporting Initiative (GRI) content index  
 Pillar 3 report 2019

## Key figures

Amounts in millions of EUR	2019	2018*	2017	2016	2015
<b>Financial</b>					
Equity	1,200	1,112	1,013	904	781
Funds entrusted	10,690	9,558	8,722	8,025	7,283
Loans	8,187	7,248	6,598	5,708	5,216
Balance sheet total	12,060	10,850	9,902	9,081	8,211
Funds under management <sup>1</sup>	5,671	4,673	4,604	4,373	4,087
<b>Total assets under management</b>	<b>17,731</b>	<b>15,523</b>	<b>14,506</b>	<b>13,454</b>	<b>12,298</b>
Total income	292.0	261.1	240.3	217.6	211.6
Operating expenses	-234.6	-212.1	-190.2	-171.9	-150.2
Impairments loan portfolio	-3.9	-3.5	-1.8	-5.7	-7.6
Value adjustments to participating interests	0.3	-0.5	1.3	-1.5	0.2
Operating result before taxation	53.8	45.0	49.6	38.5	54.0
Taxation on operating result	-15.0	-10.3	-12.2	-9.3	-13.3
<b>Net profit</b>	<b>38.8</b>	<b>34.7</b>	<b>37.4</b>	<b>29.2</b>	<b>40.7</b>
(Common) equity tier 1 ratio	17.9%	17.5%	19.2%	19.2%	19.0%
Leverage ratio	8.5%	8.6%	8.9%	8.8%	8.4%
Operating expenses/total income	80%	81%	79%	79%	71%
Return on equity in %	3.4%	3.3%	3.9%	3.5%	5.5%
Return on assets in %	0.3%	0.3%	0.4%	0.3%	0.5%
Real Economy assets/Balance sheet total <sup>2</sup>	76.1%	77.5%	80.2%	80.6%	83.3%
Triple Bottom Line assets/Balance sheet total <sup>2</sup>	73.8%	76.3%	75.3%	77.0%	77.9%

	2019	2018*	2017	2016	2015
<b>Per share (in EUR)</b>					
Net asset value at year end	83	82	83	82	81
Net profit <sup>3</sup>	2.78	2.69	3.19	2.83	4.40
Dividend	1.35	1.95	1.95	1.95	1.95
Number of depository receipt holders	44,401	42,416	40,077	38,138	35,735
Number of accounts – retail	830,816	839,242	808,090	759,738	707,057
Number of accounts – business	77,984	68,751	60,339	50,765	44,418
<b>Social</b>					
Number of co-workers at year end	1,493	1,427	1,377	1,271	1,121
Co-worker turnover	10%	9%	9%	8%	14%
Women as percentage of management team	44%	39%	44%	40%	38%
Ratio of highest to median salary <sup>4</sup>	5.6	5.6	5.7	5.7	5.7
<b>Environment</b>					
Triodos Bank's own emissions, 100% compensation (in ktonne CO <sub>2</sub> eq.)	2.9	2.8	3.1	3.1	3.0
Net emissions in outstanding loans and investments (in ktonne CO <sub>2</sub> eq.) <sup>5</sup>	265	152	–	–	–
Avoided emissions in renewable energy loans and investments (in ktonne CO <sub>2</sub> eq.) <sup>5</sup>	962	985	–	–	–

\* Prior year amounts were subject to accounting principle changes. For explanations see the general accounting principles.

<sup>1</sup> Including funds under management with affiliated parties that have not been included in the consolidation.

<sup>2</sup> Triple Bottom Line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits. We believe this figure provides the best indication of a bank's commitment to sustainability. The assets committed to the Real Economy and to the Triple Bottom Line for the years 2015 and 2016 have not been reviewed.

<sup>3</sup> The figure of net profit per share is calculated on the average number of issued shares in circulation during the financial year.

<sup>4</sup> The ratio of highest to median salary (excluding highest salary) follows the GRI criteria and is considered best practice. All salaries are calculated on a full-time basis. The ratio of the highest to the lowest salary is reported in the co-worker report on page 48.

<sup>5</sup> 2018 was the first year of reporting using the Partnership for Carbon Accounting Financials (PCAF) methodology. 100% (2018: 68%) of our outstanding loans and funds' investments are assessed in 2019.

# Governance structure

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## Executive Board

The daily management and strategic development of Triodos Bank N.V. (hereafter Triodos Bank) lies with the Executive Board. The Executive Board is formally responsible for the management of Triodos Bank and the members are appointed by the Supervisory Board.

## Supervisory Board

Triodos Bank has a Supervisory Board, which monitors the Bank's business operations and advises its Executive Board, to benefit its business interests. New members of the Supervisory Board are appointed by the Annual General Meeting, based on recommendations from the Supervisory Board.

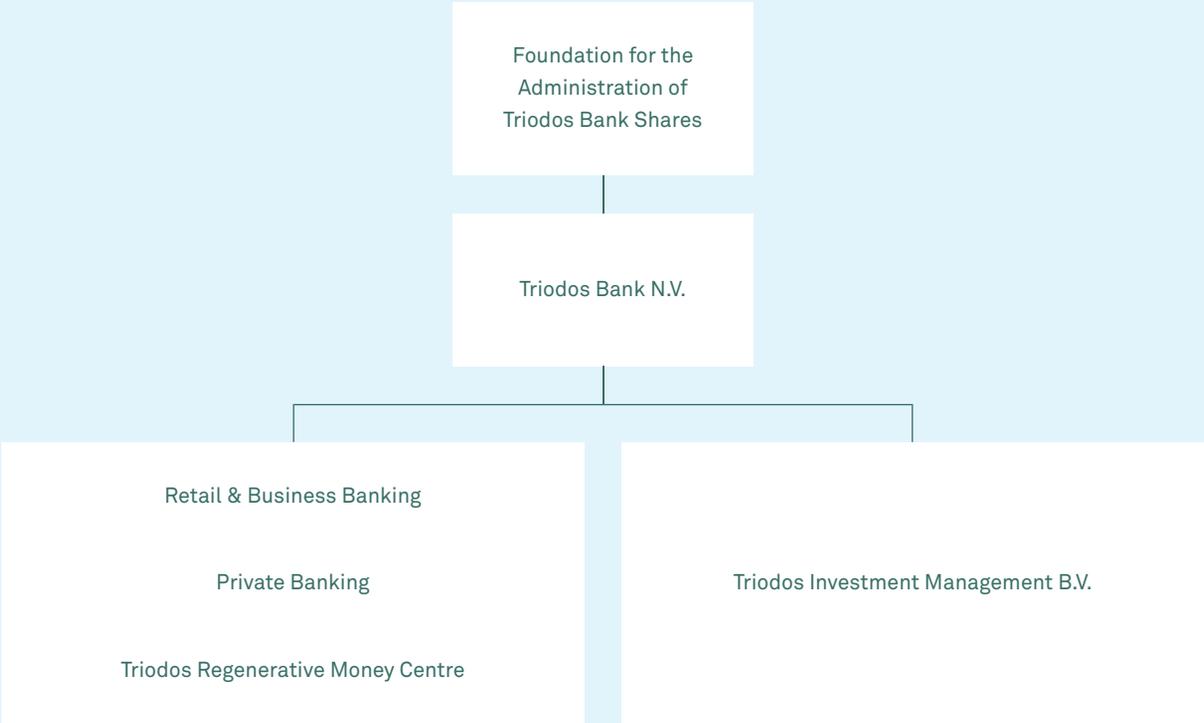
## SAAT – Foundation for the Administration of Triodos Bank Shares

Triodos Bank believes it is crucial that its mission and identity is protected. As a result, all Triodos Bank's shares are held in trust by SAAT – the Foundation for the Administration of Triodos Bank Shares. SAAT then issues depository receipts for Triodos Bank shares to the public and to institutions. These depository receipts embody the economic aspects of the shares of Triodos Bank N.V. In addition, it exercises the voting rights for the Triodos Bank N.V. shares. The Board of SAAT's voting decisions are guided by the Bank's ethical goals and mission, its business interests, and the interests of the depository receipt holders. Triodos Bank depository receipts are not listed on any stock exchange. Instead, Triodos Bank maintains its own platform for trading in depository receipts.

More information about Triodos Bank's Boards is available at [www.triodos.com](http://www.triodos.com) and in the biographies in the appendix of the audited, English language version of the annual report.

# Triodos Bank Group structure 2019

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### Retail Banking

Through our European network, our goal is to offer our customers products with a purpose including savings, payments, lending, private banking and investments.

### Business Banking

We lend money only to organisations working to bring about positive and lasting change.

Our lending focuses on three key areas:

- Energy and climate
- Food and agriculture
- Socially inclusive business

### Private Banking

We advise customers on employing their capital to stimulate sustainable development. Our key service is sustainable discretionary asset management.

### Investment Management

Impact investing takes place through investment funds or investment institutions bearing the Triodos name.

The 16 active funds are grouped in business lines based on the themes they invest in:

- Energy and Climate
- Inclusive Finance
- Sustainable Food and Agriculture
- Impact Equities and Bonds

# Our purpose: the conscious use of money

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Triodos Bank wants to promote human dignity, environmental conservation and a focus on people's quality of life in general. Key to this is a genuinely responsible approach to business, transparency and using money more consciously. Triodos Bank puts values-based banking into practice. We want to connect depositors and investors with socially responsible businesses to build a movement for a sustainable, socially inclusive society, built on the conscious use of money.

## Triodos Bank's mission is

- To help create a society that promotes people's quality of life and that has human dignity at its core
- To enable individuals, institutions and businesses to use money more consciously in ways that benefit people and the environment, and promote sustainable development
- To offer customers sustainable financial products and high-quality service.

## Market and core activities

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

### As a values-driven service provider

Bank 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.

### As a relationship bank

Triodos Bank's service is built on deepening and developing long-term relationships with its customers. Relationships are nurtured through various on and offline channels, including offices where customers meet co-workers face-to-face and at community events.

Triodos Bank's aim is to create a broad customer base that's closely connected to it – 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; its services have developed in different ways in each of the countries where it works, depending in part on the stage of development of the banking entities in question.

### As a frontrunner in responsible banking

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 on issues such as the need to make corporate social responsibility mainstream as a frontrunner of values-based banking which can transform the economy. Stakeholders have encouraged Triodos Bank to focus on this role as a frontrunner.

Triodos Bank, with 40 years of experience in values-based banking was a founder of the Global Alliance for Banking on Values, a global movement of more than 60 like-minded banks committed to advancing positive change in the banking sector.

Triodos Bank's vision and approach has led to international recognition. Its participation in the public debate, often through high-impact events that it hosts and participates in, means people can see what Triodos Bank stands for and hear its opinions about important social trends. Triodos Bank's identity is crucial for its brand and reputation.

# Executive Board report

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## The report in short

The Executive Board chapter provides an overview of Triodos Bank's perspective on the wider world it operates in, its impact and activity in 2019 and its prospects for the future. To help make this chapter easier to navigate we have broken it down into its constituent parts. In essence the chapter is divided between:

- A narrative section: a high-level perspective on the world we're in and Triodos Bank's place in it (page 9 to page 12)
- An analysis of key or 'material' topics: these topics are defined by our stakeholders and Triodos Bank, and reported on throughout the report. They inform our strategic objectives, which are also described in this second section, including our progress against our goals and plans for the future (page 13 to page 27)
- A third section describes our results, both in terms of the impact our customers deliver and our financial performance. They include how we did across Triodos Bank's banking entities and Triodos Investment Management. We also describe our products and services and their impact on society, the environment and culture (page 28 to page 47)
- A fourth, and final, section summarises our approach and results as a company. This section includes a co-worker and environmental report as well as important risk and compliance information (page 48 to page 58).

We welcome feedback on the annual report. Please tell us what you think by emailing [arfeedback@triodos.com](mailto:arfeedback@triodos.com).

## The bigger picture

2019 was characterised by civil activism, bold political declarations and a rising tide of business action to deal with global challenges. At the heart of them was an effort to catalyse action to build a more socially inclusive society in the face of the climate emergency. Governments across the world committed to cut climate emissions, sometimes galvanising popular

opinion with ambitious targets to cut national greenhouse gas emissions.

This thirst for change was reflected across the banking sector too. The duty of banks to play a positive role in society was evident in international initiatives like the United Nations (UN) Principles for Responsible Banking which were launched during the year and are designed to accelerate the banking industry's contribution to achieving society's goals as expressed in frameworks like the UN Sustainable Development Goals and the Paris Climate Agreement. Triodos Bank was closely involved in developing both the Principles for Responsible Banking and another industry-lead initiative, the Partnership for Carbon Accounting Financials (PCAF). Originally a Dutch initiative, PCAF provides financial institutions with a methodology to assess the greenhouse gas emissions of their loans and investments. During the year a global programme was launched that aims to more than double the number of financial institutions using the PCAF approach globally.

In our view these developments reflect a widespread unease in society that not enough is being done, nor quickly enough. Having stabilised for three years global carbon emissions increased over the last two years. At the same time parts of the world are wrestling with increasing levels of inequality, frustrating efforts to build more inclusive societies. While political parties seeking election in some countries during the year focused on the need to act to address the climate emergency, other political parties made a virtue of supporting polluting industries.

## Acting today without losing the bigger picture

Banks, government and civil society alike face the challenge of dealing with today's emergency while taking care of the longer-term challenges of tomorrow. A powerful example of the difficulties of meeting these simultaneous challenges took place in The Netherlands in 2019. The top court in the country determined that rules for granting building and farming permits breached EU law on protecting nature from nitrogen emissions. The court's decision, reflecting just how unsustainable the situation has

become, prompted widespread protests from Dutch farmers who took to the roads to create the largest traffic jam in Dutch history. Despite the need for a sharp decline in emissions, atmospheric concentrations of greenhouse gases have just started to level off in 2019, according to some reports. At the same time as we struggle to deal with the impact of short-term measures, we believe the agricultural system itself needs to change fundamentally to be sustainable over the longer term. We will need to address both if we're to have any chance of living within our planetary limits while retaining a healthy society.

For Triodos Bank that means financing change, by lending to and investing in values-based enterprises that are dealing with the emergency we face today. And it means acting in the long-term to change finance as a pioneer of responsible banking. It means continuing to be the lead arranger of green energy deals in Europe, for the fourth year in a row, and playing a central role in the development of national, industry-wide initiatives – like the Dutch Climate Agreement. It aims to reduce CO<sub>2</sub> emissions in The Netherlands by setting a clear, national reduction goal of 49% by 2030 compared to 1990.

To influence at a national and even regional level isn't easy. We have fought at a European level to influence the debate on the development of a new green taxonomy, for example. This matters, because the proposed taxonomy risks penalising institutions offering green financial products – who will have to invest in meeting tighter regulations to 'prove' the green credentials of their products. In principle such measures are a good thing. But not if they neglect to make sure stakeholders are equally well informed about products linked to 'brown' assets like fossil fuels. Despite our relatively small size, we have persevered, often by partnering with others, to persuade decision-makers about the folly of these kinds of well-intentioned but potentially counterproductive measures. We must act in the now, without losing sight of the bigger picture.

### The heroes of values-based banking. You.

We are convinced that the sustainable transition, ultimately, comes down to a question of collective will. The technologies we need to make the change required to create a more inclusive, low-carbon economy, already exist to a large degree. Work has been done to assess the long-term business case underpinning many of these new opportunities providing a compelling argument for action. And, increasingly, there are individuals and groups willing to act. We know that, because thousands of them are Triodos Bank customers. People willing to save and invest their money in the service of collective benefit. They are the heroes of the emerging consensus that the time to prevaricate is over.

We saw their passion at events in all the countries where we work throughout the year. Indeed, creating opportunities to engage with our customers, and helping them to increase their positive impact, is a critical part of our work. In The Netherlands, for example, over 1,000 people attended a day of Triodos Bank activities, connecting with a community of Triodos Bank co-workers, the businesses we finance and each other. This is just one powerful example of how we want to include people in finance.

This community of stakeholders engages with Triodos Bank's business model which combines a moderate risk profile and fair returns with a singular focus on delivering lasting, positive impact. Our impact comes from exclusively financing sustainable sectors, via entrepreneurs and businesses addressing sustainable challenges 'in the now'. At the same time, we aim to influence more broadly by arguing for sustainable change in the sectors where we're active and in the banking sector itself.

## Triodos Bank performance

Paying careful attention to managing risk and ensuring a fair return is a fundamental part of our banking model. But as a pioneer of values-based banking, so is impact. We published two vision papers on 'energy and climate' and 'food and agriculture' respectively during the year. Together they describe our theory of change for two of three key themes of our activity. The third is social inclusion. We will publish a vision paper on it, next year.

Our results show that Triodos Bank is increasingly able to act at scale. For example, in 2019, we financed more than 175 social enterprises in Europe via a partnership with the European Investment Fund (EIF), as part of the EU Programme for Employment and Social Innovation (EaSI). This built on more than 120 social entrepreneurs we have financed in 2018 as part of this intra-European partnership.

We continued to innovate, launching the Triodos Regenerative Money Centre – which aims to increase the conscious use of money, through donations and catalytic investments which are not consolidated in Triodos Bank's financial statements. Its focus will be on investments in a circular, socially inclusive and creative eco-system for people and the planet. And innovation was not limited to our financial products; Triodos Bank opened a ground-breaking new office, the Reehorst, in The Netherlands towards the end of the year because how we do things matters, as well as what we do. The building is one of the most sustainable in the country. More details follow in the environmental report on page 52.

We also took care of important developments within the Triodos Bank network. As we have described in previous reports, the UK office became a full subsidiary company on 1 May 2019. This effectively equips the bank for the future regardless of conclusions to the Brexit process. Due to Triodos Bank's increasing growth, internationalisation and in line with developments on reporting in the banking sector, Triodos Bank decided to adopt the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) with effect from 1 January 2020. This meant considerable work during

the year. We describe some of the consequences of this development in more depth later in this chapter.

Triodos Bank's impact is built on the passion, skills and leadership of the diverse group of people who work here. During the year we transformed our way of working to include Change Domains. This new structure brings people together in multidisciplinary teams who benefit from iterative processes with the goal of creating a more agile way of working that supports our development as one bank operating in multiple places with a range of customers.

Broader process improvements were also made in Triodos Investment Management N.V. (hereafter 'Triodos Investment Management') during the year, delivering efficiencies and increasing our impact. Because we want to be a reference platform for values-based finance, we began the third-party distribution of funds in Germany. We created new mix funds and closed the Sustainable Real Estate fund as highlighted in previous reports. We also saw a one-off sale of a participation in Uganda's Centenary Bank, generating additional fee income for Triodos Investment Management, which makes a substantial contribution to the Group's financial performance.

From the start of the year we integrated an impact tool into our normal business processes to help us better understand, monitor and equip the business to steer from an impact perspective. The Impact Prism provides new insights into the impact of our loans and, in the future, our investments. Highlights include ensuring 100% of our finance is in sustainable sectors, developing detailed reports on the carbon impact of our loans and investments for a second year, and producing an extended sustainable development goal report which you can read on page 231. You can find more details on the outcomes from this work later in the chapter.

As well as these positive developments Triodos Bank continues to face the challenges of the large-scale supply of money, the continuing impact of increased regulatory costs and a low interest rate environment.

Low interest rates continue to have a downward impact on the bank's interest margin, mainly because

the growth of funds entrusted outpaces the growth of the loan portfolio. As a result, excess liquidity has grown and was placed with the European Central Bank (ECB) at a negative interest rate. The excess liquidity must be placed with the European Central Bank at a negative interest rate and at a cost for Triodos Bank.

To address the issue of shrinking margins, we will be more selective on the projects within the sectors we finance and the allocation of loan growth to the countries we are active in. We will also review critically the products and services we develop and offer to our customers. Our focus will be on loans, which will deliver both financial and impact benefits. We acknowledge that this may diminish the rate of loan growth.

Throughout the year we have combined a focus on dealing with the shorter-term challenges of the climate and social inclusion emergency we face, with developing longer-term impact that will contribute to the deep-seated transition we need. From financing ground-breaking sustainable enterprises across Europe to developing a 'sustainable finance lab' in Spain, inspired by a similar initiative in The Netherlands, or a German Sustainable Finance Council, we are in the business of using money consciously to address immediate and emerging challenges. With the continuing wisdom, support and passion of an extraordinary group of committed customers, investors and co-workers, we expect to contribute directly, and powerfully, to the urgent change needed across the globe.

### COVID-19 outbreak in 2020

Triodos Bank considers the COVID-19 Pandemic as a significant event after closing the Annual Accounts 2019. The impact of the pandemic on people, companies and the economy at large cannot be assessed in full depth at this stage. However, the

impact may have a downward effect on profitability. Measures to mitigate the operational risks are in place. Additional measures are dependent on our own assessments and the response of the authorities.

### Prospects

The business of running a bank has become increasingly demanding. Providing quality products and services, meeting growing regulatory requirements including executing customer due diligence and monitoring transactions effectively, comes with costs in time and resources. Meeting the increasing costs of constantly increasing regulation creates challenges and impacts on our overall profitability.

This raises important strategic questions for Triodos Bank. We are continuously working to address them by reducing costs where we can and increasing fee income – principally through the expansion of our Triodos Investment Management activity. In addition, and importantly, we are proactively working to develop ICT and digitalisation solutions to help enhance customer experience and make processes more effective.

By harnessing our strengths as one bank, unlocking the potential of our organisation and mission, and continuing to pioneer responsible banking, we expect Triodos Bank to continue to find powerful opportunities to generate positive change.

Zeist, 18 March 2020

Triodos Bank Executive Board

Peter Blom, Chair  
Jellie Banga, Vice-Chair  
Carla van der Weerd  
André Haag

## Our stakeholders and material topics

Triodos Bank's stakeholders are key to determining the focus and attention of the organisation's efforts. The following section highlights who Triodos Bank's stakeholders are. It describes the material issues that they and Triodos Bank have identified as most important, and hence provide the focus of its reporting. And it details Triodos Bank's strategic objectives, their progress and the goals for the future.

### Stakeholder dialogue: keeping us on our toes

Actively seeking a connection with the world around us is key to ensuring Triodos Bank remains relevant and can continue to build on its frontrunner ambitions. All our business and financial decisions have an impact on our stakeholders. In turn, the societal themes embraced by our stakeholders have an impact on what we do and how we do it. The starting point of our conversations with the broader stakeholder community is our essence, which defines who we are. How we bring that essence to life through our actions, is very much informed by the engagement with our key stakeholders and the developments in society at large.

We have benefited from open discussions with them for many years and in varied ways, from hosting evenings of debate with civil society, to organising client days connecting hundreds of customers in all the countries where we work, to depository receipt holder meetings and surveys. This work is undertaken, and managed, both centrally at a Group level and especially by co-workers in Triodos Investment Management and the offices in all the countries where we are active.

In addition to numerous interactions throughout the year at all levels of our organisation, we follow a formal process to create an analysis of the issues that are most important both to our stakeholders and ourselves and provide follow-up by integrating these issues into our management objectives. Consequently, we report on the progress of these objectives following the Global Reporting Initiative's Standards guidelines.

### Improving stakeholder dialogue and materiality analysis

In 2019 Triodos Bank further strengthened its stakeholder engagement and materiality analysis. A new structure will help us co-ordinate and improve stakeholder engagement in order to identify and monitor emerging topics of interest to them.

Firstly, we charted our stakeholder groups. Triodos Bank identifies three general categories: stakeholders that engage in economic relationships with the business, those without an economic relationship but with a close interest in Triodos Bank from a societal perspective and finally stakeholders who provide new insights and knowledge. We have identified specific stakeholder groups for each category, including the influence they exert on Triodos Bank and the expectations they have of us.

With help from local offices and public sources, we then identified a longlist of 57 potential material topics that were most prevalent during the year. From this we produced the final list of material topics, with the aim of asking stakeholders' opinions through a survey. This analysis showed that the existing material topics in the materiality matrix (which were consulted with stakeholders in previous years) largely covered the topics on the longlist.

We also added more specific topics to our survey because these were very prominent in the sources we analysed. These topics relate to existing material topics:

Specific topic	Material topic
Financial crime (money laundering and fraud)	Resilient financial institution
The low interest environment	Resilient financial institution
The climate emergency	Integrating mission/strategy
PSD2/data/privacy	Protecting client data
Digital inclusion	Social inclusion
Dilemmas related to financing of initiatives	Sustainable investments

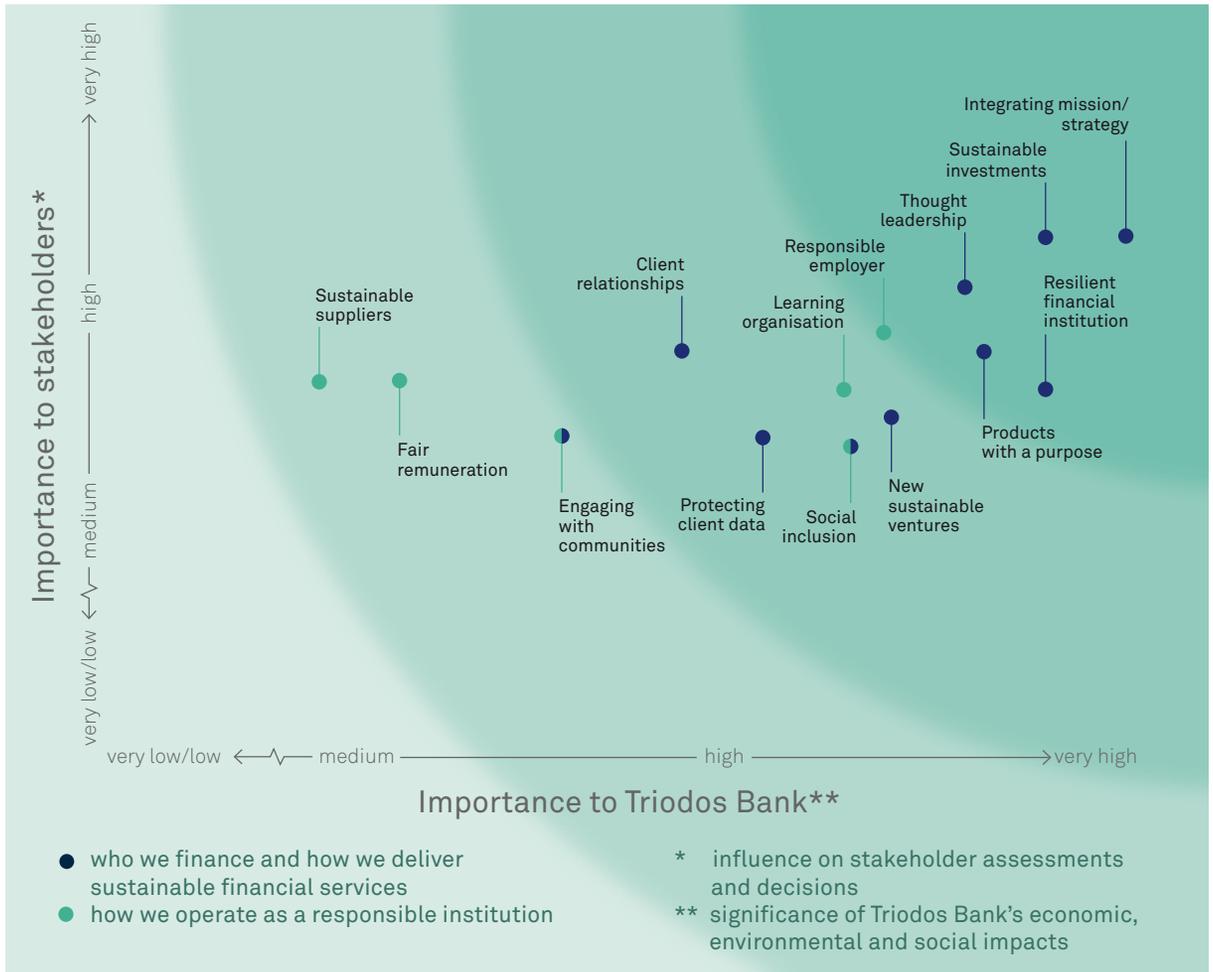
To streamline our stakeholder engagement regarding material topics, we have appointed topic owners. These are Triodos Bank co-workers, in senior positions, who have significant responsibility for the material topics and who have regular contact with stakeholders about them.

The stakeholder survey was distributed to representatives from all the specific stakeholder groups, in all the countries where we work. We also organised an annual stakeholder meeting during the year. Thirty representatives from all stakeholder groups attended. To conduct a more substantive conversation, we hosted separate discussions on the following topics: sustainable suppliers, social

inclusion and climate neutrality. After these separate sessions a plenary session was held about a topic chosen by the stakeholders at the start of the meeting: the role of Triodos Bank in the public debate.

This year’s materiality analysis includes the results of the stakeholder survey, the feedback we received at the Annual General Meeting, participation in various global strategic bodies and the annual stakeholder meeting. The analysis is supplemented by input from the topic owners, learnings from several stakeholder events and interactions during the year including sector specific events in various countries and the external analysis we did in support of our strategy process throughout the year.

Materiality matrix 2019



## Stakeholder table

Overall category	Stakeholder	Definition	Most relevant topics
Those that engage in economic transactions with Triodos Bank	Clients	<ul style="list-style-type: none"> <li>• Clients expect excellent banking and financial services</li> <li>• They expect Triodos Bank to put their interests first.</li> <li>• Clients are essential to achieve our mission.</li> </ul>	<ul style="list-style-type: none"> <li>• Protecting client data</li> <li>• Client relationships</li> <li>• Engaging with communities</li> <li>• Social inclusion</li> <li>• Sustainable investments</li> <li>• Thought leadership</li> <li>• Products with a purpose</li> <li>• Integrating mission/strategy</li> <li>• New sustainable ventures</li> </ul>
	Depository receipt holders	<ul style="list-style-type: none"> <li>• Influence on and expectations of Triodos Bank's ability to have the right balance between individual return on investment and social, environmental and cultural returns.</li> </ul>	<ul style="list-style-type: none"> <li>• Social inclusion</li> <li>• Resilient financial institution</li> <li>• Thought leadership</li> <li>• Integrating mission/strategy</li> <li>• New sustainable ventures</li> </ul>
Those that have a close interest in Triodos Bank	Co-workers	<ul style="list-style-type: none"> <li>• Influence on and expectations of Triodos Bank's ability to create a working environment that's inspiring, healthy and welcoming.</li> <li>• Expect and contribute to a workplace where each co-worker finds room to address the important questions of our time and where each individual can work effectively in line with the mission and values.</li> </ul>	<ul style="list-style-type: none"> <li>• Fair remuneration</li> <li>• Learning organisation</li> <li>• Responsible employer/diversity</li> <li>• Engaging with communities</li> <li>• Social inclusion</li> <li>• Sustainable investments</li> <li>• Thought leadership</li> <li>• Integrating mission/strategy</li> <li>• New sustainable ventures</li> </ul>
	Suppliers	<ul style="list-style-type: none"> <li>• They expect Triodos Bank to a responsible and reliable business partner.</li> <li>• They are partners in our mission for a more sustainable world.</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable suppliers</li> <li>• Engaging with communities</li> <li>• Social inclusion</li> <li>• Responsible employer</li> <li>• Integrating mission/strategy</li> </ul>
Those that have a close interest in Triodos Bank	NGOs	<ul style="list-style-type: none"> <li>• Influence on and expectations of Triodos Bank's ability to execute its mission in a responsible and ethical way with a positive impact on society and the environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Fair remuneration</li> <li>• Social inclusion</li> <li>• Sustainable investments</li> <li>• Responsible employer</li> </ul>
	Governments and regulators	<ul style="list-style-type: none"> <li>• Influence on and expectations of Triodos Bank's ability to execute its mission in a responsible and ethical way</li> <li>• Expect us to be compliant to laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Fair remuneration</li> <li>• Protecting client data</li> <li>• Resilient financial institution</li> <li>• Thought leadership</li> <li>• Integrating mission/strategy</li> </ul>

Overall category	Stakeholder	Definition	Most relevant topics
	Local communities	<ul style="list-style-type: none"> <li>Local communities expect to benefit from our financial activities.</li> </ul>	<ul style="list-style-type: none"> <li>Engaging with communities</li> <li>Thought leadership</li> <li>Products with a purpose</li> <li>Social inclusion</li> <li>Integrating mission/strategy</li> </ul>
	Financial sector	<ul style="list-style-type: none"> <li>The financial sector is key to achieve our mission to increase the positive impact of finance on society and the environment (our mission to change finance).</li> </ul>	<ul style="list-style-type: none"> <li>Social inclusion</li> <li>Resilient financial institution</li> <li>Thought leadership</li> <li>Integrating mission/strategy</li> </ul>
	Media	<ul style="list-style-type: none"> <li>The media influence public opinion about Triodos Bank and about the topics that are relevant for our mission</li> </ul>	<ul style="list-style-type: none"> <li>All topics can be relevant</li> </ul>
Those that provide knowledge and insights	Advisors and influencers	<ul style="list-style-type: none"> <li>They prompt us to reflect, rethink and explore new territory</li> </ul>	<ul style="list-style-type: none"> <li>Engaging with communities</li> <li>Social inclusion</li> <li>Thought leadership</li> <li>Integrating mission/strategy</li> </ul>

**Complying with GRI Standards**

We report on all of our stakeholder consultations using the Global Reporting Initiative (GRI) Standards. GRI requires reporting organisations to comply with their quality and content requirements to ensure a high-quality standard of sustainability reporting. Triodos Bank’s mission, vision and strategy are fully based on sustainability ambitions and a commitment to responsible banking. Therefore, many steps required to identify stakeholders and sustainability issues (material topics) for other organisations are standing practice for Triodos Bank. Stakeholder engagement and working together towards a fair and sustainable world are daily business for Triodos Bank. Consequently, not all theoretical steps towards integrated sustainable business and sustainability reporting are made explicitly, or rather: they are embedded in the process of sustainable banking. Examples of these steps are: stakeholder mapping, mapping of topics and assigning proper GRI denominations to variables such as ‘influence’, ‘importance’ or ‘impact’. In practice it appears that Triodos Bank and its stakeholders understand each

other well and are aligned in jointly achieving the goals of financing change and changing finance.

In our surveys and other stakeholder consultations we continuously discuss the influence of material topics on their decisions and the impact of these topics on Triodos Bank. Following this ongoing dialogue with our stakeholders, ‘influence on’ / ‘importance of’ / ‘impact on’ are used interchangeably by both Triodos Bank and its stakeholders. GRI Standards use the formal denominations of ‘Influence on stakeholder assessments and decisions’ for the y-axis and ‘Significance of economic, environmental and social impacts for Triodos Bank’ for the x-axis. Our stakeholders are more familiar with and continue to use the expressions ‘importance of’ and ‘influence on’ (and are not always familiar with GRI). Therefore, Triodos Bank has chosen to continue using these denominations in its communications, including the annual report.

## Material topics

All the topics identified in the materiality matrix relate directly, or indirectly, to Triodos Bank's purpose as an integrated sustainable bank using money to deliver positive change. The boundary of the topics in blue are typically external. They are defined either by relevant issues within a client relationship or by our business strategy. The material topics in green are more internal. They describe how we operate as a responsible institution ourselves. Ordinarily we have a direct impact on these topics, in the selection of suppliers or our remuneration policies, for example.

The results suggest Triodos Bank's stakeholders want and expect Triodos to continue to be a leader in sustainable finance, with a strategy that reflects and supports its mission. In addition, impact investments (in this sense combining both lending and investing in sustainable enterprises), and sector knowledge/ thought leadership are very important both for Triodos Bank and for its stakeholders. They also identified the climate emergency as a very relevant topic.

Material topics are discussed in more depth below and/or are covered in relevant sections of the rest of the report.

## Sustainable investments

Sustainable investments are at the heart of Triodos Bank's work. They are what enables the organisation to finance change – via financing sustainable initiatives in key sectors – and their combined impact gives Triodos Bank the credibility to change finance – by using its influence to try to stimulate positive systemic change in the banking sector.

The boundaries of sustainable investments are determined by Triodos Bank's mission, business principles and minimum standards. The impact of these investments is direct and on entrepreneurs, businesses and key sectors detailed in the annual report. The definition of sustainable investments is limited by Triodos Bank's lending and investment criteria and based on balanced decisions made by experts in Triodos Bank's lending and investment

teams who determine whether to finance a prospective customer, or not.

Procedures to assess and screen risks are undertaken by business managers supported by risk managers within Triodos Bank's European network of offices. This process is described in more depth later in the annual report on page 55. Triodos Bank's relationship managers interact with 100% of its borrowing customers on these issues. And all its assets are subject to positive and negative environmental and social screening.

## New sustainable ventures

New sustainable ventures are pioneering new enterprises that tackle one, or more, of society's key challenges. For Triodos Bank the transition to a regenerative economy is one of the most important and the boundary for this material topic. In 2019 Triodos Bank set up the Triodos Regenerative Money Centre, which aims to increase the conscious use of money, through donations and catalytic investments. The initiative's goal is to support a regenerative economy that serves people and is a steward of the earth's ecosystems.

Triodos Bank's Regenerative Money Centre (TRMC) aims to deliver its goals by using Triodos Bank's lending criteria and minimum standards. The goal of every donation and investment is to regenerate society at large, increase consciousness and provide new perspectives on current questions in areas where, for different reasons, traditional bank and investment products cannot provide an answer.

TRMC manages four existing entities which are not consolidated in Triodos Bank's financial statements (Triodos Foundation, Triodos Sustainable Finance Foundation, Triodos Renewable Energy for Development Fund and Triodos Ventures). By managing them from one centre this results in a larger funding base and creates synergies among the different teams of co-workers involved. The centre is building a story line about the different qualities of money that underline Triodos Bank's distinctive approach.

## Integrating mission and strategy

Since its inception Triodos Bank has integrated mission and strategy. Unlike many other banks, Triodos focuses on risk, return *and* impact. And it always has. That means this is a material topic, the boundaries of which encompass its entire activity.

Integrating mission and strategy influences everything the organisation does, from its governance structure – which safeguards the mission of the bank – to its exclusive focus on sustainable investments. Being a ‘Frontrunner in responsible finance’ and ‘Unlocking our purpose’ are two of Triodos Bank’s three key strategic objectives and both reference mission explicitly. The third strategic objective, ‘One Bank’ that’s redesigned, responsive and robust, links to the long-term resilience of a financial institution which is a key principle of values-based banking.

## Thought leadership

The analysis shows our stakeholders think it is important that Triodos Bank acts as a thought leader. We also believe Triodos Bank should play a role in this way, acting as a frontrunner in the banking sector because this can stimulate change in others. This is true for the activities we finance in specific sectors, and for the debate about how to improve the banking system in service of society and the challenges we face for example. Our role in the development of a financial sector paragraph in the Dutch Climate Accord and the launch of the *United Nations Principles for Responsible Banking* are examples of this in practice.

As a pioneer Triodos Bank aims to be a catalyst for change in the banking sector, beyond its immediate activities financing sustainable sectors. Changing the financial system so that it is better able to serve people while taking care of the environment we depend on is fundamental to our mission, hence its inclusion as a material topic. To do this we need to be experts in our field both as a bank and as experts in financing specific sustainable sectors. That’s why we include sector knowledge, as well as being an expert in sustainable finance, within the boundary of this topic.

In 2019 that translated into the publication of vision papers on energy and climate and food and agriculture, for example. We also participated in several round table discussions in the Dutch Parliament about these topics, and the role of the financial sector. On a European level we are involved in discussions about a sustainable finance action plan, specifically related to taxonomy. The third key impact theme in our strategy is social inclusion, which is itself a separate material topic.

Our work on this topic is led by Triodos Bank’s Chief Economist and a small team at Head Office as well as by senior management in Triodos Bank’s country operations and Triodos Investment Management. Most of the resources applied to this work are in the form of people’s time, typically via speaking opportunities and collaboration on working groups and in partnerships. Centrally-organised evaluation is undertaken by the Chief Economist, based on input from the banking entities and Triodos Investment Management in particular and reported to a broad base of relevant internal stakeholders. This evaluation informed the development of a ‘Change Finance’ strategy in 2019 to be used in 2020 and beyond.

Our role in the development of a global programme to account for the carbon footprint of loans and investments and an active role in the development of the *United Nations Principles for Responsible Banking*, which launched during the year, are examples of this in practice.

## Client relationships

Client relationships are a material topic, not least because strong relationships limit the chances of loans and investments going wrong and make working through challenges with clients easier when problems do occur. This is especially true of, and important to, values-based banks who engage closely with the people they finance and the sectors they work in. In addition, as a bank with a stakeholder rather than a shareholder focus, this topic and our impact also applies to personal clients of all kinds. As part of this approach, we focus on improving our customers’ experience. Deepening our relationship approach has

been a key strategic objective and is an integral part of Triodos Bank's model. Indicators of our engagement on the topic include Net Promoter Scores on page 33, a mechanism to determine how positive, or otherwise, our clients regard their relationship with Triodos Bank. In addition, a grievance mechanism is in place for clients of all types.

### Products with a purpose

We believe we should focus on offering products with a purpose that support the sustainable movement we want to see. An example is our private mortgages, available in some of the countries where we are active, which stimulate clients to improve the energy efficiency of their home by offering a discount on their mortgage as the environmental performance of their home improves. This year we have included 'stimulating clients' within the 'Products with a purpose' material topic as the two are closely related. The products we offer serve to prompt or stimulate actions from our clients, as the mortgage example above shows. They increase our relevance to clients and society. This topic refers to all our products because they all contribute to the development of sustainable sectors. Details of these can be found from page 35 onwards.

Products are developed and managed at a business unit level, by specialists in relevant fields. Platforms at Group level also provide a space to agree significant new products, share best practice and evaluate their success or otherwise across business units. This ensures that we can respond to local demand with appropriate, mission-linked products and services. And it's why products with a purpose are an important part of our strategic effort to 'unlock our purpose'.

### Social inclusion

Social inclusion – inequality of opportunity – is increasingly dividing society. Triodos Bank wants to focus on exploring the role finance can and should play to address this societal challenge. Therefore, Triodos Bank is stepping up efforts to help realise putting social inclusion into practice, both for its clients and stakeholders and for itself. The latter was

highlighted as a particularly relevant point by stakeholders who expect us to be socially inclusive as an organisation.

We also share the priority that our stakeholders have in helping our borrowing clients to become even more sustainable. You can find examples, including interviews with borrowers, in the impact chapter.

### Resilient financial institution

Being a resilient financial institution is important for all banks and is an explicit principle of values-based banking. It is the bedrock from which values-based banks can deliver positive impact. An effective approach to risk management is one key element ensuring the long-term resilience of Triodos Bank.

Last year we included 'more diverse portfolio' and 'European network' as separate material topics. This year we have combined them within the boundary of the resilient financial institution topic, because these issues are so closely connected. A diverse portfolio helps to cushion Triodos Bank from disruptions in a single sector, for instance, helping it to become more financially resilient in the process. While a European network provides the benefits of multiple market opportunities, the chance to share best practice and enjoy economies of scale and avoids vulnerability to the impact of adverse impacts on a single market.

Financial resilience is a topic highlighted in many places throughout the annual report. This includes the Impact and financial results on page 28, Risk management chapter on page 146, and Financial accounts on page 71 sections.

### Protecting client data

Privacy of client data is important to both Triodos Bank's stakeholders and the organisation itself. Triodos Bank believes money can help change the world and that data can as well. Data can be used to better understand both the world and people. This understanding can be used to prevent waste, reduce costs and create benefits for society. Data helps Triodos Bank to become a better bank by improving its service offerings and operations. It helps discover or

predict risks, fraud and enhance the reliability of its services. Triodos Bank knows the (personal) data it processes can be sensitive and can impact the privacy of its clients and employees. As such, it is committed to respecting privacy and ensuring data protection.

When it comes to privacy and data protection, Triodos Bank believes:

- that data is an abstraction, reduction of reality and an interpretation of behaviour. The world cannot be captured in abstractions. People should not be reduced to the data collected about them. And while data refers to the past it is not always a reliable predictor for the future
- that every individual has the right to be different in different situations, in other roles or at different times
- that each individual should maintain power and control over her or his own life, including personal data. This calls for freedom of choice, fairness and transparency on data collection, processing and usage
- that data is valuable; therefore, Triodos Bank has an obligation to keep the data it holds accurate, secure and confidential.

In addition to the issues we highlight there, we also publish an extensive Data Protection Policy 'Respecting privacy and protecting personal data' at [www.triodos.com/download-centre](http://www.triodos.com/download-centre).

### Fair remuneration

Despite continued public debate about remuneration, this topic does not have the highest priority for our stakeholders and the bank. This may reflect satisfaction with the prevailing approach to remuneration at Triodos Bank and suggests that our policy is well understood. Triodos Bank does not offer bonuses and has a relatively low difference between its median and highest salary. For more details of our remuneration policy, and our performance as a responsible employer, please see the co-worker report on page 48.

### Responsible employer

As a responsible employer Triodos Bank's responsibility is to create a welcoming, inclusive environment for all. A diverse co-worker community contributes positively to Triodos Bank's effectiveness and vitality. This year, we have included 'diversity in the organisation' – which was a separate material topic in last year's report – within the boundary of the responsible employer topic.

Triodos Bank's role as a responsible employer is governed by a Director of Human Resources at Head Office and specialists in its business units who have primary responsibility, and resources, to ensure that the organisation delivers as a responsible employer. Their efforts are underpinned by a number of policies defining this work, including on remuneration, and grievance mechanisms are in place in all these areas. Goals and targets are defined, at Group level, in the annual report's co-worker chapter on page 48 and in local plans in the business units.

Terms and conditions of employment are the same for all co-workers in line with national legislation.

Triodos Bank takes the health and safety of its co-workers very seriously. Almost all its offices have a Health and Safety committee present. However, it does not measure the percentage of co-workers represented in health and safety programmes.

### Engaging with communities

By directly engaging in business relationships with entrepreneurs, personal customers and depository receipt holders, Triodos Bank mobilises deposits and investments and uses them to finance values-driven entrepreneurs. In this way, Triodos Bank delivers on its mission to be a catalyst for cultural, social and environmental change. As such engaging with communities is a material topic.

The boundaries of this topic are defined by Triodos Bank's positive lending criteria. These criteria, and the broader business model ensure that a very high percentage of its operations involve engagement with the communities above. This approach also ensures all its borrowing customers and investees are subject to a

social and environmental assessment. However, as a bank that does not have a branch network in most of the countries where it operates, these communities are not always local to the business itself. That is also why the bank does not conduct significant local community development programmes.

Triodos Bank discloses the results of its own social, environmental and cultural assessments in its annual and other reports. This work is supported by a stakeholder engagement plan that's underpinned by a detailed description of our stakeholder groups, which we share in this chapter.

While Triodos Bank does not have local community consultation committees for the reasons above, it does have an active works council in The Netherlands and other worker representation bodies in its network of European offices. It also has a grievance process that makes it accountable to third parties.

### Learning organisation

Being a learning organisation, whilst very important to Triodos Bank, is felt to be less important to our stakeholders. For our organisation it remains an important strategic priority, as we believe being able to learn collectively will enhance our efficiency and our ability to act. This topic is covered in more depth in the co-worker chapter on page 48.

Through our engagement throughout the year we did not identify any issues that are of very high importance to one party and very low importance to another. This leads us to conclude that Triodos Bank

and our stakeholders' areas of interest are much aligned. At the same time, our stakeholders consistently urge us to be a frontrunner in financing innovative and pioneering initiatives, to increase the impact we create in the real economy. How we balance this ambition with being a responsible financial institution, managing impact, risk and return is our responsibility.

We use the results of this stakeholder engagement activity, as well as the examples detailed here, directly in the development of our strategic objectives. The results will also inform our work more generally, throughout the year, as a reference for new ideas and the further development of existing activity. Longer-term we will continue to look for ways to deepen our stakeholder engagement activity in general. Staying closely connected to what matters to our stakeholders and using the wisdom of that community will serve as a basis from which to progress further.

### Sustainable suppliers

Working with sustainable suppliers is a material topic for Triodos Bank. It gives us the possibility to extend our positive impact via these important relationships. We further discuss this topic and the impact it has in the environmental chapter on page 52 of the Executive Board chapter of this report.

For more information about how Triodos Bank engages with its stakeholders visit [www.triodos.com/stakeholders](http://www.triodos.com/stakeholders).

# 76%

of our assets are  
in the real economy

## Strategic objectives

The table that follows provides Triodos Bank's key strategic objectives for 2019 and progress against them in some detail. A 'progress at-a-glance' indicator also provides an estimation of our progress against each goal in 2019. This assessment is based on

professional judgement and the opinion of co-workers with an overview of these topics.

The table is followed by strategic objectives for 2020. The information reflects some of the key issues raised in the materiality analysis that are priorities for Triodos Bank and our stakeholders.

### One bank: redesigned, responsive and robust

Our key objectives for 2019	How we did	Progress at a glance
<p>Improve customer satisfaction via simpler and quicker processes, including better Net Promoter Scores (NPS). Improve efficiency by redesigning how we do business within domains relating to digitalising key areas of our core business.</p>	<p>We further digitalised our core customer processes to make them fully straight-through, compliant by design and more customer-focused. Outside of these investments, we are further building on and extending our continuous process improvement activities, with a focus on embedding end-to-end steering on core processes in the organisation, using 'Lean' methodologies. We expect these developments to contribute to our Net Promoter Scores (reported in more detail below) in future years.</p>	<p>● ● ○</p>
<p>Become more adaptive to change in our business via agile ways of working: shorter time-to-market to address emerging risks and opportunities.</p>	<p>Since the beginning of 2019, most of the change in the business has been delivered by group-wide, multi-disciplinary teams and executed in new and agile ways of working around specific areas of improvement. We started the transition to the new way of working with seven domains, which represent approximately 80% of our overall change portfolio.</p>	<p>● ● ○</p>
<p>Improve underlying profitability via financial and commercial optimisation: improving income generation, steering on more profitable lending growth, cost-neutral transaction services and more diversified capital and funding sources.</p>	<p>We reviewed the potential growth in more profitable sectors. Controlled steering and planning have been put in place to obtain more insight in the profitability and the use of capital. At a group level we are decreasing the dependency on interest income by enhancing the distribution of investment funds. We have started in Germany with the distribution of third-party investment funds that meet our criteria. We have created a retained RMBS (Retained Residential Mortgage-Backed Security), based on the mortgage portfolio of Triodos Bank Netherlands. This structure allows us to be more flexible in our liquidity funding strategy.</p>	<p>● ● ○</p>

● ● ● Met   ● ● ○ Mostly met   ● ○ ○ Partially met   ○ ○ ○ Not met

Our key objectives for 2019	How we did	Progress at a glance
Remain evidently 'in-control' through reduced complexity and greater attention paid to key risk areas.	The 'In Control Statement' was signed off at a business unit and Group level. Key control deficiencies have been identified and (partly) mitigated. Compliance-related governance improvements have been identified and implemented. Specific to the areas of financial crime, we have started to increase our efforts to prevent this risk. We focus on uniform controls and a better oversight on the first line activities. Finally, our core processes are being simplified and standardised to reduce our compliance risk and stay in-control.	● ● ○
Empower co-workers and senior management: create baseline data for 2019 so higher levels of satisfaction of co-workers regarding efficiency and empowerment can be assessed in future years.	A group-wide co-worker survey was executed. One of the outcomes was that efficiency remains a serious concern for many coworkers. To address this, various projects have been initiated to empower teams to innovate, adapt, and deliver value to improve efficient working. More information on the co-worker survey can be found in the co-worker chapter.	● ● ●

● ● ● Met
● ● ○ Mostly met
● ○ ○ Partially met
○ ○ ○ Not met

Unlocking our purpose: enabling customer engagement; activating our communities

Our key objectives for 2019	How we did	Progress at a glance
<p>Increase our relevance to customers and society through our suite of 'products with a purpose' and focus on our core impact themes of 'Energy and Climate', 'Food and Agriculture' and 'Social Inclusion' – helping our communities better understand and extend their individual, and our collective, positive impact.</p>	<p>Due to the prioritisation of mandatory projects we have not yet conducted a review of our products and services based on the 'products with a purpose' vision during 2019.</p> <p>However, on our core impact themes, we published vision papers relating to Energy and Climate and Food and Agriculture, to support and enhance relevant content information, to guide our commercial activities and provide a clear reference for the assessment and development of products with a purpose.</p>	<p>● ○ ○</p>
<p>Implement our new impact assessment methodology across our loan portfolio, further improving the understanding of impact within the organisation and amongst our loan clients, savings clients and wider stakeholders. We aim to assess all loans, currently subject to an annual review, by the year end and be reporting on impact performance and further develop our carbon accounting within Triodos Bank and promote its wider adoption outside the bank.</p>	<p>We have developed and implemented the 'Triodos Impact Prism', a tool to understand in a more coherent way about impact. The Prism provides specific information about the sustainability value of a loan or investment and its capacity to deliver impact in the future.</p> <p>We reported on the carbon footprint of our loans and investments for the first time, in the 2018 annual report (released in the Spring, 2019). During the year we also helped to catalyse the development of carbon accounting globally, co-creating a funded international programme to encourage much wider adoption of carbon accounting around the world.</p>	<p>● ● ○</p>
<p>Maintain satisfactory profitability of our core businesses through detailed analysis of our business units, commercial and financial optimisation.</p>	<p>In 2019, priority was given to obtaining a more granular insight into the profitability of our lending activities, given our risk appetite on capital.</p>	<p>○ ○ ○</p>
<p>Increase the proportion of fee income across the group from investment funds distribution and fund management.</p>	<p>With respect to our sales and distribution of investment funds, we are increasing our sales capacity. During 2019 we expanded to Germany, Italy and Austria. With respect to fund management, we have been working towards making a shift from offering many themes combined in a few funds, towards offering only a few themes via many potential solutions. We have started two new funds based on this strategic choice.</p>	<p>● ● ○</p>

●●● Met ●●○ Mostly met ●○○ Partially met ○○○ Not met

Frontrunner in responsible finance: leading by example; Innovating finance for impact

Our key objectives for 2019	How we did	Progress at a glance
<p>Influence the change of the financial system towards greater sustainability through advocacy and engagement, taking up our role as a frontrunner in responsible finance to motivate others.</p>	<p>We have been active in several countries to promote the connection of the financial industry with societal challenges and economic needs. In Spain we have participated in the COP25, and co-authored the signing of a sector-wide commitment to the Paris Agreement.</p> <p>In terms of topics, we play among others an active role in promoting methodologies to disclose or measure impact, such as TCFD (Taskforce on Climate-related Financial Disclosures), which provides a framework for climate related financial risk-based assessments. We play a leading role in building the Partnership for Carbon Accounting Financials (PCAF), which is a methodology to allow a carbon assessment of investments and lending portfolios (described above). Furthermore, we have taken a stance on the development of a climate-related impact expression for sectors by participating in the development and sponsoring the international use of a taxonomy.</p> <p>Finally, we are actively engaging with policy makers on the Capital Requirement Regulation (CRR II) capital rules.</p>	<p>● ● ●</p>
<p>Increase and leverage our long-term impact; by exploring how to finance new business models, developing new ventures, partnering with third parties and/or external funders, and catalysing emerging sustainability themes through gift money.</p> <p>Create and scale up group-wide business activities that generate additional impact and potentially contribute to long-term future profitability.</p> <p>Develop our systemic and external awareness: bringing insights, external partners and future-oriented thinking into our organisation.</p>	<p>In 2019, we launched a new business entity, positioned alongside both Triodos Bank and Triodos Investment Management: Triodos Regenerative Money Centre (TRMC), with total funds under management of almost EUR 80 million. Its objective is to lend, invest or donate money that has as its main goal to make pioneering, transformative initiatives possible in areas where, for different reasons, bank and investment products cannot provide an answer (yet).</p>	<p>● ● ○</p>

● ● ● Met   ● ● ○ Mostly met   ● ○ ○ Partially met   ○ ○ ○ Not met

## Strategic objectives for 2020

The Strategic Objectives mentioned here are derived from our 2019-2021 strategic plan. Overall our intention is to transform and make progress at three levels, our Strategic Themes:

- internally, at the level of the organisation: One Bank: redesigned, responsive and robust;
- through our relationships, at the level of interactions with our clients and stakeholders: Unlocking our purpose: enabling customer engagement; activating our communities;
- externally and systemically, in terms of how we influence beyond our organisation: The frontrunner in responsible finance: Leading by example; Innovating finance for impact

Within these three Strategic Themes, a total of 10 key objectives have been identified that are supported by a series of initiatives, which build upon the progress made in 2019. Below, the Strategic Themes are further explained, the relevant key objectives are mentioned.

### One bank: redesigned, responsive and robust

Improving our operating model by acting as one (bank), enhancing the customer experience and responsiveness to customer needs via unified, digitally supported processes, leading to a step change in efficiency and in-control.

We have identified the following four key objectives in this Theme.

- Business model enhancement, which includes among others intensified steering on profitable lending growth and decreasing our dependency on interest rates by putting more emphasis on fee income;
- Operational optimisation, for example by combining initiatives around the customer experience with enhancing efficiency and Know-Your-Customer requirements;
- Financial optimisation by fine-tuning our liquidity and capital position;
- To improve Risk Management through reduced complexity in combination with an integral and more complete approach to risk.

### Unlocking our purpose: enabling customer engagement; activating our communities

Bringing the purpose into our customer propositions, connecting them more explicitly to impact and by doing so, enabling customers and communities to take action to realise that impact. Becoming the reference sustainable finance platform, offering our own products with a purpose and impact investment solutions but also carefully selected products of other providers.

The three key objectives we have specified are:

- Becoming a reference sustainable finance platform to enhance our relevance, for example by providing customers with relevant, actionable information related to our impact themes, Energy and Climate, Food and Agriculture, or Social Inclusion;
- Unlocking our purpose via our products to enhance our relevance and distinctiveness, among others by starting to introduce third party funds alongside our investment management funds;
- Build towards a more resilient and vibrant co-worker community, among others by continuing to strengthen a culture of change effectiveness, anchoring the required skills throughout the organisation and incorporating them in leadership development.

### Frontrunner in responsible finance: leading by example; innovating finance for impact

Taking a leadership role in the transition of the financial system, from being a niche player to a front runner.

We have identified the following three key objectives as part of this Theme:

- Promoting local and innovative initiatives with the potential to become viable business propositions in the future;
- Triodos Regenerative Money Centre as the Triodos-hub to increase and leverage our impact by supporting transformative and frontrunning initiatives;
- Actively take a stance to Change Finance by participating actively and visibly in the public debate to influence financial system change.

## Impact and financial results

The following are the main results achieved in 2019 together with details of Triodos Bank's divisions, its products and services, their broader impact, and prospects for the coming years. Because Triodos Bank integrates its values-based mission and strategy these results combine both financial and non-financial performance. They are designed to provide you with an insight into what our mission and strategic objectives have translated into in practice, in 2019.

In 2019, Triodos Bank decided to apply a more advanced approach of the effective interest rate method. The new approach was applied retrospectively and resulted in changes to the prior year figures for 2018. The impact on the figures is further described and quantified in the chapter "General accounting principles" on page 80.

### Consolidated financial results

In 2019, Triodos Bank's income grew by 12% to EUR 292 million (2018: EUR 261 million). This increased revenue was realised despite a low interest rate environment. Triodos Investment Management contributed EUR 51 million to this figure (2018: EUR 39 million) including the one-off positive effect of the sale of a participation generating additional fee income of net EUR 5.4 million. In 2019, commission income amounted to 36% (2018: 33%) of total income, in line with expectations.

Triodos Bank's balance sheet total grew by 11% to EUR 12.1 billion thanks to a steady growth of the funds entrusted, lending and new capital raised during the year, in all banking entities. Growth of between 5 and 10% was expected.

Triodos Bank's total number of customers increased by 1% and now numbers 721,000 customers. In 2019 we adjusted the definition of customers which resulted in a reduction in the reported number of customers in Spain. Surplus liquidity led to a reduced marketing spend during the year. This, plus

further work to improve data quality, resulted in lower growth in new customers.

Continuing growth in loans, deposits, and equity despite low interest rates and returns, shows that Triodos Bank's commitment to values-based banking continues to be relevant to people and businesses who choose to make a much more conscious choice about their bank and the sustainable contribution their money makes to the economy.

Operational expenses increased by 11% to EUR 235 million (2018: EUR 212 million) during the year. This is mainly due to an increase in the number of co-workers working on Customer Due Diligence (CDD) and Anti-Money Laundering (AML) issues and related ICT investments. The remediation plan, developed in response to the formal DNB-instruction of 6 March 2019, is on track. Co-worker costs, partly related to these efforts, increased by 11% to EUR 134 million (2018: EUR 121 million) as a result of an increase in FTE mainly driven by investments in ICT and compliance with new and existing regulation. ICT costs are focussed on helping to optimise and standardise our business model. A provision has also been created in relation to the decision not to establish a banking branch in France. In addition, fees for external advisors and the auditor remained high amounting to a total of EUR 10 million (2018: EUR 11 million). This was mainly due to several strategic projects including Brexit and a transition to a new financial reporting standard from Dutch GAAP to IFRS, explored later in this chapter. Externally driven regulatory expenses including Deposit Guarantee Scheme, banking tax and resolution costs were EUR 14.4 million (2018: EUR 12.1 million).

Triodos Bank has upgraded, and continues to improve, its control framework to cope with the implementation of changing regulations and increased regulatory supervisory requirements. Significant investments were required to obtain a UK banking licence, in the context of Brexit with total estimated costs amounting to over EUR 6 million in the last three years. Strategic investments in the development of the business in 2019, such as developments in our Impact Equities and Bonds Offering, were responsible for further growth in costs.

The ratio of operating expenses against income was 80% (2018: 81%). This ratio remained at a similar level as the previous year due to a combination of co-worker, governance and IT related costs, despite continuing efficiency gains in the business. Regulatory pressure, costs associated with the Depository Guarantee Scheme, AML activities, creating a local subsidiary in the UK in preparation for Brexit, the transition to a new financial reporting standard (explained below) and higher tax levies in certain countries have also prevented a decrease in the pace of growth of the expenses.

Improving our efficiency continues to be a key focus area for the bank, particularly through this context we are pleased to have delivered a reasonable return on equity during the year, as detailed below.

Profit before tax, loan impairments and value adjustments to participating interests increased to EUR 57.5 million (2018: EUR 49.0 million). Impairment for the loan portfolio and other receivables increased slightly to EUR 3.9 million (2018: EUR 3.5 million). This represents 0.05% of the average loan book (2018: 0.05%). This relatively low historical impairment ratio is influenced by both cautious management and the wider economic cycle.

The net profit is EUR 38.8 million, up by 12% (2018: EUR 34.7 million) primarily because of loan growth and growth of the funds under management and includes the contribution of some one-off items. Triodos Bank delivered a Return on Equity of 3.4% in 2019 (2018: 3.3%), in line with expectations.

In light of the wider context of our activity the medium-term objective has been revised to a Return on Equity of 3-5% of Triodos Bank's equity in the current conditions of the European financial sector. This target should be seen as a realistic, long-term average for the type of banking activity that Triodos Bank engages in.

Triodos Bank will continue to work on improving its profitability.

We prefer to continue to maintain a solid equity base and capital ratio, and a substantial liquidity surplus. A

consequence of this is additional downward pressure on the Return on Equity.

Earnings per share, calculated using the average number of outstanding shares during the financial year, were EUR 2.78 (2018: EUR 2.69), a 3% increase. The profit is placed at the disposal of the shareholders.

Triodos Bank proposes a dividend of EUR 1.35 per share (2018: EUR 1.95). This means that the pay-out ratio (the percentage of total profit distributed as dividends) will be 50%. Our policy is to have a pay-out ratio of between 50% and 70%.

Triodos Bank increased its equity by EUR 54 million, thanks to depository receipt issues targeting retail investors in particular, which ran throughout the year in The Netherlands, Belgium, Spain and Germany.

Having reviewed the legal and financial implications of the creation of a new UK subsidiary it became apparent that it would be significantly more complex and costly to administer depository receipts in the UK. Therefore, Triodos Bank UK reluctantly discontinued the sale of new depository receipts to UK residents, including the issue of new depository receipts as part of the stock dividend scheme.

The number of individual depository receipt holders increased overall in 2019. Growth has been sufficient to meet capital requirements. The number of depository receipt holders increased from 42,416 to 44,401. Equity increased by 8% from EUR 1,112 million to EUR 1,200 million. This increase includes net new capital and retained net profit. Due to Triodos Bank's increasing growth, internationalisation and in line with developments on reporting in the banking sector, Triodos Bank has decided to change its financial reporting standard from Dutch Generally Accepted Accounting Principles (GAAP) to IFRS with effect from 1 January 2020.

The price of the depository receipts for Triodos Bank shares (the Issue Price) is based on a financial model that derives the calculated net asset value of Triodos Bank (the NAV) divided by the number of Depository Receipts (the NAV per Depository Receipt). This means that as of 1 January 2020 the net asset value

(NAV) of Triodos Bank is calculated in accordance with IFRS. Triodos Bank decided that the Issue Price calculated under Dutch GAAP should already be adjusted, during 2019, for the estimated effect IFRS would have on the NAV of Triodos Bank and, consequently, on the Issue Price, as of the date of the most recent prospectus published at that time. The buying and selling of depository receipts was, therefore, suspended from 4 June to 3 July 2019. This was done to obtain the approval of the Dutch supervisory authority on the new prospectus and to be able to calculate the new Issue Price taking into account the estimated effect of the envisaged transition to the accounting standard IFRS.

The Issue Price under Dutch GAAP, corrected for the estimated IFRS impact, was set on 3 July 2019 at EUR 82, in line with the new prospectus. This was EUR 1.00 lower than when trading was suspended on 4 June 2019. At the end of 2019, the net asset value for each depository receipt was EUR 83. Because of changes in accounting principles under Dutch GAAP the comparative net asset value on 31 December 2018 has been adjusted from EUR 84 to EUR 82 in line with the new accounting principles.

At the end of 2019 the Total Capital Ratio and the Common Equity Tier 1 ratio were 17.9% (2018: 17.5%). Triodos Bank aims for a Common Equity Tier 1 ratio of at least 16% in the current regulatory context.

### Triodos Bank divisions and results

Triodos Bank's activity is split between two core divisions, Triodos Bank's retail and business banking and Triodos Investment Management. The following chapter provides an overview of our work in 2019 in each, including a short description of their work, key sub-sectors and how they performed during the year, as well as prospects for the future:

- Retail and Business Banking, including Private Banking, which was responsible proportionately for 69% of Triodos Bank's net profit in 2019 (2018: 83%)
- Triodos Investment Management and Investment Advisory Services, which makes up 31% (2018: 17%) of Triodos Bank's overall net profit.

In addition, Stichting Triodos Foundation raises gift money from its clients and donates it to initiatives aligned with Triodos Bank's core themes. In 2019 the Stichting Triodos Foundation became a part of the new Triodos Regenerative Money Centre. Similar foundations have operated for some time in Belgium, the UK and Spain and are not managed by the Triodos Regenerative Money Centre.

Products and services are offered to investors and savers enabling Triodos Bank to finance new and existing companies that contribute to the improvement of the environment or create social or cultural added value. Details of these products and services follow below.

### European network (retail and business banking)

Triodos Bank's values-based financial services reach hundreds of thousands of business and personal customers across Europe, and grows sustainable banking's scale and impact. While Triodos Bank's values bind customers and co-workers, there are important differences between countries. Regulations, tax incentives and government approaches to sustainability are sometimes markedly different in diverse markets. Local culture, within and between countries, also impacts on how Triodos Bank approaches its work.

Retail activities developed further in 2019 as people and sustainable enterprises continued to choose to partner with Triodos Bank.

Triodos Bank in The Netherlands, UK, Spain and Belgium all contributed to the Group's profitability in line with positive expectations. Triodos Bank Spain turned a corner during 2019 contributing, once again, to the Group's overall profitability. In Germany, Triodos Bank progressed further in 2019 and is close to making a positive contribution to the Group's overall profitability. In the UK a smooth transition to become a subsidiary was executed during the year. In addition, Triodos Investment Management made a significant contribution to the Group as described in more detail below.

## Triodos Bank in France

Triodos Bank announced its decision not to establish a banking branch in France in December 2019. A persistent low interest rate environment and growing regulatory demands are expected to continue for a longer period of time in France and the wider European region. Therefore, Triodos Bank decided not to make the large investment required to establish a banking branch in France. Following consultation with relevant representative bodies, the decision was taken in January 2020 to close the intermediary office in Paris.

## Triodos Regenerative Money Centre

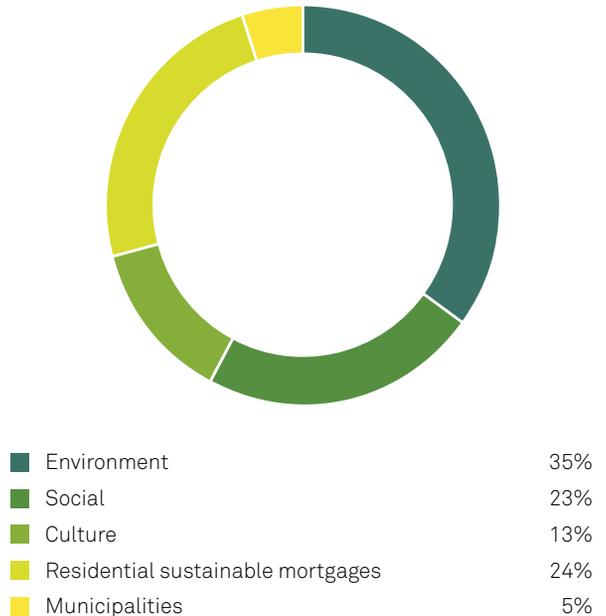
A new business unit, the Triodos Regenerative Money Centre (TRMC), was created during 2019. The primary objective of the new business unit is to manage unconsolidated entities that lend, invest or donate money that has as its main goal to make pioneering, transformative initiatives possible: Financing transformational change requires both the development of more blended (and/or higher risk) finance products and of gift money (or donations).

The Triodos heritage and mission puts us in a strong, credible position to take our long-term vision on the conscious use of money forward in this new area. As per 1 April 2019, “Triodos Regenerative Money Centre” has started. We have chosen the name ‘Regenerative Money Centre’, as we aim to focus on the conscious use of money that ‘regenerates’.

The Regenerative Money vision is not new within Triodos, but we will give it a new impulse and a stronger focus by combining several existing activities and by building a story line about the different qualities of money that underline the distinctive approach.

## Loans

### *Outstanding loans per sector in 2019*



The growth of the quality and size of the loan portfolio is an important indicator of the contribution Triodos Bank makes towards a more sustainable economy. All the sectors it works in qualify as sustainable and the companies and projects it finances contribute to delivering Triodos Bank’s mission (as detailed below).

To make sure that Triodos Bank only finances sustainable enterprise, potential borrowers are first assessed on the added value they create in these areas. The commercial feasibility of a prospective loan is then assessed, and a decision made, about whether it is a responsible banking option. The criteria or guidelines Triodos Bank uses to assess companies can be viewed on [www.triodos.com](http://www.triodos.com).

Triodos Bank’s main focus remains on the existing sectors in which it has already developed considerable expertise and where it considers more growth, diversification and innovation to be possible.

### **Environment 35% (2018: 40%)**

This sector consists of renewable energy projects such as wind and solar power, hydro-electric, heat and cold storage, and energy saving projects. It also includes organic agriculture and projects across the entire agricultural chain, from farms, processors and wholesale companies to natural food shops. Environmental technology, such as recycling companies and nature conservation projects, is also represented.

### **Social 23% (2018: 23%)**

This sector includes loans to traditional businesses or non-profit organisations and innovative enterprises and service providers with clear social objectives, such as social housing, loans to fair trade businesses, integration for people with disabilities or at risk of social exclusion and health care institutions.

### **Culture 13% (2018: 13%)**

This sector covers loans to organisations working in education, retreat centres, religious groups, cultural centres and organisations, and artists.

### **Residential sustainable mortgages 24% (2018: 21%)**

The retail sector of the loan book is primarily comprised of residential sustainable mortgages including a small amount of other private loans and overdrafts on current accounts.

### **Municipalities 5% (2018: 3%)**

The remaining proportion of the loan book is primarily comprised of some limited short-term loans to municipalities. These investment-type loans in the public sector are included in the loan portfolio in accordance with regulations related to financial reporting.

### **Total lending**

The lending sectors above describe the main sectors Triodos Bank is involved in. Parts of these sectors are also financed by both Triodos Bank itself and its

investment funds (see Triodos Investment Management on page 33).

Triodos Bank's goal is to lend between 75% and 85% of its funds entrusted to sustainable projects. Overall growth of the loan portfolio amounted to EUR 939 million (+13%). This includes the growth of the residential mortgage portfolio by EUR 472 million (+31%). The increase in business loans was 6% (2018: 13%). The low interest rate environment encourages customers to refinance at lower rates and to pay back their credit facilities earlier than planned. Both these trends continued in 2019 and have a downward effect on interest margins. Impairment for the loan portfolio and other receivables increased slightly to EUR 3.9 million (2018: EUR 3.5 million). This represents 0.05% of the average loan book (2018: 0.05%). This relatively low historical impairment ratio is influenced by both cautious management and the relatively positive economic circumstances during 2019. The total loan portfolio, as a percentage of the total amount of funds entrusted was 77% in 2019 (2018: 76%).

Competition between banks in the lending market was strong in 2019. Mainstream banks increasingly embrace sustainability as a business opportunity and compete aggressively to take advantage of available lending opportunities.

### **Funds entrusted**

More people want to use their money consciously to deliver positive change by depositing and investing with Triodos Bank. This reflects a wider trend in society and increasing interest in sustainability in general and sustainable finance in particular. Funds entrusted, including savings, enable Triodos Bank to finance companies and organisations that benefit people, the environment and culture.

Triodos Bank's banking entities offer a variety of sustainable financial products and services as part of its key strategic objective to offer services that allow customers to participate in the transition to sustainable finance.

Detailed retail and business customer research took place across the group during 2019, using Net Promoter Score (NPS) methodology. This technique is widely used across the business sector to measure customer satisfaction. It is based on asking customers whether they would recommend Triodos Bank to a friend or colleague.

Triodos Bank's NPS score across the retail group is 28 (2018:25). This figure is an overall NPS on all indicators. It is much better than the average for large banks. The equivalent figure for business clients is 12 (2018: 20). Triodos Bank's principles as a sustainable bank are the main reason to recommend the bank according to the research. The decline in the NPS score for business clients is primarily due to the perception of costs associated with banking with Triodos. The detailed results are now used as a key performance indicator, so Triodos Bank can continuously measure and gather better insights about its customers' views.

Together, this resulted in continuing growth in all the countries where Triodos Bank operates due in part to a growing profile, more efficient and customer-friendly account opening processes, and a receptive market keen to use their money more consciously.

By offering our savers, in some countries, the opportunity to donate part of the interest they receive to a charity, many social organisations receive support every year. In 2019, 290 organisations (2018: 269) received total donations of EUR 62 thousand (2018: EUR 61 thousand) in this way. The low interest rate climate and low interest rates on savings accounts make it more difficult, and sometimes even impossible, for some customers to donate part of the interest they receive.

### Prospects for retail and business banking

Triodos Bank expects to grow its bank balance sheet more modestly, maintaining a stable loan to deposit ratio and has the ambition to grow its fee income by making an extra effort in growing the Triodos Investment activities.

The bank will focus on impact, profitability and diversification of its loan portfolio. In that context we will put extra effort into identifying loans to frontrunners in their fields; the entrepreneurs developing the sustainable industries of the future. We will continue to face a serious challenge with low interest rates and increasing regulatory costs. And yet, the opportunities for Triodos Bank as a frontrunner in responsible finance are significant. With a controlled growth strategy, we aim to generate maximum impact and a stable profit.

### Triodos Investment Management

Investments take place through investment funds or investment institutions which are managed by Triodos Investment Management, a 100% subsidiary of Triodos Bank.

Triodos Investment Management is responsible for 16 funds, for both individual and professional investors. Triodos' investment funds invest in sustainable themes such as inclusive finance, food and agriculture, energy and climate, or in listed companies that materially contribute to the transition toward a sustainable society. The investment funds publish separate annual reports and most of them have their own Annual General Meeting.

### Developments in 2019

There were two notable success stories in the 2019 investment market: larger assets managers who saw their assets under management grow even further, and impact investing as a winning niche strategy built on increasing demand from investors aiming to invest with positive impact. Triodos Investment Management clearly benefited from this encouraging trend and realised an overall growth of assets under management of 18% (2018: 21%) to EUR 5.0 billion. This represents significant growth despite a decrease of the assets under management by EUR 102 million, as a result of ending the activities of Triodos Vastgoedfonds. The net inflow of funds was 11%. The investment funds overall gained 8% of their value following stock exchange movements in 2019. 2019 was also a very profitable year for Triodos Investment Management. The sale of a participation in Centenary

Bank in Uganda, generated additional fee income and had a significant one-off positive effect of EUR 5.4 million on the net profit.

In 2019, Triodos Investment Management's main focus was on strategy execution, more specifically on implementing the strategic goal to be the asset manager of choice for investors seeking solutions for building impact investment portfolios. By doing so, Triodos Investment Management remains competitive in an increasingly demanding external environment, whilst staying true to its aim to realise positive impact. In order to realise this ambition, Triodos Investment Management developed a more focused business development process, appointing a head of Product Development and strengthening its focus on solving investor's challenges.

In addition, Triodos Investment Management expanded its activities in existing and new markets by, for example, increasing its exposure and sales capacity in Belgium, Germany and Italy. It also launched two new Impact Mixed Funds, completing the range of profile funds that invest in listed equities and bonds.

2019 was also a year of change, both from a management and an operational perspective.

Firstly, Jacco Minnaar took over the position as Chair of the Management Board as per the first of January, following in the footsteps of Marilou van Golstein Brouwers, who left Triodos Investment Management as per 1 April 2019.

Also, an important development in 2019 was the process to end the activities of Triodos Vastgoedfondos. During an Extraordinary General Meeting of Shareholders on 17 December 2018, the shareholders in the fund voted in favour of the Board's proposal to end the fund's activities. In the third quarter of 2019, Triodos Investment Management successfully sold the portfolio of Triodos Vastgoedfondos and made a significant interim payment to the fund's shareholders. Concluding the

fund's activities, including a final payment to shareholders, was executed early in 2020.

Finally, an important change also took place for Triodos Renewables Europe Fund and Triodos Organic Growth Fund. Both funds were initially domiciled in Luxembourg and were relocated to The Netherlands during the year. Although the funds remain unchanged, the relocation required approval by the fund's shareholders. A large majority of the shareholders opted for relocation to The Netherlands and to remain invested in the funds.

### Prospects for Triodos Investment Management

Triodos Investment Management will continue to build on over 25 years' experience in bringing together values, vision, and financial returns on investment, helping to meet the European demand for values-based investment solutions that are key in the transition to a more sustainable society. Through its funds, Triodos Investment Management aims to further increase its impact in key areas related to its mission and the UN Sustainable Development Goals.

In 2020, Triodos Investment Management's strategic focus will continue to be on retail investors through distributors, High Net Worth Individuals, family offices and (semi-) institutional investors. In light of the fact that institutional investors are increasingly looking for investment opportunities with positive impact, Triodos Investment Management will further focus on deep impact mandates in 2020. And, in the context of its ambition to further increase its impact and to grow its assets under management, Triodos Investment Management aims to broaden its international distribution strategy by adding new European markets to its network, for instance in the Nordics.

Triodos Investment Management will continue to pursue development and growth, both through expansion and further development of existing funds and by creating new impact investment products.

## The impact of our finance

We know that impact finance can make a positive difference in people's lives. It can contribute to progress on key issues that are relevant for society. And, in the right context, we have seen how finance for visionary entrepreneurs with innovative business models, can be transformational.

While we consider impact to be a change in the positive or negative outcome for people or the planet, we define impact finance positively and specifically as directing money so that it benefits people and the environment over the long-term. And we try to deliver as much positive impact as possible by only financing and investing in sustainable enterprises and enterprises transitioning to sustainable approaches. As a consequence of this work Triodos Bank provides both fair financial and non-financial returns to its stakeholders. Over time we want to help enhance our, and our stakeholders', understanding of impact and its multiple dimensions because that will encourage and support deeper positive change.

Our vision on impact stems from this understanding and reflects our mission. In practice that means we try and find qualitative evidence of the impact first and foremost and back it up with numbers when it's relevant to do so.

Impact data provides a richer picture for our stakeholders about the work we do. We want to demonstrate Triodos Bank's grounding in financing the real economy. Verifiable, relevant information helps us to do that. For that reason, every year the business spends considerable time and energy producing impact data that's reviewed by an independent auditor.

In 2019, we integrated an impact management tool across all of Triodos Bank's offices in Europe and began this process in Triodos Investment Management. The tool, the Triodos Impact Prism, allows us to understand, monitor and help the business to steer on impact in a more deliberate way. It provides insights into the sustainability value of our projects, provides a mechanism to discuss opportunities to increase the impact of the customers

and projects we finance and includes a Sustainable Development Goal report. During the year we expanded the scope of the project to include sector-specific metrics, such as for the energy and climate sector. These metrics, which are derived from a vision paper also published during 2019, will be implemented early in 2020. We intend to report the results of this work next year when the system has been embedded more thoroughly.

### Impact-driven reporting

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We aim to be a leader in impact-driven reporting in the financial industry. Our focus is on managing impact in ways that improve people's quality of life and on communicating this impact to our stakeholders. As part of this work we work at an international, national and sector level.

Internationally, we collaborate with the Global Alliance for Banking on Values (GABV) to develop and report using a Scorecard. 17

The Global Alliance for Banking on Values has developed a Scorecard as a structured approach to capture the vision, strategy and results of any bank relative to values-based banking. The Scorecard is based on the GABV's Principles of Values-based Banking. It allows a bank to self-assess, monitor, and communicate its progress on delivering values-based banking. The goal of the Scorecard is to enhance the financial system's focus on delivering value to society. You can find quantitative evidence of Triodos Bank's impact, as it appears in the GABV scorecard in the appendix on page 251.

We also use a number of frameworks to inform our impact activity, both in delivering and reporting on it. They include the Global Reporting Initiative, International Integrated Reporting Council, the Partnership for Carbon Accounting Financials, B Corp and the Impact Management Project Framework.

This approach is most mature in Triodos Investment Management. During the year, its 2018 Impact Reports won the Environmental Finance award for Best Environmental, Social and Governance Reporting (ESG) by a medium and small Asset or Fund Manager.

## Decarbonising the economy – and how to understand our contribution to it

Triodos Bank supports the sustainable and inclusive transition of our economies and society in line with the Paris Climate Agreement target of limiting a temperature increase from pre-industrial levels to 1.5 degrees Celsius. We believe this transition is a shared responsibility of governments, business, finance, NGOs and citizens.

In this context, in 2015, at the landmark Paris Climate Conference, Triodos Bank co-signed a Dutch Carbon Pledge to measure and disclose its greenhouse gas (GHG), or carbon emissions and to ensure these emissions are in line with the ambitions of the Paris Agreement. While GHG emissions include more than just carbon, we use the latter as shorthand for GHG emissions in this chapter. The initiative launched the Dutch Partnership for Carbon Accounting Financials (PCAF), a collaboration between Dutch financial institutions which has produced, we believe, the only carbon accounting methodology developed by financial institutions, for financial institutions, in the world. The methodology was first launched in November 2017. Triodos Bank implemented the PCAF methodology for the first time in 2018. This year we have extended the scope of our carbon accounting to 100% of our loans and funds' investments and improved the data quality in some sectors. We will also build on this work in 2020, as Co-Chair of PCAF in The Netherlands.

We will continue to collaborate with the PCAF partners, as well as others specialising in this developing field, in future years in order to refine the models used. Importantly, during 2019, PCAF developed into a global, funded programme, which aims to substantially increase the number of financial institutions using the methodology. The initiative, which was launched during Climate Week in New York, was renamed the Partnership for Carbon Accounting Financials. Triodos Bank played a catalytic role in these developments by working with our colleagues in the Global Alliance for Banking on Values, to ensure

that 28 of them committed to start assessing their carbon emissions within three years. By the year end 57 institutions had agreed to start using the PCAF approach and the number is growing.

As our main impact in the economy and society stems from our loans and investments, this harmonised approach on carbon accounting focuses on measuring the climate impact or carbon footprint of loans and investments. By accounting for the carbon emissions, institutions can be transparent about the climate impact of their loans and investments and use this information, ultimately, to set climate targets and steer investments towards a low-carbon economy. To date no methodology exists for the financial industry to set science-based targets. But that will change in 2020, and we expect to set targets for key sectors with the benefit of this methodology. In this way banks and the sector more broadly can monitor their carbon emissions, create opportunities for comparison between institutions and deliver more accountability and transparency for stakeholders.

## Climate impact of our loans and investments

For a second year we have collaborated with Navigant, a leading energy and climate management consultancy, to assess Triodos Bank's carbon emissions. We have increased the assets assessed using the PCAF methodology, from around 68% of our loans and direct funds' investments in 2018 to all of them in 2019. However, a consequence of including all sectors is an overall decline in data quality. Nevertheless, some sectors' data quality levels have increased from year to year.

For readers with a more detailed interest, a separate methodology report on how the PCAF standard was applied to this portfolio is available on our website. We have also scored the quality of the carbon footprint data of our lending and funds' investment sectors.

The data quality is scored from 1 to 5 per sector:

<p><b>Certain</b> (5-10% error margin in estimations)</p>  <p>(40-50% error margin in estimations)</p>	<b>Score 1</b>	Audited GHG emissions data or actual primary energy data
	<b>Score 2</b>	Non-audited GHG emissions data, or other primary data
	<b>Score 3</b>	Averaged data that is peer/(sub)sector-specific
	<b>Score 4</b>	Proxy data on the basis of region or country
	<b>Score 5</b>	Estimated data with very limited support

We calculated the following carbon footprint applying the PCAF methodology to our covered portfolio. We also applied an attribution approach. This means that we calculated the emissions as they relate to the proportion of our finance in a project or customers' balance sheet. GHG emissions are measured in tonnes CO<sub>2</sub> eq. and categorised by:

- **Generated emissions:** GHG emissions arising from various economic activities. This refers to carbon that is emitted into the atmosphere.
- **Avoided emissions:** GHG emissions that are avoided from fossil-fuel power generation due to renewable energy. While this is very important, avoided emissions do not remove existing carbon from the atmosphere. It's important to note that our avoided emissions figures will, eventually, start to decline even as the amount of energy generated by the renewable energy projects we finance increases. That's because the wider energy system is becoming less carbon intensive, overall. Energy from fossil fuel sources is, and will, continue to decline and energy

from renewable sources is increasing, creating a more sustainable energy system.

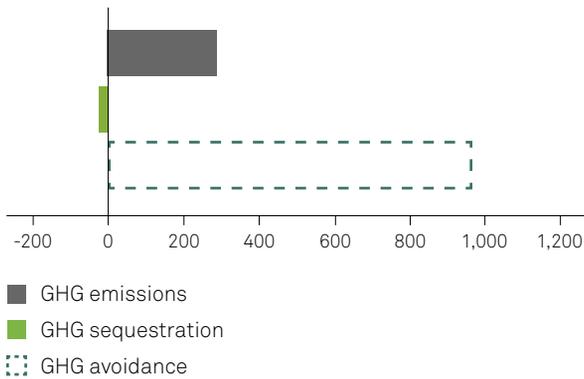
- **Sequestered, or absorbed, emissions:** GHG emissions stored in carbon sinks, such as trees, plants and soil etc. This refers to the actual removal of carbon from the atmosphere.

The following graph shows the greenhouse gas emissions that can be attributed to Triodos' loans and direct fund investments, using the PCAF methodology, in 2019. These results clearly indicate that financing a sustainable economy for many years has resulted in substantial avoided emissions relative to our generated and sequestered emissions.

Our actual emissions provide a baseline, which means we can start to improve and monitor our progress in working with our customers to reduce their emissions. The level of sequestered emissions provides insight on how we can reduce our emissions in the future, effectively 'cancelling out' our actual emissions.

### Climate impact of our loans & investments

in ktonne CO<sub>2</sub> eq. 2019

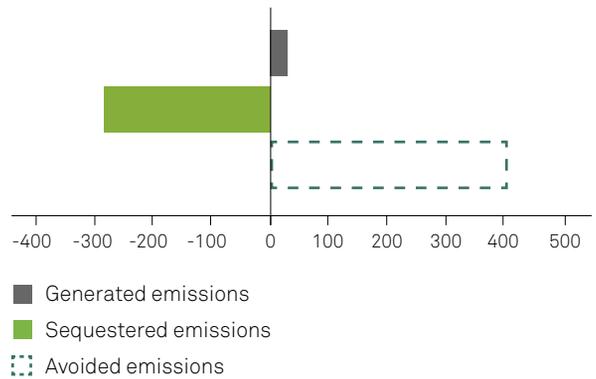


This year we have presented avoided emissions beneath actual emissions, unlike in 2018. We consider this an improvement to more accurately describe the influence of renewable energy generation, which helps to reduce the carbon intensity of the energy system. This way of presenting this information also helps to emphasise that while avoided emissions play a very positive role, they do not compensate for actual emissions. We want to play a positive part in contributing to discussions in the future about how best to present carbon emissions data.

The graph that follows shows the intensity of Triodos Bank's greenhouse gas emissions, per billion euro lent and invested using the PCAF methodology. It provides stakeholders with an indication of the impact of our finance on generated, sequestered and avoided emissions. This is important information, but it should be remembered that limiting, and then reducing, absolute greenhouse gas emissions is what's required to enable us to live within the planet's environmental limits.

### Climate impact in emission intensity 2019

in ktonne CO<sub>2</sub> eq./billion EUR financed



As one of the first banks to report in this way, we actively collaborate with our partners to encourage others to do the same. Because ultimately stakeholders should be able to compare the GHG emissions of one bank with another.

We are working on the development of science-based targets. These targets will describe the trajectory we need to follow to make sure that our activities and associated emissions contribute to, at most, a 1.5 degree global increase in temperature. Clearly that also requires other financial institutions to do the same if we are to play our part as an industry in keeping the global increase in temperature within safe limits.

The next table provides more detail about which sectors we finance and details our absolute, avoided and GHG intensity emissions.

The first column describes the different sectors that have been assessed using the PCAF methodology and highlights whether they are responsible for generated, sequestered or avoided emissions. The second column further details the total emissions from each of these sectors. The third details the intensity of the emissions in relation to each sector, as we describe in the graph above. The last column describes levels of data quality, as defined in the table below, per sector financed.

## 2019 – Climate impact of our loans and funds' investments

Impact sector	Total outstanding loans & funds investments covered (in 1,000 EUR)	Attributed emissions (in ktonne CO <sub>2</sub> eq.)	Emission intensity (in ktonne CO <sub>2</sub> eq./billion EUR)	Data quality score high quality = 1 low quality = 5
<b>Generated emissions</b> 				
Environment:				
Organic farming	327,548	15	46	2.9
Sustainable property	1,046,640	34	32	3.1
Residential mortgages	2,192,019	35	16	2.3
Environmental – other	239,128	10	42	5.0
Social:				
Care for the elderly	652,871	24	37	3.8
Healthcare – other	419,541	16	38	5.0
Social housing	535,901	22	41	4.0
Inclusive finance & development	838,140	9	11	5.0
Social other & municipalities	677,377	15	22	5.0
Culture:				
Arts and culture	458,911	33	72	4.7
Education	287,909	7	24	4.2
Culture – other	255,683	16	63	5.0
IEB funds	1,883,105	53	28	2.3
	<b>9,814,773</b>	<b>289</b>	<b>29</b>	<b>3.4</b>
<b>Sequestered emissions</b> 				
Nature development & Forestry	84,769	-24	-283	2.9
<b>Net emissions</b>	<b>9,899,542</b>	<b>265</b>	<b>27</b>	<b>3.4</b>
<b>Avoided emissions</b> 				
Renewable energy	2,391,993	962	402	1.6
<b>Total<sup>1</sup></b>	<b>12,291,535</b>			<b>3.1</b>

<sup>1</sup> Avoided emissions should not be summarized because their absolute emission is zero.

## 2018 – Climate impact of our loans and funds' investments

Impact sector	Total outstanding loans & funds investments covered (in 1,000 EUR)	Attributed emissions (in ktonne CO <sub>2</sub> eq.)	Emission intensity (in ktonne CO <sub>2</sub> eq./billion EUR)	Data quality score high quality = 1 low quality = 5
<b>Generated emissions</b>	■			
Environment:				
Organic farming	290,919	27	93	3.2
Sustainable property	903,361	22	24	3.4
Residential mortgages	1,679,827	30	18	4.0
Social:				
Care for the elderly	578,298	25	43	4.0
Social housing	455,639	19	42	4.0
SRI funds	1,073,196	53	49	2.0
	<b>4,981,240</b>	<b>176</b>	<b>35</b>	<b>3.4</b>
<b>Sequestered emissions</b>	■			
Nature development & Forestry	69,536	-24	-345	3.1
<b>Net emissions</b>	<b>5,050,776</b>	<b>152</b>	<b>30</b>	<b>3.4</b>
<b>Avoided emissions</b>	□			
Renewable energy	2,250,801	-985	-438	1.8
<b>Total<sup>1</sup></b>	<b>7,301,577</b>			<b>2.9</b>
Coverage rate	68%			

<sup>1</sup> Avoided emissions should not be summarised because their absolute emission is zero.

In 2019 Triodos Bank and its investment funds financed renewable energy projects and energy saving projects that avoided over 962 ktonne of CO<sub>2</sub> eq. emissions compared to fossil-fuel power generation, equal to the avoidance of emissions of over 5.9 billion kilometres travelled by car.

Next to investing in renewable energy, Triodos Bank also financed forestry and nature development projects. This resulted in the sequestration of approximately 24 ktonne CO<sub>2</sub> eq., equal to at least 361,000 mature trees.

The emissions that were generated by the other loans and investments covered in this climate impact measurement are approximately 289 ktonne CO<sub>2</sub> eq. The increase of generated emissions compared with last year is mainly due to including all sectors in this year's assessment.

Extending the scope of our overall assessment to 100% resulted in a lower overall data quality score. However, we were able to improve the data quality in some sectors. For example, using actual energy consumption data for the Dutch part of our mortgage portfolio, improved the data quality of the mortgage portfolio from a score of 4, to 2.3. This follows a collaboration with other financial institutions in the Dutch chapter of PCAF and the Dutch Central Bureau of Statistics.

We will continue to report the climate impact of our own operations and of our loans and funds' investments in the future. We hope to further improve the quality of this data, the methodology that underpins it and, therefore, the accuracy and relevance of our reporting.

# 962

Avoided emissions  
in kilotonnes of CO<sub>2</sub>

## Climate impact of our operations

We have measured the climate impact of our operations since 2013. In addition to efforts to reduce this impact, each year, we have also compensated

these emissions, via "Gold standard" projects from the Climate Neutral Group.

### Emission of CO<sub>2</sub> (equivalents)

In thousands of kg	2019	2018	2017	2016	2015
<b>Scope 1</b>					
Gas consumption (heating)	70	73	72	73	90
Fossil fueled company cars & lease cars <sup>1</sup>	197	156	162	175	174
<b>Scope 2</b>					
Electricity <sup>2</sup>	22	7	13	22	1
Electric company cars & lease cars <sup>3</sup>	65	19	8	6	6
<b>Scope 3</b>					
Commuting travel					
Privately owned cars, rental cars & taxi's	1,122	1,312	1,319	1,319	1,144
Public transport	173	105	268	243	214
Flights	1,129	997	1,082	1,083	1,119
Paper	123	143	140	203	293
<b>Total</b>	<b>2,901</b>	<b>2,812</b>	<b>3,064</b>	<b>3,124</b>	<b>3,041</b>
Minus: Compensation for CO <sub>2</sub> credits	-2,901	-2,812	-3,064	-3,124	-3,041
<b>CO<sub>2</sub> balance (neutral)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
CO <sub>2</sub> compensation costs per tonne (EUR)	8.40	8.40	8.40	8.40	8.40

<sup>1</sup> The emissions from fossil fueled company cars and lease cars is significantly higher in 2019 compared to 2018, because the kilometres for private purposes are included for the first time in 2019. Also, a different and more accurate calculation method was used (emissions calculated based on litres of fuel used instead of estimated kilometres driven).

<sup>2</sup> Due to changes in the method of calculation, the CO<sub>2</sub> emissions of electricity have fluctuated in previous years. In 2019, the CO<sub>2</sub> emissions caused by electricity consumption in buildings has increased. This is due to the use of grey electricity (instead of green electricity) in our German office following a move to another building. Since the beginning of 2020, we use green electricity again in all our office buildings, including in Germany.

<sup>3</sup> As a consequence of switching from fossil fueled cars to electric ones, the emissions related to electric company cars and lease cars has increased significantly (assuming grey electricity for charging the cars).

**New developments in impact management and reporting – the United Nations Principles for Responsible Banking**

During the year Triodos Bank signed the ground-breaking UN Principles of Responsible Banking. The principles define the global banking industry’s role and responsibilities in addressing current societal problems, including the climate emergency and social inclusion. They were launched, to some fanfare, during ‘climate week’ in New York during the summer. Triodos Bank played a leading role in developing this global framework, as part of the core group of banks who developed the Principles and shaped the framework. By the year end over 140 banks globally had signed up to the Principles, representing over USD 47 trillion in 49 countries with more banks continuing to sign up.

The participating banks promise to strategically align their business with the goals of the Paris Agreement on Climate Change and the Sustainable Development Goals and scale up their contribution to the achievement of both. By signing up to the Principles, banks said they believe that “only in an inclusive society founded on human dignity, equality and the sustainable use of natural resources”, can they help their clients, customers and businesses thrive.

Triodos Bank is one of them. And as part of this we are committed to provide an update on what we have done or are doing in relation to each principle. The table below highlights this work.

<p><b>Principle 1</b></p> <p>Identifying society’s goals as expressed in the SDGs/Paris Agreement/other relevant frameworks</p> <p>Aligning the bank’s business strategy with the identified goals</p>	<p>Triodos Bank was created in order to integrate social, environmental and cultural goals in a bank’s core business. As a result we only finance social, environmental and cultural sectors.</p> <p>This principle is implemented as a consequence of this approach – see the SDG appendix, the Executive Board chapter, and this impact chapter which highlights our work in relation to the Paris climate goals among other things.</p> <p>Prior to the creation of the SDGs, Triodos Bank has always produced an integrated annual report showing how sustainability is embedded in Triodos Bank’s strategy</p>
<p><b>Principle 2</b></p> <p>Based on a portfolio impact analysis identifying the bank’s most significant (actual and potential) positive and negative impacts.</p> <p>Setting SMART targets that address the bank’s most significant impacts, and drive alignment with the SDGs/ Paris Agreement/other relevant frameworks.</p>	<p>Triodos Bank’s focus is to deliver positive impact, as described above.</p> <p>More specifically, we have developed the Triodos Impact Prism tool that assesses impact in more depth and has been an integrated part of Triodos Bank’s assessments since the start of 2019, capturing the sustainability value of our loans. During 2020 this tool will also be applied across Triodos Investment Management.</p> <p>As well as reporting extensively on the greenhouse gas emissions of our loans and investments we expect to set Science-based targets (SBT) after these are agreed by the SBT initiative and available to the financial sector.</p> <p>We also define our aspirations in relation to the SDGs specifically, in the appendix to this report, on three levels; our baseline activity, direct activity and where we can play a role as a catalyst for systemic change.</p>

**Principle 3**

Working with clients and customers to achieve more sustainable outcomes

Given the sustainable orientation of Triodos Bank's business we have always engaged in dialogue with clients about optimising sustainability impact. This includes working with clients to help them think more cross-sectorally to increase their positive social and environmental impact.

During 2019 we engaged with customers working in sectors with the largest greenhouse gas emissions, relative to our wider loans and investments, to improve carbon footprint data quality, and as a first step before discussions about footprint reductions in future years.

We also offer products to incentivise more sustainable outcomes, such as a mortgage which offers a discounted interest rate for more energy efficient houses and additional discounts to help customers make environmental improvements to their home.

**Principle 4**

Consulting, engaging and/or partnering with stakeholders in order to improve the bank's impacts.

Developing a stakeholder engagement policy/process.

Triodos Bank was a co-founder of a number of initiatives which foster the development of approaches to improve the impact of the bank and the wider sector; they include the Dutch Sustainable Finance Lab (and a similar initiative developed in Spain in 2019), and the Global Alliance for Banking on Values, a network of independent sustainable banks, which Triodos Bank Chairs.

In addition, we engage with stakeholders throughout the year at a national, regional and sectoral level, including a stakeholder engagement meeting at Triodos Bank's Head Office, the process and results of which are reported in the stakeholder engagement chapter in this report. This year's meeting paid particular attention to our impact in reducing our greenhouse gas emission and how best to report this as a leading values-based bank, for example.

We undertook stakeholder interviews, including a discussion on the merits of setting carbon reduction targets. We also reviewed and refreshed our stakeholder engagement activity in relation to identifying the material topics that Triodos Bank should address and report on.

We participated actively in COP25, helping to catalyse the Spanish Banking Association's commitment on climate emissions reductions. This follows leading and extensive work on a similar financial sector commitment in The Netherlands.

We collaborated actively with many NGOs and other partners in advocating for a robust and ambitious application of the EU sustainable finance taxonomy. This was finally agreed in December 2019.

### Principle 5

Having an effective governance structure in place that will enable implementation of the Principles.

Developing a culture of responsible banking within the bank.

Triodos Bank's governance structure stems from its sustainability agenda which is aligned, and in some ways goes beyond the principles for responsible banking. Triodos Bank does not have shareholders, but depository receipt holders instead, and it is not listed on a stock exchange. This structure helps safeguard its mission and optimise its sustainability impact.

Since sustainability is core to the mission and embedded in all of our operations, we do not have a separate sustainability department.

Triodos Bank's culture also stems from this mission and is detailed in our co-worker chapter in this report.

A Group Impact Committee will be created in 2020 to further develop Triodos Bank's operational and strategic focus on impact.

### Principle 6

Reporting on positive and negative impacts, and progress made on targets and implementation of the Principles.

This annual report, and this section of it in particular, details our progress in the implementation of our mission, which focuses on delivering positive impact for people, the environment and culture. As such it meets these goals. We have made a deliberate choice to use impact-based targets sparingly to ensure that we 'hit the target without missing the point'. This approach is explored in more detail in this chapter.

We aim to assess both the positive and negative impacts on sustainability of all the loans and investments we make, via Triodos Bank's Impact Prism tooling. In addition, we use negative screening criteria to avoid financing sectors we consider to be inherently 'unsustainable' such as the fossil fuel industry.

Triodos Bank is actively exploring the creation of plans to extend its positive impact by setting appropriate targets. This includes science-based targets linked to align the organisation's portfolio with the Paris climate goals. Our intention is not just to set these targets but to identify effective plans to execute them. We intend to use targets when they help to deliver our mission, financing both positive environmental benefits and supporting social inclusion; hitting the target, without missing the point.

### Verifying our impact data

The impact data included in the Executive Board report is in scope of the review procedures performed by the independent external auditor. Doing so is a logical extension of the auditing of our financial figures, as an integrated business that has sustainability at the core of its financial activity.

## Impact by sector

### Environment

#### Renewable energy



Triodos Bank and its investment funds, offered via Triodos Investment Management, finance and co-finance enterprises that increase the use of renewable resources in particular and supports projects that reduce the demand for energy and promote energy efficiency.

It's important to note that we include an attribution approach in our carbon disclosures. This means that we calculate avoided emissions as they relate to the proportion of our finance in a project. For example, if we are responsible for half of a project's finance, we report half of the avoided emissions generated by that project. This attribution approach is a more accurate reflection of Triodos Bank's responsibility for the greenhouse gas emissions of the projects it finances and is consistent with the PCAF methodology.

By the end of 2019, Triodos Bank and its climate and energy investment funds were financing 504 projects in the energy sector. This included 26 energy efficiency projects, 40 sustainable power projects in a construction phase and another 438 sustainable power generating projects (2018: 451).

These renewable energy projects avoided about 0.9 million tonnes CO<sub>2</sub> (2018: 0.9 million tonnes) that can be attributed to Triodos Bank's financing.

The total generating capacity of these projects was 3,900 MW (2018: 3,800 MW), producing the equivalent of the electricity needs of 4.6 million households worldwide (2018: 2.5 million) or 0.7 million based on an attribution approach. This year's increase in total number of households is due to new, large renewable energy investments in emerging markets where the average electricity consumption per household is significantly lower than in Europe.

The 504 projects include 215 wind power projects, 224 solar photovoltaic projects, and 33 hydro projects. The rest include heat and cold storage, biomass and a diverse range of energy efficiency initiatives.

#### Organic farming and nature development

The organically managed land on the farms which Triodos Bank and Triodos Investment Management financed in 2019 could produce the equivalent of 31 million meals in 2019, or enough food to provide a sustainable diet for approximately 28,000 people (2018: 29,000). Together they financed approximately 34,000 hectares of organic farmland across Europe. This means one football-pitch sized piece of farmland for every 13 customers, each one producing enough for 550 meals per year.

We also financed 31,000 hectares of nature and conservation land (2018: 30,000 hectares), representing around 400m<sup>2</sup> of nature and conservation land per customer. This land is important for the sequestration or absorption of CO<sub>2</sub> from the atmosphere.

In 2019 over 98,000 smallholder farmers (2018: 104,000) in 9 emerging market countries worldwide were paid directly and fairly upon delivery of their harvest, as a result of the trade finance that Triodos Investment Management funds provides to farmers' cooperatives and agribusiness. These farmers' harvest that is brought to international markets, consists of 10 different fair trade and organic products, such as cocoa, coffee, rice and quinoa. In 2019 the clients of the funds had 64,000 hectares of certified organic farmland under cultivation (2018: 56,000). An additional 6,000 (2018: 24,000) hectares was in conversion – an important number because it takes time before conventional farmland is ready to be certified organic.

#### Sustainable property and private sustainable mortgages



As well as offering green mortgages that incentivise households to reduce their carbon footprint, Triodos Bank and Triodos Investment Management finance new building developments and renovation projects for properties to reach high sustainability standards. In 2019 Triodos Bank and Triodos Investment Management financed directly, and via sustainable property, approximately 13,700 homes and apartments (2018: 11,800) and about 480 commercial

properties (2018: 440) comprising approximately 921,000m<sup>2</sup> for office and other commercial space (2018: 717,000m<sup>2</sup>) and about 1,022,000m<sup>2</sup> of buildings and brownfield sites (2018: 226,000m<sup>2</sup>). Increased financing of land for building is primarily from The Netherlands.

## Social

### Health care



As a result of its finance across Europe around 43,000 individuals (2018: 41,000) were residents of facilities at 516 elderly care homes financed by Triodos Bank and Triodos Investment Management in 2019, representing the equivalent of 21 days of care per Triodos Bank customer.

### Community projects and social housing

In 2019 Triodos Bank and Triodos Investment Management financed 600 community projects (2018: 525), and 204 social housing projects, which directly and indirectly provide accommodation for approximately 58,000 people (2018: 56,000).

### Financial inclusion



At year-end 2019, Triodos Investment Management's specialised emerging markets funds provided finance to 109 financial institutions working for inclusive finance in 45 countries. These values-based institutions vary from very small NGOs working in underdeveloped markets to fully-fledged banks that offer a wide range of products and provide access to fair and transparent financial services for people and small businesses.

Together these organisations reached approximately 19.2 million individuals saving for their future (2018: 11.1 million). The substantial increase in the number of savers is due to the combined effect of existing institutions growing their savers' base, as well as institutions that started reporting for the first time in 2019 using the new online investee portal.

Also, 19.1 million borrowers were reached who borrow to start or expand their business, generate income, and better manage their daily lives (2018: 19.2 million). Of these loan clients, 75% are female. Women are often in disadvantaged positions in many developing countries. Giving women the freedom to manage their income and to provide for their families empowers their position.

## Culture

### Arts and culture

As a result of its lending and investments activity to cultural institutions across Europe, Triodos Bank helped make it possible for 25.8 million visitors (2018: 22.6 million) to enjoy cultural events during 2019 including cinemas, theatres and museums. This represents the equivalent of 35 cultural experiences per Triodos Bank customer.

Triodos Bank and Triodos Investment Management finance also helped approximately 3,600 artists and creative companies active in the cultural sector (2018: 3,300). Theatre, music and dance productions from creative companies were attended by 1.7 million people (2018: 1.2 million). New productions from the film and media sector financed by Triodos Bank (most importantly in Spain) were seen by approximately 9 million people (2018: 13 million).

Triodos Bank and Triodos Investment Management also financed organisations that provided 4,600 affordable spaces for cultural activities such as workshops and music courses (2018: 4,000).

## Education



Approximately 660,000 individuals benefited from the work of 380 education initiatives financed by Triodos Bank in 2019 (2018: 680,000). For every Triodos Bank customer, the equivalent of almost 1 person was able to learn and grow because of education provided by an establishment we financed.

## Co-worker report



Triodos Bank's community of co-workers are highly engaged and committed individuals who are inspired and connected by a sense of purpose that's linked to its mission. To truly make money work for positive social, environmental and cultural change, the organisation and its co-workers are closely connected to its mission and values, but also think and act effectively as One Bank.

Last year was a year of transformation, in part in service of this goal. Many changes had a direct impact

on the type of work Triodos Bank does and where and how it happens; from moving into new buildings, to implementing new ways of working, responsibilities and redefining roles.

2020 will build on these developments and be a year to embed the changes which began in 2019.

The following table provides a summary of progress against the prospects identified in the 2018 annual report. The content in this table is explored in more depth in the text itself.

Our key objectives for 2019	Input from HR Strategic Plan	Progress at a glance
<p>'A step-up in organisational development by having sound and clear ways of working within, and between, units. This will make sure Triodos Bank works more efficiently and is visibly 'in control'.</p>	<p>A 'blueprint design', with clear roles and responsibilities, was finalised for relevant parts of the organisation. Implementation plans have been defined.</p> <p>Functional reporting lines between the Triodos Group and local operating units have been defined and implementation has begun. This has enabled the organisation to be more effective, efficient and visibly in control. This includes the changed relationship with the UK which had to become a subsidiary as a result of Brexit.</p>	<p>● ● ○</p>
<p>To design and implement an Organisational Culture Programme to enable leadership and co-workers to take their role and responsibility in wider change.</p>	<p>With external support, organisational culture was assessed in the light of the three-year strategy. Themes and behaviours have been defined to support delivering the strategy and mission in the current challenging context.</p>	<p>● ○ ○</p>

●●● Met   ●●○ Mostly met   ●○○ Partially met   ○○○ Not met

### Delivering changes in the business

In order to deliver business changes in an effective and efficient way domains have been set up. Domains are multidisciplinary teams using an agile approach that improve products and services and make sure they comply with regulations, improve customer satisfaction, reduce operational costs and increase revenue. The priorities of stakeholders, on a local as well as group level, come together in these diverse teams. There are seven domains currently: onboarding and servicing, payments and savings, investments, business lending, community engagement and communication, Know Your Customer and fraud and transparent reporting.

### Organisational changes

A low interest rate environment and growing regulatory demands, across Europe, are expected to continue for a longer period. In this context Triodos Bank has decided not to make the large investment required to establish a banking branch in France. Following this decision, Triodos Bank has started to consult with relevant representative bodies on its intention to close the intermediary office currently operating in Paris.

There were important changes in senior leadership in parts of the organisation during the year. Pierre Aeby stepped down as Chief Financial Officer (CFO) for the Triodos Group. As described in last year's report his

position has been split into Chief Risk Officer (CRO) and CFO roles. The Executive Board now has four members as a result. Carla van der Weerd was appointed as the new CRO and a new CFO, André Haag, started on 1 January 2020.

### Co-worker feedback

An international co-worker survey was conducted in the spring of 2019. This was the second time an international survey was held. The aim of the survey was to understand the co-worker experience within Triodos Bank better, identify areas for improvement and where best practice is happening to share and celebrate it. A comparison was made with the 2017 results. The analysis focused on three themes; Vitality, Efficiency and Changeability.

Responses, of 84.7%, were very high (2018: 83.3%). The commitment and engagement score was lower than in 2018 but was still high compared to a key Global Employee Engagement external benchmark.

A few themes, including flexible working, working more efficiently, well-being and vitality and learning and development are relevant for the whole organisation and appeared in most of the department plans.

### Flexible working

A lot of feedback in the survey focused on the need to work together and more flexibly. Specific actions were taken. For example, in Spain a pilot for flexible spaces was launched and now most co-workers can work from home on one day per week. In Belgium a 'working from home' policy was finalised. All Belgian co-workers received tools to enable them to work from home effectively and in 2019 almost 60% of the Belgian co-workers spend some time working from home. The UK office ran focus groups in 2019 to identify changes needed to create a flexible and responsive working environment. These are planned for roll out in 2020.

The move to new buildings in The Netherlands and Germany also contributed to working more together and more flexibly. Triodos Bank Germany moved to a new building at the start of 2019. This office is more spacious and benefits from an 'open plan' design that also supports better collaboration.

In The Netherlands all the Triodos Bank Netherlands, Triodos Investment Management and Triodos Regenerative Money Centre co-workers moved into a new building towards the end of 2019. The new office is a unique structure in a unique location. The criteria for choosing this new location included proximity to public transport and an identity that matches Triodos Bank's own. The 'Reehorst' is located very close to a train station and has implemented a concept of flex-working which means co-workers choose a workspace that best suits their current activity. The concept facilitates communication between colleagues and stimulates moving around and meeting others. In addition, it allows efficient and flexible use of the available space. The environmental report on page 52 provides more detail on the groundbreaking environmental performance of the building.

### Working more efficiently

Many co-workers listed efficiency as a key priority in the survey. Lean and agile projects designed to empower teams to innovate, adapt, and deliver value faster, and the set-up of Domains across the organisation contributed to working more efficiently over the short and long term during the year. In addition, teams and departments explored ways to improve efficiency themselves. For example, the UK office reviewed the culture around meetings, through focus groups. A 'Meeting Code' was created as a result and all co-workers have signed up to it. In Spain the office launched two local domains during the year: onboarding and servicing, and business lending.

In Belgium a 'Teampact' project was launched within Retail Banking to make the different commercial teams work as one. It's expected that this will create development opportunities for co-workers and foster greater control over career paths within Triodos Bank.

## Well-being

Well-being and vitality were also identified as important topics in the survey. Co-workers have indicated that their workload sometimes feels excessive. In The Netherlands co-workers were invited to participate in 'burn-out' prevention research, providing a personal risk profile and recommendations for the organisation about how to prevent burn-out. The research will provide the organisation with insights to reduce the risk of work-related stress.

In the UK attention was paid to mental health during 2019. 30 co-workers are now professionally trained Mental Health First Aiders.

## Learning and development

Being a learning organisation is a key priority for Triodos Bank. It enables it to act individually and collectively to deliver its mission and fulfil its purpose. Learning and development is relevant for all co-workers, regardless of their role or seniority.

In 2019 learning and development activities on a Group level focused on the organisation's values and mission, leadership development, and supporting the transformation to agile and lean ways of working.

New initiatives included Reflection Days at Triodos Bank Belgium, which arranged for a diverse group of co-workers to interact on Triodos Bank's values, reflect on their own connection to the mission and the inspiration it brings. A development programme for Senior Relationship Managers was also designed and successfully launched. It offers the opportunity to strengthen expertise, develop skills and reinforces Triodos Bank's approach to managing relationships.

At a local level, all co-workers receive regular performance and career development reviews. In 2020 a move towards a continuous performance dialogue is expected. In addition, local meetings for all co-workers every Monday provide a regular opportunity to share relevant issues. External speakers also provide talks that offer insights and knowledge on topics of interest to a broad group of co-workers. We offer individual support, when

relevant, to assist co-workers when transitioning from Triodos Bank to new employment.

From the co-worker survey and many conversations with co-workers there are significant variations in how learning and development at Triodos Bank is perceived by different co-worker groups. As a first step to a more structured approach to this work, in 2020 an online learning environment will be made available where co-workers can find an overview of on and offline learning opportunities across Triodos Bank.

## Responsible employer

For Triodos Bank being a responsible employer means taking care of the well-being of its co-workers, as well as ensuring that co-workers can enjoy an inclusive workplace that welcomes and celebrates diversity. This is a crucial topic, impacting on all co-workers, because it reflects Triodos Bank's mission to help create a society that protects and promotes the quality of life of all its members, and that has human dignity at its core.

Gender equality is important to us. In 2019 Triodos employed 740 women (49.6%) and 753 men (50.4%). The share of women in management positions is 44%.

Triodos Bank can make a profound difference to the lives of the people it employs. It puts a great deal of effort into trying to get this right and learning where it can improve. For example, in Triodos Bank Spain an equality plan is in place and an equality agent has been appointed to coordinate and promote gender diversity activities. In The Netherlands the organisation is working with an external partner to attract and employ co-workers with a distance to the labour market, such as people with physical or learning disabilities and refugees. Most banking entities are working to develop a more inclusive network and look to collaborate with partners.

Triodos Bank takes the health and safety of its co-workers very seriously. Most of its offices have a Health and Safety committee present. However, it does not yet measure the percentage of co-workers represented in health and safety programmes.

### Fair rewards for all co-workers

Triodos Bank believes people should be properly and appropriately rewarded for their work. Pay is an important element of this. For Triodos Bank that means, amongst other things, not offering bonus or share option schemes. The same salary scales and criteria are applied to determine the salary for men and women. The organisation monitors remuneration both within the company and in relation to the rest of the financial and banking sector, and wider society.

In The Netherlands, which is home to the Executive Board, the Head Office, Triodos Investment Management and Triodos Bank Netherlands, the ratio of the highest full-time salary to the median full-time salary was 5.6 in 2019 (2018: 5.6). This ratio is also reported in the Key Figures section at the start of this report reflecting the GRI methodology. It is reviewed and discussed within the Executive Board and with the Supervisory Board in the light of developments inside and outside the organisation.

Triodos Bank seeks a healthy balance between external developments (competition and tensions in the labour market, good inflow and outflow of co-workers) and internal consistency. Maintaining this balance presents challenges as the business evolves, so the organisation has defined a bandwidth as a guiding principle. For the ratio of highest to median pay this stands at 7.

For more information on the international remuneration and nomination policy please refer to the annual accounts on page 126.

### Prospects 2020

Triodos Bank's ambition is to be a 'great place to work' for its co-workers. A place of positive energy, passionate people and effective ways of working that allow the organisation to reach its strategic goals and achieve its mission. Under the banner of 'Make Change Work' Triodos Bank will further focus its efforts, celebrate successes, learn from the community of co-workers and achieve results together in 2020 and beyond.

The organisation will continue to foster a strong co-worker community: able to act in the now, with an eye on the future.

### Organisational culture programme

The organisation will be strengthened to become more effective at delivering, embracing and benefiting from change, with a focus on four key areas: result-oriented decision making, discipline to implement, dealing with tensions and learning and improving together. More specifically this will mean:

- Organisational culture is further embedded and anchored throughout the organisation
- Action plans stimulated by the co-worker survey will be monitored and implemented
- Leadership approach will be strengthened both locally and at a group level
- A revised and harmonised appraisal process will be introduced.

### Learning and development

Triodos Bank will further develop as a learning organisation via the following objectives;

- Implement a Learning Management System to provide an overview of online and offline learning opportunities across Triodos Bank
- Continue to enable co-workers to connect with the essence and mission
- Translate the strengthened leadership approach into the leadership development curriculum
- Broaden learning and development opportunities available for all co-workers.

## Environmental report

12 ∞

Triodos Bank is one of the world's most sustainable banks. Its mission means that it both finances enterprises that make a positive environmental difference through their business and it takes great care of its own environmental performance as a company. It is the reason Triodos Bank was one of the first banks to produce an environmental report. And it is why it continues to try to play a leading role, exemplifying how businesses in general, and a values-based bank, can operate in an environmentally responsible way.

Triodos Bank limits its environmental footprint as much as it can, avoiding the emissions of greenhouse gases where possible. If some emissions are necessary, it tries to limit them as much as possible and compensate for the emissions it cannot avoid.

Triodos Bank measures the footprint of its operations, registers it in a CO<sub>2</sub> management system and compensates for it fully in 'Gold Standard Projects'.

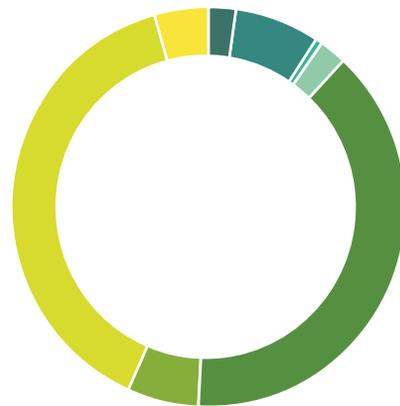
Besides disclosing our annual financial results, Triodos Bank also wants to take responsibility for its environmental impact. As a result, it reports on all its direct emissions (gas consumption for heating and fossil fuels for company and lease cars) and its most relevant indirect emissions (electricity, commuting travel and business travel and paper use). And it discloses the amount of energy used, through both electricity and gas in all its banking entities.

### The year, in figures, at a glance

CO<sub>2</sub> emissions per FTE in 2019 decreased slightly to 2.00 tonnes compared to 2.02 tonnes in 2018. Total CO<sub>2</sub> emissions across the whole of Triodos Bank increased by 3% to 2,901 tonnes CO<sub>2</sub>, compared with 2018 (2,812 tonnes CO<sub>2</sub>). There has been an increase in electricity consumption of 2.6% per FTE. This increase is caused by the electricity consumption of a new, not yet in use office building in The Netherlands (the Reehorst), while still using the old offices. Business travel by airplane has increased by 4.9% per FTE.

The total amount of paper usage decreased further in 2019 to 67 kg per FTE (2018: 81 kg per FTE). The amount of blank copy recycled paper decreased to 10.8 kg per FTE (2018: 12.85 kg per FTE). The amount of recycled printed paper was 0.11 kg per customer, a decrease of 15%.

### CO<sub>2</sub>-emissions



	2019 (2018)
Gas consumption (heating)	2.4% (2.6%)
Fossil fueled company cars & lease cars	6.8% (5.6%)
Electricity	0.8% (0.2%)
Electric company cars & lease cars	2.2% (0.7%)
Privately owned cars, rental cars & taxis	38.7% (46.7%)
Public transport	6.0% (3.7%)
Flights	38.9% (35.5%)
Paper	4.2% (5.1%)

Details of the methodology Triodos Bank uses to calculate its CO<sub>2</sub> emissions are available on request.

## Sustainable property

Triodos Bank wants its buildings to be as sustainable as possible. To that end it aims to assess, where applicable, all its buildings with the BREEAM methodology, one of the world's leading ways to certify a building's sustainability performance.

In The Netherlands, Triodos Bank opened a ground-breaking new office building called the Reehorst during 2019. The building and its surroundings have been developed with the conviction that nature, culture and the economy should be in balance with each other. It has a certificate from BREEAM for Outstanding design.

The building is designed to be energy-neutral and it is the first office in the world to have 100% circularity potential. This means that it can be disassembled into pieces and reconstructed without diminishing the quality of the materials used. The Reehorst office building won three awards during the year: Office Building of the year (for the building's architecture), Most Sustainable Building Project (for its construction) and the award for best Nature-Inclusive building and design (an award from two Dutch conservation associations).

## Sustainable mobility

In 2019, Triodos Bank started to update its mobility policy in The Netherlands to create a more flexible and sustainable approach to business travel and commuting. The updated policy should be in place in the second quarter of 2020. Moving about 60% of the Dutch co-workers to the new The Reehorst building is also expected to have a positive impact, not least because the building is located alongside a railway station, with direct connections to major urban centres.

Bikes, including electric models, and electric cars are available for co-workers in The Netherlands for transport between offices and for business travel. There are charging facilities at all Triodos Bank's Dutch offices to service both cars and bikes. The world's largest bi-directional charging station is located at the Reehorst office catering for 120 electric cars. This technology makes it possible, in the future, to not only charge cars but also use cars' batteries as an energy storage facility. The car park is covered by more than 3,000 m<sup>2</sup> of solar panels.

Outside of The Netherlands, the United Kingdom office won a regional sustainable mobility contest in the 'medium-sized organisations' category.

## Working with sustainable suppliers

Triodos Bank tries to extend its positive impact on society through the sustainable choices it makes about its suppliers. This is a material topic for the organisation and reflects the process by which it buys goods and services.

A procurement policy is used across all the countries where it operates to make sure that sustainable suppliers are engaged. The policy determines how Triodos Bank assesses how suppliers are aligned with its Business Principles and Triodos Bank's minimum standards. In addition, and importantly, Triodos Bank's policy is to proactively strive to improve social, environmental and cultural considerations in relation to both procured goods and services and the organisations that deliver them. Steps will be taken in the coming years to further strengthen the monitoring of the application of the policy, learn from best practice across the Triodos Bank network and engage in dialogue with suppliers to stimulate improving their sustainability performance. This should further deepen the impact of Triodos Bank's mission.

Our key objectives for 2019	How we did	Progress at a glance
2018 CO <sub>2</sub> footprint data integrated and executed in all consultations with suppliers within facility management.	CO <sub>2</sub> footprint data have been shared and discussed to a limited extent. Work on this goal will continue in 2020 as part of an objective to strengthen the monitoring of the sustainable procurement policy.	● ○ ○
A new mobility policy rolled out in The Netherlands to create more flexibility for business travel.	In The Netherlands, formulating a new mobility policy began during the year, which is expected to be in place in the second quarter of 2020.	● ● ○
A travel scan delivered to identify possible reduction measurements that can reduce the climate impact of Triodos Bank's air travel.	The air travel scan has been postponed to 2020, so that a full year's data can be used. Anticipating the results of the scan, rolling out improved video-conferencing facilities has already started in Belgium, the United Kingdom and The Netherlands.	● ○ ○
A plan created to improve Triodos Bank's BREEAM scores based on identified opportunities.	If the office buildings are Triodos Bank's property, action was taken to improve the sustainability of the buildings. When buildings are rented the owner of the building was encouraged to take measures.	● ● ○
Triodos Bank Green Week executed in all countries to increase awareness among co-workers in cooperation with suppliers.	Green Weeks were organised in the United Kingdom and The Netherlands. In the other countries, awareness activities were organised throughout the year.	● ● ○

●●● Met ●●○ Mostly met ●○○ Partially met ○○○ Not met

**Prospects**

- Sustainable Mobility: Air travel scan to identify possible reduction measurements that can reduce our climate impact of air travel. Introduce a new mobility policy in The Netherlands

- Working with sustainable suppliers: Design an approach to assess the sustainability impact of our vendors
- Waste Management: implement waste reduction programme, focusing on measuring quantity of waste, in The Netherlands

## Risk and compliance

### Risk management

Managing risk is a fundamental part of banking. Triodos Bank manages risk as part of a long-term strategy of resilience.

Risk management is embedded throughout the organisation. While business managers are primarily responsible for delivering a resilient business approach, they are supported by risk managers, with local business knowledge, to identify, assess and manage risk. At Group level, a risk appetite process is implemented to align Triodos Bank's risk profile with the willingness to take risk in achieving its business objectives.

Periodically each business unit performs a strategic risk assessment to identify and manage potential risks that could impede the realisation of its business objectives. The results of these assessments are consolidated and used as input for the Executive Board's own risk assessment. They are also part of the business plan cycle.

Two important external strategic risks are expected to continue in the foreseeable future; the continuing low interest rate environment and regulatory requirement. The first has led to a decreased margin and consequently lower profitability than anticipated. The second has led to the need for additional co-workers, system adaptation and processes in order to implement these new regulatory requirements, as well as increasing contributions to the Deposit Guarantee Scheme and resolution costs.

The strategic risk environment forms one of the starting points for determining the corporate strategy, the assessment of the capital and liquidity requirements in relation to the risk appetite and recovery plan. In addition, the local risk sensitivities are reviewed to determine scenarios that were used to stress test Triodos Bank's solvency, liquidity and profitability during 2019.

Given the scenarios that were selected, Triodos Bank is sensitive to a continuing, low interest environment

scenario. It shows that, with projected business volumes and fee income, profitability will be under pressure in the coming years. This risk will be mitigated by a focus on cost efficiency and by diversification of income.

Apart from the risks with a direct financial impact, Triodos Bank is sensitive to scenarios relating to reputational risk. To prevent such an event, it is essential to communicate clearly about the mission, and our performance, and to act in line with the mission.

The impact of the scenarios was calculated and assessed in relation to profitability, capital ratios and liquidity. The results indicated that Triodos Bank has a strong capital base to absorb unexpected losses.

One of the mandatory scenarios that have been defined by the regulator is 'climate risk'. Climate risk contains two important elements:

- the risk that relates to the transition of 'old' sources of energy to sustainable ones (transition risk), which can result in stranded assets. Power plants using coal that have to close earlier than expected, are an example.
- the risk that relates to the changes of the climate itself causing physical damage (physical risk). The rise of sea levels as a result of extreme weather conditions is an example.

Given that sustainability considerations are a starting point within Triodos Bank's lending processes, transition risks are minimal in its loan portfolio. Triodos Bank's lending is already focused on financing enterprises contributing to a low-carbon future.

Triodos Bank's portfolio could be impacted by the physical risks of climate change. Regarding physical risk, the changes in climate leading to storms, floods and droughts may have an impact on its assets. However, Triodos Bank has not identified assets considered to be especially vulnerable to these physical risks. In the longer term, impact on weather conditions (such as wind and solar resources) may affect renewable energy generation. However, there are no reliable predictions for this happening, and it is

unlikely to affect the bank's portfolio assets within the duration of the current portfolio.

Nevertheless, Triodos Bank carries out annual stress tests which take extreme but plausible situations into account. As part of determining the scenarios, it evaluates whether extreme weather situations could impact the bank's resilience with a time horizon of three years. Currently, the conclusions of this work are that it is very unlikely to have material impact within this time horizon.

Finally, Triodos Bank believes that since these risks will have a profound impact on society as a whole over the longer-term, society and the banking sector should create structures to drastically decrease and minimise the financing of unsustainable assets.

A fully integrated risk management report gives insights into the Triodos Bank risk profile in relation to the risk appetite. The report is an important monitoring tool for Triodos Bank's risk profile, gives insights into specific risk themes and provides an integrated picture of risk at business unit level. This report is produced quarterly and discussed with the Supervisory Board's Audit and Risk Committee.

Several risk committees are in place at group level, all representing a specific risk area. The monthly Asset and Liability Committee is responsible for assessing and monitoring the risks associated with market risk, interest rate risk, liquidity risk, currency risk and capital management. The monthly Non-Financial Risk Committee monitors and challenges the development of the non-financial risk profile of Triodos Bank in order to determine whether the operational and compliance risks are, and will be, in line with the defined non-financial risk appetite.

The Enterprise Risk Committee of Triodos Bank is the body delegated by the Executive Board to propose the risk appetite, monitor the actual risk profile against the risk appetite, propose capital and liquidity levels and discuss all corporate risks and mitigating actions.

The Credit Risk Committee plays an important role in assessing the risk of new loans and monitoring the credit risk of the entire loan portfolio. The assessment

of credit risk of the individual loans is primarily the responsibility of local banking entities, who are responsible for daily operations. The central risk function sets norms, approves large loans and monitors the credit risk and concentration risk of Triodos Bank's entire loan book.

The Risk Management section of Triodos Bank's annual accounts provides a description of the main risks related to the strategy of the company. It also includes a description of the design and effectiveness of the internal risk management and control systems for the main risks during the financial year.

The company's continuous growth has led to a periodic review of its internal organisation and governance requirements. New legislation (also) demanded several additional analyses, risk assessments and adjustments of systems or procedures.

### Capital and liquidity requirements

Regulations are demanding a more resilient banking sector by strengthening the solvency of the banks and introducing strict liquidity requirements, such as those developed by the Basel Committee on Banking Supervision. Based on the latest available information, Triodos Bank complies with the capital and liquidity requirements that legally came fully into effect from 2019, known as Basel III. Furthermore, Triodos Bank expects that the latest proposed changes to this regulation, referred to as the EU risk reduction package and the Basel III finalisation of post-crisis reforms, together will provide limited relief on Triodos Bank's required capital.

Triodos Bank's capital strategy is to be strongly capitalised. This has become an even more important strategic objective as the regulation introduces new measures to strengthen the capital base of all banks as a consequence of the financial crisis. Triodos Bank aims for a Common Equity Tier 1 ratio of at least 16%, well above its own internal economic capital adequacy models to guarantee a healthy and safe risk profile. The quality of capital is important as well as the solvency rate. All of Triodos Bank's solvency comes from common equity. Economic capital is the amount

of risk capital held to enable it to survive any difficulties, such as market or credit risks. Economic capital is calculated periodically and supports Triodos Bank's own view of capital adequacy for the purpose of the yearly Internal Capital Adequacy Assessment Process (ICAAP), which is reviewed by the Dutch Central Bank.

Triodos Bank successfully raised capital of over EUR 54 million in 2019. The Common Equity Tier 1 (CET1) ratio increased by 0.4% from 17.5% at the year end 2018 to 17.9% at the year end 2019. This ratio is still well above the regulatory requirement.

The liquidity portfolio increased to a limited degree during 2019, and Triodos Bank's liquidity position remained strong. Our policy is to hold a sound liquidity buffer and invest liquidities in highly liquid assets and/or inflow generating assets in the countries where we have banking entities. In The Netherlands Triodos Bank has invested its liquidities in (green) bonds of the Dutch government, agencies and banks, cash loans to municipalities, deposits with commercial banks and mainly with the Dutch Central Bank. In Belgium most of its liquidity has been invested in Belgian regional and government bonds. In Spain the liquidity surplus is invested in Spanish regional and central bonds, Spanish regions and agencies and deposited with commercial banks and the Spanish Central Bank. In the UK excess liquidity is invested in UK government bonds and placed on deposits with commercial banks and the Bank of England. In Germany, surplus liquidities are placed with commercial banks and the German Central bank. Due to the expansionary monetary policy of the ECB and specifically the asset purchase programme, yields of government bonds and other high rated counterparties have plummeted, often even to levels below -0.50%. Hence, the profile of the liquidity buffer changed during 2019. The bonds portfolio decreased by 19%, due to maturing bonds being placed mostly at the European Central Bank. The Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are both well above the minimum limits of Basel III. More detailed information about Triodos Bank's approach to risk is included in the Annual Accounts section on page 146.

### In control statement

The Executive Board is responsible for designing, implementing and maintaining an adequate system for internal control over financial reporting. Financial reporting is the product of a structured process carried out by various functions and banking entities under the direction and supervision of the financial management of Triodos Bank.

The Executive Board is responsible for the risk management function and compliance function. The risk management function works together with management to develop and execute risk policies and procedures involving identification, measurement, assessment, mitigation and monitoring of the financial and non-financial risks. The compliance function plays a key role in monitoring Triodos Bank's adherence to external rules and regulation and internal policies. The adequate functioning of the risk management and compliance function as part of the internal control system is frequently discussed with the Audit and Risk Committee. It is further supported by the Triodos Bank culture as a key element of our soft controls.

Triodos Bank's Internal Audit function provides independent and objective assurance of Triodos Bank's corporate governance, internal controls, compliance and risk management systems. The Executive Board, under the supervision of the Supervisory Board and its Audit and Risk Committee, is responsible for determining the overall internal audit work and for monitoring the integrity of these systems.

The risk governance framework is the basis for an in control statement process. Triodos Bank is working in a rapidly changing environment, which requires regular upgrades of its control framework.

The risk management and control systems provide reasonable, but not absolute, assurance regarding the reliability of financial reporting and the preparation and fair presentation of its financial statements.

The Executive Board report provides insight in the functioning of the internal controls, compliance and risk management systems.

## Compliance and integrity

Triodos Bank has internal policies, rules and procedures to ensure that management complies with relevant laws and regulations regarding customers and business partners. In addition, the compliance department independently monitors the extent to which Triodos Bank complies with its rules and procedures. External aspects of the compliance department primarily concern accepting new customers, monitoring financial transactions and preventing money laundering. Internal aspects primarily concern checking private transactions by co-workers, preventing and, where necessary, transparently managing conflicts of interest and safeguarding confidential information. In addition, it concerns raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures.

Triodos Bank has a European compliance team which is led by a central team at group level. Compliance officers are appointed in every banking entity with a functional line to the central compliance department. Triodos Bank has a Group Data Protection Officer who monitors compliance with the General Data Protection Regulation. The Director of Compliance reports to the Executive Board and has an escalation line to the Chair of the Audit and Risk Committee, that supports the independence of the Compliance Function.

Triodos Bank aims to serve the interests of all stakeholders, including society, by actively fulfilling its role as a gatekeeper in the financial system and to counter money laundering and terrorism financing. The bank applies various procedures and measures in this respect.

In 2018, the DNB conducted a thematic, sector wide survey among Dutch banks, focussing on the measures that the banks have taken to prevent money laundering and terrorism financing. Following this survey, DNB concluded that Triodos Bank is

required to implement enhanced measures concerning customer due diligence and monitoring of customer transactions. On 6 March 2019 the Dutch Central Bank imposed on Triodos Bank N.V. a formal instruction (aanwijzing) to remedy shortcomings in the compliance with provisions of the anti-money laundering and counter-terrorist financing laws and the financial supervision laws. Triodos Bank accepted this instruction and is implementing mitigating measures.

Triodos Bank was not involved in other material legal proceedings or further sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability.

## Sustainability policy

Sustainability considerations are shared at all levels of Triodos Bank and are an integral part of its management. Social and environmental aspects are taken into account in all day-to-day business decisions. Therefore, Triodos Bank does not have a separate department that continuously focuses on sustainability or corporate social responsibility.

Triodos Bank employs specific criteria to ensure the sustainability of products and services. It employs both positive criteria to ensure it is actively doing good and negative criteria for exclusion, to ensure it doesn't do any harm. The negative criteria exclude loans and investments in sectors or activities that are damaging to society. The positive criteria identify leading businesses and encourage their contributions to a sustainable society. Twice a year, these criteria are tested and adjusted if necessary. Triodos Bank has also defined sustainability principles for its internal organisation. These are included in its Business Principles. All sustainability criteria referred to can be found on our website.

## Corporate Governance

Triodos Bank has a corporate governance structure that reflects and protects its mission and meets all relevant legal obligations. General information about Triodos Bank's compliance with the Dutch Corporate Governance Code and the Banking Code is provided on the following pages. More details on Triodos Bank's governance structure are available at [www.triodos.com/govstructure](http://www.triodos.com/govstructure).

### Triodos Bank's internal governance

Triodos Bank is a European bank with banking activities in The Netherlands (Zeist), Belgium (Brussels), the UK (Bristol), Spain (Madrid), Germany (Frankfurt) and France (Paris). The Head Office and statutory seat is in Zeist, The Netherlands.

### Foundation for the Administration of Triodos Bank Shares (SAAT)

Triodos Bank believes it is crucial that its mission and identity is protected. For that reason, all Triodos Bank's shares are held in trust by SAAT, the Foundation for the Administration of Triodos Bank Shares. SAAT then issues depository receipts for Triodos Bank shares to the public and institutions. These depository receipts embody the economic aspects of the shares of Triodos Bank. SAAT exercises the voting rights attached to the Triodos Bank shares. The Board of SAAT's voting decisions are guided by Triodos Bank's object and mission, its business interests, and the interests of the depository receipt holders. Triodos Bank depository receipts are not listed on any stock exchange. Instead, Triodos Bank maintains its own platform for trading in depository receipts.

	Depository receipt holders		Issued capital in millions of EUR	
	2019	2018	2019	2018
1 – 50	14,919	14,332	23.5	22.7
51 – 500	23,147	22,260	361.6	343.4
501 – 1,000	3,945	3,620	226.1	203.9
1,001 and more	2,390	2,204	588.3	542.0
<b>Total</b>	<b>44,401</b>	<b>42,416</b>	<b>1,199.5</b>	<b>1,112.0</b>

	Depository receipts x 1,000		Depository receipt holders	
	2019	2018	2019	2018
The Netherlands	8,841	8,342	26,273	24,499
Belgium	2,785	2,472	7,422	7,254
United Kingdom	219	234	1,722	1,874
Spain	2,221	2,207	7,788	7,913
Germany	334	240	1,196	876
<b>Total</b>	<b>14,400</b>	<b>13,495</b>	<b>44,401</b>	<b>42,416</b>

## Statement of institutions with a participating interest of 3% or more

as a percentage	2019	2018
Coöperatieve Centrale Raiffeisen-Boerenleenbank BA	4.1	4.3
Nationale-Nederlanden Levensverzekering Maatschappij N.V. <sup>1</sup>	2.9	3.0

<sup>1</sup> Delta Lloyd Levensverzekering N.V. merged into Nationale-Nederlanden Levensverzekering Maatschappij N.V. in 2019.

### Depository receipt holders

Depository receipt holders are entitled to vote at the annual meeting of depository receipt holders. Each depository receipt holder is limited to a maximum of 1,000 votes. The annual meeting of depository receipt holders appoints the members of the Board of SAAT, based on the Board's nomination. These nominations must be approved by Triodos Bank's Executive Board, whose decision needs prior approval of the Supervisory Board. No depository receipt holder may hold more than 10% of all issued depository receipts.

### Triodos Bank's Supervisory Board

Triodos Bank has a Supervisory Board, which monitors Triodos Bank's business operations and advises the Executive Board to benefit the bank's business interests. Members of the Supervisory

Board are appointed and reappointed by the General Meeting of Triodos Bank, based on a recommendation from the Supervisory Board.

### Triodos Bank's Executive Board

The members of the Executive Board have a shared overall responsibility for the management of Triodos Bank. The Executive Board members have a leadership role in strategic development, alignment and ensuring the delivery of the organisation's goals. They are accountable to the Supervisory Board who appoints them.

All Board member biographies are available on page 226.

### Dutch Corporate Governance Code

The Dutch Corporate Governance Code ('the Code') only applies to companies whose shares are listed on a regulated market. Even though Triodos Bank's depository receipts are not listed on any regulated market it chooses to endorse and comply with the principles and best practices of the Code. The full comply-or-explain statement as required under the Code can be accessed at [www.triodos.com/govstructure](http://www.triodos.com/govstructure).

Although Triodos Bank generally complies with the principles and best practices of the Code, it has opted to consciously differ from it in several specific instances.

The first deviation relates to voting rights on shares and appointments. To secure the continuity of Triodos Bank's mission and objectives, depository receipt holders cannot exercise voting rights on the underlying shares. Instead these rights are exercised by SAAT. For the same reason, depository receipt holders cannot make recommendations for appointments of members of the Board of SAAT, and former Executive Board or Supervisory Board members of the bank can be appointed as members of the Board of SAAT.

The second instance relates to the term of office of Executive Board members. This term is not limited to a period of four years because Triodos Bank feels that this would not serve the long-term development of the organisation.

Triodos Bank also differs from the best practice in the Code that states that a person may be appointed to the Supervisory Board for a maximum of three, four-year terms. Its articles of association allow the

General Meeting to re-appoint a member of the Supervisory Board, in exceptional circumstances, after his or her maximum number of terms has been completed. This creates extra time and space for the Supervisory Board to fill vacancies with high quality people.

The fourth instance relates to the fact that Aart de Geus deviates from one of the independence criteria (article 2.1.8) of the Dutch Corporate Governance Code because a family member is a Triodos Bank Group co-worker.

Finally, Triodos Bank also differs from the Code's best practice to submit all proposals relating to material amendments to the Articles of Association as separate agenda items to the General Meeting. For practical reasons Triodos Bank wants to retain the possibility, at the discretion of the Executive Board and the Supervisory Board, to submit a proposal for multiple amendments to the Articles of Association as one single agenda item when these proposed amendments are strongly interrelated.

## Dutch Banking Code

The current Banking Code is part of a package of developments for the banking industry called 'Future Oriented Banking', introduced by the NVB (Dutch Bankers' Association). The package includes, besides the Banking Code, a Social Charter and rules of conduct associated with the Dutch bankers' oath. It consists of a number of recommendations and principles that aim to ensure the very best performance by banks. Its primary focus is on governance and the bank's culture. It puts the interests of the customer at the heart of a bank's activity, which ties in fully with Triodos Bank's vision and Business Principles. The customer is a key

stakeholder in all Triodos Bank's activities and its mission.

Triodos Bank complies with the principles of the Banking Code. However, Triodos Bank chooses not to have variable remuneration based on predetermined financial targets or achievements, as these can enhance a culture of taking inappropriate risks.

Triodos Bank monitors, identifies and addresses any occasions when it does not comply with the Banking Code on an ongoing basis. More information on Triodos Bank's implementation of the Banking Code, including the full comply-or-explain statement as required under the Banking Code, is available at [www.triodos.com/govstructure](http://www.triodos.com/govstructure).

## Bankers' Oath and Rules of Conduct

All co-workers working in The Netherlands for Dutch banks are required to take the Bankers' Oath. Co-workers are obliged to declare that they will comply with the rules of conduct set by the NVB. The rules of conduct have been drawn up in line with Triodos Bank's own Business Principles. By asking their co-workers to take the oath Triodos Bank makes more explicit what the bank already does.

## Corporate Governance statement

The Executive Board of Triodos Bank has drafted a corporate governance and non-financial information statement in accordance with the Dutch corporate governance Decree of 20 March 2009 and the Dutch publication of non-financial information Decree of 14 March 2017. This statement forms part of the 2019 annual report and is valid as of its date. The statement can be found in the online annual report and at [www.triodos.com/govstatement](http://www.triodos.com/govstatement).

# Supervisory Board report

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The Supervisory Board supervises and reviews the activities and the decisions of the Executive Board and the functioning of Triodos Bank's operations. In addition, the Supervisory Board provides advice and guidance to the Executive Board. In formulating the strategy for realising Triodos Bank's mission, the Executive Board engages the Supervisory Board at an early stage. Its supervision is based on internal and external reports on, amongst others, Triodos Bank's business, operations, impact, risks and financial performance, augmented by presentations, conversations and visits. These inputs to the supervision are scheduled in such a manner, that all substantive areas of Triodos Bank are covered within a two-year time frame.

## The challenging context of 2019

The Supervisory Board is aware of the challenging context for banking in Europe:

- The very low interest rates, stemming from market developments and ECB interventions, are unprecedented
- Tightening regulatory conditions put pressure on business, operations and costs
- Increasing competition in financial services, with existing and new players using new forms of technology
- Sustainability is becoming mainstream, which challenges the way Triodos Bank leverages the uniqueness of its essence and mission

The Supervisory Board monitored how the Executive Board responded to these challenges, whilst continuing to be an effective, integrated value-based bank and the execution of the business plan for the years 2019-2021.

## Activities of the Supervisory Board

### Strategic focus and performance

During the year, the Supervisory Board was actively involved in discussions with the Executive Board on the strategic focus of the bank, and it monitored the execution of the strategy. To achieve the targeted return on equity, costs had to be controlled and revenues increased by growing, in a considered way, certain existing as well as new businesses, in particular fee-based services. Geographic expansion was put on hold. The Supervisory Board encouraged the Executive Board to seize the growth opportunities for Triodos Investment Management.

The Supervisory Board closely monitored the performance and functioning of the Executive Board and its individual members. An important instrument to set the objectives and assess the outcomes of the performance is the annual priority setting by the Executive Board as a whole and for its individual members. The Supervisory Board approved the priorities for 2019 covering the performance, health and development of Triodos Bank. Close to the end of the year, the Supervisory Board assessed the performance over 2019 and discussed the priorities for 2020. On behalf of the Supervisory Board, the Chair and the Vice-Chair discussed these with individual members of the Executive Board and reported the outcomes to the Supervisory Board.

### Governance

The Chief Financial Officer (CFO), Pierre Aeby, stepped down at the 2019 AGM. Planning and implementing his succession formed a major area of attention for the Supervisory Board. We took into account the current and future challenges for the Executive Board in general and in the areas of Finance and Risk in particular, as well as the composition of the Executive Board as a team. The area of Risk was previously covered by the CFO. In close consultation with the Executive Board, the decision was made to expand the Executive Board with one additional role by creating the role of Chief Risk Officer (CRO) as a full member of this board. This decision followed from the

recognition of the increased importance of compliance and risk management, and the need to manage and guide these matters at Executive Board level. For the function of CRO Carla van der Weerd was recruited, who was appointed on 17 May 2019 and started the next day. The recruitment of a new CFO took more time. Therefore, the Bank recruited Menno Harkema on an interim basis as non-statutory CFO. He provided valuable contributions in that role from April to December 2019. Given that Triodos Bank operates in several countries, we created a profile so as to reflect this in the composition of the Executive Board. André Haag (German nationality) proved a highly qualified candidate. He was appointed after the Extraordinary General Meeting in December 2019 with effect from 1 January 2020. The selection process was conducted in close cooperation with the Executive Board to ensure in all respects a good fit.

During the year 2019 the Supervisory Board also underwent several changes in its composition. After nine years on the Supervisory Board, the term of Carla van der Weerd came to end. In the search for a new Supervisory Board member, we found Mike Nawas, then a member of the Board of SAAT (Stichting Administratiekantoor Aandelen Triodos). Mike Nawas was selected in 2018 and appointed in the Annual General Meeting of 17 May 2019. He accordingly stepped down as a member of the Board of SAAT.

In early 2019, it became clear that Triodos Bank would have to convert its branch in the United Kingdom into a subsidiary, in order to adequately adapt to the new banking environment post-Brexit. The Executive Board appointed Gary Page as non-executive Chairman of the new one-tier board of the new subsidiary. To facilitate this change, Gary Page, who theretofore was a member of the Supervisory Board of Triodos Bank, resigned as a member of this Board in May 2019.

Also in early 2019, Udo Philipp resigned as a member of the Supervisory Board, because he was appointed State Secretary for Finance in the German State of Schleswig-Holstein. This position did not allow him to continue his membership of the Triodos Bank Supervisory Board. Confronted with these two members leaving, the Supervisory Board concluded in the Spring of 2019 to conduct a search for one new

candidate. In the profile, we focused on banking experience and, given the Dutch nationality of the other members, a non-Dutch nationality. We found Sébastien D'Hondt (Belgian nationality), who was appointed in the Extraordinary General Meeting of 13 December 2019. The Supervisory Board decided not to search for other candidates at this stage, as no members are expected to resign in 2020 and the current composition provides an appropriate and complete competence matrix.

### Supervisory Board compensation

Already in 2018, the Supervisory Board had concluded that the compensation for Supervisory Board members required an adjustment, as it had been held constant for many years, even though the workload and the responsibilities had increased substantially. In preparing an adjustment, the Supervisory Board took into account the context of the Dutch financial sector and societal views in The Netherlands regarding board compensation. The Supervisory Board considered seriously and prepared a written proposal to the Annual General Meeting with a clear motivation. The proposal was adopted in the Annual General Meeting of 17 May 2019.

### Other topics

During 2019, topics discussed at the Supervisory Board's meetings and contacts with the Executive Board included:

- Finance: the Return on Equity and the Total Capital Ratio developed below budget; the Supervisory Board discussed with the Executive Board how to respond effectively and endorsed the measures that were taken. As usual, the Supervisory Board examined the quarterly financial results, the Management Letter and Board Report of the External Auditor, the 2018 annual report plus the half-year results 2019 and the respective press releases, and the dividend proposal 2018.
- Risk and Audit: the risk appetite and the effectiveness of the internal risk framework and control systems, the risk appetite and the actual risk profile, the audit findings, the auditor's reports, loan reports and implementation of new regulatory

requirements were all discussed in plenary at the Supervisory Board.

- Culture Change Effectiveness: the Supervisory Board continued to supervise the Culture Change Effectiveness process, which started in 2018. The Supervisory Board was informed about and commented on the actions. We welcomed that the Executive Board aligned the Culture Change Effectiveness process with the Strategy and the Business Plan for 2020 and beyond. The Supervisory Board discussed with the Executive Board the reporting towards the Supervisory Board regarding this topic.
- Works Council: on behalf of the Supervisory Board, the Nomination Committee attended the Works Council meeting in March 2019. One of the subjects was the succession of Pierre Aeby and the nomination of the CRO and the CFO. Another subject was the generally heightened workload of co-workers, which is partly due to increased regulatory pressure and the drive to enhance efficiency. The Nomination Committee met with the Works Council in September, at the request of the Works Council.
- Talent Management: The Supervisory Board decided to start, in 2020, with conducting informal bilateral meetings between Supervisory Board-members and senior managers, aimed at getting to know each other better and to increase awareness of how roles and functions are performed in day-to-day practice.
- Business Units: meetings were held with the management of local banking entities and Triodos Investment Management by individual Supervisory Board members, together with a representative of the Board of SAAT and the Executive Board. A Supervisory Board banking entity visit was organised by Triodos Investment Management in 2019.
- Brexit: 2019 saw the preparation and launch of Triodos Bank UK as a new legal entity under the supervision of the British Prudential Regulatory Authority, and the setting of terms and conditions for a successful start.
- Contacts with the Dutch prudential supervisor: delegations of the Supervisory Board met with the DNB, the Dutch Central bank, in 2019. In these meetings we shared views on the development of Triodos Bank. Specific matters discussed with the DNB in 2019 included the letter concerning the

Supervisory Review and Evaluation Process and the changes in the composition of the Executive Board and the Supervisory Board.

- Contact with the Board of SAAT: the Supervisory Board met with the Board of SAAT as usual before the Annual General Meeting. In addition, the Board of SAAT, the Supervisory Board and the Executive Board met in October for an update on current regulations regarding governance. On this occasion we also clarified the different roles and responsibilities of these three boards.

The Supervisory Board looks back at a year during which all the above-mentioned discussions took place in an open, mutually respectful and constructive way. The Supervisory Board observes a high degree of motivation, combined with a breadth of complementary competences within the Executive Board and the wider group of co-workers of Triodos Bank, to realise the mission for which Triodos Bank stands.

## Internal organisation

### Composition of the Supervisory Board

Triodos Bank's articles of association determine that the Supervisory Board shall consist of three or more members. At present it has six members.

### Diversity

The Supervisory Board aims to be diverse, with an adequate balance of nationalities, age, experience, background and gender. Its objective is for no more than 70% of its seats to be held by either gender. In 2019 there were four male and two female Supervisory Board members. Consequently, the Supervisory Board complies with its diversity policy.

## Committees of the Supervisory Board

Since mid-2019, the Supervisory Board has three committees: the Audit and Risk Committee, the Nomination Committee and the Remuneration Committee. These committees met separately throughout the year. Their main considerations and conclusions were shared with the Supervisory Board, where formal decision-making takes place.

The composition of the committees in 2019 was as follows:

### Audit and Risk Committee

- Carla van der Weerd (Chair, until 12 April 2019)
- Ernst Jan Boers (Chair, since 18 May 2019)
- Sébastien D'Hondt (since 13 December 2019)
- Fieke van der Lecq (until 31 December 2019)
- Mike Nawas (since 17 May 2019)
- Gary Page (until 18 May 2019)
- Udo Philipp (until 28 February 2019)

### Nomination and Compensation Committee (until 30 June 2019)

- Ernst Jan Boers (Chair)
- Aart de Geus
- Dineke Oldenhof

On 1 July 2019, the Nomination and Compensation Committee was split into the Nomination Committee and the Remuneration Committee.

### Nomination Committee (since 1 July 2019)

- Aart de Geus (Chair)
- Fieke van der Lecq
- Dineke Oldenhof

### Remuneration Committee (since 1 July 2019)

- Fieke van der Lecq (Chair)
- Aart de Geus
- Dineke Oldenhof

For more information on the Supervisory Board members, see the biographies on page 226.

## Terms of office of Supervisory Board members (as of January, 2020)

Supervisory Board	Year of first appointment	Year of first reappointment	End of current term	Envisaged retirement <sup>1</sup>	ARC	NomCo	RemCo
Aart de Geus (Chair)	2014	2018	2022	2022	–	Chair	Member
Fieke van der Lecq (Vice-Chair) <sup>2</sup>	2017	–	2021	2025	–	Member	Chair
Ernst Jan Boers	2014	2018	2022	2022	Chair	–	–
Sébastien D'Hondt	2019 <sup>3</sup>	–	2024	2028	Member	–	–
Mike Nawas	2019	–	2023	2027	Member	–	–
Dineke Oldenhof	2018	–	2022	2026	–	Member	Member

<sup>1</sup> Based on internal Supervisory Board policy, a 2 x 4-year term is considered standard practice. In exceptional circumstances this term can be extended to 12 years or beyond, after approval of the general meeting (article 9 (6) Articles of Association).

<sup>2</sup> In 2019, Fieke van der Lecq was a member of the Audit and Risk Committee.

<sup>3</sup> Sébastien D'Hondt was appointed at the EGM on 13 December 2019. End of his first term is after the AGM in 2024.

## Activities of the Audit and Risk Committee

The Audit and Risk Committee (ARC) met five times during 2019. During the year, the composition of the Audit and Risk Committee changed. After the March meeting, Carla van der Weerdts resigned as ARC Chair, as she was proposed for the role of Chief Risk Officer of Triodos Bank. Gary Page fulfilled the Chair role during an interim period including the mid-May ARC meeting. Ernst-Jan Boers became the new ARC Chair after the AGM in May 2019. Fieke van der Lecq served as ARC member during the entire year. Two new ARC members were appointed during 2019: Mike Nawas in May 2019 and Sébastien D'Hondt in December 2019. Both new members participated as guests in ARC meetings prior to their appointments.

The Chief Financial Officer, Pierre Aeby, participated in two ARC meetings, until he retired from his role in May 2019. Menno Harkema took over this role, ad interim, as non-statutory Chief Financial Officer, hence participating in the remaining 2019 ARC meetings, next to the Chief Risk Officer (Carla van der Weerdts, as of May 2019). Because the Chief Executive Officer (Peter Blom) was to fulfil the statutory duties of the CFO during the interim phase, he attended all meetings. André Haag was appointed as the new CFO of Triodos Bank on 1 January 2020. The independent external auditor and the Head of Internal Audit were present at all meetings. The Director of Risk and the Director of Finance were present at all meetings for their respective agenda items. In addition, informal meetings were held with the internal auditor, without the Executive Board being present. The new Compliance Director joined the ARC meetings from November onwards as a permanent attendee for the compliance-related matters. Other internal experts (on areas like Compliance, Capital Management, Retail Banking, Legal matters, and ICT) were invited to the meetings as required.

In all ARC meetings time and attention was dedicated to audit, finance, risk and compliance. In addition, informal meetings were held with the independent auditor as well as with the internal auditor, without the Executive Board being present. The ARC Chair conducted separate sessions with, amongst others,

the Head of Internal Audit, the Director of Risk and the Director of Finance.

In its regular meetings, the ARC discussed and prepared for Supervisory Board approval, amongst other things, the half year and annual results, the abbreviated group plan, the In Control Statement, the dividend proposal, the appointment of the independent auditor and the proposed extension thereof, the funds transfer pricing methodology, the risk appetite statement, the Internal Audit Framework, and the annual Group Internal Audit plan (and possible adjustments). Also the three key audit matters, given the significant estimation uncertainty, were discussed in the ARC meeting prior to Supervisory Board discussion. The three key audit matters are potential VAT charges in Belgium, loan impairments to customers and fair value measurements of financial instruments. In addition to its regular meetings, the ARC prepared in June 2019 the Supervisory Board approval regarding Triodos Bank's retained Residential Mortgage Backed Security (RMBS) transaction.

Furthermore, as part of the regular agenda, the ARC discussed the overall and business unit financial results and outlook, Triodos Bank's risk profile and the progress on risk control improvements, adherence to laws and regulations governing financial and regulatory reporting, and tax-related issues. The main recurring reports providing input for these discussions are the Enterprise Risk Management (ERM) report, including all risk areas, as well as the quarterly reports from the Compliance, Finance, Internal Audit and the Regulatory Desk departments. The independent auditor presented their board report 2018, management letter 2019, their long form report on regulatory reporting 2018, their audit plan 2019 and audit fees, as well as their independent audit and assurance reports. Moreover, the ARC reviewed and discussed the yearly internal reports on capital and liquidity adequacy, the outcomes of the Systematic Integrity Risk Assessment, and the stress test scenarios, including the strategic considerations.

Topics and relevant projects that required specific attention in 2019 were: The Total Capital Ratio, the implementation of the new reporting standard IFRS,

the domains of Know Your Customer and Fraud, and specifically the follow-up of the formal instruction by DNB at Triodos Bank The Netherlands regarding the Anti Money Laundering and Countering Terrorism Financing procedures, the Operational Risk Management remediation project, significant risk events, the Depository Guarantee Scheme project, the compliance maturity plan, data governance, IT risks, the external quality assurance on Internal Audit, hedge accounting, Budget 2020 with mid-term outlook for revenue and cost development, capital planning and Triodos Bank's resolution strategy.

#### **Activities of the Nomination and Compensation Committee, Remuneration Committee, and Nomination Committee**

In the first half year, the Nomination and Compensation Committee (chaired by Ernst Jan Boers) met three times. Their topics included the recruitment of the CFO and CRO (including communication and interaction with stakeholders like SAAT, DNB, Works Council), the terms of employment of the proposed CRO, the compensation of Supervisory Board members, the nomination of two new Supervisory Board members, the culture change

effectiveness programme, the induction programme for Supervisory Board members, the 2018 performance evaluation of the Executive Board members, the remuneration of the Executive Board members and identified co-workers, and the international nomination and remuneration policy.

As per 1 July 2019, the committee was split up into a Remuneration Committee (chaired by Fieke van der Lecq) and a Nomination Committee (chaired by Aart de Geus).

The Remuneration Committee had three brief meetings. On the agenda were the international remuneration and nomination policy 2019, the list of identified staff, the terms of employment of the proposed CFO, and the discussion on the remuneration proposals for the Executive Board members and approving the remuneration approach for senior management.

The Nomination Committee met four times. On the agenda were the recruitment for the CFO (including communication and interaction with stakeholders like SAAT, DNB, Works Council) and the culture change effectiveness programme.

## Supervisory Board competence matrix

The matrix below lists the key competences of the individual members of the Supervisory Board, which are relevant to their supervisory position. For an individual to qualify as a member of the Supervisory Board, the following three attributes are required:

- Affinity with the mission and values of Triodos Bank,
- Senior management experience, and
- International experience.

All Supervisory Board members meet these criteria. The table below lists further competences in the key areas described in the Supervisory Board's profile. It

highlights areas in which Supervisory Board members have substantial expertise and helps to assess whether the Supervisory Board has the appropriate skills to perform its duties. The matrix is based on requirements outlined in the collective profile of the Supervisory Board, which is regularly reviewed.

Members of the Supervisory Board are appointed for a term of four years. It is standard practice that members of the Supervisory Board resign after their second term. However, reappointment after the second term is possible in exceptional circumstances, as stipulated by the Dutch corporate governance code.

### Key areas of expertise

Name (nationality)	Year of birth	Gender	Sustainability & other expertise particularly relevant to Triodos	Banking & Finance	Audit & Risk	Governance & Management	HR & Organisational Development
Aart de Geus (Dutch) (Chair)	1955	M	•			•	•
Fieke van der Lecq (Dutch) (Vice-Chair)	1966	F	•	•	•	•	
Ernst Jan Boers (Dutch)	1966	M		•	•	•	
Sébastien D'Hondt (Belgian)	1964	M		•	•	•	
Mike Nawas (Dutch-American)	1964	M		•	•	•	
Dineke Oldenhof (Dutch)	1958	F	•			•	•
Gary Page (British) <sup>1</sup>	1965	M		•	•	•	
Udo Philipp (German) <sup>2</sup>	1964	M	•	•	•		
Carla van der Weerd (Dutch) <sup>3</sup>	1964	F		•	•	•	

<sup>1</sup> Until 18 May 2019

<sup>2</sup> Until 28 February 2019

<sup>3</sup> Until 12 April 2019

## Meetings of the Supervisory Board

All regular meetings of the Supervisory Board are held jointly with the Executive Board. Every meeting in 2019 was preceded by an internal meeting in which only Supervisory Board members participated. One internal meeting focused on an appraisal and evaluation of the members of the Executive Board.

Several Supervisory Board members visited local annual meetings in the UK, Spain, Germany and

Belgium, which are attended by customers, depositary receipt holders and other stakeholders. A delegation of the Supervisory Board and a delegation of the Board of SAAT had informal meetings with the management of each banking entity separately, including Triodos Bank Netherlands and the management board of Triodos Investment Management.

### Attendance of the Supervisory Board members in 2019

Supervisory Board members in 2019	Formal Supervisory Board Meetings attended during term of appointment	Formal Audit and Risk Committee Meetings attended during term of appointment	Formal Nomination Committee and Remuneration Committee Meetings attended during term of appointment
Aart de Geus	100%	–	100%
Fieke van der Lecq	100%	100%	100%
Ernst Jan Boers	100%	100%	100%
Sébastien D'Hondt	100%	–	–
Mike Nawas	100%	100%	–
Dineke Oldenhof	100%	–	100%
Gary Page <sup>1</sup>	100%	100%	–
Udo Philipp <sup>2</sup>	100%	–	–
Carla van der Weerd <sup>3, 4</sup>	83.33%	100%	–

<sup>1</sup> Until 18 May 2019

<sup>2</sup> Until 28 February 2019

<sup>3</sup> Until 12 April 2019

<sup>4</sup> The absence during one meeting related to her candidacy for an executive position.

## Independence and self-evaluation

### Independence

The composition of the Board was such that members could act critically and independently of one another, the Executive Board and any other interest. The Supervisory Board complies with the independence criteria of the Dutch Corporate Governance Code. Aart de Geus deviates from one of the independence criteria (article 2.1.8) of the Dutch Corporate Governance Code because a family member is a Triodos Bank Group co-worker.

### Conflicts of interest

In accordance with the requirements of the Dutch Corporate Governance Code, the Supervisory Board has internal rules in place that govern any actual or potential conflict of interest of Board members. No conflict of interest occurred during 2019.

### Education

As part of the Supervisory Board's permanent education programme, the Supervisory Board organises annual meetings with both internal and external experts. In 2019, education sessions were organised on the following topics: reporting standards/IFRS, culture change, crisis communication management, corporate governance, and sustainability developments in Europe.

### Self-evaluation

The results of the 2018 evaluation were discussed by the Supervisory Board and recommendations have been implemented as a result. As a result of the self-evaluation 2018 the Supervisory Board asked the Executive Board to provide brief monthly updates for actual topics, given the number and intensity of topics on the Supervisory Board agenda. The Supervisory Board also decided to continue having working dinners throughout the year to discuss strategic issues.

The 2019 self-evaluation of the Supervisory Board took place in the last quarter of 2019 with the support of an external facilitator. The results will be discussed in the first quarter of 2020 onwards.

## Conclusion

The Supervisory Board reviewed and approved the Annual Accounts and the Executive Board report.

These documents were evaluated by and discussed with the Executive Board, Internal Audit and the independent auditor. The Supervisory Board proposes that the Annual General Meeting adopts the Annual Accounts of 2019 and discharges the members of the Executive Board for their management of Triodos Bank during 2019 and the members of the Supervisory Board for their supervision. The Supervisory Board endorses the Executive Board's dividend proposal, of EUR 1.35 per depository receipt.

The Supervisory Board would like to thank all Triodos Bank's stakeholders for their trust in Triodos Bank and the Executive Board, and all co-workers of the bank for their efforts. The Supervisory Board supports the Executive Board, and Triodos Bank's co-workers, in their continuing efforts to make a positive difference to the development of people's quality of life.

The Supervisory Board is confident that Triodos Bank will be able to meet the challenges in the coming years and will continue to be a frontrunner in responsible banking.

Zeist, 18 March 2020

Supervisory Board,

Aart de Geus, Chair  
Fieke van der Lecq, Vice-Chair  
Ernst Jan Boers  
Sébastien D'Hondt  
Mike Nawas  
Dineke Oldenhof

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## Consolidated balance sheet as at 31 December 2019

Before appropriation of profit in thousands of EUR	Reference <sup>1</sup>	31.12.2019	31.12.2018 <sup>2</sup>
<b>Assets</b>			
Cash	1	2,270,224	1,795,272
Banks	2	227,561	237,055
Loans	3	8,187,470	7,247,970
Interest-bearing securities	4	1,023,422	1,258,216
Shares	5	20	20
Participating interests	6	24,279	22,448
Intangible fixed assets	7	41,543	38,424
Property and equipment	8	135,208	115,861
Other assets	9	53,436	35,249
Prepayments and accrued income	10	97,135	99,563
<b>Total assets</b>		<b>12,060,298</b>	<b>10,850,078</b>
<b>Liabilities</b>			
Banks	11	70,023	67,217
Funds entrusted	12	10,690,005	9,558,203
Other liabilities	13	38,487	36,014
Accruals and deferred income	14	55,861	70,024
Provisions	15	6,380	6,743
<b>Total liabilities</b>		<b>10,860,756</b>	<b>9,738,201</b>
Capital	16	720,088	674,734
Share premium reserve	16	198,626	190,324
Revaluation reserve	16	2,354	2,656
Statutory reserve	16	36,108	31,188
Other reserve	16	203,615	178,306
Result for the period	16	38,751	34,669
<b>Equity</b>		<b>1,199,542</b>	<b>1,111,877</b>
<b>Total equity and liabilities</b>		<b>12,060,298</b>	<b>10,850,078</b>
Contingent liabilities	17	107,495	140,993
Irrevocable facilities	18	1,402,450	1,463,989
		<b>1,509,945</b>	<b>1,604,982</b>

<sup>1</sup> References relate to the notes starting on page 80. These form an integral part of the consolidated annual accounts.

<sup>2</sup> Prior year amounts were subject to accounting principle changes. For explanation see the general accounting principles.

## Consolidated profit and loss account for 2019

in thousands of EUR	Reference <sup>1</sup>	2019	2018 <sup>3</sup>
<b>Income</b>			
Interest income	19	213,061	194,790
Interest expense	20	-27,907	-25,308
<b>Interest</b>		<b>185,154</b>	<b>169,482</b>
<b>Investment income</b>	21	<b>679</b>	<b>4,138</b>
Commission income	22	109,839	89,634
Commission expense	23	-4,499	-4,388
<b>Commission</b>		<b>105,340</b>	<b>85,246</b>
Result on financial transactions	24	-30	381
Other income	25	920	1,853
<b>Other income</b>		<b>890</b>	<b>2,234</b>
<b>Total income</b>		<b>292,063</b>	<b>261,100</b>
<b>Expenses</b>			
Co-worker and other administrative expenses	26	218,221	198,412
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	27	16,391	13,639
<b>Operating expenses</b>		<b>234,612</b>	<b>212,051</b>
Impairments loan portfolio and other receivables	28	3,944	3,480
Value adjustments to participating interests		-280	532
<b>Total expenses</b>		<b>238,276</b>	<b>216,063</b>
<b>Operating result before taxation</b>		<b>53,787</b>	<b>45,037</b>
Taxation on operating result	29	-15,036	-10,368
<b>Net profit</b>		<b>38,751</b>	<b>34,669</b>
<b>Amounts in EUR</b>			
Net profit per share <sup>2</sup>		2.78	2.69
Dividend per share		1.35	1.95

<sup>1</sup> References relate to the notes. These form an integral part of the consolidated annual accounts.

<sup>2</sup> The net profit per share is calculated by dividing the net profit by the average number of issued shares in circulation during the financial year (2019: 13,952,803 shares, 2018: 12,905,340 shares).

<sup>3</sup> Prior year amounts were subject to accounting principle changes. For explanation see the general accounting principles.

## Consolidated statement of comprehensive income for 2019

in thousands of EUR	2019	2018 <sup>1</sup>
<b>Net result</b>	<b>38,751</b>	<b>34,669</b>
Revaluation of property, equipment and participating interest after taxation	-302	1,470
Exchange rate results from business operations abroad after taxation	721	-275
<b>Total amount recognised directly in equity</b>	<b>419</b>	<b>1,195</b>
<b>Total comprehensive income</b>	<b>39,170</b>	<b>35,864</b>

<sup>1</sup> Prior year amounts were subject to accounting principle changes. For explanation see the general accounting principles.

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## Consolidated statement of changes in the equity for 2019

in thousands of EUR

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### Equity as at 1 January 2018<sup>1</sup>

Change in accounting principle:

- Decrease valuation loans
- Increase in property and equipment regarding repossessed assets
- Decrease in other assets regarding repossessed assets
- Increase in prepayments and accrued income regarding deferred taxes

Increase of share capital

Stock dividend

Revaluation of property, equipment and participation interest after taxation

Realisation of revaluation

Exchange rate results from business operations abroad after taxation

Profit appropriation for previous financial year, addition to the other reserves

Profit appropriation for previous financial year, dividend

Dividend not distributed in cash

Reverted dividend

Transfer to statutory reserve for development costs

Purchasing or sale of own depository receipts

Result for the period

---

### Equity as at 31 December 2018<sup>1</sup>

Increase of share capital

Stock dividend

Revaluation of property, equipment and participation interest after taxation

Realisation of revaluation

Exchange rate results from business operations abroad after taxation

Profit appropriation for previous financial year, addition to the other reserves

Profit appropriation for previous financial year, dividend

Dividend not distributed in cash

Reverted dividend

Transfer to statutory reserve for development costs

Purchasing or sale of own depository receipts

Result for the period

---

### Equity as at 31 December 2019

<sup>1</sup> Prior year amounts were subject to accounting principle changes. For explanation see the general accounting principles.

	Share capital	Share premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
	612,368	169,840	1,186	24,988	167,118	37,395	1,012,895
					-20,686		-20,686
					9,965		9,965
					-9,975		-9,975
					5,286		5,286
	50,093	32,757					82,850
	12,273	-12,273					-
			1,470				1,470
							-
				-275			-275
					12,946	-12,946	-
						-24,449	-24,449
					20,127		20,127
							-
				6,475	-6,475		-
							-
						34,669	34,669
	674,734	190,324	2,656	31,188	178,306	34,669	1,111,877
	32,148	21,508					53,656
	13,206	-13,206					-
			-302				-302
							-
				721			721
					7,713	-7,713	-
						-26,956	-26,956
					21,921		21,921
							-
				4,199	-4,199		-
					-126		-126
						38,751	38,751
	720,088	198,626	2,354	36,108	203,615	38,751	1,199,542

## Consolidated cashflow statement for 2019

in thousands of EUR	Reference <sup>1</sup>	2019	2018 <sup>2</sup>
<b>Cashflow from operating activities</b>			
Net profit		38,751	34,669
Adjustments for:			
• depreciation	27	16,391	13,637
• amortisation difference between acquisition price and redemption value regarding interest bearing securities	4	3,655	12,770
• value adjustments to receivables	28	3,944	3,480
• value adjustments to participating interests	6	-280	532
• realised value adjustments to participating interest	21	-	-3,765
• value adjustments and exchange rate differences on property and equipment	8	-18	164
• movements in provisions	15	-363	2,160
• other movements in accrued and deferred items		-11,869	7,288
<b>Cashflow from business operations</b>		<b>50,211</b>	<b>70,935</b>
Movement in government paper		-	26,500
Movement in banks, deposits not on demand	2	47,879	-19,360
Movement in loans	3	-943,444	-674,235
Movements in shares	5	-	-
Movement in banks, liabilities not on demand	11	2,806	2,854
Movement in funds entrusted	12	1,131,802	836,315
Other movements from operating activities		-15,263	-51
<b>Cashflow from operating activities</b>		<b>273,991</b>	<b>242,958</b>
<b>Cashflow from investment activities</b>			
Investment in interest-bearing securities	4	-143,328	-233,724
Divestment in interest-bearing securities	4	374,467	396,590
Investment in participating interests	6	-1,226	-2,850
Divestment in participating interests	6	-	-
Investment in intangible fixed assets	7	-13,440	-13,814
Investment in property and equipment	8	-25,362	-37,014
Divestment in property and equipment	8	4	54
<b>Cashflow from investment activities</b>		<b>191,115</b>	<b>109,242</b>

in thousands of EUR	Reference <sup>1</sup>	2019	2018 <sup>2</sup>
<b>Cashflow from financing activities</b>			
Increase in equity		53,656	82,850
Payment of cash dividend		-5,035	-4,322
Purchases of depository receipts for own shares		-126	-
<b>Cashflow from financing activities</b>		<b>48,495</b>	<b>78,528</b>
<b>Net cashflow</b>			
Exchange results on cash and cash equivalents		-264	135
<b>Net increase or decrease on cash and cash equivalents</b>		<b>513,337</b>	<b>430,863</b>
Cash and cash equivalents at the beginning of the year		1,961,935	1,531,072
<b>Cash and cash equivalents at the end of the year</b>		<b>2,475,272</b>	<b>1,961,935</b>
On demand deposits with central banks	1	2,270,224	1,795,272
On demand deposits with banks	2	205,048	166,663
<b>Cash and cash equivalents at the end of the year</b>		<b>2,475,272</b>	<b>1,961,935</b>
<b>Supplementary disclosure of the cashflow from operating activities</b>			
Interest paid		-29,622	-26,828
Interest received		215,533	196,907
Tax on profit paid		-8,352	-8,654
Dividend received from investments		679	373

<sup>1</sup> References relate to the notes starting on page 80. These form an integral part of the consolidated annual accounts.

<sup>2</sup> Prior year amounts were subject to accounting principle changes. For explanations see the general accounting principles.

# Notes to the consolidated financial statements

in thousands of EUR (unless otherwise stated)

## General

Triodos Bank, having its legal address in Nieuweroordweg 1 in Zeist, The Netherlands, is a public limited liability company (N.V.) under Dutch law (Chamber of Commerce 30062415). Triodos Bank finances companies, institutions and projects that add cultural value and benefit people and the environment, with the support of depositors and investors who want to encourage socially responsible business and a sustainable society.

## Basis of preparation

The Annual Accounts were prepared in accordance with the legal requirements for the Annual Accounts of banks contained in Title 9 Book 2 of The Netherlands Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board. The Annual Accounts relate to the thirty-ninth financial year of Triodos Bank N.V..

These financial statements have been prepared on the basis of the going concern assumption.

## Future change regarding basis of preparation

As of 2020 the annual accounts of Triodos Bank will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the relevant articles of Part 9 of Book 2 of the Dutch Civil Code. The estimated effect of IFRS on the equity on January 1, 2019 is EUR 1 million (0.05%).

## Accounting principles

### Change in accounting principles

The accounting principles adopted are consistent with those of the previous financial year, except for the change in accounting principles explained in this paragraph.

Loans are valued at amortised cost. This means that any discount or premium arising on acquisition of a loan is amortised using the effective interest method. In light of the change to IFRS, Triodos Bank re-evaluated the methodology in the accounting for loan origination fee revenue and direct related costs in 2019. This resulted in the use of a more advanced effective interest rate method. Without this change in accounting principle the result of 2019 would have been EUR 1.4 million higher and the Equity EUR 20.5 million higher than currently reported. In order to be able to compare the financial statements over time the comparative amounts for 2018 in this annual report have been adjusted as if this change had always been applied and the impact on equity of this change is reflected in the table on page 81. The impact on the result 2018 is in total EUR -3,780.

Triodos Bank sometimes repossesses assets which come from acquisition in public auctions. These assets are collaterals of an executed loan. The repossessed assets were presented as 'other assets' and disclosed separately under the assumption that all the assets are available for sale. A part of the repossessed assets however will not be sold immediately because Triodos Bank has opted to add value by letting these assets. Repossessed assets not available for sale are therefore presented under the balance sheet item 'Property and equipment' and are valued at cost less accumulated depreciation instead of cost or lower market value under 'other assets'. Without this change in accounting principle the result of 2019 would have been EUR 0.2 million higher and the Equity EUR 0.3 million higher than currently reported. In order to be able to compare the financial statements over time the comparative amounts in this annual report have been adjusted as if this change had always been applied and the impact on equity of this change is reflected in the table. Impact on result 2018 is EUR 154.

## Adjustments

	1 January 2018
Total equity before adjustment	1,012,895
• Decrease valuation loans	-20,686
• Increase in property and equipment regarding repossessed assets	9,965
• Decrease in other assets regarding repossessed assets	-9,975
• Increase in prepayments and accrued income regarding deferred taxes	5,286
<b>Total equity after adjustment</b>	<b>997,485</b>

### General

Unless stated otherwise, assets are stated at cost, whereby in the case of receivables a provision for doubtful debt is recognised.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to Triodos Bank and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from Triodos Bank of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

Income and expenses are attributed to the period to which they relate or to the period in which the service was provided. Revenues are recognised when Triodos

Bank has transferred the significant risks and rewards of ownership of the goods to the buyer.

Interest income and commissions from lending are not accounted for in the profit and loss account if the collection of the interest and commission is doubtful.

The financial statements are presented in euros, Triodos Bank's functional currency. All financial information in euros has been rounded to the nearest thousand.

### Comparison with previous years

The valuation principles and method of determining the result are the same as those used in the previous year, with the exception of the changes in accounting principles as set out in the relevant sections.

### The use of estimates and assumptions in the preparation of the financial statements

The preparation of the consolidated financial statements requires Triodos Bank to make estimates and assumptions that affect the reported amounts of assets and liabilities and the contingent assets and liabilities at the balance sheet date, and the reported income and expenses for the financial year. It mainly concerns the methods for determining the fair value of assets and liabilities and determining impairments and other value adjustments. This involves assessing the situations on the basis of available financial data and information. For certain categories of assets and liabilities the inherent estimation risk may be higher as a result of lack of liquidity in the relevant markets.

Although these estimates with respect to current events and actions are made to the best of management's knowledge, actual results may differ from the estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of revision and future periods if the revision impacts both the reporting period and future periods.

### Consolidation principles

The consolidated financial statements include the financial data of Triodos Bank, its group companies and other companies over which Triodos Bank has control. Control exists when Triodos Bank has the power, directly or indirectly, to govern the financial and operating principles of an entity so as to obtain benefits from its activities. Group companies are participating interests in which Triodos Bank has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account. Companies exclusively acquired with the view to resale are exempted from consolidation.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, intra-group debts, receivables and transactions are eliminated. The group companies are consolidated in full. The financial data for joint ventures are being consolidated pro rata to the participating interest held, if consolidation is necessary in order to provide a transparent overview of the assets and result of Triodos Bank N.V. The accounting principles of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting principles.

List of equity participations of Triodos Bank N.V. in accordance with Sections 2:379 and 2:414 of The Netherlands Civil Code:

- Kantoor Buitenzorg B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity was liquidated in 2019;
- Kantoor Nieuweroord B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity was liquidated in 2019;
- Stichting Triodos Beleggersgiro in Zeist, group company, fully consolidated;
- Legal Owner Triodos Funds B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Finance B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos IMMA BVBA in Brussel, participating interest 100%, group company, fully consolidated;
- Triodos Investment Management B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Investment Advisory Services B.V. in Zeist, participating interest 100%, group company, fully consolidated;
- Triodos Nieuwbouw B.V. in Zeist, participating interest 100%, group company, fully consolidated. This entity was liquidated in 2019;
- Triodos Bank UK Ltd in Bristol, participating interest 100%, group company, fully consolidated.
- Sinopel 2019 B.V. in Amsterdam established June 6, 2019, fully consolidated.
- Triodos MeesPierson Sustainable Investment Management B.V. in Zeist, participating interest 50%, joint venture with joint control, consolidated pro rata to the participating interest held. This entity was liquidated in 2018.

### Transactions in foreign currencies

Assets and liabilities related to transactions denominated in foreign currencies are converted at the spot rate on the balance sheet date. Transactions and the resulting income and charges in foreign currencies are converted at the rate applicable on the transaction date. The resulting exchange rate differences are accounted for in the profit and loss account under 'Result on financial transactions'.

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

### Business operations abroad

Assets and liabilities relating to activities in Business units abroad located outside the Eurozone are converted at the spot rate as at the balance sheet date. Income and expenses for activities in foreign business units outside the Eurozone will be converted at the exchange rate as at the transaction date. Any exchange rate differences arising from this will be charged or credited directly to the equity as a statutory reserve.

### Hedging of the net investment in business operations abroad

Exchange rate differences arising on retranslation of a foreign currency liability accounted for as a hedge of a net investment in foreign business units located outside the Eurozone are taken directly to shareholders' equity, in the statutory reserve for conversion differences, insofar as the hedge is effective. The non-effective part is taken to the profit and loss account as expenditure.

### Financial leasing

Triodos Bank leases land to build a new building for own use, whereby it retains substantially all the risks and rewards of ownership of this land. The land is recognised on the balance sheet upon commencement of the lease contract at the lower of the fair value of the land or the discounted value of

the minimum lease payments. The lease instalments to be paid are presented as interest expense.

The liabilities under the lease, excluding the interest payments, are included under other liabilities.

### Operational leasing

Triodos Bank has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by Triodos Bank. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

### Financial instruments

Financial instruments, including derivatives separated from their host contracts, are initially recognised at fair value. If instruments are not measured at fair value through profit and loss, then any directly attributable transaction costs are included in the initial measurement. After initial recognition, financial instruments like cash, banks, interest bearing securities and loans are valued in the manner described below.

#### Cash

Cash represent cash in hand and cash balances at central banks. Cash is carried at nominal value.

#### Banks

Receivables on banks are valued at amortised cost less any impairment losses. The impairment loss is determined per item, with the value of the collateral provided being taken into account.

#### Loans

Loans are valued at amortised cost less any impairment losses. The impairment loss is determined per item, with the value of the collateral provided being taken into account.

All business loans in the portfolio are periodically reviewed on an individual basis. Their frequency depends on the debtor's creditworthiness, the degree of market exposure and the market in which the debtor operates. Private loans are reviewed at portfolio level, and on individual basis if appropriate. The credit committee of a banking entity discusses and, if necessary, takes action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of doubtful debtors and will be managed intensively.

Provisions for loan losses are taken for doubtful debtors at an individual level based on the difference between the total amount of the debtor's outstanding liability to Triodos Bank and the future expected cash flows, discounted at the original effective interest rate of the contract. These individual provisions include provisions for concessions or refinancing given to debtors who face financial difficulties. They are only granted to the debtor in question in order to overcome their difficulties in these exceptional circumstances. These are described as forbearance measures.

A provision has been taken for Incurred But Not Reported bad debts (the IBNR) to cover the time lag between the event that prompts the debt to qualify as doubtful and the moment that fact is known to Triodos Bank. This is a collective credit provision and is based on statistics. The IBNR is calculated by multiplying the exposure at default with the probability of default, the loss given default and the loss identification period.

### Interest-bearing securities

All interest-bearing securities are held in the investment portfolio. They are stated at amortised cost less any impairment losses using the effective interest rate method. Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities. Realised changes in the value are recognised in the profit and loss account.

### Shares

Not-listed shares are not held in the trading portfolio and are valued at cost.

### Participating interests

Participating interests where significant influence can be exercised will be valued at net asset value.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If Triodos Bank N.V. can be held fully or partially liable for the debts of the participation, or has the intention of enabling the participation to settle its debts, a provision is recognised for this.

Participating interests where no significant influence can be exercised will be carried at fair value. In the case of a participating interest that is listed on an active stock exchange, the fair value will be deemed to be equal to the most recently published stock exchange price. In the case of a participating interest not listed on an active stock exchange or where there is no regular price quotation, the fair value will be determined to the best of one's ability using all available data, including an annual report audited by an external auditor, interim financial information from the institution and any other relevant data provided to Triodos Bank. Unrealised changes in the value of participating interests where no significant influence can be exercised are recognised in equity via the revaluation reserve, with the exception of changes in value below the acquisition price, which will be recognised directly in the profit and loss account.

Realised changes in the value will be recognised in the profit and loss account.

Exchange rate differences resulting from the conversion of foreign currencies will be charged or credited directly to the equity.

## Intangible fixed assets

Intangible fixed assets are stated at acquisition price or cost of manufacture minus amortisation. These costs mainly comprise the cost of direct labour; upon termination of the development phase. The amortisation will be determined according to the straight-line method in line with the estimated useful life. Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset (or of the cash-generating unit to which the asset belongs) is higher than its realisable value.

Expenditure on development projects is capitalised as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful (i.e.: if it is likely that economic benefits will be realised) and the cost can be determined reliably. A legal reserve has been recognised within equity with regard to the recognised development costs for the capitalised amount. The amortisation of capitalised development costs commences at the time when the commercial production starts and takes place over the expected future useful life of the asset.

Research costs are recognised in the income statement.

The development costs for the banking system will be amortised over the estimated useful life from the moment the system is used, to a maximum of 10 years.

Management contracts paid by Triodos Bank when acquiring the participating interest in Triodos Investment Management B.V. will be written off over a period of 20 years till October 2026. The remaining depreciation period is seven years.

Computer software that has been purchased will be written off over its useful life. This period will not exceed five years.

## Property and equipment

Property under development is valued at the lower of the expenditure and the expected realised value upon completion. The expenditure consists of payments made to third parties.

Property for own use is stated at cost. The buildings for own use are depreciated according to the straight-line method on the basis of an estimated useful economic life of 40 years. Land for own use is not depreciated.

Property not for own use is stated at cost. The buildings not for own use are depreciated according to the straight-line method on the basis of an estimated useful economic life of 40 years. Land for own use is not depreciated.

Equipment is stated at acquisition price less straight-line depreciation on the basis of estimated useful economic life. The depreciation periods vary from three to ten years.

The difference between the proceeds on disposal of equipment and net carrying value is recognised in the profit and loss account under Other income.

Impairments expected on the balance sheet date are taken into account. With regard to the determination as to whether a tangible fixed asset is subject to an impairment, please go to note 8 on page 104.

## Impairment of fixed assets

On each balance sheet date, Triodos Bank assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the

carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realise the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted, based on a discount rate. The discount rate does not reflect risks already taken into account in future cash flows.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill cannot be reversed.

Triodos Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

#### Other assets

Other assets are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for other assets.

#### Funds entrusted

On initial recognition funds entrusted are recognised at fair value. After initial recognition funds entrusted are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

#### Other liabilities

On initial recognition other liabilities are recognised at fair value. After initial recognition other liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

#### Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made.

Provisions are valued at the nominal value of the expenses expected to be incurred in settling the liabilities and losses. The provisions mainly consist of a provision for major building maintenance which is based on a long-term maintenance programme. Other provisions may contain costs of unsettled claims, legal proceedings or other estimated costs for expected cash outflows that qualify as provisions under Dutch accounting principles.

#### Purchases of depository receipts for own shares

The purchasing and reissuing of depository receipts for own shares is charged or credited respectively to the Other reserves. Any balance remaining after the re-issuing of all own depository receipts purchased shall be placed at the disposal of the Annual General Meeting.

Own depository receipts for shares may be acquired to a maximum amount of EUR 28.2 million.

A decision to purchase own depository receipts may be made if the supply of existing depository receipts exceeds the demand for new depository receipts. For this, authority has been given to management by the Annual General Meeting.

### Revaluation reserve

If revaluations have been recognised in the revaluation reserve after the deduction of relevant (deferred) tax liabilities, the gross result of the realised revaluations is recognised in the income statement. The corresponding release of the (deferred) tax liabilities is charged to the operating result as tax on the result.

### Derivatives and hedge accounting

Derivative financial instruments consisting of foreign currency forward contracts and interest swaps are initially recognised at fair value, with subsequent measurement at each balance sheet date except if the cost model for hedge accounting is applied. Fair values are obtained from quoted market prices in active markets, except for interest rate swaps, whose fair values are determined by discounted cash flow analysis against prevailing market interest rates. Changes in the fair value are included in the profit and loss account, as result on financial transactions.

Derivatives embedded in contracts shall be separated from the host contract and accounted for separately at fair value if:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value with changes in fair value recognised through profit and loss.

Triodos Bank uses derivatives (principally interest rate swaps) for economic hedging purposes in the management of its asset and liability portfolios. The objective of economic hedging is to enter into positions with an opposite risk profile to an identified

exposure to reduce that risk exposure. Triodos Bank applies micro hedge accounting. Micro hedging relates to individual transactions which are included in an economic hedge relationship covering interest rate and foreign exchange risks. It involves a one-on-one relationship between the hedged instrument and the hedged item.

If forward exchange contracts are concluded to hedge monetary assets and liabilities in foreign currencies, cost hedge accounting is applied. Hedge accounting is applied to ensure that the gains or losses arising from the translation of the monetary items recognised in the profit and loss account are offset by the changes in the value of forward exchange contracts arising from the difference between the spot rate at inception and spot rates as at reporting date. The difference between the spot rate agreed at the inception of the forward exchange contract and the forward rate is amortised over the term of the contract.

If cost hedge accounting is applied to hedge interest rate risk, derivatives are measured at fair value upon initial recognition. As long as a derivative hedges an interest risk in connection with an expected future transaction, it is not remeasured. As soon as an expected transaction leads to the recognition in the profit and loss account of a financial asset or financial liability, the gains or losses associated with the derivative are recognised in the profit or loss account in the same period in which the asset or liability affects profit or loss.

Triodos Bank has documented its hedging strategy and how it relates to the objective of risk management. Triodos Bank has documented its assessment of whether the derivatives that are used in hedging transactions are effective in offsetting:

- currency results of the hedged items using generic documentation;
- interest rate results of the hedged items using documentation per hedged item.

Any over hedge is recognised directly in the profit and loss account at fair value.

Hedging relationships are terminated upon the expiry or sale of the respective derivatives. The cumulative

gain or loss that has not yet been included in the profit and loss account is recognised as a deferred item in the balance sheet until the hedged transactions have taken place. If the transactions are no longer expected to take place, the cumulative gain or loss is accounted for in the profit and loss account.

### Net interest income recognition

Interest income and expenses are recognised in accordance with the effective interest method. The application of this method includes the amortisation of any discount or premium or other differences (including transaction costs and applicable commissions) between the initial carrying amount of an interest-bearing instrument and the amount at maturity, based on the effective interest method.

### Dividends

Dividends to be received from participations and securities not carried at net asset value are recognised as soon as Triodos Bank has acquired the right to them.

### Commission income

Commission income is recognised as the services are provided. The following types of commission income are identified:

- Service fees like payment transactions are recognised on a straight-line basis over the service contract period; asset management and management fees are recognised based on the applicable service contracts;
- Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised upon completion of the underlying transaction.

Commission income dependent on the outcome of a particular event or contingent upon performance are recognised when the following criteria have been met:

- The fees are earned and realised;
- The earnings process is completed by performing according the terms of the arrangements;
- If services are rendered or rights to use assets extend continuously over time and when reliable

measures based on contractual prices established in advance are commonly available, revenues may be recognised as time passes.

### Pension schemes

Triodos Bank has a number of pension schemes. Premiums are paid based on contractual and voluntary basis to insurance companies. Premiums are recognised as employee cost when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities. For more information please go to note 26 on page 121.

### Short-term employee cost

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

### Taxation on operating result

Taxes are calculated on the pre-tax result on the basis of the applicable profit tax rates taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets). Exempted profit items, deductible items, additions and differences between the balance sheet value and the fiscal value of particular assets and liabilities are taken into account.

Deferred tax items arising from differences between the balance sheet value and the fiscal value are valued at nominal value insofar these may be recovered through future profits (temporary differences).

Deferred tax assets arising from operating losses are reviewed at each reporting date. To the extent that future taxable profits do not exceed the tax losses recognised, an impairment loss is recognised.

The computation of the deferred tax liabilities is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

## Earnings per share

Earnings per share is calculated on the basis of the weighted average number of shares outstanding. In calculating the weighted average number of shares outstanding:

Own shares held by Triodos Bank are deducted from the total number of shares in issue;

The computation is based on monthly averages.

## Cash flow statement

The cashflow statement sets out the movement in Triodos Bank's funds, broken down into operating activities, investment activities and financing activities. The funds consist of cash and the on demand deposits with banks. The cashflow statement is produced using the indirect method and gives details of the source of cash and cash equivalents over the course of the year. The cash flows are analysed into cash flows from operations, including banking activities, investment activities and financing activities. Movements in loans and receivables and interbank deposits are included in the cash flow from operating activities. Investment activities are comprised of acquisitions, sales and redemptions in respect of financial investments, as well as property and equipment. The issuing of shares and the borrowing and repayment of long-term funds are treated as financing activities. Cash flows arise from foreign currency transactions are translated into euros using the exchange rates at the date of the cash flows.

## Segment reporting

The segments (banking entities and business units) are reported in a manner consistent with the internal reporting provided to the Executive Board, which is responsible for allocating resources and assessing performance. All transactions between segments are eliminated as intercompany revenues and expenses in Group Functions. Segment assets, liabilities, income and results are measured based on our accounting principles. Segment assets, liabilities, income and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transactions between segments are conducted at arm's length. The geographical analyses are based on the location of the office from which the transactions are originated.

## Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also, entities which can control Triodos Bank are considered to be a related party. In addition, statutory directors, other key management and close relatives are regarded as related parties. Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

## Segregation of capital

Triodos Bank N.V. holds by its related party Stichting Triodos Beleggersgiro on behalf of their customers

segregated from the assets and liabilities of the bank the following securities:

	2019	2018
Triodos Fair Share Fund	363,220	357,149
Triodos Groenfonds N.V.	465,393	440,013
Triodos Sicav I	641,537	503,387
Triodos Sicav II	16,763	44,281
Triodos Vastgoedfond N.V.	1,517	7,351
Triodos Impact Strategies N.V.	21,216	20,729
Triodos Impact Strategies II N.V.	54,952	–
<b>Total as at 31 December</b>	<b>1,564,598</b>	<b>1,372,910</b>

Triodos Impact Strategies N.V. holds on behalf of its sub-fund Triodos Multi Impact Fund as at 31 December 2019 EUR 6,151 thousand (2018: 6,765 thousand) of securities Triodos Fair Share Fund and EUR 4,476 thousand (2018: 4,711 thousand) of securities Triodos Groenfonds N.V.. These securities are included in the above mentioned values of securities in Triodos Fair Share Fund and Triodos Groenfonds N.V.

For further details about these accounting principles, please refer to the corresponding notes to the financial statements.

## Assets

### 1. Cash

The balance sheet value of the cash as at 31 December can be broken down as follows:

	2019	2018
On demand deposit Dutch Central Bank	1,406,709	1,411,065
On demand deposit Belgian Central Bank	228,736	31,083
On demand deposit German Central Bank	100,700	78,664
On demand deposit Spanish Central Bank	247,031	188,581
On demand deposit United Kingdom Central Bank	279,463	63,705
Cash in ATMs	7,585	22,174
<b>Balance sheet value as at 31 December</b>	<b>2,270,224</b>	<b>1,795,272</b>

### 2. Banks

	2019	2018
On demand deposits with banks	205,048	166,663
Deposits with banks	22,513	70,392
<b>Balance sheet value as at 31 December</b>	<b>227,561</b>	<b>237,055</b>

An amount of EUR 21.7 million of the deposits is encumbered (2018: EUR 19.7 million). These are on demand deposits at Cecabank in the amount of EUR 1 million (2018: EUR 1 million), Caja de Ingenieros in the amount of EUR nil (2018: EUR 0.5 million), ING Bank EUR 13 million (2018: EUR 13 million), Banco Cooperativo EUR 7 million (2018: EUR 4.6 million) and Mastercard EUR 0.7 million (2018: EUR 0.6 million). A deposit of EUR 1.0 million (2018: EUR 1.0 million) is subordinated. All other deposits can be freely disposed of.

Banks classified by residual maturity:

	2019	2018
On demand	205,048	166,663
1 to 3 months	7,513	55,392
3 months to 1 year	15,000	14,000
1 to 5 years	–	1,000
Longer than 5 years	–	–
<b>Balance sheet value as at 31 December</b>	<b>227,561</b>	<b>237,055</b>

The balance sheet value of the banks as at 31 December can be broken down as follows:

	2019	2018
Banco Cooperativo	8,131	5,708
Caja de Ingenieros	604	4,791
Cecabank	4,111	5,787
DZ Bank	51,873	42,140
Euroclear Bank	2,595	1,149
ING Bank	103,281	85,243
National Westminster Bank (Natwest)	29,906	–
Rabobank	20,790	1,181
Royal Bank of Scotland	830	35,445
Yorkshire Bank	118	49,533
Other	5,322	6,078
<b>Balance sheet value as at 31 December</b>	<b>227,561</b>	<b>237,055</b>

### 3. Loans

	2019	2018
Loans	8,221,227	7,287,126
Provision for doubtful debts	–33,757	–39,156
<b>Balance sheet value as at 31 December</b>	<b>8,187,470</b>	<b>7,247,970</b>

This relates to loans to customers.

Prior year figures have been adjusted for an amount of EUR -25,810 due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles on page 80.

As part of the interest rate risk management Triodos Bank entered into interest rate swaps to hedge the interest risk on fixed interest rate loans. The critical terms of the interest rate swaps such as nominal amount, maturity date and interest payment dates fully match the terms of the respective loans. The total notional value of these loans is EUR 153.0 million which equals the notional value of the interest rate swaps (2018: EUR 142.3 million). The fair value of the interest rate swaps as at 31 December 2019 is EUR -2.4 million (2018: EUR -1.3 million). Triodos Bank applies cost price hedge accounting on these interest rate swaps and therefore the fair value is not recognised on the balance sheet.

Loans classified by residual maturity:

	2019	2018
Payable on demand	215,846	334,904
1 to 3 months	471,092	300,239
3 months to 1 year	555,834	370,358
1 to 5 years	2,316,106	1,965,417
Longer than 5 years	4,662,349	4,316,208
<b>Balance sheet value as at 31 December</b>	<b>8,221,227</b>	<b>7,287,126</b>

EUR 24.9 million (2018: EUR 24.8 million) of the loans are subordinated.

EUR 271.0 million (2018: EUR 144.7 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

The movement of the provision for doubtful debts is as follows:

	2019			2018		
	Specific	Collective	Total	Specific	Collective	Total
Balance sheet value as at 1 January	33,742	5,414	39,156	43,678	5,918	49,596
Addition	10,016	401	10,417	7,561	1,013	8,574
Write-off	-9,137	-	-9,137	-13,561	-	-13,561
Release	-6,416	-380	-6,796	-3,908	-1,515	-5,423
Exchange rate differences	99	18	117	-28	-2	-30
<b>Balance sheet value as at 31 December</b>	<b>28,304</b>	<b>5,453</b>	<b>33,757</b>	<b>33,742</b>	<b>5,414</b>	<b>39,156</b>

The quality of the loan book remained satisfactory overall. This, and a continuing focus on maintaining and diversifying a high quality loan portfolio, kept impairments for the loan portfolio at a low level. In 2019 the impairments were 0.05% of the average loan book (2018: 0.05%).

The provision does not relate to contingent liabilities and irrevocable facilities. The collective provision relates to an Incurred But Not Reported (IBNR) provision in the amount of EUR 5.5 million (2018: EUR 5.4 million).

EUR 0.0 million of the addition to the provision relates to interest that has been invoiced but has not been received (2018: EUR 0.1 million).

A breakdown related to received collateral, relevant industries, sectors and per geographic region can be found in the Pillar 3 report 2019 which is published on the website of Triodos Bank.

#### 4. Interest-bearing securities

	2019	2018
Dutch Government bonds	70,292	70,597
Belgian Government bonds	168,222	230,696
Spanish Government bonds	72,182	91,473
United Kingdom Government bonds	78,068	89,790
Other bonds	634,658	775,660
<b>Balance sheet value as at 31 December</b>	<b>1,023,422</b>	<b>1,258,216</b>

Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities. These items were recognised as prepayments and accrued income, for an amount of EUR 26.0 million (2018: EUR 26.6 million,) or accruals and deferred income, for an amount of EUR 0.5 million (2018: 0.7 million), in the balance sheet but are transferred to interest-bearing securities. The comparative figures are adjusted accordingly.

The balance sheet value of interest bearing securities as at 31 December can be broken down as follows:

Issuer in thousands of EUR	Listed	Non- listed	2019		Of which Green bond <sup>1</sup>
			Term of maturity less than a year	Term of maturity more than a year	
<b>Public sector entities</b>					
Belgium, government	168,222	–	25,228	142,994	–
Comunidad Autonoma de Madrid, Spain	114,355	–	2,873	111,482	11,107
United Kingdom, government	78,068	–	10,631	67,437	–
Kingdom of Spain, government	72,182	–	28,829	43,353	–
The Netherlands, government	70,292	–	–	70,292	–
Region Wallonne, Belgium	40,000	20,000	10,000	50,000	–
Instituto de Crédito Oficial (government guaranteed), Spain	38,709	–	6,500	32,209	–
Junta de Castilla y Leon, Spain	24,558	–	–	24,558	–
Ayuntamiento de Madrid, Spain	24,019	–	–	24,019	–
Autonomous Community of Basque Country, Spain	20,629	–	–	20,629	–
Xunta de Galicia, Spain	15,000	–	–	15,000	–
European Investment Bank	11,828	–	11,828	–	11,828
Transport for London, United Kingdom	6,096	–	–	6,096	6,096
Deutschsprachige Gemeinschaft Belgiens, Belgium	–	20,017	–	20,017	–
Brussels Region, Belgium	–	10,044	–	10,044	–
La Communauté Française de Belgique, Belgium	–	10,000	–	10,000	–
Provincie Vlaams-Brabant, Belgium	–	6,000	–	6,000	–
<b>Total public sector entities</b>	<b>683,958</b>	<b>66,061</b>	<b>95,889</b>	<b>654,130</b>	<b>29,031</b>

<sup>1</sup> These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Issuer in thousands of EUR	Listed	Non- listed	2019		Of which Green bond <sup>1</sup>
			Term of maturity less than a year	Term of maturity more than a year	
<b>Non-public sector entities</b>					
Landwirtschaftliche Rentenbank, Germany	50,000	–	50,000	–	50,000
Adif Alta Velocidad, Spain	45,305	–	–	45,305	–
ABN AMRO Bank N.V., The Netherlands	26,487	–	15,992	10,495	26,487
Coöperative Rabobank U.A., The Netherlands	24,991	–	–	24,991	24,991
NRW Bank (government guaranteed), Germany	19,872	–	–	19,872	19,872
Kreditanstalt für Wiederaufbau (government guaranteed), Germany	17,165	–	5,907	11,258	5,907
ING Bank N.V., The Netherlands	13,009	–	13,009	–	13,009
Nationwide Building Society, United Kingdom	11,820	–	–	11,820	–
Anglian Water Services Financing Plc, United Kingdom	11,174	–	–	11,174	11,174
Bank Nederlandse Gemeenten (BNG), The Netherlands	6,082	–	–	6,082	–
Cofinimmo SA N.V., Belgium	4,998	–	–	4,998	4,998
Ethias Vie, Belgium	500	–	–	500	–
Société Régionale Wallonne du Transport (government guaranteed), Belgium	–	30,000	15,000	15,000	–
Aquafin N.V., Belgium	–	12,000	2,000	10,000	12,000
<b>Total non-public sector entities</b>	<b>231,403</b>	<b>42,000</b>	<b>101,908</b>	<b>171,495</b>	<b>168,438</b>
<b>Total</b>	<b>915,361</b>	<b>108,061</b>	<b>197,797</b>	<b>825,625</b>	<b>197,469</b>

<sup>1</sup> These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Issuer in thousands of EUR	Listed	Non- listed	2018		Of which Green bond <sup>1</sup>
			Term of maturity less than a year	Term of maturity more than a year	
<b>Public sector entities</b>					
Belgium, government	230,696	–	60,873	169,823	–
Comunidad Autonoma de Madrid, Spain	115,589	–	25,849	89,740	–
United Kingdom, government	89,790	–	15,422	74,368	–
Kingdom of Spain, government	91,473	–	18,079	73,394	–
The Netherlands, government	70,597	–	–	70,597	–
European Investment Bank	66,327	–	55,091	11,236	66,327
Autonomous Community of Basque Country, Spain	43,905	–	33,752	10,153	–
Region Wallonne, Belgium	40,000	20,000	–	60,000	–
Xunta de Galicia, Spain	40,181	–	40,181	–	40,181
Nordic Investment Bank, Finland	40,000	–	40,000	–	–
Instituto de Crédito Oficial (government guaranteed), Spain	39,815	–	–	39,815	–
Ayuntamiento de Madrid, Spain	24,361	–	–	24,361	–
Junta de Castilla y Leon, Spain	17,800	–	3,588	14,212	–
La Commanauté Francaise de Belgique, Belgium	–	10,000	–	10,000	–
Provincie Vlaams-Brabant, Belgium	–	6,000	–	6,000	–
<b>Total public sector entities</b>	<b>910,534</b>	<b>36,000</b>	<b>292,835</b>	<b>653,699</b>	<b>106,508</b>

<sup>1</sup> These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Issuer in thousands of EUR	Listed	Non- listed	2018		Of which Green bond <sup>1</sup>
			Term of maturity less than a year	Term of maturity more than a year	
<b>Non-public sector entities</b>					
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden (FMO), The Netherlands	50,000	–	50,000	–	50,000
Landwirtschaftliche Rentenbank, Germany	50,000	–	–	50,000	50,000
Adif Alta Velocidad, Spain	41,180	–	–	41,180	–
ABN AMRO Bank N.V., The Netherlands	26,465	–	–	26,465	26,465
Coöperative Rabobank U.A., The Netherlands	24,986	–	–	24,986	24,986
NRW Bank (government guaranteed), Germany	19,853	–	–	19,853	19,853
Kreditanstalt für Wiederaufbau (government guaranteed), Germany	18,562	–	12,993	5,569	18,561
ING Bank N.V., The Netherlands	13,018	–	–	13,018	13,018
Nederlandse Waterschapsbank, The Netherlands	11,993	–	11,993	–	11,993
Bank Nederlandse Gemeenten (BNG), The Netherlands	6,127	–	–	6,127	–
Cofinimmo SA N.V., Belgium	4,998	–	–	4,998	4,998
Ethias Vie, Belgium	500	–	–	500	–
Société Régionale Wallonne du Transport (government guaranteed), Belgium	–	30,000	–	30,000	–
Aquafin N.V., Belgium	–	14,000	2,000	12,000	14,000
<b>Total non-public sector entities</b>	<b>267,682</b>	<b>44,000</b>	<b>76,986</b>	<b>234,696</b>	<b>233,874</b>
<b>Total</b>	<b>1,178,216</b>	<b>80,000</b>	<b>369,821</b>	<b>888,395</b>	<b>340,382</b>

<sup>1</sup> These are Green/sustainable bonds of which the proceeds are invested by the issuer in areas such as sustainable energy, energy efficiency and microfinance.

Part of the value of securities is used as collateral for a possible debit balance, amounting to EUR 89.4 million at the Dutch Central Bank (2018: EUR 69.5 million).

As part of the interest rate risk management Triodos Bank entered into interest rate swaps to hedge the interest risk on fixed interest rate bonds. The critical terms of the interest rate swaps such as nominal amount, maturity date and interest payment dates fully match the terms of the respective bonds. The total notional value of these bonds is EUR 153.0 million which equals the notional value of the interest rate swaps (2018: EUR 131.5 million). The fair value of the interest rate swaps as at 31 December 2019 is EUR -1.7 million (2018: EUR -1.3 million). Triodos Bank applies cost price hedge accounting on these interest rate swaps and therefore the fair value is not recognised on the balance sheet.

The movement in interest-bearing securities is as follows:

	2019	2018
Balance sheet value as at 1 January	1,258,216	1,433,852
Purchase	141,558	235,063
Repayments	-368,610	-396,590
Sale	-	-
Amortisation difference between acquisition price and redemption value	-9,512	-12,770
Exchange rate results on foreign currencies	1,770	-1,339
<b>Balance sheet value as at 31 December</b>	<b>1,023,422</b>	<b>1,258,216</b>

## 5. Shares

	2019	2018
S.W.I.F.T. SCRL	20	20
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

The shares in S.W.I.F.T. SCRL are held in the framework of the Bank's participation in S.W.I.F.T. payment transactions.

The movement in shares is as follows:

	2019	2018
Balance sheet value as at 1 January	20	20
Purchase	-	-
Sales	-	-
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

## 6. Participating interests

	2019	2018
<b>Other participating interests</b>	<b>24,279</b>	<b>22,448</b>

As part of its mission, Triodos Bank wishes sustainable banking to create more and more impact over the world. In this respect, Triodos Bank provides equity funding to like-minded financial institutions in order to increase growth of the sustainable banking sector. No significant influence can be exercised on our participating interests. The value of these interests is based on the published share price. In absence of a public share price or if such a public share price is established in a non-active stock exchange market (low trading activity) Triodos

Bank estimates the fair value through the net asset value. The other participating interests can be broken down as follows.

	2019		2018	
	Participating interest	Amount in thousands of EUR	Participating interest	Amount in thousands of EUR
Amalgamated Bank, New York <sup>1</sup>	2.3%	12,569	2.3%	12,356
Merkur Bank KGaA, Copenhagen <sup>1</sup>	3.0%	1,210	3.0%	1,163
Cultura Bank Sparebank, Oslo <sup>1</sup>	1.2%	102	1.3%	102
GLS Gemeinschaftsbank eG, Bochum <sup>1</sup>	0.0%	50	0.0%	50
Banca Popolare Etica Scpa, Padova <sup>1</sup>	0.2%	133	0.2%	130
Ekobanken Medlemsbank, Järna <sup>1</sup>	0.6%	49	0.6%	49
Social Enterprise Finance Australia Limited, Sydney	4.5%	1	4.5%	1
Bpifrance Financement S.A., Maisons-Alfort.	0.0%	140	0.0%	136
Sustainability – Finance – Real Economies SICAV-SIF public limited liability company, Luxembourg	13.0%	4,737	13.0%	3,430
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V. (FMO), The Hague <sup>1</sup>	2.0%	861	2.0%	932
Thrive Renewables Plc, Bristol <sup>1</sup>	5.7%	3,434	5.2%	3,292
La Société d'Investissement France Active (SIFA), Montreuil	0.1%	302	0.1%	300
Visa Inc, San Francisco <sup>1</sup>	0.0%	591	0.0%	407
La Bolsa Social, plataforma de financiación participativa, S.A., Madrid	6.0%	100	6.0%	100
<b>Balance sheet value as at 31 December</b>		<b>24,279</b>		<b>22,448</b>

<sup>1</sup> Credit institution

The movement of the participating interests is as follows:

	2019	2018
Balance sheet value as at 1 January	22,448	14,649
Acquisitions	–	9,848
Increase of capital	1,226	2,499
Revaluation	73	3,200
Repayment of capital	–	–
Divestments	–	–7,996
Exchange rate results on foreign currencies	532	248
<b>Balance sheet value as at 31 December</b>	<b>24,279</b>	<b>22,448</b>

## 7. Intangible fixed assets

	2019	2018
Development costs for information systems	38,212	34,108
Management contracts	1,360	1,562
Computer software	1,971	2,754
<b>Balance sheet value as at 31 December</b>	<b>41,543</b>	<b>38,424</b>

### The development costs for information systems

The development costs for information systems contain costs for the development of the Bank's ICT systems in The Netherlands, Spain and Germany.

The movement in the development costs for the information systems item is as follows:

	2019	2018
Purchase value as at 1 January	58,524	45,919
Cumulative amortisation as at 1 January	-24,416	-17,816
Balance sheet value as at 1 January	34,108	28,103
Capitalised expenses	12,901	12,854
Amortisation <sup>1</sup>	-7,931	-6,316
Impairments	-891	-512
Exchange rate results on foreign currencies	25	-21
<b>Balance sheet value as at 31 December</b>	<b>38,212</b>	<b>34,108</b>
Purchase value as at 31 December	70,628	58,524
Cumulative amortisation as at 31 December	-32,416	-24,416
<b>Balance sheet value as at 31 December</b>	<b>38,212</b>	<b>34,108</b>

<sup>1</sup> Excluding disposal in the amount of EUR 0.9 million (2018: EUR 0.2 million).

### Management contracts

The management contracts relate to contracts for the management of funds by Triodos Investment Management. When it acquired its participating interest in Triodos Investment Management in 2006, Triodos Bank paid EUR 4 million for this to Stichting Triodos Holding. No impairment was recognised based on the remaining usefulness of the contracts.

The movement in management contracts is as follows:

	2019	2018
Purchase value as at 1 January	4,030	4,030
Cumulative amortisation as at 1 January	-2,468	-2,267
Balance sheet value as at 1 January	1,562	1,763
Amortisation	-202	-201
<b>Balance sheet value as at 31 December</b>	<b>1,360</b>	<b>1,562</b>
Purchase value as at 31 December	4,030	4,030
Cumulative amortisation as at 31 December	-2,670	-2,468
<b>Balance sheet value as at 31 December</b>	<b>1,360</b>	<b>1,562</b>

### Computer software

Computer software relate to software that has been purchased.

The movement in computer software is as follows:

	2019	2018
Purchase value as at 1 January	5,256	4,951
Cumulative amortisation as at 1 January	-2,502	-1,974
Balance sheet value as at 1 January	2,754	2,977
Purchase	514	981
Amortisation <sup>1</sup>	-1,260	-1,204
Impairment	-37	-
<b>Balance sheet value as at 31 December</b>	<b>1,971</b>	<b>2,754</b>
Purchase value as at 31 December	4,573	5,256
Cumulative amortisation as at 31 December	-2,602	-2,502
<b>Balance sheet value as at 31 December</b>	<b>1,971</b>	<b>2,754</b>

<sup>1</sup> Excluding disposal in the amount of EUR 1.2 million (2018: EUR 0.7 million).

## 8. Property and equipment

	2019	2018
Property for own use	89,650	91,640
Equipment	34,546	12,897
Property not for own use	11,012	11,324
<b>Balance sheet value as at 31 December</b>	<b>135,208</b>	<b>115,861</b>

Prior year figures have been adjusted for an amount of EUR 11,324 due to a transfer of repossessed assets from other assets to property not for own use. For further explanation see the general accounting principles on page 80.

The movement in the property for own use is as follows:

	2019	2018
Purchase value as at 1 January	99,865	64,869
Cumulative revaluation as at 1 January	-1,596	-1,596
Cumulative depreciation as at 1 January	-6,629	-5,721
Balance sheet as at 1 January	91,640	57,552
Purchase	3,724	35,155
Depreciation	-1,043	-921
Revaluation	-	-
Transfer to equipment <sup>1</sup>	-4,663	-
Exchange rate differences	-8	-146
<b>Balance sheet value as at 31 December</b>	<b>89,650</b>	<b>91,640</b>
Purchase value as at 31 December	98,995	99,865
Cumulative revaluation as at 31 December	-1,596	-1,596
Cumulative depreciation as at 31 December	-7,749	-6,629
<b>Balance sheet value as at 31 December</b>	<b>89,650</b>	<b>91,640</b>

<sup>1</sup> With the realisation of a new office building in The Netherlands in 2019 a part of the development cost of this building in the amount of EUR 4,663 has been transferred to equipment.

Property for Triodos Bank's own use includes land which is leased with a carrying amount of EUR 3.5 million based on the market value. Triodos Bank is not the legal owner of this land. The lease payments are negotiated for forty years with a starting, annual payment of EUR 0.2 million. The lease payment will be adjusted annually based on the consumer price index.

The movement in equipment is as follows:

	2019	2018
Purchase value as at 1 January	36,982	38,587
Cumulative depreciation as at 1 January	-24,085	-23,245
Balance sheet value as at 1 January	12,897	15,342
Purchase <sup>1</sup>	21,638	1,859
Sale <sup>2</sup>	-4	-54
Depreciation <sup>2</sup>	-4,614	-4,232
Impairment	-60	-
Transfer from property for own use <sup>3</sup>	4,663	-
Exchange rate differences	26	-18
<b>Balance sheet value as at 31 December</b>	<b>34,546</b>	<b>12,897</b>
Purchase value as at 31 December	60,460	36,982
Cumulative depreciation as at 31 December	-25,914	-24,085
<b>Balance sheet value as at 31 December</b>	<b>34,546</b>	<b>12,897</b>

<sup>1</sup> The purchase mainly relates to the investment in the installation and the inventory of the new office building in The Netherlands.

<sup>2</sup> Excluding disposal in the amount of EUR 3.0 million (2018: EUR 3.4 million).

<sup>3</sup> With the realisation of a new office building in The Netherlands in 2019 a part of the development cost in the amount of EUR 4,663 has been transferred from property for own use to equipment.

The movement in the property not for own use is as follows:

	2019	2018
Purchase value as at 1 January	12,589	10,979
Cumulative depreciation as at 1 January	-1,265	-1,014
Balance sheet as at 1 January	11,324	9,965
New foreclosed assets	41	1,610
Depreciation	-239	-224
Impairments	-114	-27
Balance sheet value as at 31 December	11,012	11,324
Purchase value as at 31 December	12,630	12,589
Cumulative depreciation as at 31 December	-1,618	-1,265
<b>Balance sheet value as at 31 December</b>	<b>11,012</b>	<b>11,324</b>

## 9. Other assets

	2019	2018
Assets not in use <sup>1</sup>	11,050	8,267
Receivable regarding the deposit guarantee scheme	3,916	4,551
Other	38,470	22,431
<b>Balance sheet value as at 31 December</b>	<b>53,436</b>	<b>35,249</b>

<sup>1</sup> Assets not in use relates to acquired collateral on written off loans.

Prior year figures have been adjusted for an amount of EUR 11,553 due to a transfer of repossessed assets from other assets to property not for own use. For further explanation see the general accounting principles on page 80.

The increase of the other assets mainly relates to cash collateral provided related to derivatives. Receivables in the amount of EUR 30 million fall due in more than 1 year.

## 10. Prepayments and accrued income

The balance sheet value of the prepayments and accrued income as at 31 December can be broken down as follows:

	2019	2018
Interest receivable	29,322	31,795
Deferred taxes	15,394	17,490
Derivatives	7,814	5,232
Other prepayments and accrued income	44,605	45,046
<b>Balance sheet value as at 31 December</b>	<b>97,135</b>	<b>99,563</b>

The deferred tax asset relates for an amount of EUR 7.3 million (2018: EUR 7.7 million) to tax losses incurred by the German banking entity for which it is expected that these will be fully recovered against future profits. Compensation is expected in the coming years. Under the German corporate income tax code tax losses have no expiration date. The remaining deferred tax asset relates to temporary differences because of differences between accounting rules and tax rules.

Prior year deferred tax has been adjusted for an amount of EUR 6,808. For further explanation see the general accounting principles on page 80.

The premium on investments in interest bearing securities were recognised as prepayments and accrued income, for an amount of EUR 26.0 million (2018: EUR 26.6 million) in the balance sheet but are transferred to interest-bearing securities. The comparative figures are adjusted accordingly.

Breakdown of derivatives by remaining term to maturity and fair value:

2019	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	14,206	8,863	5,343	–	1,965
Non deliverable forwards	43,380	33,079	10,301	–	5,840
Swap	387	387	–	–	9
<b>Total derivatives</b>	<b>57,973</b>	<b>42,329</b>	<b>15,644</b>	<b>–</b>	<b>7,814</b>

2018	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	29,964	16,204	13,760	–	1,356
Non deliverable forwards	54,740	11,671	43,069	–	3,908
Swap	1,252	873	379	–	–32
<b>Total derivatives</b>	<b>85,956</b>	<b>28,748</b>	<b>57,208</b>	<b>–</b>	<b>5,232</b>

Triodos Bank entered into currency contracts with Triodos Investment Management in order to manage the currency risk of the investment funds. Triodos Bank hedges these positions directly in the market. Therefore the long and short position are almost the same. The decline of the nominal amount from 2018 to 2019 relates to the fact that at the end of 2017 Triodos Bank stopped entering into new currency contract with Triodos Investment Management because of new regulation.

The interest receivable and other prepayments and accrued income fall due within one year.

## Liabilities

### 11. Banks

	2019	2018
<b>Deposits from banks</b>	<b>70,023</b>	<b>67,217</b>

This item concerns credits held by Kreditanstalt für Wiederaufbau, Germany and Landwirtschaftliche Rentenbanken, Germany for interest-subsidised loans in the renewable energy sector.

Deposits with banks classified by residual maturity:

	2019	2018
Payable on demand	–	4
1 to 3 months	1,425	1,415
3 months to 1 year	5,267	3,906
1 to 5 years	27,484	29,988
Longer than 5 years	35,847	31,904
<b>Balance sheet value as at 31 December</b>	<b>70,023</b>	<b>67,217</b>

### 12. Funds entrusted

	2019	2018
Savings	6,365,076	5,798,813
Other funds entrusted	4,324,929	3,759,390
<b>Balance sheet value as at 31 December</b>	<b>10,690,005</b>	<b>9,558,203</b>

Savings are defined as:

- savings accounts (with or without notice) of natural persons and non-profit institutions
- fixed term deposits of natural persons and non-profit institutions

Other funds entrusted are defined as:

- current accounts of natural persons and non-profit institutions
- all accounts of governments, financial institutions (excluding banks) and non-financial corporations

Funds entrusted classified by residual maturity:

	2019			2018		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	5,231,033	4,122,044	9,353,077	4,666,881	3,545,071	8,211,952
1 to 3 months	592,673	137,552	730,225	538,097	144,669	682,766
3 months to 1 year	270,145	36,029	306,174	288,022	41,832	329,854
1 to 5 years	238,907	26,818	265,725	270,222	25,477	295,699
Longer than 5 years	32,318	2,486	34,804	35,591	2,341	37,932
	<b>6,365,076</b>	<b>4,324,929</b>	<b>10,690,005</b>	<b>5,798,813</b>	<b>3,759,390</b>	<b>9,558,203</b>

### 13. Other liabilities

This item consists of various amounts payable, including Dutch and foreign taxation and social security contributions totalling EUR 7.3 million (2018: EUR 8.6 million). These items are short term liabilities (< 1 year).

### 14. Accruals and deferred income

The balance sheet value of the accruals and deferred income as at 31 December can be broken down as follows:

	2019	2018
Interest payable	5,124	6,839
Deferred taxes	8,663	8,563
Derivates	10,051	4,799
Other accruals and deferred income	32,023	49,823
<b>Balance sheet value as at 31 December</b>	<b>55,861</b>	<b>70,024</b>

The deferred tax liability relates for an amount of EUR 1.5 million to a taxable temporary difference following the tax losses incurred by the German banking entity over the period 2009 – 2011 amounting to EUR 6.8 million which have been offset against taxable income in the Triodos Dutch corporate income tax return over the same period. The Dutch corporate income tax act 1969 allowed income tax deduction on losses incurred by foreign branches of a Dutch resident taxpayer in so far that these tax losses could not be recovered in the country of residence till 2011. This Dutch income tax deduction is subsequently reversed when the branch recovers profitability and the incurred tax losses are offset in the local income tax return, resulting in a taxable temporary difference. Under the German corporate income tax code tax losses have no expiration date.

The deferred tax item further relates to temporary differences between the carrying amounts of intangible fixed assets for financial reporting purposes and the amounts used for taxation purposes. The remaining duration is one to four years.

Breakdown of derivatives by remaining term to maturity and fair value:

2019 in thousands of EUR	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	206,726	201,383	5,343	–	4,460
Non deliverable forwards	43,380	33,079	10,301	–	5,583
Swap	387	387	–	–	8
<b>Total derivatives</b>	<b>250,493</b>	<b>234,849</b>	<b>15,644</b>	<b>–</b>	<b>10,051</b>

2018 in thousands of EUR	Total	Notional amount			Fair value
		<= 1 year	> 1 year <= 5 years	> 5 years	
Currency contracts:					
OTC:					
Forwards	29,964	16,204	13,760	–	1,250
Non deliverable forwards	54,740	11,671	43,069	–	3,587
Swap	1,252	873	379	–	–38
<b>Total derivatives</b>	<b>85,956</b>	<b>28,748</b>	<b>57,208</b>	<b>–</b>	<b>4,799</b>

The increase of the forward currency contracts relates to GBP contracts that Triodos Bank entered into in 2019 for a notional amount of EUR 192.5 million for hedging the currency risk of the UK subsidiary equity participation of Triodos Bank. The other currency contracts relate to contracts that Triodos Bank entered into with Triodos Investment Management in order to manage the currency risk of the investment funds. Triodos Bank hedges these positions directly in the market. Therefore the long and short position of these contracts are almost the same.

The discount on investments were recognised as accruals and deferred income, for an amount of EUR 0.5 million (2018: 0.7 million), in the balance sheet but are transferred to interest-bearing securities. The comparative figures are adjusted accordingly.

The interest payable and other accruals and deferred income fall due within one year.

## 15. Provisions

	2019	2018
Building maintenance	1,604	1,573
Other provisions	4,776	5,170
<b>Balance sheet value as at 31 December</b>	<b>6,380</b>	<b>6,743</b>

A provision in the amount of EUR 0.7 million (2018: EUR 1.7 million) has been made for part of the estimated unavoidable costs to Triodos Bank of dealing with the implications of the UK vote to leave the European Union. Also, a provision of EUR 3.5 million has been created in 2019 regarding a reorganisation. Further provisions have been formed regarding disputes and claims.

An amount of EUR 3.5 million can be classified as shorter than one year.

The movement of the provisions is as follows:

	2019	2018
Balance sheet value as at 1 January	6,743	4,583
Addition	5,230	6,106
Withdrawal	-2,541	-3,775
Release	-3,161	-145
Exchange rate differences	109	-26
<b>Balance sheet value as at 31 December</b>	<b>6,380</b>	<b>6,743</b>

## 16. Equity

The equity stated on the consolidated balance sheet is equal to that stated on the parent company balance sheet. Further disclosure is included in the Notes to the company Annual Accounts. More details on capital ratios are included in the Pillar 3 report which can be found on the website of Triodos Bank.

### Profit appropriation

As set out in the Articles of Association, the appropriation of profit is as follows:

Part of the profit as reported in the adopted profit and loss account shall be used by the Executive Board to form or add to the reserves to the extent that this is deemed desirable. The remaining profit shall be distributed to the shareholders, unless the General Meeting decides otherwise.

All depository receipts issued up to and including 15 May 2020 are entitled to the final dividend for the financial year 2019. The results of Triodos Bank N.V. are taken into consideration in the issue price.

The proposed appropriation of profit is based on the number of depository receipts issued as at 31 December 2019, minus the number of depository receipts purchased by Triodos Bank. The final proposal will be submitted at the Annual General Meeting.

The proposed appropriation of profit (in thousands of EUR) is as follows:

Net profit	38,751
Addition to the other reserves	-19,309
<b>Dividend (EUR 1.35 per depository receipt)</b>	<b>19,442</b>

## Fair values

The following table sets out the fair value of the financial instruments held as at 31 December 2019. The fair value of listed government paper and interest-bearing securities is the market value. The fair value of unlisted government paper and interest-bearing securities is public quoted information if available or nominal value. The fair value of banks, loans and funds entrusted has been determined by calculating the net present value of expected interest and redemption cashflows, taken into account market interest rates as at the end of the year. Part of the loans and mortgages include caps and/or floors on the interest rates. For these instruments the fair value is determined by adding the present value of the contractual cash flows (based on forward rates) to the option value of these embedded caps and floors. An assumed prepayment rate is also included which differs per banking entity and between mortgages and business loans. We did not include a term structure in the spread. The fair value of the other items is assumed to be equal to the balance sheet value.

The fair value of the remaining assets also includes the deferred tax item.

	2019		2018	
	Balance sheet value	Fair value	Balance sheet value	Fair value
<b>Assets</b>				
Cash	2,270,224	2,270,224	1,795,272	1,795,272
Banks	227,561	227,611	237,055	237,062
Loans	8,187,470	8,315,161	7,247,970	7,362,465
Interest rate swaps to hedge the interest risk on fixed interest rate loans	–	–2,429	–	–1,342
Interest-bearing securities	1,023,422	1,058,201	1,258,216	1,294,055
Interest rate swaps to hedge the interest risk on fixed interest rate securities	–	–1,674	–	–1,226
Shares	20	20	20	20
Participating interests	24,279	24,279	22,448	22,448
Other	327,322	288,814 <sup>1</sup>	289,097	253,936 <sup>1</sup>
	<b>12,060,298</b>	<b>12,180,207</b>	<b>10,850,078</b>	<b>10,962,690</b>
<b>Liabilities and equity</b>				
Banks	70,023	68,714	67,217	66,493
Funds entrusted	10,690,005	10,695,702	9,558,203	9,566,057
Other	100,728	100,728	112,781	112,781
Equity	1,199,542	1,199,542	1,111,877	1,111,877
Revaluation on equity	–	115,521	–	105,482
	<b>12,060,298</b>	<b>12,180,207</b>	<b>10,850,078</b>	<b>10,962,690</b>

<sup>1</sup> The fair value is negatively impacted by the tax effect of all fair value adjustments which has been posted as other.

The estimated fair values provided by financial institutions are considered not to be comparable on an individual basis, due to the differences in valuation methods applied and the use of estimates in these valuations. The lack of an objective method of valuation means that estimated fair values are subjective in respect of the expected maturity and interest rates used.

## Off-balance sheet liabilities

### 17. Contingent liabilities

This item relates to credit-substitute guarantees and non-credit-substitute guarantees that are partly secured by blocked accounts for the same amount.

	2019	2018 <sup>1</sup>
Credit substitute guarantees	75,901	118,570
Non-credit substitute guarantees	31,594	22,423
	<b>107,495</b>	<b>140,993</b>

<sup>1</sup> In 2019 Triodos Bank changed its definition of credit substitute guarantees versus non-credit substitute guarantees. For comparative purposes prior year amounts have been adjusted.

Credit substitute guarantees are guarantees to customers for loans provided to these customers by other banks.

Non-credit substitute guarantees are guarantees to customers for all other obligations of these customers to third parties. For example:

- Rental obligations
- Obligations to purchase sustainable goods, such as wind turbines.
- Obligations to decommission equipment or reinstate property (mostly related to project finance provided by Triodos Bank).

### 18. Irrevocable facilities

These relate to the total liabilities in respect of irrevocable undertakings, which may lead to a further loan.

	2019	2018
Undrawn debit limits on current accounts and credit cards	252,564	213,008
Accepted loans not yet paid out	1,120,627	1,165,538
Valid loan offers not yet accepted	28,972	84,434
Other facilities	287	1,009
	<b>1,402,450</b>	<b>1,463,989</b>

### Other off-balance sheet liabilities

In addition to the contingent liabilities and irrevocable facilities reported on the balance sheet the deposit guarantee scheme and the investor compensation scheme is applicable as stated in Article 3:259 of the Financial Supervision Act in The Netherlands. From May 2019 the funds entrusted from the United Kingdom are insured under the Financial Services Compensation Scheme as defined by the Financial Services and Markets

Act 2000 in the United Kingdom. The funds entrusted insured under the deposit guarantee scheme in The Netherlands amounts to € 7,211 million (2018: € 7,512 million) and in the United Kingdom € 990 million (£ 838 million, 2018: nil). In 2016 the annually ex-ante contribution to the Deposit Guarantee Fund started in The Netherlands in order to reach a target level of 0.8% of the insured funds entrusted in The Netherlands in 2024. The contribution to the Deposit Guarantee Fund amount to EUR 10.5 million in 2019 (2018: EUR 8.4 million).

### Rental commitments

in thousands of EUR

Location	Amount per annum	Residual term
Berlin, Germany	27	47 months
Brussels, Belgium	837	48 months
Edinburgh, United Kingdom	23	57 months
Albacete, Spain	10	2 months
Badajoz, Spain	8	3 months
Barcelona, Spain	61	1 month
Bilbao, Spain	14	3 months
Gerona, Spain	20	1 month
Granada, Spain	37	6 months
La Coruña, Spain	15	3 months
Las Palmas, Spain	10	3 months
Madrid, Spain	40	3 months
Malaga, Spain	44	6 months
Murcia, Spain	27	3 months
Oviedo, Spain	18	3 months
Palma de Mallorca, Spain	23	3 months
Pamplona, Spain	17	3 months
Santa Cruz de Tenerife, Spain	14	3 months
Sevilla, Spain	25	3 months
Valencia, Spain	16	3 months
Valladolid, Spain	23	3 months
Zaragoza, Spain	15	6 months
Frankfurt, Germany	199	117 months

### Lease commitments

in thousands of EUR

Lease commitments relates primarily to cars have been entered between 1 and 48 months with an annual charge of EUR 727.

## Commitments for software use

in thousands of EUR

The following commitments have been entered for software use:

- For a period of at least 1 year a fixed annual payment of EUR 140 regarding a mortgage tool.
- For a period of at least 1 year a variable annual charge of approximately EUR 529 regarding the use of a banking system.
- For a period of at least 4 year a fixed annual payment of EUR 396 regarding a regulatory reporting tool.
- For a period of at least 1 year a variable annual charge of approximately EUR 90 regarding an application and database server.
- For a period of at least 1 year a variable annual charge of approximately EUR 30 regarding the support of a customer engagement tool.
- For a period of at least 1 year an annual charge of EUR 78 regarding the support of a securities administration tool.
- For a period of at least 5 years a variable annual charge of approximately EUR 2,052 regarding the use of a banking system.
- For a period of at least 2 years a variable annual charge of approximately EUR 60 regarding the use of an asset management tool.

## Other Commitments

in thousands of EUR

The following commitments have been entered:

- Services relating managing of mortgages for a period of at least 1 year with an annual charge of EUR 1,740.
- Services relating payment transactions for a period of at least 2 years with an variable annual charge of approximately EUR 4,400.
- Services relating managing of investment accounts mortgages for a period of at least 1 year with an annual charge of approximately EUR 257.
- Services relating payment transactions for a period of at least 1 year with an variable annual charge of approximately EUR 95.
- Services relating payment transactions for a period of at least 1 year with an variable annual charge of approximately EUR 175.
- Services relating payment transactions for a period of at least 1 years with an annual charge of approximately EUR 400.
- Services relating payment transactions for a period of at least 1 year with an annual charge of approximately EUR 34.
- Services relating to credit checks with an estimated annual charge of at least EUR 120.
- Services relating to provision of debit cards of around EUR 295.
- Services relating payment transactions for a period of at least 2 years with an annual charge of approximately EUR 35.
- Services relating protection of payment systems for a period of at least 0.5 years with an variable annual charge of approximately EUR 510.
- Services relating to crowdfunding platforms for at least 2 years with an annual charge of EUR 56.
- Services relating providing temporary co-workers for the customer contact centre for a period of at least 3 months with an variable annual charge of approximately EUR 740.
- Services relating to an engagement dialogues program for a period of at least two years with an annual charge of approximately EUR 88.

Triodos Bank has an obligation for a perpetually renewable ground lease as of 2017 for an annual amount of EUR 0.2 million.

## Income

### 19. Interest income

	2019	2018
Loans	196,318	178,761
Banks	1,864	375
Government papers and interest-bearing securities	13,182	14,287
Other investments	85	92
Negative interest expense other	1,612	1,275
	<b>213,061</b>	<b>194,790</b>

The interest income includes revenues derived from loans and related transactions, as well as related commissions, which by their nature are similar to interest payments. The interest-bearing securities item does not include transaction results (2018: nil).

Prior year interest income on loans have been adjusted for an amount of EUR 3,983 due to a change of the accounting principle regarding the applied effective interest rate methodology. For further explanation see the general accounting principles on page 80.

### 20. Interest expense

	2019	2018
Funds entrusted	16,743	17,338
Banks	587	213
Negative interest income banks	7,770	6,263
Other	2,322	193
Negative interest income other	485	1,301
	<b>27,907</b>	<b>25,308</b>

## 21. Investment income

	2019	2018
Dividend from other participations	679	373
Realised result from other participations	–	3,765
	<b>679</b>	<b>4,138</b>

## 22. Commission income

	2019	2018
Guarantee commission	710	842
Transaction fee securities	2,011	1,728
Payment transactions	26,373	23,342
Lending	14,045	11,254
Asset Management	6,894	6,177
Management fees	54,826	41,859
Other commission income	4,980	4,432
	<b>109,839</b>	<b>89,634</b>

Prior year commission income on lending have been adjusted for an amount of EUR 9,107 due to a change of the accounting principle regarding the way of using the effective interest rate. For further explanation see the general accounting principles on page 80.

## 23. Commission expense

	2019	2018
Commission to agents	146	150
Asset Management	721	1,009
Other commission expense	3,632	3,229
	<b>4,499</b>	<b>4,388</b>

#### 24. Result on financial transactions

	2019	2018
Exchange results for foreign currency transactions	-138	57
Transaction results on currency forward contracts	108	324
	-30	381

#### 25. Other income

	2019	2018
Realized results assets not in use <sup>1</sup>	239	1,407
Income assets not in use <sup>1</sup>	246	235
Other income	435	211
	920	1,853

<sup>1</sup> Assets not in use relates to acquired collateral on written off loans.

The other income relates to fees for other services performed and results from asset disposals.

## Expenses

### 26. Co-worker and other administrative expenses

	2019	2018
Co-worker costs:		
• salary expenses	83,498	77,625
• pension expenses	11,146	11,888
• social security expenses	16,281	14,807
• temporary co-workers	18,619	15,397
• other staff costs	10,255	8,320
• capitalised co-worker costs	-5,828	-7,256
	<b>133,971</b>	<b>120,781</b>
Other administrative expenses:		
• office costs	5,844	5,110
• IT costs	16,125	13,560
• external administration costs	9,846	8,882
• travel and lodging expenses	3,997	3,900
• fees for advice and auditor	10,363	11,156
• advertising charges	7,449	6,290
• accommodation expenses	9,795	8,812
• regulatory expenses	14,391	12,133
• other expenses	6,440	7,788
	<b>84,250</b>	<b>77,631</b>
	<b>218,221</b>	<b>198,412</b>
Average number FTE's during the year	<b>1,345.6</b>	<b>1,296.7</b>

## Pension expenses

	2019	2018
Pension expenses, defined contribution schemes	11,146	5,808
Pension expenses, defined benefit pension schemes	–	6,080
	<b>11,146</b>	<b>11,888</b>

The pension expenses for the defined contribution schemes and the defined benefit pension schemes are based on the contributions owed for the financial year.

### Pension scheme per country

Triodos Bank's pension scheme in The Netherlands is a defined contribution scheme. The commitment to the participating co-workers consists of paying the outstanding contribution to a maximum of EUR 107,593.

In The Netherlands, co-workers of related parties also participate in the pension scheme. The total pension commitment and the resulting expenses are reported within the Notes to the consolidated Annual Accounts of Triodos Bank N.V.. Part of the expenses are charged to the respective related parties, based on their share of the total salaries of the participating co-workers.

The Triodos Bank pension schemes in Belgium, the United Kingdom, Spain and Germany are defined contribution schemes that have been placed with life insurance companies in those countries. The commitment to the participating co-workers consists of paying any outstanding contribution. Participation in the pension scheme is obligatory for co-workers in Belgium, Spain and the United Kingdom. In Belgium, co-workers' contribution is 2% of salary and the employer's contribution is 6%. In Spain, the pension contribution is 1.5% of salary, paid in full by the employer. In the United Kingdom, the co-workers' contributions are optional with those who opt to do so contributing between 1% and 20% of their salary, and the employer's contribution amounts to 8% or 10% of salary depending on length of service.

In Germany, participation in the pension scheme is voluntary. The co-workers' contribution is 3.33% of the salary and the employer's contribution is 6.67%. 98% of the co-workers in Germany participate in the pension scheme.

## Auditor's fees

The table below specifies the fees of the PricewaterhouseCoopers Accountants N.V. ('PwC Accountants NV') audit firm that relates to services concerning the financial year.

The column Other PwC network specifies the fees that were invoiced by PwC units with the exception of PwC Accountants NV.

2019 in thousands of EUR	PwC Accountants N.V.	Other PwC network	Total PwC network
Audit of the financial statements	1,149	582	1,731
Other audit-related engagements	144	8	152
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
<b>Total</b>	<b>1,293</b>	<b>590</b>	<b>1,883</b>

2018 in thousands of EUR	PwC Accountants N.V.	Other PwC network	Total PwC network
Audit of the financial statements	790	318	1,108
Other audit-related engagements	65	–	65
Tax-related advisory services	–	–	–
Other non-audit services	–	–	–
<b>Total</b>	<b>855</b>	<b>318</b>	<b>1,173</b>

The increase of the audit fees mainly relates to the start of the subsidiary Triodos Bank UK Ltd and the preparation for the implementation of the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our independent auditor, PricewaterhouseCoopers Accountants NV, has rendered, for the period to which our statutory audit 2019 relates, in addition to the audit of the statutory financial statements the following services to the company and its controlled entities:

- Audit of the regulatory returns to be submitted to the Dutch Central Bank and the National Bank of Belgium
- Assurance engagement on cost price models to be submitted to the AFM
- Assurance engagement on segregation of assets to be submitted to the AFM
- Assurance engagement on the sustainability report
- Assurance engagement profit forecast
- ISAE type II engagement relating to Triodos Investment BV
- Agreed upon procedures on interest rate risk to the Dutch Central Bank
- ISAE type II on DGS reporting to the Dutch Central Bank
- Assurance engagement on credit claims to the Dutch Central Bank

## Regulatory expenses

The regulatory expenses can be broken down as follows:

	2019	2018
Bank tax	3,043	2,877
Depository Guarantee Scheme	10,488	8,488
Single resolution fund	860	768
	<b>14,391</b>	<b>12,133</b>

## 27. Depreciation, amortisation and value adjustments of intangible and tangible fixed assets

	2019	2018
Amortisation of intangible fixed assets	9,391	7,721
Impairment of intangible fixed assets	928	512
Depreciation of property and equipment	5,898	5,378
Impairment of tangible fixed assets	174	28
	<b>16,391</b>	<b>13,639</b>

Prior year figures have been adjusted for an amount of EUR 252 due to the depreciation and impairment of repossessed assets which are transferred from other assets to property not for own use. For further explanation see the general accounting principles on page 80.

## 28. Impairments loan portfolio and other receivables

This item consists of expenses associated with write-downs on loans and other receivables.

	2019	2018
Addition to provision doubtful debts	10,417	8,574
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	-29	-66
Release of provision doubtful debts	-6,796	-5,423
Impairments other receivables	352	395
<b>Total expense</b>	<b>3,944</b>	<b>3,480</b>

Prior year figures have been adjusted for an amount of EUR 32 due to a transfer of repossessed assets from other assets to property not for own use. For further explanation see the general accounting principles on page 80.

## 29. Taxation on operating result

	2019	2018
Taxation to be paid	13,000	9,749
Deferred taxation	2,036	619
	<b>15,036</b>	<b>10,368</b>

Prior year taxation on operating results have been adjusted for an amount of EUR 1,410 due to changes in accounting principles. For further explanation see the general accounting principles on page 80.

The reconciliation between the statutory and the effective taxation rate is as follows:

	2019	2018
Result before taxation	53,787	45,037
Statutory tax rate	25.0%	25.0%
Statutory tax amount	13,447	11,259
Difference arising from other tax rates abroad, exemptions and non-deductible items	1,158	217
Restatement of deferred taxation items as the result of amended tax rates	431	-1,108
<b>Effective tax amount</b>	<b>15,036</b>	<b>10,368</b>
<b>Effective tax rate</b>	<b>28.0%</b>	<b>23.0%</b>

### Fiscal unity

Triodos Bank, as a parent company, forms a tax unity for corporate income tax purposes with Triodos Finance, Triodos Investment Management and Triodos Investment Advisory Services as subsidiaries. Triodos Bank, as a parent company, also forms a tax unity for value added tax with Triodos Finance as subsidiary. The method chosen for the taxation set-off between Triodos Bank and its subsidiaries is that of proceeding as if the legal entities were independently liable to pay tax. In fact, the legal entities are jointly and severally liable for the tax liabilities of the companies belonging to the fiscal unity.

## Remuneration policy and report

Triodos Bank's international remuneration and nomination policy applies to all co-workers. The highlights of the policy are described below. The execution of and reporting on the remuneration policy and practices for the Executive Board and Supervisory Board are described in the subsequent sections.

### International Remuneration and Nomination policy

The International Remuneration and Nomination Policy is based on the principle of human dignity and aims to enhance social coherence within the organization. The remuneration policy within Triodos Bank is gender neutral. Furthermore, the same terms and conditions of employment apply to all co-workers in line with national legislation. The policy incorporates the Regulation of the Dutch Central Bank on Sound Remuneration Policies, the EBA Guidelines on Sound Remuneration Policies, EBA Guidelines on remuneration of sales staff and GRI standards for sustainability reporting. In our view remuneration enables co-workers to earn a decent living and to contribute to the organization and society at large. Triodos Bank believes in the intrinsic motivation of its co-workers to contribute to our mission and to work according to our corporate values. The richness of the contribution of each co-worker cannot be translated into a linear, financial incentive.

Triodos Bank operates in the financial sector. Therefore its remuneration practice needs to be within the scope of what is expected in the financial sector. It allows for a healthy in- and outflow of co-workers. At the same time Triodos Bank maintains a relatively low ratio between the lower and higher level of salaries paid. Variable components are modest and discretionary and are not an incentive to favour the co-workers' or the bank's own interest to the detriment of the Triodos Bank's customers. This all contributes to a strong sense of being jointly responsible for realizing the mission of Triodos Bank.

This International Remuneration and Nomination Policy has been revised in 2019 and was approved by the Supervisory Board on 14 November 2019.

The remuneration paid to the members of the Executive Board is set by the Supervisory Board upon advice of the Remuneration Committee. The basic principles of the Triodos Bank remuneration system are taken into account.

The remuneration paid to Supervisory Board members and members of the Foundation for the Administration of Triodos Bank Shares (SAAT) Board is set at the Annual General Meeting and the Annual Meeting of depository receipt holders respectively.

Key elements of Triodos Bank's international remuneration policy are:

- Triodos Bank does not offer bonus or share option schemes to either members of the Executive Board, the Supervisory Board, the Board of SAAT nor to co-workers. Financial incentives are not considered an appropriate way to motivate and reward co-workers in a values-based bank. In addition, sustainability is by its very nature the result of a combined effort by team members aimed at both the short and long term.
- Triodos Bank may provide additional individual "Tokens of Appreciation". These Tokens of appreciation are very limited and discretionally decided and are maximum one months' salary with a maximum of EUR 10,000 gross a year. These contributions are for extraordinary achievements and are at the discretion of management after consultation with Human Resources. Such a token is not based on pre-set targets, and always offered in retrospect. The Tokens of Appreciation are subject to claw back arrangements. The members of the Executive Board are excluded from these awards.
- An annual, collective token of appreciation can be paid for the overall achievements and contribution of all co-workers. This very modest amount is the same, for all co-workers with a maximum of € 500 gross for each co-worker. This can be paid in cash or in Triodos Bank N.V. depository receipts. For 2019 no collective end-of-year token of appreciation was awarded. This amount is equal for all co-workers whether they work full-time or part time and pro-rata if not in service throughout the whole year. The members of the Executive Board refrain from this award.
- Severance payments should be modest and should never reward failure or misconduct. Severance payments to members of the Executive Board do not exceed one year's salary.

More details on the Triodos Bank remuneration policy are available on the [www.triodos.com](http://www.triodos.com) (<https://www.triodos.com/governance#corporate-governance>).

## Remuneration report

The table below provides the loans that have been granted to the members of the Executive Board.

	2019			2018		
	Amount outstanding	Average interest rate	Repayments	Amount outstanding	Average interest rate	Repayments
Pierre Aeby	125	2.2%	–	125	2.2%	–
Jellie Banga	433	1.7%	31	464	1.7%	32

No other loans, advances or guarantees have been granted to members of the Executive Board, Supervisory Board members or members of Board of SAAT. For reasons of principle, no share option scheme is offered to members of the Executive Board, Supervisory Board members or members of Board of SAAT.

## Remuneration paid to the Executive Board

The remuneration paid to the members of the Executive Board is as follows:

	2019	2018
Fixed salary expenses	803	805
Pension expenses	73	81
Pension allowance for salary above EUR 100.000	115	123
Private use company car	4	11
Social security expenses	41	40
Severance payment <sup>1</sup>	263	–
	<b>1,299</b>	<b>1,060</b>

<sup>1</sup> In consultation with the Supervisory Board, Pierre Aeby stepped down from his position as a Member of the Executive Board of Triodos Bank N.V. on 18 May 2019. A severance payment of 100% of his yearly salary was granted. This is in line with applicable regulations. The severance pay has been charged to the 2019 financial year.

The salary expenses of the Executive Board may be broken down as follows:

	2019	2018
Peter Blom, Chair	312	304
Pierre Aeby <sup>2</sup>	101	257
Jellie Banga	250	244
Carla van der Weerd <sup>1</sup>	140	–
	<b>803</b>	<b>805</b>

<sup>1</sup> The Executive Board membership for Carla van der Weerd has started on 18 May 2019 and the amount of 2019 includes her compensation earned as from 18 May 2019 until 31 December 2019.

<sup>2</sup> The Executive Board membership for Pierre Aeby ended on 18 May 2019 and the amount of 2019 includes his compensation earned in the capacity as a Board Member of Triodos Bank N.V. until 18 May 2019. After his Board Membership at Triodos Bank N.V. Pierre Aeby continues as advisor until 1 September 2019 to facilitate the transition to the new CFO. His salary level for that period equals his former salary as CFO. His employment agreement with Triodos Bank N.V. ends on 1 September 2020. During this last year he fulfills dedicated roles, assignments and activities on behalf of the Executive Board and is remunerated accordingly.

## Remuneration paid to the Supervisory Board

The remuneration paid to the Supervisory Board members is as follows:

Amounts in EUR	2019			Total	2018 Total
	Base Remuneration	Committees Remuneration	Compensation for travel time		
Aart de Geus (Chair)	28,099	3,871	–	31,970	30,000
Fieke van der Lecq (Vice-Chair)	19,046	6,871	1,000	26,917	23,500
Ernst-Jan Boers	19,046	5,215	2,000	26,261	25,750
Sebastien d’Hondt (as per 13 December 2019)	1,041	260	1,000	2,301	–
Mike Nawas (as per 17 May 2019)	12,466	3,116	–	15,582	–
Dineke Oldenhof (as per 18 May 2018)	19,046	3,621	–	22,667	14,667
Gary Page (until 18 May 2019)	6,676	1,526	5,000	13,202	31,500
Udo Philipp (until 28 February 2019)	2,917	500	1,000	4,417	30,500
Carla van der Weerdt (until 12 April 2019)	4,950	1,414	–	6,364	23,500
	<b>113,287</b>	<b>26,394</b>	<b>10,000</b>	<b>149,681</b>	<b>179,417</b>

The Supervisory Board remuneration has been adjusted as per the date of the Annual General Meeting 2019. The aim is to achieve a fair remuneration that does justice to the effort made, that is well balanced with the interests of other stakeholders of Triodos Bank and is in line with remuneration policy for Triodos Bank co-workers. The increased complexity of the financial sector and the growth of Triodos Bank requires more and more time from the Supervisory Board. The role and responsibility of supervisory bodies have been greatly expanded and the time taken for a member of the Supervisory Board to execute their duties has increased accordingly in recent years. The remuneration of the Supervisory Board has not been adjusted in the past seven years and can no longer be considered adequate.

The following fees apply (per annum):

- EUR 17,500 Member of the Supervisory Board, EUR 20,000 as per 17 May 2019;
- EUR 25,000 Chair of the Supervisory Board, EUR 30,000 as per 17 May 2019;
- EUR 4,000 Member of the Audit and Risk Committee, EUR 5,000 as per 17 May 2019;
- EUR 5,000 Chair of the Audit & Risk Committee; EUR 6,000 as per 17 May 2019
- EUR 3,000 Member of the Nomination and Compensation Committee, EUR 4,000 as per 17 May 2019\*;
- EUR 4,250 Chair of the Nomination and Compensation Committee, EUR 5,000 as per 17 May 2019\*.

Supervisory Board members who travel to a meeting outside their home country receive EUR 1,000 per return travel (to a maximum of EUR 12,000 per annum) as compensation for travelling time.

\* As per 1 July 2019 the NCC is split in a Remuneration Committee and a Nomination Committee.

The remuneration is also split per 1 July 2019:

- EUR 2,500 Chair Remuneration Committee;
- EUR 2,000 Member Remuneration Committee;
- EUR 2,500 Chair Nomination Committee;
- EUR 2,000 Member Nomination Committee.

### Remuneration of the Board of SAAT

The remuneration for the members of the Board of the Foundation for the Administration of Triodos Bank Shares, is as follows:

Amounts in EUR	Remuneration	2019 Compen- sation for travel time	Total	2018  Total
Josephine de Zwaan (Chair)	10,000	5,000	15,000	15,000
Willem Lageweg (Vice-Chair)	7,000	–	7,000	8,000
Marjatta van Boeschoten (until 18 May 2018)	–	–	–	5,917
Frans de Clerck (until 18 May 2018)	–	–	–	4,917
Mike Nawas (until 23 April 2019)	2,167	1,000	3,167	14,000
Koen Schoors	7,000	7,000	14,000	15,000
Nikolai Keller (as per 18 May 2018)	7,000	8,000	15,000	7,667
Mercedes Valcarel (as per 17 May 2019)	4,667	4,000	8,667	–
	<b>37,834</b>	<b>25,000</b>	<b>62,834</b>	<b>70,501</b>

The following fees apply (per annum):

- EUR 7,000 Member of the Board of SAAT;
- EUR 10,000 Chair of the Board of SAAT;

Board of SAAT members who travel to a meeting outside their home country receive EUR 1,000 per return travel (to a maximum of EUR 12,000 per annum) as compensation for travelling time.

## Related parties

Triodos Bank has links with the following legal entities:

- Triodos Bank provides services to Triodos Fair Share Fund at competitive rates. The services relate to the secondment of co-workers, management services, administration, accommodation, ICT and advertising.
- Triodos Bank holds funds of and provides banking services to related parties at competitive rates.
- Triodos Bank provides credit facilities and bank guarantees to investment funds and international funds at competitive rates.
- Triodos Bank, Triodos Investment Management and Triodos Investment Advisory Services carry out management activities for investment funds and receive a competitive management fee for these activities.
- Stichting Triodos Beleggersgiro acts as intermediary for investment funds.
- Legal Owner Triodos Funds performs custodial services for Triodos Fair Share Fund at a competitive fee.
- Triodos Bank distributes and registers securities, issued by investment funds and placed with customers of Triodos Bank, at competitive rates.
- Triodos Bank performs currency transactions for investment funds and international funds at competitive rates.

## Segment reporting

### Key figures 2019 by banking entity and business unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom
Funds entrusted	4,666,000	2,128,848	1,369,846
Number of accounts	443,173	87,740	71,694
Loans	3,317,164	1,819,420	1,152,331
Number of loans	34,586	4,933	4,342
Balance sheet total	5,294,143	2,439,409	1,627,528
Funds under management <sup>1</sup>	800,293	618,093	
<b>Total assets under management</b>	<b>6,094,436</b>	<b>3,057,502</b>	<b>1,627,528</b>
Total income	95,375	47,905	35,852
Operating expenses	-73,371	-33,797	-28,865
Impairments loan portfolio	1,104	-1,338	104
Value adjustments to participations			
Operating result	23,108	12,770	7,091
Taxation on operating result	-5,534	-3,945	-1,281
<b>Net profit</b>	<b>17,574</b>	<b>8,825</b>	<b>5,810</b>
Average number of FTE's during the year	241.5	135.3	177.2
Operating expenses/total income	77%	71%	81%

<sup>1</sup> Note that at the time this statement was prepared, the Annual Accounts of funds under management are subject to approval of the annual general meeting.

Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
2,043,433	504,484	10,712,611			-22,606	10,690,005
203,816	24,393	830,816				830,816
1,410,945	530,432	8,230,292			-42,822	8,187,470
21,586	12,539	77,986			-2	77,984
2,257,727	693,248	12,312,055		1,852,226	-2,103,983	12,060,298
		1,418,386	4,973,533	79,413	-800,293	5,671,039
<b>2,257,727</b>	<b>693,248</b>	<b>13,730,441</b>	<b>4,973,533</b>	<b>1,931,639</b>	<b>-2,904,276</b>	<b>17,731,337</b>
48,718	13,000	240,850	51,167	3,836	-3,790	292,063
-39,493	-12,699	-188,225	-35,324	-14,853	3,790	-234,612
-3,465	-349	-3,944				-3,944
				280		280
5,760	-48	48,681	15,843	-10,737		53,787
-1,549	-313	-12,622	-3,960	1,546		-15,036
<b>4,211</b>	<b>-361</b>	<b>36,059</b>	<b>11,883</b>	<b>-9,191</b>		<b>38,751</b>
282.2	56.3	892.5	167.6	285.5		1,345.6
81%	98%	78%	69%			80%

## Key figures 2018 by banking entity and business unit

in thousands of EUR	Bank Netherlands	Bank Belgium	Bank United Kingdom
Funds entrusted	4,031,752	1,906,831	1,198,466
Number of accounts	459,383	81,791	62,570
Loans	2,712,248	1,728,661	968,806
Number of loans	32,850	4,402	3,300
Balance sheet total	4,646,015	2,171,846	1,389,746
Funds under management <sup>1</sup>	631,280	447,103	
<b>Total assets under management</b>	<b>5,277,295</b>	<b>2,618,949</b>	<b>1,389,746</b>
Total income	85,746	47,453	33,096
Operating expenses	-61,822	-36,288	-29,747
Impairments loan portfolio	1,840	-1,096	213
Value adjustments to participations			
Operating result	25,764	10,069	3,562
Taxation on operating result	-6,033	-3,242	-1,027
<b>Net profit</b>	<b>19,731</b>	<b>6,827</b>	<b>2,535</b>
Average number of FTE's during the year	229.2	135.3	166.9
Operating expenses/total income	72%	76%	90%

<sup>1</sup> Note that at the time this statement was prepared, the Annual Accounts of funds under management are subject to approval of the annual general meeting.

Bank Spain	Bank Germany	Total banking activities	Investment Management	Other	Elimination intercompany transactions	Total
2,031,560	401,305	9,569,914			-11,711	9,558,203
212,847	22,651	839,242				839,242
1,394,711	443,544	7,247,970				7,247,970
19,081	9,118	68,751				68,751
2,308,442	574,409	11,090,458		1,660,860	-1,901,240	10,850,078
		1,078,383	4,206,041	19,865	-631,280	4,673,009
<b>2,308,442</b>	<b>574,409</b>	<b>12,168,841</b>	<b>4,206,041</b>	<b>1,680,725</b>	<b>-2,532,520</b>	<b>15,523,087</b>
41,369	10,065	217,729	39,206	8,253	-4,088	261,100
-37,011	-11,281	-176,149	-31,416	-8,573	4,087	-212,051
-3,979	-458	-3,480				-3,480
				-532		-532
379	-1,674	38,100	7,790	-852	-1	45,037
-148	234	-10,216	-1,947	1,795		-10,368
<b>231</b>	<b>-1,440</b>	<b>27,884</b>	<b>5,843</b>	<b>943</b>	<b>-1</b>	<b>34,669</b>
277.4	52.8	861.6	168.7	266.4		1,296.7
89%	112%	81%	80%			81%

## Key figures 2019 by country

in thousands of EUR	The Netherlands	Belgium
Names	Triodos Bank N.V., Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V., Stichting Triodos Beleggersgiro, Legal Owner Triodos Funds B.V., Triodos Finance B.V., Triodos Investment Management B.V., Triodos Investment Advisory Services B.V., Triodos Nieuwbouw BV	Triodos Bank N.V., Triodos IMMA BVBA
Nature of activities	Bank, Private Banking and Investment management	Bank and Private Banking
Geographical location	Zeist	Brussel
Total income	147,707	47,905
Operating expenses	-118,551	-33,797
Impairments loan portfolio	1,104	-1,338
Value adjustments to participations	280	
Operating result	30,540	12,770
Taxation on operating result	-7,914	-3,945
<b>Net profit</b>	<b>22,626</b>	<b>8,825</b>
Public subsidies received	0	0
Average number of FTE's during the year	680.2	135.3

United Kingdom	Spain	Germany	France	Elimination intercompany transactions	Total
Triodos Bank N.V.	Triodos Bank N.V.	Triodos Bank N.V.	Triodos Finance B.V.		
Bank	Bank	Bank	Agency for branch Belgium and market research		
Bristol	Madrid	Frankfurt	Paris		
35,852	48,718	13,000	2,671	-3,790	292,063
-28,865	-39,493	-12,699	-4,997	3,790	-234,612
104	-3,465	-349	0		-3,944
					280
7,091	5,760	-48	-2,326		53,787
-1,281	-1,549	-313	-34		-15,036
<b>5,810</b>	<b>4,211</b>	<b>-361</b>	<b>-2,360</b>		<b>38,751</b>
1	0	0	0		1
177.1	282.2	56.3	14.5		1,345.6

## Key figures 2018 by country

in thousands of EUR	The Netherlands	Belgium
Names	Triodos Bank N.V., Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V., Stichting Triodos Beleggersgiro, Legal Owner Triodos Funds B.V., Triodos Finance B.V., Triodos Investment Management B.V., Triodos Investment Advisory Services B.V., Triodos MeesPierson Sustainable Investment Management B.V., Triodos Nieuwbouw B.V.	Triodos Bank N.V., Triodos IMMA BVBA
Nature of activities	Bank, Private Banking and Investment management	Bank and Private Banking
Geographical location	Zeist	Brussel
Total income	129,809	47,453
Operating expenses	-98,615	-36,288
Impairments loan portfolio	1,840	-1,096
Value adjustments to participations	-532	
Operating result	32,502	10,069
Taxation on operating result	-6,167	-3,242
<b>Net profit</b>	<b>26,335</b>	<b>6,827</b>
Public subsidies received	0	0
Average number of FTE's during the year	649.1	135.3

Prior year amounts were subject to accounting principle changes. For explanation see the general accounting principles.

	United Kingdom	Spain	Germany	France	Elimination intercompany transactions	Total
	Triodos Bank N.V.	Triodos Bank N.V.	Triodos Bank N.V.	Triodos Finance B.V.		
	Bank	Bank	Bank	Agency for branch Belgium and market research		
	Bristol	Madrid	Frankfurt	Paris		
	33,096	41,369	10,065	3,396	-4,088	261,100
	-29,747	-37,011	-11,281	-3,196	4,087	-212,051
	213	-3,979	-458	0		-3,480
						-532
	3,562	379	-1,674	200	-1	45,037
	-1,027	-148	234	-18		-10,368
	<b>2,535</b>	<b>231</b>	<b>-1,440</b>	<b>182</b>	<b>-1</b>	<b>34,669</b>
	0	0	0	0		0
	166.9	277.4	52.8	15.2		1,296.7

## Tax paid by country

in thousands of EUR	The Netherlands	Belgium
<b>2019</b>		
Tax on Profit	4,478	2,955
Value Added Tax (VAT)	12,612	896
Banking Tax	–	2,444
<b>2018</b>		
Tax on Profit	3,406	3,583
Value Added Tax (VAT)	14,044	977
Banking Tax	–	2,286

Triodos Bank's approach to tax reflects its values. It sees paying taxes not as a burden, but as a contribution to the societies that the bank operates in. Taxes are an important instrument to fund education, infrastructure and systems. As such, companies should pay taxes as an important part of their role as a responsible business. The VAT included in the table above are the non-deductible VAT paid on invoices to suppliers.

	United Kingdom	Spain	Germany	France	Total
	332	549	–	38	8,352
	1,265	2,009	373	150	17,305
	–	599	–	–	3,043
	1,209	433	–	23	8,654
	1,458	1,878	374	136	18,867
	–	591	–	–	2,877

## Lending by sector in 2019 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Belgium
	amount	%	number	amount	%	number	amount
<b>Environment</b>							
Organic farming	154,463	1.9	843	40,650	1.2	341	5,181
Organic food	115,725	1.4	870	21,658	0.7	279	26,753
Renewable energy	1,596,294	19.5	955	191,234	5.8	123	607,903
Sustainable property	878,953	10.7	639	417,776	12.7	324	254,222
Environmental technology	120,159	1.5	275	5,668	0.2	23	37,484
	<b>2,865,594</b>	<b>35.0</b>	<b>3,582</b>	<b>676,986</b>	<b>20.6</b>	<b>1,090</b>	<b>931,543</b>
<b>Social</b>							
Retail non-food	31,457	0.4	222	6,137	0.2	84	11,810
Production	25,770	0.3	146	3,978	0.1	41	12,034
Professional services	60,887	0.7	657	33,499	1.0	176	12,402
Social housing	472,928	5.8	412	45,495	1.4	140	74,701
Healthcare	1,107,134	13.5	1,638	366,284	11.2	703	231,505
Social projects	175,081	2.1	637	3,075	0.1	32	25,789
Fair trade	4,487	0.1	54	642	0.0	17	2,073
Development cooperation	23,781	0.3	49	8,455	0.3	11	12,043
	<b>1,901,525</b>	<b>23.2</b>	<b>3,815</b>	<b>467,565</b>	<b>14.3</b>	<b>1,204</b>	<b>382,357</b>
<b>Culture</b>							
Education	290,091	3.5	596	21,752	0.7	101	95,300
Child care	18,100	0.2	86	6,210	0.2	49	3,572
Arts and culture	481,961	5.9	1,299	292,648	8.9	372	65,821
Philosophy of life	90,421	1.1	321	19,277	0.6	85	6,505
Recreation	192,249	2.4	478	77,324	2.4	231	34,422
	<b>1,072,822</b>	<b>13.1</b>	<b>2,780</b>	<b>417,211</b>	<b>12.8</b>	<b>838</b>	<b>205,620</b>
<b>Private loans</b>	<b>1,992,271</b>	<b>24.3</b>	<b>67,785</b>	<b>1,445,445</b>	<b>44.1</b>	<b>31,438</b>	<b>299,900</b>
<b>Municipality loans</b>	<b>355,258</b>	<b>4.4</b>	<b>22</b>	<b>267,135</b>	<b>8.2</b>	<b>14</b>	<b>–</b>
<b>Total</b>	<b>8,187,470</b>	<b>100.0</b>	<b>77,984</b>	<b>3,274,342</b>	<b>100.0</b>	<b>34,584</b>	<b>1,819,420</b>

Belgium		United Kingdom			Spain			Germany		
%	number	amount	%	number	amount	%	number	amount	%	number
0.3	70	45,551	4.0	235	62,968	4.5	190	113	0.0	7
1.5	171	10,388	0.9	46	55,372	3.9	354	1,554	0.3	20
33.4	305	287,319	24.9	261	283,771	20.1	194	226,067	42.6	72
14.0	158	27,857	2.4	27	103,113	7.3	108	75,985	14.3	22
2.1	78	2,496	0.2	5	33,400	2.4	163	41,111	7.8	6
<b>51.3</b>	<b>782</b>	<b>373,611</b>	<b>32.4</b>	<b>574</b>	<b>538,624</b>	<b>38.2</b>	<b>1,009</b>	<b>344,830</b>	<b>65.0</b>	<b>127</b>
0.6	29	9,298	0.8	15	4,208	0.3	81	4	0.0	13
0.7	47	6,062	0.5	6	3,692	0.3	38	4	0.0	14
0.7	85	11,096	1.0	52	3,804	0.3	102	86	0.0	242
4.0	42	342,568	29.7	220	10,164	0.7	10	–	0.0	–
12.7	280	193,582	16.8	104	190,882	13.5	468	124,881	23.6	83
1.4	114	46,959	4.1	106	98,257	7.0	370	1,001	0.2	15
0.1	12	1,235	0.1	7	531	0.0	13	6	0.0	5
0.7	20	243	0.0	8	3,040	0.2	9	–	0.0	1
<b>20.9</b>	<b>629</b>	<b>611,043</b>	<b>53.0</b>	<b>518</b>	<b>314,578</b>	<b>22.3</b>	<b>1,091</b>	<b>125,982</b>	<b>23.8</b>	<b>373</b>
5.2	219	50,796	4.4	49	85,193	6.0	185	37,050	7.0	42
0.2	18	5,477	0.5	4	2,701	0.2	13	140	0.0	2
3.6	362	44,222	3.8	53	78,702	5.6	484	568	0.1	28
0.4	27	47,827	4.2	148	16,812	1.2	56	–	0.0	5
1.9	61	19,219	1.7	51	40,600	2.9	125	20,684	3.9	10
<b>11.3</b>	<b>687</b>	<b>167,541</b>	<b>14.6</b>	<b>305</b>	<b>224,008</b>	<b>15.9</b>	<b>863</b>	<b>58,442</b>	<b>11.0</b>	<b>87</b>
<b>16.5</b>	<b>2,835</b>	<b>136</b>	<b>0.0</b>	<b>2,945</b>	<b>245,612</b>	<b>17.4</b>	<b>18,615</b>	<b>1,178</b>	<b>0.2</b>	<b>11,952</b>
0.0	–	–	0.0	–	88,123	6.2	8	–	0.0	–
<b>100.0</b>	<b>4,933</b>	<b>1,152,331</b>	<b>100.0</b>	<b>4,342</b>	<b>1,410,945</b>	<b>100.0</b>	<b>21,586</b>	<b>530,432</b>	<b>100.0</b>	<b>12,539</b>

## Lending by sector in 2018 after intercompany eliminations

in thousands of EUR	Total			The Netherlands			Belgium
	amount	%	number	amount	%	number	amount
<b>Environment</b>							
Organic farming	151,032	2.1	833	44,110	1.6	340	3,537
Organic food	120,818	1.7	852	27,845	1.0	309	21,787
Renewable energy	1,733,800	23.9	1,117	202,513	7.5	85	633,660
Sustainable property	765,789	10.6	645	397,746	14.6	266	271,051
Environmental technology	101,193	1.4	214	5,003	0.2	21	28,828
	<b>2,872,632</b>	<b>39.7</b>	<b>3,661</b>	<b>677,217</b>	<b>24.9</b>	<b>1,021</b>	<b>958,863</b>
<b>Social</b>							
Retail non-food	25,775	0.3	208	7,193	0.3	89	6,851
Production	22,004	0.3	142	4,769	0.2	48	6,312
Professional services	51,150	0.7	542	27,123	1.0	170	8,835
Social housing	406,496	5.6	411	41,919	1.5	136	77,655
Healthcare	987,625	13.6	1,497	311,857	11.5	621	224,357
Social projects	148,371	2.0	570	2,295	0.1	32	24,583
Fair trade	3,812	0.1	43	519	0.0	14	1,431
Development cooperation	22,097	0.3	44	9,505	0.3	12	9,021
	<b>1,667,330</b>	<b>22.9</b>	<b>3,457</b>	<b>405,180</b>	<b>14.9</b>	<b>1,122</b>	<b>359,045</b>
<b>Culture</b>							
Education	262,349	3.6	559	26,839	1.0	103	93,184
Child care	16,306	0.2	82	6,813	0.3	52	1,814
Arts and culture	450,834	6.2	1,003	316,178	11.7	349	40,815
Philosophy of life	91,356	1.3	310	20,847	0.8	75	6,411
Recreation	151,931	2.1	420	86,179	3.2	215	7,589
	<b>972,776</b>	<b>13.4</b>	<b>2,374</b>	<b>456,856</b>	<b>17.0</b>	<b>794</b>	<b>149,813</b>
<b>Private loans</b>	<b>1,498,455</b>	<b>20.7</b>	<b>59,246</b>	<b>1,031,982</b>	<b>38.0</b>	<b>29,910</b>	<b>260,940</b>
<b>Municipality loans</b>	<b>236,777</b>	<b>3.3</b>	<b>13</b>	<b>141,013</b>	<b>5.2</b>	<b>3</b>	<b>–</b>
<b>Total</b>	<b>7,247,970</b>	<b>100.0</b>	<b>68,751</b>	<b>2,712,248</b>	<b>100.0</b>	<b>32,850</b>	<b>1,728,661</b>

Belgium			United Kingdom			Spain			Germany		
%	number	amount	%	number	amount	%	number	amount	%	number	
0.2	56	41,463	4.3	239	61,777	4.4	191	145	0.0	7	
1.3	142	10,279	1.1	47	54,282	3.9	328	6,625	1.5	26	
36.7	420	262,155	27.1	219	415,830	29.8	217	219,642	49.6	176	
15.7	245	20,314	2.1	22	29,352	2.1	86	47,326	10.7	26	
1.7	47	2,208	0.2	3	22,907	1.7	138	42,247	9.5	5	
<b>55.6</b>	<b>910</b>	<b>336,419</b>	<b>34.8</b>	<b>530</b>	<b>584,148</b>	<b>41.9</b>	<b>960</b>	<b>315,985</b>	<b>71.3</b>	<b>240</b>	
0.4	24	7,383	0.8	15	4,348	0.3	66	–	0.0	14	
0.4	45	6,311	0.6	8	4,418	0.3	30	194	0.0	11	
0.5	70	11,245	1.2	43	3,865	0.3	79	82	0.0	180	
4.4	59	278,607	28.8	205	8,315	0.6	11	–	0.0	–	
13.0	312	186,665	19.3	114	176,372	12.6	371	88,374	20.0	79	
1.4	116	16,926	1.7	88	103,533	7.5	326	1,034	0.2	8	
0.1	7	1,308	0.1	7	553	0.0	13	1	0.0	2	
0.5	19	247	0.0	6	3,324	0.2	6	–	0.0	1	
<b>20.7</b>	<b>652</b>	<b>508,692</b>	<b>52.5</b>	<b>486</b>	<b>304,728</b>	<b>21.8</b>	<b>902</b>	<b>89,685</b>	<b>20.2</b>	<b>295</b>	
5.4	214	33,668	3.5	49	72,297	5.2	157	36,361	8.2	36	
0.1	13	5,040	0.5	3	2,456	0.2	11	183	0.0	3	
2.4	158	22,144	2.3	53	71,124	5.1	425	573	0.1	18	
0.4	30	46,924	4.8	151	17,174	1.2	50	–	0.0	4	
0.4	40	15,808	1.6	44	42,355	3.0	120	–	0.0	1	
<b>8.7</b>	<b>455</b>	<b>123,584</b>	<b>12.7</b>	<b>300</b>	<b>205,406</b>	<b>14.7</b>	<b>763</b>	<b>37,117</b>	<b>8.3</b>	<b>62</b>	
<b>15.0</b>	<b>2,385</b>	<b>111</b>	<b>0.0</b>	<b>1,984</b>	<b>204,665</b>	<b>14.7</b>	<b>16,446</b>	<b>757</b>	<b>0.2</b>	<b>8,521</b>	
<b>0.0</b>	<b>–</b>	<b>–</b>	<b>0.0</b>	<b>–</b>	<b>95,764</b>	<b>6.9</b>	<b>10</b>	<b>–</b>	<b>0.0</b>	<b>–</b>	
<b>100.0</b>	<b>4,402</b>	<b>968,806</b>	<b>100.0</b>	<b>3,300</b>	<b>1,394,711</b>	<b>100.0</b>	<b>19,081</b>	<b>443,544</b>	<b>100.0</b>	<b>9,118</b>	

# Risk management

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## Purpose and organisation

### Objective

The aim of Triodos Bank's risk management activities is to ensure the long-term resilience of the business. These activities create an environment in which Triodos Bank can pursue its mission to its fullest potential in a safe way. Risk management provides the structural means to identify, prioritise and manage the risks inherent in its business activities. The intention is to embed risk management in such a way that it fits the complexity and size of the organisation and is designed to also allow for future growth. In order to ensure that such an environment can exist and prosper, a Risk Governance Framework has been put in place which underpins the risk processes.

### The Three Lines of Defence

Triodos Bank manages its business using a Three Lines of Defence Model. This approach ensures that each co-worker is fully aware of the responsibilities in managing risks, irrespective of whether their role is in a commercial, policy-making or control function. The model ensures that responsibilities are properly aligned and makes clear that all co-workers have a role to play in managing risks.

First line functions are Triodos Bank's banking entities, business units and departments, which are responsible for managing the risks of their operations.

Second line functions (separated from the first line function) are located in the bank's banking entities and business units, and ensure that risks are appropriately identified and managed. Second line functions are also established at group level. They create and maintain the corporate Risk Governance Framework, the policies and procedures which provide the boundaries for the local and consolidated business activities. Moreover, they monitor risk management of the first line.

The third line of defence is the Internal Audit function providing independent and objective assurance of Triodos Bank's corporate governance, internal controls, compliance and risk management systems. This includes the effectiveness and efficiency of the internal controls in the first and second lines of defence.

### Risk organisation

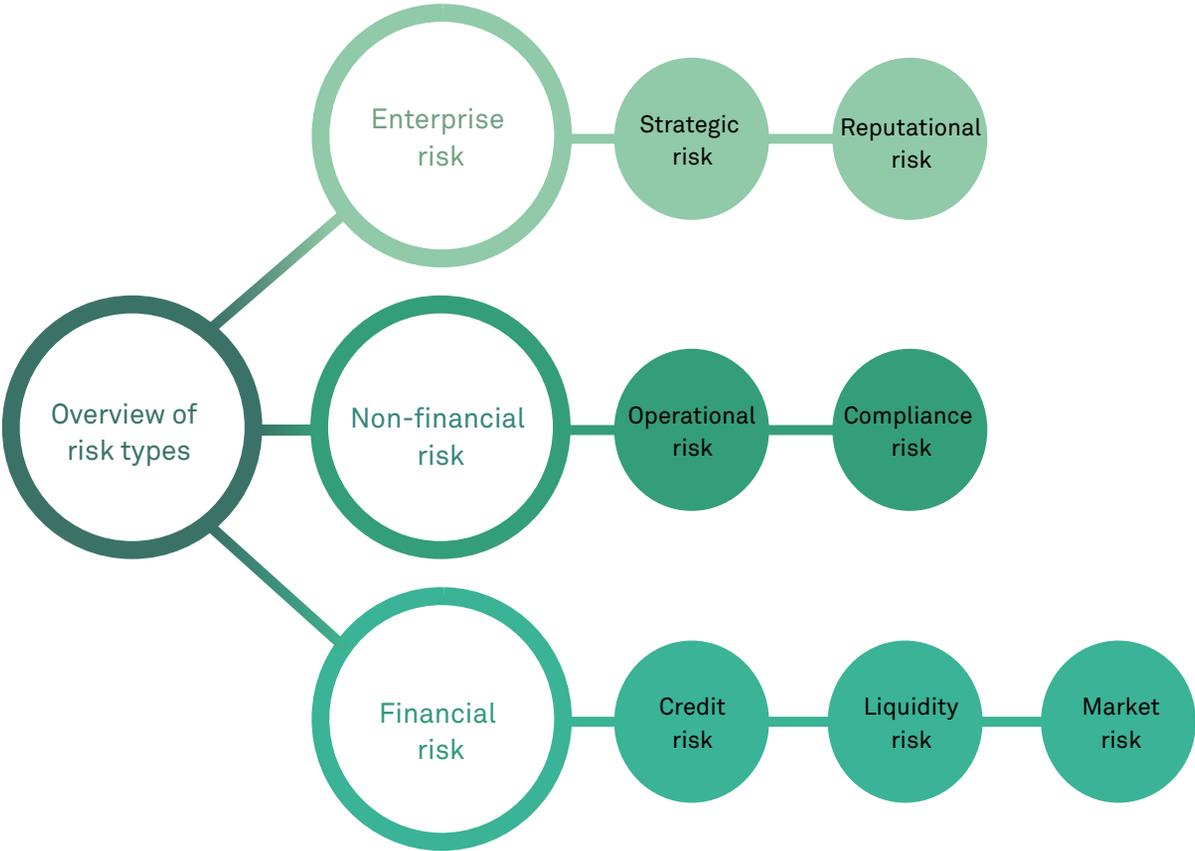
In light of Triodos Bank's growth, the impact of all new regulations, and the increased attention of supervisory authorities, Triodos Bank has made an important step up in its risk control organisation during the past years. In light with the increased importance of compliance it was decided to split the risk and compliance responsibility and appoint a Director Compliance. The Director Risk and the Director Compliance together take responsibility for all the second line risk management and compliance activities and report directly to the Executive Board. These second line activities are supervised by the Audit and Risk Committee of the Supervisory Board.

The Director Risk and the Director Compliance provide relevant independent information, analyses and expert judgement on risk exposures, and advise on proposals and risk decisions made by the Executive Board and business or support units as to whether they are consistent with the institution's risk appetite. The Director Risk and the Director Compliance recommend improvements to the risk management framework and options to remedy breaches of risk policies, procedures and limits.

The structure of the risk organisation meets banking industry standards and covers all relevant risks for Triodos Bank within the three following risk categories: Enterprise Risks, Financial Risks and Non-Financial Risks. Each risk type covers a number of risk categories (see diagram below).

**Risk culture**

The essence of our mission and business model supports the mitigation of our risks, allowing Triodos Bank to develop a resilient business that is able to play its part in a more diverse, sustainable and transparent banking sector. In addition, our internal governance structure provides a sound basis to enable an effective risk culture; the three lines of defence model in particular ensures a dovetailing of responsibilities across the organisation in terms of Business, Risk and Internal Audit and ensures each group of professionals understands the boundaries of their responsibilities and how their position fits into the organisation’s internal control and risk management system. This also relates to the segregation of duties aspect, which is an important element of the internal governance and organisation structure. The Executive Board performs its ‘oversight’ role in general in setting the ‘Tone at the Top’ and by playing an important, transparent role in the key elements of the internal control and risk management system (such as setting the risk appetite, strategy, targets, values and company culture, approval of risk and compliance frameworks, overall policies, and approving internal control system over financial reporting).



The Executive Board (partly) delegated decision-making authority to the following risk committees at a central level:

- For Financial Risk, the Central Credit Committee has authority to take decisions on credit risks, both on an individual debtor level and on a credit portfolio level; the Asset & Liability Committee has authority to decide on market risks and liquidity risk;
- For Non-financial Risk, the Non-Financial Risk Committee has authority to decide on operational and compliance risk matters. The Product Approval Committee has the authority to approve new products and review existing products; and
- For Enterprise Risk, the Enterprise Risk Committee has authority to decide on strategic and reputational risk issues.

Each committee is chaired by an Executive Board member or the Director Banking to ensure consistent decision making on material risks within Triodos Bank's wider strategy.

Banking entities also have a decision-making committee for their lending activities: the Local Credit Committee. This local credit committee decides on loans under the responsibility of the local Managing Director within delegated credit approval limits. This committee also monitors the credit risks of the local credit portfolio and monitors alignment with relevant credit risk policies.

The Supervisory Board's Audit and Risk Committee supervises the activities of the Executive Board with respect to the operation and adequacy of internal risk management and control systems. The Director Risk and the Director Compliance report to the Executive Board and have an escalation line to the Chair of the Audit and Risk Committee (that supports the independency of the Risk Control Function as a countervailing power to the business).

## Enterprise risk

The Enterprise Risk discipline synthesises the risks of all risk areas and performs analyses to determine at a strategic level which larger trends can potentially influence Triodos Bank's risk profile. Triodos Bank manages Enterprise Risk through a risk management cycle: performing strategic risk assessments, determining the risk appetite, assessing capital and liquidity requirements, and monitoring the risk profile through periodic enterprise risk management reporting.

### Strategic risk

Strategic Risks are those that potentially have the most impact on an organisation's ability to execute its strategies and achieve its business objectives. Therefore, Strategic Risk Assessments are performed at Executive Board level for Triodos Bank as a whole and at business unit level for each business unit periodically.

The external landscape changes, in particular the low interest rate environment, climate change, energy transition, regulatory requirements, the European political landscape and technological developments. The challenges that arise from these changes will continue to influence Triodos Bank.

Triodos Bank considers its banking model to have a moderate risk profile. While on the one hand the bank's mission is to support the real economy and society with basic and straightforward banking products, the risk appetite reflects the recognition that the relatively fast-changing external environment requires us to adapt.

Strategic risks need to be carefully managed to realise integrated financial and mission-driven objectives. Corporate and local risk sensitivities are used to determine scenarios that are used to test Triodos Bank's capital, liquidity, profitability and operational stability during the year. Triodos Bank has identified the following strategic risks to be taken into account at corporate level:

- Political and social risk: political uncertainty in the countries we operate in and at EU level and public discontent which lead to more volatility;
- Economic risk: increasing volatility as a result of political uncertainty, decreasing business confidence which leads to lower investment levels, intervention of central banks to stimulate economic growth which may continue longer than expected with lower interest rates as a result;
- Technological risk: FinTechs create new fields of competition and raise customer expectations which challenge our relationship approach. Increasing cybercrime will force the organisation to spend more effort on safeguarding systems;
- Legal risk: regulations like BRRD and CRR/CRD are still under development and can result in requirements that influence Triodos Bank's business model.

Mitigating strategies are discussed and tailored to fit the situation at hand. Over the past years, two of the mentioned risks are most impactful and are expected to continue in the foreseeable future. These are the continuing low interest rate environment and the regulatory requirements. The first has led to a decreased margin and consequently lower profitability than foreseen. The second one has led to the need for additional co-workers, system adaptation and processes in order to implement new regulatory requirements.

Climate risk contains two important elements:

- the risk that is related to the transition of "old" sources of energy to sustainable sources (transition risk), which can result in so called stranded assets. As an example: power plants using coal must be closed earlier than the precalculated end date,
- the risk that is related to the changes of the climate itself causing physical damage (physical risk). E.g. extreme weather conditions and the rise of sea level.

Given that sustainability considerations are a starting point within our lending processes, transition risks are minimal in our loan portfolio. Our lending is already contributing to a low-carbon future.

Regarding physical risk, the changes in climate leading to storms, floods and droughts may have an impact on our assets. We have not identified assets we consider to be especially vulnerable to these physical risks. In the longer term, impact on weather conditions (such as wind and solar resources) may affect renewable energy generation. However, there are no reliable predictions for this happening, and it is unlikely to affect our portfolio assets within the duration of our current portfolio.

Nevertheless, Triodos Bank carries out annual stress tests which take extreme but plausible situations into account. As part of determining the scenarios, Triodos evaluates whether extreme weather situations could impact the bank's resilience with a time horizon of three years.

Currently, we find that it is very unlikely to have material impact on this time horizon.

Finally, we are of the opinion that, since these risks certainly are capable of severely affecting society as a whole, on the longer term we must as a society and sector drastically decrease and minimise the financing of unsustainable assets.

## Risk appetite

A risk appetite process is implemented across Triodos Bank to align its risk profile with the willingness to take risk in delivering its business objectives. The Risk Appetite Statement reflects the actual implementation of the Risk Appetite Framework. It is updated yearly and is approved by the Supervisory Board upon advice by the Audit and Risk Committee. The concept of risk appetite and the link to the Strategy and Business objectives is illustrated below:

### *Overview of risk capacity, risk appetite, risk limits and the relationship with Triodos Bank's risk profile*



The risk appetite is based on three objectives that fit with Triodos Bank's corporate goals and guarantee a sustainable banking model.

These objectives are to: (1) protect identity and reputation, (2) maintain sound balance sheet relations and (3) ensure stable profits.

Triodos Bank uses a set of indicators and limits to measure and assess the level of risk appetite and risk profile of the organisation. The risk limits, determined at corporate level, are translated into a localised limit structure for each banking entity.

## Stress testing

Stress testing is part of Triodos Bank's risk management. It is of critical importance in establishing a well-balanced forward-looking management view that incorporates adverse developments and circumstances that the bank might be exposed to. Stress testing exercises also provide valuable insights in the exposure of the portfolio towards risk events. Stress testing for capital at Triodos Bank is conducted at group-wide, at risk domain and at sector level. In addition, sensitivity tests are also carried out as part of the annual business banking sector analyses.

The process of firm-wide scenario stress test analysis may be broken down into a sequence of phases, where the defined stress scenarios are translated into risk events and indicators to measure the risk levels. After the determination of the impact and the aggregation of the results the outcome is reported and discussed.

Scenarios that are assessed are of a varied nature, including macro-economic stress and idiosyncratic stress (e.g. operational and reputational stress).

Given the selected scenarios, Triodos Bank is sensitive to a long lasting, low interest environment scenario. It shows that profitability would be under pressure in the coming years. This risk will be mitigated by a focus on cost efficiency, pricing and by diversification of income. Finally, Triodos Bank is sensitive to scenarios relating to reputation risk. To prevent such an event, it is essential to communicate clearly about the mission and to act accordingly.

### Recovery

The Recovery Plan specifies measures Triodos Bank can take in order to survive a severe crisis. The aim of a recovery plan is to be prepared for a crisis and therefore to lower the probability of the organisation defaulting. It also aims to identify and quantify the effectiveness of measures in different scenarios.

### Enterprise risk reporting

The principal objective of the Enterprise Risk Management (ERM) report is to set the actual risk profile of Triodos Bank against its risk appetite, assess if key risk indicators have been breached and what actions may need to be taken. In addition the ERM report creates a single point of reference for all risk related activities within Triodos Bank. The ERM report provides insights into specific risk themes and provides an integrated picture of risk at corporate level. This report is discussed in the Enterprise Risk Committee and shared with the Audit and Risk Committee and Supervisory Board.

Every risk discipline reports on a monthly basis or on a quarterly basis. These reports are discussed in corresponding committees and measures are taken whenever needed. On a quarterly basis, they are integrated in the ERM Report which provides insights into the Triodos Bank risk profile in relation to its risk appetite.

### Reputational risk

Triodos Bank defines Reputation Risk as the risk arising from negative perception by customers, counterparties, shareholders or regulators, which can adversely affect the bank's ability to maintain existing, or establish new, (business) relationships and continued access to sources of funding.

Being a mission-driven bank, Triodos Bank's reputation is vital to its ability to pursue its mission. As such, Triodos Bank's reputation is managed in a proactive manner, for the most part by 'doing things right' and 'doing right in line with Triodos Bank's mission'. Generally, proactively managing its reputation implies for Triodos Bank (i) to attract and retain qualified employees with a strong affinity with Triodos Bank's mission and values; (ii) to maintain a sound risk governance structure, enabling the execution and control of the bank-related processes correctly; and (iii) to actively position Triodos Bank's identity, its positive impact (for the longer term) and connection to society.

## Non-financial risk

Non-financial risk includes all the risks faced in Triodos Bank's regular activities and processes, that are not categorised as enterprise or financial risk. Triodos Bank has sub-divided this into operational and compliance risk. Monitoring these risks is particularly important to ensure Triodos Bank can continue to offer quality financial services to its stakeholders.

### Operational risk

Operational risks relate to losses Triodos Bank could incur as a result of inadequate or failing internal processes, systems, human behaviour or external events. Triodos Bank limits these risks with clear policies, procedures and controls for all business processes. The operational risk framework uses several tools and technologies to identify, measure and monitor those risks and monitors the level of control on an operational, tactical and strategic level. During 2019 the in 2018 formalised control testing and key control management was further implemented to support the monitoring of identified operational risks. Due to a robust risk event management process the Operational Risk Management department is able to perform analyses on a continuous basis.

Operational Risk Management includes Information Security, Outsourcing and Business Continuity. Activities to manage risks related to these subjects are executed under the responsibility of the Chief Risk Officer in line with the operational risk framework.

The Non-Financial Risk Committee where the non-financial risks aspects are discussed including compliance and IT risk, meets on a monthly basis. During 2019 both the group- and local Non-Financial Risk Committee charters were updated in accordance with the review timelines set for these documents.

Triodos Bank applies the Basic Indicator Approach to calculate minimum capital requirements for operational risk.

The operational risk framework follows the principles mentioned in the Sound Practices for the Management and Supervision of Operational Risk. These sound practices provide guidelines for the qualitative implementation of operational risk management and are advised by the Bank of International Settlements. During 2019 no material losses occurred within Triodos Bank as a result of operational risk related events.

### Tax risk

Triodos Bank N.V. is subject to international tax risks given its operations in several West-European countries.

The local tax risks are managed by the respective local Triodos Bank banking entities, supported by close cooperation on tax matters between our tax department at group level and the Triodos Bank banking entities.

### Financial reporting risk

Triodos Bank is subject to financial reporting risk which is mainly related to estimates and assumptions applied as further disclosed in the financial statements on page 80. Triodos Bank is continuously working on improving its reporting. Specific projects and improvement programs have been set up in which new systems will be implemented to ensure effective and efficient usage and analysis of data in order to support its decision processes.

## IT risk/cybersecurity risk

Cyber threats are still high across the financial sector. Triodos Bank performs periodic cyber threat assessments to determine its strategy to limit these risks. The information security management system includes the Dutch Central Bank (DNB) framework for Information Security which is based on COBIT.

In order to detect and respond to cybersecurity events a Security Operations Centre (SOC) is in place. Business Units follow both the central security plan but also have their own responsibility when setting up awareness training specific to local needs as strong security awareness among co-workers is also an essential part of security.

## Compliance risk

Triodos Bank defines compliance risk as the risk of legal or regulatory sanctions, material financial loss or loss to reputation that Triodos Bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory standards, and codes of conducts applicable to its banking activities. Internal policies, procedures and awareness activities are in place to guarantee that co-workers in all functions comply with relevant laws and regulations.

The compliance function independently monitors and challenges the extent to which Triodos Bank complies with laws, regulations and internal policies, with an emphasis on customer due diligence, anti-money laundering, treating customers fairly, preventing and managing conflicts of interest, data protection and the integrity of co-workers.

The Central Compliance Department at group level reports to the EB. Compliance Officers are present in every business unit with a functional line towards the Central Compliance Department. Resources of the local Compliance function are tailored to the size of the business unit and the regulatory environment. Significant compliance risks are reported to the Non-Financial Risk Committee and to the Supervisory Board's Audit and Risk Committee on a quarterly basis.

Compliance risks are identified, assessed, mitigated, monitored and reported via a compliance risk management cycle. Controls to mitigate compliance risks are embedded in business processes. The compliance function monitors the effectiveness of controls by means of a risk-based Compliance Monitoring Plan.

In 2019 Triodos Bank has continued to enhance its controls related to anti-money laundering, counter terrorist financing and sanctions regulations. Policies and procedures were updated to ensure compliance with changes in anti-money laundering and counter terrorist financing laws and guidance by regulators. A group wide systematic integrity risk analysis was executed.

In 2018, the Dutch Central Bank (DNB) conducted a thematic, sector wide survey among Dutch banks, focussing on the measures that the banks have taken to prevent money laundering and terrorism financing. From this survey, DNB concluded that Triodos Bank is required to implement enhanced measures concerning customer due diligence and monitoring of customer transactions. On 6 March 2019 the Dutch Central Bank imposed on Triodos Bank N.V. a formal instruction (aanwijzing) to remedy shortcomings in the compliance with provisions of the anti-money laundering and counter-terrorist financing laws and the financial supervision laws. Triodos Bank is implementing enhanced mitigating measures.

Triodos Bank was not involved in material legal proceedings or further sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability.

## Financial risk

Financial risk is an umbrella term for multiple types of risk associated with financing the balance sheet. To manage this, financial risk is subdivided in three categories: credit risk, liquidity risk and market risk.

### Credit risk

#### Credit risk loan book

Credit risk is the risk that a counterparty doesn't fulfil its financial obligations. Triodos Bank manages its Credit Risk at a client and at portfolio level. It operates within a pre-defined set of criteria for accepting credits. Credits are extended within the target markets and lending strategy in accordance with Triodos Bank's mission and expertise. Before accepting a credit facility, Triodos Bank makes an assessment of the customer's risk profile, cash flows, available collateral and the requested transaction, including an assessment of the integrity and reputation of the borrowers or counterparty. Compliance analysis with Triodos Lending Criteria is an integral part of each credit proposal.

In order to manage credit risk Triodos Bank developed an internal rating-based system, resulting in a probability of default. Furthermore, Triodos Bank has developed a loss given default model, allowing us to model the expected loss and the economic capital.

#### *Obligor risk*

An obligor is a single legal entity that commits to the terms and conditions of a loan agreement. The obligor is thoroughly analysed on meeting Triodos Bank's lending criteria and its capacity to repay a loan. The risk related to the obligor is that it fails to meet its contractual obligations. Obligors are rated through an internal rating methodology.

A thorough assessment of each obligor and the structure of their loan is made before any loan is provided. A review of approved credit is made once a year, as a minimum, to assess the evolution of the client's capacity to meet its obligations. The high quality of securities (collateral) against outstanding loans reduces credit risk. Examples of principal collateral: mortgage registrations for business or private properties, securities from public authorities, companies or private individuals, and rights of lien on movables, such as office equipment, inventories, receivables and/or contracts for projects.

Triodos Bank aims to finance specific projects and assets that are in line with its mission. When financing a project, the bank has a pledge on the underlying contracts. For the financing of objects, Triodos Bank will take a pledge or mortgage on the specific object. It applies haircuts, in all cases, on the market value. The level of this haircut will depend on the marketability of the asset in a negative scenario. This allows Triodos Bank to make a proper assessment of the overall risk of the loan and the value of the asset in case of a downturn. The value of the collateral is reviewed on a yearly basis. An external valuation by an expert is requested, at a minimum every three years, for large loans with a mortgage.

Triodos Bank has an early warning system that helps identify problem loans early, to allow for more available options and remedial measures. Once a loan is identified as being in default (unlikeliness to pay or overdue payments beyond 90 days), it is managed under a dedicated remedial process, with a focus on full recovery.

### *Group exposures*

The risk related to a Group is that if one obligor fails to meet its contractual obligations, so will the remaining obligors within the Group. A group is defined as two or more obligors that are interrelated in such a way that they are considered as a single risk.

Each obligor of the Group, and the Group as a whole, are analysed on all aspects, from meeting Triodos Bank's lending criteria to their capacity to repay the loan.

### **Concentration risk loan book**

Loans are provided to businesses and projects that contribute to achieving Triodos Bank's mission. Given that this involves a small number of sustainable sectors, a certain level of sector concentration is inherent to the loan portfolio. Concentration in the existing sectors is acceptable as Triodos Bank has considerable expertise in these sectors and actively invests in further increasing its knowledge.

Triodos Bank focus primarily on the quality and diversification of its loan portfolio. We put extra effort into identifying loans to front-runners in their fields; the entrepreneurs developing the sustainable industries of the future.

A diversified credit risk portfolio is the result of assets spread over many debtors, sectors and geographies that are not interrelated. In order to manage concentration risks and face an economic downturn with confidence, Triodos Bank maintains a set of limits. It measures and limits the following concentration risks in its lending activities: obligor exposures, group exposures, top 20 exposures (excluding central and lower government exposures), government exposures, exposures at sector per country, mortgage exposures and country exposures.

Besides lending activities, Triodos Bank has established limits related to the investment portfolio concerning central banks, governments, supranational institutions and banks and financial institutions. These limits are derived from the risk appetite framework and aim to keep concentration risk at an acceptable level.

From a regulatory perspective, exposures to a client or a group of connected clients may never exceed 25% of the Actual Own Funds. Loans in excess of 10% of the Actual Own Funds require special reporting to the supervisory authority.

Triodos Bank has no loans to a group of connected clients exceeding 10% of the Actual Own Funds in its loan book. Limits of the investment portfolio are described in the relevant chapters.

### *Sector concentrations*

Triodos Bank is active in well-defined sectors where it has extensive expertise, and which are in line with its mission. It has set limits on sectors, based on Actual Own Funds, at group and banking entity level. Sector studies have shown relatively low correlations of risk drivers in sectors that Triodos Bank finances in multiple countries. A specification of the lending by sector can be found from page 142 onwards.

At group level, Triodos Bank divides the sector concentration limits in different levels. Specific limits for each sector per country are set by the Executive Board within these levels, taking into account the specific risks of each sector and country.

Larger sectors are strategic for Triodos Bank. These are well distributed across banking entities (and countries) and have an overall low risk profile that justifies a higher consolidated concentration. Sector analyses are performed on an annual basis and are presented to the Central Credit Committee to be able to respond swiftly to developments that may affect the risk profile of the portfolio. Central Credit Risk can request sector updates at shorter intervals if there is a change to a sector risk profile.

Sector limits are approved on the basis of thorough annual sector analyses demonstrating an in-depth knowledge of the sector and Triodos Bank's track record.

### *Country concentrations*

Triodos Bank is a European bank, acting under the European Banking Directive since 1993, with banking entities in four countries (The Netherlands, Belgium, Spain and Germany), with a subsidiary in the United Kingdom and with additional exposures amongst others in France and Ireland.

Triodos Bank does not set any country limits for the countries it operates in as long as these countries have a credit rating of AA- or better. Specific limits are defined for countries with a credit rating of A+ or lower.

### *Credit risk investment portfolio*

Liquidity not invested in loans to customers is invested in deposits with banks (including Central Banks) or bonds. Triodos Bank's policy is to invest the liquidity in the countries where it has banking entities. The bond portfolio of Triodos Bank comprises of (local) government bonds (from countries where Triodos Bank has a banking entities) and investment grade bonds issued by European supranational organisations (e.g. European Investment Bank), Financial Institutions and corporates.

There are no regulatory restrictions to exposures on governments. Triodos Bank sets limits based on the country risk.

There are also no regulatory restrictions to exposures on multilateral development banks as far as an institution has a credit risk weight of 0% for regulatory capital requirements. Triodos Bank has set limits to avoid concentration risk in these exposures.

### *Credit risk banks*

Banks are selected on the basis of their creditworthiness and screened on their sustainability performance. Exceptions can occur, when the capacity of selected banks in a country is considered not sufficient to place Triodos Bank's liquidities using a certain maximum concentration per individual bank. In such cases, deposit maturity periods will not exceed three months. All counterparty limits for banks are set by either the Executive Board or the Central Credit Committee. Banking entities place excess liquidity with the country's central banks (minimum reserve requirements and deposit facility). There are no regulatory restrictions on exposures to Central Banks.

The Capital Requirements Regulation Large Exposures Regime limits the maximum exposure to a bank at 25% of its Tier 1 capital plus (if available) Tier 2 with a maximum of one third of Tier 1 capital. To avoid the interbank exposure exceeding the regulatory maximum, Triodos Bank applies a maximum exposure below the limit based on the Large Exposures Regime. The limits are furthermore adapted to the external rating of the counterparty and also deposits on banks are limited to a maximum maturity of one year.

### Credit risk related to derivatives

Triodos Bank has exposure to credit risk resulting from outstanding Foreign Exchange (FX) contracts (spot, forward and swap transactions) with Financial Institutions and with funds managed by Triodos Investment Management. Triodos Bank services these funds by providing hedges for the foreign exchange risk of these funds' investments.

Triodos Bank has limited exposure to credit risk resulting from outstanding Interest Rate Swaps (IRS). The IRS are all centrally cleared with the LCH Clearnet. The daily margining minimises the (potential) credit risks.

A limit is set per counterparty based on the expected amount of outstanding FX transactions and the corresponding expected exposure. This limit is subject to the overall counterparty limit Triodos Bank has per counterparty.

Any collateral needed for FX transactions is calculated and managed daily. In the liquidity stress tests, the amount of collateral needed for FX transactions is stressed in order to calculate the potential impact on Triodos Bank's liquidity position.

Triodos Bank entered into FX deals with Triodos Investment Funds and these deals are hedged by deals with a few banks. Wrong-way risk is the risk that the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The FX deals with the Triodos Investment Funds do not cause wrong-way risk as these FX deals hedge the FX risk of the underlying assets of the Investment Funds. At the end of 2017 Triodos Bank stopped entering into new FX deals with Triodos Investment Funds because of new regulation. In addition, the wrong-way risk of transactions with banks is mitigated by only using banks with a sufficient credit rating and by having collateral agreements in place.

### Additional disclosure related to the credit quality of assets

Business loans in the portfolio are periodically reviewed on an individual basis. Their frequency depends on the debtor's creditworthiness, the degree of market exposure and the market in which the debtor operates. Small business and private loans are reviewed at portfolio level, and on individual basis if appropriate. The credit committee of a banking entity discusses and, if necessary, takes action with respect to overdue payments from debtors. If there is any doubt regarding the continuity of the debtor's core operations and/or a debtor fails to settle agreed interest and repayment instalments for a prolonged period, this debtor falls under the category of doubtful debtors and will be managed intensively.

The net allocation (addition minus release) to the specific provision for doubtful debts have remained very low in 2019 and amounted to EUR 3.6 million. This is mainly due to a strong economy in the different European countries Triodos Bank is active in. The effects of the economy lead to lower amounts in defaults, more clients that can be cured from their default status and when in default, the collateral value used for recovery of the loan will often generate a higher value than in an economic downturn scenario. The loan portfolio has grown by 13% in 2019 and at the same time total provisions have been reduced by 14% compared to 2018, total provisions as percentage of the loan portfolio has reduced from 0.5% ultimo 2018 to 0.4% ultimo 2019 and the defaulted portfolio as percentage of the total portfolio reduced from 1.9% to 1.6%. Although the outlook is somewhat uncertain (Brexit, trade wars) with a possible slowdown of the economy in 2020, the effect on the Triodos Bank portfolio will be relatively limited as we predominantly support local production for a local need. This largely limits the negative effects of global markets and (limited) cross border trade.

Provisions for loan losses are taken for doubtful debtors at an individual level based on the difference between the total amount of the debtor's outstanding liability to Triodos Bank and the future expected cash flows, discounted at the original effective interest rate of the contract. These individual provisions include provisions for concessions or refinancing given to debtors who face financial difficulties. They are only granted to the debtor in question in order to overcome their difficulties in these exceptional circumstances. These are described as forbearance measures.

A collective credit provision has been taken for Incurred But Not Reported bad debts (the IBNR) to cover the time lag between the event that prompts the debt to qualify as doubtful and the moment that fact is known to Triodos Bank. This is a collective credit provision and is based on statistics. The IBNR is calculated by multiplying the exposure at default with the probability of default, the loss given default and the loss incubation period. Since 2016, in view of the growing mortgage portfolio, Triodos Bank has added an IBNR provision for mortgages. Triodos Bank portfolio has no specific provisions of any relevance in its mortgage loan portfolio and has therefore chosen to use market statistics to define this additional provision.

In 2019, the net additions to the provision for doubtful debts, as a percentage of the average loan portfolio, was 0.05% (2018: 0.05%). The total of provisions related to the outstanding credits is 0.4% (2018: 0.5%) as at the end of the year.

The credit risk in the loan portfolio is reported each month to the Central Credit Committee, and quarterly to the Audit and Risk Committee as part of the ERM report.

### **Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk**

In addition to our own opinion, external credit ratings – if available – are used to determine the credit worthiness of the counterparties of our investment portfolio and banks, and for a few corporates. External ratings are also used for calculating the minimum capital requirement for credit risk under the standardised approach. For this purpose, we use the ratings of Fitch and Moody's.

## **Liquidity risk**

### **Management of liquidity risk**

Triodos Bank only lends to and invests in sustainable enterprises in the real economy. Triodos Bank is not dependent on funding from the wholesale market. Funds are attracted from depositors and shareholders.

Triodos Bank does not invest in complex financial instruments. It has been this approach that enabled Triodos Bank to remain solid and stable in a time of market crisis but also to continue to grow steadily. The key factor to achieve this is to maintain healthy levels of liquidity. Triodos Bank has a large, good quality liquidity buffer resulting in sufficient liquidity and funding ratios. Triodos Bank does not act as correspondent bank which minimises liquidity needs during the day.

The following funding principles apply:

- Balanced growth in funds entrusted is a prerequisite for growth in loans
- No dependency on cross-currency funding
- No dependency on central bank contingency funding

The daily liquidity management is currently executed at banking entity level as it is the business strategy of Triodos Bank to have this process close to the end-customer to provide detailed cash forecasts. On aggregated level, Group Treasury monitors the liquidity buffer versus the internal limits daily.

The management of the liquidity position under 'normal' conditions is described in the Liquidity Risk Management Policy. Triodos Bank manages the liquidity position to withstand a liquidity crisis without damaging the on-going viability of its business. The potential but unlikely event of an upcoming liquidity crisis requires a set of early warning indicators and triggers, a set of potential early warning and recovery measures, and a dedicated organisation including a communication strategy to handle such a crisis. A list of potential early warning and recovery measures is included in the Recovery Plan. The other aspects mentioned are described in the Liquidity Contingency Plan.

The liquidity portfolio slightly increased during 2019 and Triodos Bank's liquidity position remained strong. Triodos Bank policy is to hold a sound liquidity buffer and invest liquidities in highly liquid assets and/or inflow generating assets in the countries where it has banking entities. Due to the ongoing expansion of the monetary policy by the ECB and specifically the asset purchase program, yields of government bonds and other high rated counterparties were not attractive to invest in. Hence, the profile of the liquidity buffer changed during 2019. The bonds portfolio decreased by almost 19%, due to maturing bonds being placed mostly at the central bank.

### Liquidity monitoring and reporting

Triodos Bank monitors and reports its liquidity position at different levels and frequencies. Firstly, the total liquidity position is monitored by Group Treasury and the individual banking entities on a daily basis. Secondly, the detailed liquidity position, both in total and at banking entity level, is reported to the Chief Financial Officer and Chief Risk Officer on a weekly basis. Finally, every month the liquidity ratios are reported to the Asset and Liability Committee. The main liquidity ratios are part of the quarterly ERM report.

In addition, Triodos Bank conducts liquidity stress tests on a monthly basis.

### Mitigation of liquidity risk

The liquidity buffer is the source of funds in case of liquidity needs. It consists of liquid assets with central and commercial banks and liquid investments in deposits and bonds. The bond investments are divided into different liquidity classes. The optimal size and composition of the liquidity buffer is determined considering the risk appetite, balance sheet composition and expected development, strategic plans and funding needs.

The Liquidity Risk Management Policy describes the actions to manage the liquidity position of Triodos Bank.

The Internal Liquidity Adequacy Assessment Process (ILAAP) assesses Triodos Bank's liquidity adequacy and liquidity management during normal business activities and in times of stress. This process is performed at least once a year and the results are submitted to the Dutch Central Bank as part of the Supervisory Review and Evaluation Process (SREP). The ILAAP Report is an internal document. The goal of this report is to properly evaluate the liquidity and funding risks and Triodos Bank's corresponding liquidity levels and the quality of the liquidity management.

The Liquidity Contingency Plan and the Recovery Plan describe the main items that should be considered in managing the liquidity risk position of Triodos Bank in a 'stressed situation'. This includes liquidity stress indicators and trigger levels for management actions.

To increase the possibilities of recovery in periods of liquidity stress, Triodos Bank executed a retained securitisation transaction of Dutch mortgage loans (Sinopel 2019).

### Concentration of funding

All Triodos Bank's funding comes from two sources, i.e. funds entrusted and depository receipts (DRs), while the bank does not make use of wholesale funding.

For its funding Triodos Bank mainly depends on funds entrusted from retail and business banking clients, consisting of current accounts, saving accounts and fixed term accounts.

The total amount of funds entrusted is EUR 10,690 million of which 77% are deposits insured by the Deposit Guarantee Scheme.

With regard to the distribution of capital, depository receipts belong to institutional investors, private persons and family offices. 7.0% of the total share capital is owned by larger institutional investors with a participating interest of 1% or more.

### Collateral calls

The impact of potential collateral requirements is increasing at Triodos Bank. The amount pledged with central and commercial banks, for payment system purposes, increased in 2019 and is expected to increase with the further growth of Triodos Bank. The collateral needs stemming from FX forwards increased in 2019 because Triodos Bank partly hedged the currency risk of the UK subsidiary equity participation of Triodos Bank.

Interest Rate Swaps which are centrally cleared, increased the potential collateral needs as well during the year. At the end of 2019 total net amount of EUR 9.3 million cash collateral was posted.

### Declaration

The liquidity risk appetite as determined by the Executive Board (EB) and Enterprise Risk Committee (ERC) is reviewed and approved by the Supervisory Board. With this governance structure in place, the risk appetite regarding liquidity is well anchored within the senior management team of the bank. The adequate organisational structure with three lines of defence ensures that a clear division of tasks, power and responsibility is in place together with an independent control, compliance, audit and risk management function.

A robust framework is in place at Triodos Bank to identify, measure and manage liquidity risk in line with BCBS/EBA principles. An integrated overview of the group cash position and liquidity metrics is available on a daily and weekly basis.

In the last two years, the liquidity contingency plan has been tested and reviewed thoroughly to achieve a solid crisis management structure in case a liquidity crisis at Triodos Bank emerges.

A limit structure is in place to manage the inherent funding mismatch other than in exceptional circumstances. Triodos Bank follows the BSBC/EBA principles considering its sustainable profile, the very strong relationship with its customers, the granularity of the Funds Entrusted and its conservative and robust liquidity management framework that is integrated in the business processes.

As a mid-sized European bank with total Funds Entrusted of EUR 10,690 million per the end of December 2019, liquidity risk is an important risk for Triodos Bank. The Bank has intensively worked on the development of a solid liquidity framework to have always sufficient funds to meet sudden and (un)expected short-term liquidity needs. The high cash liquidity buffer in combination with a high-quality investment portfolio, reflects the low risk appetite for liquidity risk.

Triodos Bank has a large, good quality liquidity buffer resulting in high Liquidity Coverage Ratios and Net Stable Funding Ratios. In all liquidity stress test scenarios Triodos Bank has sufficient liquidity to survive the total stress period.

The remaining low interest rate climate influences liquidity risk management at Triodos Bank. Triodos Bank needs to manage its liquidity buffer at an ever-increasing cost-of-carry. The trade-off between having sufficient liquidity versus the relative high costs of holding that liquidity is becoming more important.

### Securitisation

In 2019, Triodos executed its first retained residential mortgage backed securitisation (RMBS) transaction called Sinopel 2019 B.V. ("Sinopel"). A securitisation is a transaction where a pool of assets is sold to a special purpose vehicle. The special purpose vehicle issues notes with different tranches to finance the purchase price of the assets.

With Sinopel Triodos Bank structured a retained RMBS whereby Triodos Bank is the sole buyer of the issued notes and has as such not transferred any credit risk. Through the retained RMBS, Triodos Bank strengthens its financial resilience and gains additional access to (central bank) liquidity by pledging the notes as collateral with the Dutch Central Bank. The Sinopel RMBS is collateralised by Dutch residential mortgages loans. The structure is fully compliant with the new Simple Transparent Standardised EU regulation. For notes issued by Sinopel 2019 B.V., the following ECAs were involved: DBRS Ratings Limited and S&P Global Ratings Europe.

As there is no risk transfer with the Sinopel transaction, the securitisation exposures (notes) are not risk-weighted separately. The securitised assets (mortgage loans) are taken into account as if they were not securitised. Triodos consolidates Sinopel in its annual accounts.

Apart from the Sinopel transaction Triodos is not active as originator, investor or sponsor of securitisation exposures. As a result, Triodos does not hold any re-securitisation positions and does not provide securitisation related services to any other SPV.

### Market risk

Market risk is the risk of losses in on and off-balance positions arising from movements in market prices. For Triodos Bank this means changes in interest rates and foreign exchange rates in particular. Triodos Bank doesn't have a trading book, but interest rate risk is present in the banking book.

## Interest rate risk in the banking book

Triodos Bank defines interest rate risk in the banking book (IRRBB) as the risk that changes in prevailing interest rates will adversely affect the market value of assets versus that of liabilities and/or income versus expenses. Triodos Bank identifies the following three main sources of IRRBB:

- Gap risk, the risk of adverse consequences due to differences in timing of the impact of interest rate changes on the value and interest of assets and liabilities, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by tenor (non-parallel risk).
- Basis risk, the risk of adverse consequences which result from changes in the difference between two or more rates for different instruments with the same interest maturity but different benchmark rates on which the pricing is based.
- Option risk, the risk that changes in market interest rates prompt changes in the value or maturity of instruments, due to explicit or implicit optionality embedded in the bank's products.

## Interest rate risk management and mitigation strategies

Interest rate risk is generated by normal customer related banking activities. Triodos Bank uses retail funding to finance clients and projects which aim to improve society and the environment. In addition, the bank maintains solid capital and liquidity buffers to support its resilience.

The level of interest rate risk is managed in a four-stage risk control cycle. In this cycle, first the relevant definitions, indicators, measurement methods, and analysis for IRRBB are set. Next, the limits for the main IRRBB indicators are specified in the risk appetite statement. The third stage defines the roles and responsibilities for IRRBB management, model governance, and escalation procedures and exceptions. Lastly, the risks are monitored, reported and mitigated if necessary.

The new production at the individual banking entities determines an important part of the risk development. Each banking entity sets up a budget for the new production for the next three years and updates it quarterly with a forecast. The budgets are consolidated and compliance with the risk appetite is checked. Adherence to the budget means that asset and liability management is predictable and therefore the fulfilment of the budget is closely monitored.

Triodos Banks manages its interest rate risk position in three ways. Firstly, Triodos Bank is to a limited extent able to steer the volume and interest rate terms of new assets and the interest rate of its liabilities in order to maintain the interest rate risk exposure within limits. However, changes in client rates and terms will not be made to the extent that they would materially impair Triodos Bank's customer service, market position, profitability, capital adequacy and reasonable customer expectations. Secondly, the amount and duration of the marketable investments in the liquidity buffer can be adjusted. Finally, Triodos Bank uses Interest Rate Swap (IRS) contracts to maintain the bank's IRR exposure within the limits, if the first two methods are not effective enough. The use of IRS is subject to hedge accounting to avoid volatility in the P&L.

The ALCo is delegated by the Executive Board to monitor and take decisions related to the management of the IRRBB. Additionally, the ALCo approves material changes to IRRBB models and changes to important model assumptions. Finally, the ALCo decides on approval of and monitors adherence to the group-wide pricing framework for retail and business banking products.

One of our main strategic risks is the low interest rate environment. With the economy slowing down, low interest rates are likely to continue for some time, with a negative impact on Triodos Bank's return. As rates on

the assets are decreasing, and the rates on the liabilities have hit the psychological floor of zero percent, the margin is being compressed.

### Main measures

Triodos Bank uses various indicators to measure interest rate risk. The interest rate risk position is monitored by the ALCo monthly and reported quarterly to the Executive Board. The main IRRBB indicators used are Earnings at Risk, Economic Value of Equity at Risk, Modified Duration of Equity, and Gap analysis. Below follows a brief description:

- Earnings at Risk: a short-term indicator which shows the effect of an interest rate shock on Triodos Bank's net interest income over a one year and two-year horizon.
- Economic Value of Equity at Risk: a long-term indicator which represents the change of the Economic Value of Equity (which is the net present value of the future cash flows of all assets netted with the net present value of the future cash flows of the liabilities) in the event of an interest rate shock.
- Modified Duration of Equity: an indicator that expresses the sensitivity of the Economic Value of Equity in the event of small parallel interest rate changes.
- Gap analysis: allows to get a quick and intuitive sense of how Triodos is positioned by comparing the values of the assets and liabilities that roll over – or reprice – at various time periods in the future. While a Gap analysis is a good measure of repricing risk, it is not able to measure interest rate risk stemming from option risk and basis risk. Therefore, Triodos Bank monitors the sensitivity of economic value of the banking book items to interest rate changes for different parts of the yield curve, by calculation of key rate durations.

Option risk is typically present in the form of caps and/or floors on floating interest rates and as a result of client and bank behaviour, i.e. due to prepayments on loans and mortgages, withdrawal of funds entrusted, and the discretion to change the interest rate on savings and current accounts. Both embedded options and behavioural characteristics are considered in the IRRBB measures.

Due to the growth of the mortgage portfolio, Triodos has also worked (and continues working) on improving the data on off-balance commitments. Especially fixed rate commitments (which are often present in new mortgages to be paid out) add to the interest rate position of the Bank.

### Stress scenarios

Triodos Bank runs a variety of interest rate scenarios to assess its level of interest rate risk. The scenarios are expressed as shocks to the market rate. These shocks can vary from parallel shocks to non-parallel shocks, downward to upward shocks, and instant to gradual shocks. Part of the shocks are prescribed by regulatory guidelines whereas other shocks are developed internally. The interest rate scenarios are regularly reviewed and approved in the ALCo.

### Modelling

The model used for calculating IRRBB assumes that the balance sheet develops according to the budget/forecasts. In modelling of IRRBB, client behaviour is complex as it depends on many factors and, as a result, IRRBB models in general build on many assumptions. A brief description of relevant assumptions used in Triodos Bank's IRRBB modelling follows below.

First of all, behavioural models are used to assess the interest rate risk in savings and current accounts. The interest rate risk stemming from these products is difficult to quantify since these accounts typically have

variable interest rates and no fixed maturity. The objective of the models used is to forecast the future outflow of the non-maturing deposits and their sensitivities to market conditions based on historical data, taking into consideration the statistical significance of that data. The model combines the relationship between client interest rates and market interest rates and outflow predictions.

Secondly, prepayments on loans and mortgages affect interest rate risk on the asset side of the balance sheet and depend on customer behaviour as well. Due to the low interest rate environment and the maturity of the portfolio, prepayments increased during the last years. Therefore, behavioural assumptions are present in the risk model and the level of prepayments is included in the measurement of IRRBB. Currently, a constant prepayment rate is used, consistent with the forecast made by the banking entities. Triodos Bank takes into account the correlation between interest rate levels and prepayment behaviour by using sensitivity analyses.

Thirdly, some of Triodos Bank's loans and mortgages contain caps and floors to prevent interest rates increasing or decreasing below a certain level. This affects the level of IRRBB in these products and both are taken into account in the economic value and earnings analysis. The economic value of the pipeline, which contains loans with a set interest rate which are committed but not yet remitted, is considered as well.

Lastly, the measurement method for the Outlier Criterion has changed and now uses risk-free discounting.

The 2019 year-end interest rate risk position decreased compared to the situation at the end of 2018.

The one-year Earnings at Risk decreased from 2.8% at the end of 2018 to 2.5% at the end of 2019. The worst-case Earnings at Risk occur under a depression scenario, determined by expert judgement, in which the interest rates move further down. Moreover, in that scenario long-term interest rates decrease stronger than short-term interest rates.

Duration of equity decreased from 3.2 years to 0.3 years in 2019. This decrease was mainly caused by the increasing duration of savings accounts, resulting from the behavioural Savings model. This in turn is caused by the lower interest rate environment. The duration of total assets (after hedging) stayed constant, despite the growth in long term fixed rate mortgages.

The Economic Value of Equity (EVE) at Risk decreased slightly from 6.3% at the end of 2018 to 6.2% at the end of 2019. The worst-case scenario from the perspective of EVE at Risk occurs under a steepening of the yield curve. The Outlier Criterion increased from 8.1% at the end of 2018 to 12.9% at the end of 2019. Unlike duration of equity and EVE at Risk, the outlier criterion is now determined using risk-free discounting.

Regarding the EUR portfolio, the duration of equity decreased from 3.6 years at the end of 2018 to 0.4 years at the end of 2019. The one-year Euro Earnings at Risk, at 2019 year-end, decreased slightly from 2.7% to 2.6%, compared to the end of 2018. The EUR EVE at Risk increased from 6.2% at the end of 2018 to 6.7% at the end of 2019.

Duration of equity of the Pound Sterling (GBP) portfolio increased from -0.2 years at the end of 2018 to +0.4 years at the end of 2019. The one-year GBP Earnings at Risk increased from 3.0% at the end of 2018 to 3.2% at the end of 2019. The GBP EVE at Risk decreased from 6.2% at the end of 2018 to 5.1% at the end of 2019.

<b>2019</b> in thousands of EUR	Floating- rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
<b>Interest-bearing assets</b>						
Cash	2,270,224	–	–	–	–	2,270,224
Banks	212,087	474	15,000	–	–	227,561
Loans	1,106,829	887,460	1,451,037	2,469,173	2,326,996	8,241,495
Hedged loans	–	82,800	67,400	–114,700	–35,500	–
Interest-bearing securities	–	55,226	161,072	640,717	166,407	1,023,422
Hedged interest-bearing securities	–	89,500	55,475	–104,975	–40,000	–
<b>Total</b>	<b>3,589,140</b>	<b>1,115,460</b>	<b>1,749,984</b>	<b>2,890,215</b>	<b>2,417,903</b>	<b>11,762,702</b>
<b>Interest-bearing liabilities</b>						
Banks	212	1,359	5,819	28,634	33,999	70,023
Funds entrusted	26,333	1,217,498	1,776,985	5,329,176	2,333,269	10,683,261
<b>Total</b>	<b>26,545</b>	<b>1,218,857</b>	<b>1,782,804</b>	<b>5,357,810</b>	<b>2,367,268</b>	<b>10,753,284</b>
<b>2018</b> in thousands of EUR						
	Floating- rate	<= 3 months	<= 1 year	<= 5 years	> 5 years	Total
<b>Interest-bearing assets</b>						
Cash	1,795,272	–	–	–	–	1,795,272
Banks	216,196	5,860	14,000	1,000	–	237,056
Loans	1,127,105	688,440	1,105,434	2,299,490	2,113,278	7,333,747
Hedged loans	–	70,100	69,400	–91,200	–48,300	–
Interest-bearing securities	–	101,739	286,580	703,417	166,481	1,258,217
Hedged interest-bearing securities	–	69,500	61,975	–111,475	–20,000	–
<b>Total</b>	<b>3,138,573</b>	<b>935,639</b>	<b>1,537,389</b>	<b>2,801,232</b>	<b>2,211,459</b>	<b>10,624,292</b>
<b>Interest-bearing liabilities</b>						
Banks	212	1,380	4,530	32,017	29,078	67,217
Funds entrusted	30,668	1,145,875	1,642,173	4,661,975	2,070,859	9,551,550
<b>Total</b>	<b>30,880</b>	<b>1,147,255</b>	<b>1,646,703</b>	<b>4,693,992</b>	<b>2,099,937</b>	<b>9,618,767</b>

**Notes:**

- Only interest-bearing assets and liabilities are reported in this table, which results in differences with the balance sheet figures.
- Interest bearing securities are valued at redemption value including bond premium and after deduction of discounts.
- For funds entrusted without a fixed interest rate term, the outcome of the quantitative savings and current account model, as mentioned before, is used.
- All other interest-bearing assets and liabilities are reported as floating rates or are broken down in the maturity calendar by their remaining contractual interest rate term.

**Foreign exchange risk**

Foreign exchange risk is the current or prospective risk to earnings and capital that arises from adverse movements in foreign exchange rates. Triodos Bank's base currency is the euro. The base currency of the UK subsidiary of Triodos is GBP.

Triodos Bank aims to avoid net currency positions with the exception of those arising from strategic investments. The forward positions in foreign currencies is for hedging the currency risk of the UK subsidiary equity participation of Triodos Bank and reflect the currency derivatives of Triodos Investment Funds. The currency derivatives of Triodos Investment Funds are nearly fully hedged.

The foreign exchange position is monitored daily and discussed in the Asset and Liability Committee on a monthly basis. Limits are agreed by the ALCo.

### Foreign currency position

The following table shows Triodos Bank's foreign currency position in thousands of EUR as at 31 December.

<b>2019</b> in thousands of EUR	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1,577,785	1,372,842	–	192,519	12,424	–
USD	20,083	1,676	9,708	9,708	18,407	–
NOK	101	–	–	–	101	–
AUD	1	–	–	–	1	–
SEK	49	–	–	–	49	–
INR	–	–	38,786	38,786	–	–
IDR	–	–	6,172	6,172	–	–
CNY	–	–	3,309	3,309	–	–
<b>Total</b>	<b>1,598,019</b>	<b>1,374,518</b>	<b>57,975</b>	<b>250,494</b>	<b>30,982</b>	<b>–</b>

Net open foreign currency position (total of net positions debit and credit): 30,982

<b>2018</b> in thousands of EUR	Cash position Debit	Cash position Credit	Term position Debit	Term position Credit	Net position Debit	Net position Credit
GBP	1,209,050	1,206,502	–	–	2,548	–
USD	18,079	1,162	26,596	26,596	16,917	–
NOK	101	–	–	–	101	–
AUD	1	–	–	–	1	–
SEK	49	–	–	–	49	–
INR	–	–	50,237	50,237	–	–
IDR	–	–	5,837	5,837	–	–
CNY	–	–	3,287	3,287	–	–
<b>Total</b>	<b>1,227,280</b>	<b>1,207,664</b>	<b>85,957</b>	<b>85,957</b>	<b>19,616</b>	<b>–</b>

Net open foreign currency position (total of net positions debit and credit): 19,616

## Capital management

Triodos Bank wants to be strongly capitalised to support our growth strategy and to be a strong counterparty for our clients. Therefore, we maintain a relatively high equity base, which as a consequence puts downward pressure on the Return on Equity.

The objective of Triodos Bank's capital strategy is to ensure its viability by:

- Maintaining sufficient capital to absorb current and future business losses, also in extreme situations ('stress');
- Adequately allocate capital to its business units; and
- Ensuring compliance to all applicable capital legislation and regulation at all times.

All of Triodos Bank's solvency comes from common equity.

## Regulation

Banking industry is highly regulated. Regulations play an important role in society to ensure banks operate safely. Triodos Bank pays constant attention to comply with all regulation.

Basel III is a worldwide standard for regulation, supervision and risk management of the banking sector, developed by the Basel Committee on Banking Supervision. Basel III has been transposed by the European Union into the Capital Requirements Regulation and the Capital Requirements Directive IV. The Capital Requirements Regulation is directly applicable and the Capital Requirements Directive IV was transposed into local law by each of the members of the European Union so is the Dutch implementation of the Capital Requirements Directive IV as Triodos Bank is formally domiciled in The Netherlands.

There is no difference in the scope of consolidation for accounting and for prudential reporting purposes. Except for transfer of own funds of Triodos Bank UK Ltd, there is not any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among Triodos Bank and its consolidated companies.

## Internal capital

The capital strategy of Triodos Bank is captured in its Internal Capital Adequacy Assessment Process ('ICAAP').

The ICAAP covers, for example, the measurement of risks requiring an adequate capital buffer, stress testing, capital contingency and the allocation of available capital to the different Triodos Bank banking entities and business units. The ICAAP is subjected to the Supervisory Review and Evaluation Process (SREP) of the Dutch Central Bank on a yearly basis.

The actual capital position is stressed regularly based on a number of stress scenarios. A capital contingency process is set up for Triodos Bank in case of a (potential) shortfall in available capital, which can be a threat to its solvency. For this purpose, the Recovery Plan contains measures for restoring its solvency by reducing risks and/or increasing capital and provides a specific governance structure for these stressed conditions.

## Capital allocation and monitoring

Equity is allocated to banking entities, in proportion to the outcome of the internal capital calculation.

Triodos Bank works with a rolling three-year capital forecast. The Asset and Liability Committee monitors Triodos Bank's capital position and advises the Executive Board on the capital adequacy. The Asset and Liability Committee also assesses whether available capital is sufficient to support current and future activities on a monthly basis. During 2019 available capital has been at sufficient levels at all times in line with external regulatory minimum requirements. In 2019 new equity of (net) EUR 54 million was issued to finance Triodos Bank's further growth. In addition, in line with external regulatory minimum requirements a retained portion of the 2019 profit will be added to its reserves.

### Capital requirements

Triodos Bank calculates its internal capital adequacy requirements based on minimum requirements ('Pillar 2') and supplemented with additional capital charges ('Pillar 2'), as described in the Capital Requirement Regulation.

The Common Equity Tier 1 (CET1) ratio increased by 0.4% from 17.5% at the year end 2018 to 17.9% at the year end 2019. This ratio is still well above the regulatory requirement. Further quantitative information is disclosed in the Pillar 3 report which can be found on the website of Triodos Bank.

### Minimum capital requirements (Pillar 1)

The total minimum regulatory requirement consists of capital charges for credit risk, operational risk and market risk:

- Credit risk – Triodos Bank applies the standardised approach (SA) for calculating its minimum capital requirements for credit risk and the simple approach for credit risk mitigation. The risk weighted asset calculations are done for all on-balance sheet exposures (including the loan book and the investment book), and off-balance sheet items (such as loan offers, not yet accepted) and derivatives exposures;
- Operational risk – Based on the size and limited complexity of the Triodos Bank organisation, the basic indicator approach (BIA) is used for calculating the capital requirement for operational risk, which equals 15% of the average over three years of Triodos Bank's gross income;
- Market risk – The capital charge for Triodos Bank's market risk is related to its exposure to foreign exchange risk. The requirement is calculated as the sum of the bank's overall net foreign exchange position, multiplied by 8%. Triodos Bank only accepts limited net foreign exchange positions in strategic investments and in its UK activities in GBP. However, when the regulatory threshold of 2% of the actual own funds is not exceeded, the capital charge for market risk is zero;
- Credit valuation adjustment risk – The capital charge for the counterparty risk of derivative transactions that are not cleared through a qualified central counterparty.

### Additional capital requirements (Pillar 2)

In order to determine its economic capital, Triodos Bank also calculates additional capital requirements. These consist of charges for risks or parts of risks that are not covered by Pillar 1. This consists of items in the areas of credit risk, strategic risk, interest rate risk in the banking book, model risk and operational risk.

### Management of excessive leverage

The risk of excessive leverage is managed inclusively in our capital management. We aim for a strong capital base, reducing this risk.

## Company balance sheet as at 31 December 2019<sup>3</sup>

Before appropriation of profit in thousands of EUR	Reference <sup>1</sup>	31.12.2019	31.12.2018 <sup>2</sup>
<b>Assets</b>			
Cash		1,990,761	1,795,272
Banks	30	173,950	235,260
Loans	31	7,077,961	7,248,872
Interest-bearing securities	32	887,270	1,258,216
Shares	33	20	20
Participating interests	34	257,317	45,181
Intangible fixed assets	35	38,194	36,292
Property and equipment	36	120,139	49,284
Other assets		75,809	90,484
Prepayments and accrued income		82,022	89,221
<b>Total assets</b>		<b>10,703,443</b>	<b>10,848,102</b>
<b>Liabilities</b>			
Banks		70,023	67,217
Funds entrusted	37	9,342,328	9,569,914
Other liabilities		39,128	26,467
Accruals and deferred income		50,809	66,375
Provisions	38	1,613	6,252
<b>Total liabilities</b>		<b>9,503,901</b>	<b>9,736,225</b>
Capital	39	720,088	674,734
Share premium reserve	40	198,626	190,324
Revaluation reserve	41	2,354	2,656
Statutory reserve	42	36,108	31,188
Other reserves	43	203,615	178,306
Result for the period		38,751	34,669
<b>Equity</b>		<b>1,199,542</b>	<b>1,111,877</b>
<b>Total equity and liabilities</b>		<b>10,703,443</b>	<b>10,848,102</b>
Contingent liabilities		107,495	140,993
Irrevocable facilities		1,402,450	1,463,989
		<b>1,509,945</b>	<b>1,604,982</b>

<sup>1</sup> References relate to the notes starting on page 174. These form an integral part of the parent company annual accounts.

<sup>2</sup> Prior year amounts were subject to accounting principle changes. For explanation see the general accounting principles.

<sup>3</sup> The company balance consist of Triodos Bank N.V. including the banking entities. Subsidiaries are not consolidated.

## Company profit and loss account for 2019<sup>3</sup>

in thousands of EUR	Reference <sup>1</sup>	2019	2018 <sup>2</sup>
<b>Income</b>			
Interest income	44	184,975	194,790
Interest expense	45	-21,532	-25,102
<b>Interest</b>		<b>163,443</b>	<b>169,688</b>
<b>Investment income</b>	46	<b>679</b>	<b>4,138</b>
Commission income	47	56,056	50,028
Commission expense	48	-4,534	-4,431
<b>Commission</b>		<b>51,522</b>	<b>45,597</b>
Result on financial transactions	49	1	371
Other income	50	750	1,824
<b>Other income</b>		<b>751</b>	<b>2,195</b>
<b>Total income</b>		<b>216,395</b>	<b>221,618</b>
<b>Expenses</b>			
Co-worker and other administrative expenses	51	162,970	167,622
Depreciation, amortisation and value adjustments of tangible and intangible fixed assets	52	14,684	12,318
<b>Operating expenses</b>		<b>177,654</b>	<b>179,940</b>
Impairments loan portfolio and other receivables	53	4,067	3,480
Value adjustments to participating interests		-280	532
<b>Total expenses</b>		<b>181,441</b>	<b>183,952</b>
<b>Operating result before taxation</b>		<b>34,954</b>	<b>37,666</b>
Taxation on operating result	54	-10,201	-8,504
Result on participating interests after taxation		13,998	5,507
<b>Net profit</b>		<b>38,751</b>	<b>34,669</b>

<sup>1</sup> References relate to the notes starting on page 174. These form an integral part of the parent company annual accounts.

<sup>2</sup> Prior year amount were subject to accounting principle changes. For explanation see the general accounting principles.

<sup>3</sup> The company profit and loss account consist of Triodos Bank N.V. including the banking entities. Subsidiaries are not consolidated.

## Company statement of changes in the equity for 2019

in thousands of EUR

### Equity as at 1 January 2018<sup>1</sup>

Change in accounting principle:

- Decrease valuation loans
- Increase in property and equipment regarding repossessed assets
- Decrease in other assets regarding repossessed assets
- Increase in prepayments and accrued income regarding deferred taxes

Increase of share capital

Stock dividend

Revaluation of property, equipment and participation interest after taxation

Realisation of revaluation

Exchange rate results from business operations abroad after taxation

Profit appropriation for previous financial year, addition to the other reserves

Profit appropriation for previous financial year, dividend

Reverted dividend

Dividend not distributed in cash

Transfer to statutory reserve for development costs

Purchasing or sale of own depository receipts

Result for the period

### Equity as at 31 December 2018<sup>1</sup>

Increase of share capital

Stock dividend

Revaluation of property, equipment and participation interest after taxation

Realisation of revaluation

Exchange rate results from business operations abroad after taxation

Profit appropriation for previous financial year, addition to the other reserves

Profit appropriation for previous financial year, dividend

Dividend not distributed in cash

Reverted dividend

Transfer to statutory reserve for development costs

Purchasing or sale of own depository receipts

Result for the period

### Equity as at 31 December 2019

<sup>1</sup> Prior year amounts were subject to accounting principle changes. For explanation see the general accounting principles.

	Share capital	Share Premium	Revaluation reserve	Statutory reserve	Other reserve	Result for the period	Total equity
	612,368	169,840	1,186	24,988	167,118	37,395	1,012,895
					-20,686		-20,686
					9,965		9,965
					-9,975		-9,975
					5,286		5,286
	50,093	32,757					82,850
	12,273	-12,273					-
			1,470				1,470
			-		-		-
				-275			-275
					12,946	-12,946	-
						-24,449	-24,449
					-		-
					20,127		20,127
				6,475	-6,475		-
					-		-
						34,669	34,669
	674,734	190,324	2,656	31,188	178,306	34,669	1,111,877
	32,148	21,508					53,656
	13,206	-13,206					-
			-302				-302
			-		-		-
				721			721
					7,713	-7,713	-
						-26,956	-26,956
					21,921		21,921
					-		-
				4,199	-4,199		-
					-126		-126
						38,751	38,751
	720,088	198,626	2,354	36,108	203,615	38,751	1,199,542

## Notes to the company's financial statements

in thousands of EUR

### General

The accounting principles for valuation and determination of results are the same as those for the consolidated Annual Accounts.

For those items not included in these Notes, please see the Notes to the consolidated Annual Accounts on page 80.

In 2019 Triodos Bank N.V. transferred the assets and liabilities of the branch in the United Kingdom to the wholly-owned subsidiary Triodos Bank UK Ltd. against book value at the moment of transfer.

The wholly-owned subsidiaries Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V. and Triodos Nieuwbouw B.V. were liquidated in 2019. The assets and liabilities of these entities were transferred to Triodos Bank N.V. against book value at the moment of transfer.

The impact of these transfers has been disclosed in Notes of the accounts.

### Assets

#### 30. Banks

	2019	2018
On demand deposits with banks	151,911	164,867
Deposits with banks	22,039	70,393
<b>Balance sheet value as at 31 December</b>	<b>173,950</b>	<b>235,260</b>

An amount of EUR 21.0 million of the deposits is encumbered (2018: EUR 19.7 million). These are on demand deposits at Cecabank in the amount of EUR 1 million (2018: EUR 1 million), Caja de Ingenieros in the amount of EUR nil (2018: EUR 0.5 million), ING Bank EUR 13 million (2018: EUR 13 million), Banco Cooperativo EUR 7 million (2018: EUR 4.6 million) and Mastercard EUR 0.0 million (2018: EUR 0.6 million). All other deposits can be freely disposed of.

### 31. Loans

	2019	2018
Loans	7,109,643	7,288,028
Provision for doubtful debts	-31,682	-39,156
<b>Balance sheet value as at 31 December</b>	<b>7,077,961</b>	<b>7,248,872</b>

This relates to loans to customers.

Prior year figures have been adjusted for an amount of EUR -25,810 due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles. As part of the interest rate risk management Triodos Bank entered into interest rate swaps to hedge the interest risk on fixed interest rate loans. The critical terms of the interest rate swaps such as nominal amount, maturity date and interest payment dates fully match the terms of the respective loans. The total notional value of these loans is EUR 153.0 million which equals the notional value of the interest rate swaps (2018: EUR 142.3 million). The fair value of the interest rate swaps as at 31 December 2019 is EUR -2.4 million (2018: EUR -1.3 million). Triodos Bank applies cost price hedge accounting on these interest rate swaps and therefore the fair value is not recognised on the balance sheet.

Loans classified by residual maturity:

	2019	2018
Payable on demand	205,655	335,806
1 to 3 months	452,546	300,239
3 months to 1 year	500,356	370,358
1 to 5 years	2,013,585	1,965,417
Longer than 5 years	3,937,501	4,316,208
<b>Balance sheet value as at 31 December</b>	<b>7,109,643</b>	<b>7,288,028</b>

EUR 271.0 million (2018: EUR 144.7 million) of the loans relates to loans to local authorities with a maximum original maturity of one year and one day.

The movement of the provision for doubtful debts is as follows:

	2019			2018		
	Specific	Collective	Total	Specific	Collective	Total
Balance sheet value as at 1 January	33,742	5,414	39,156	43,678	5,918	49,596
Addition	9,385	384	9,769	7,561	1,013	8,574
Write-off	-9,137	-	-9,137	-13,561	-	-13,561
Release	-5,618	-380	-5,998	-3,908	-1,515	-5,423
Transfer <sup>1</sup>	-1,904	-299	-2,203	-	-	-
Exchange rate differences	82	13	95	-28	-2	-30
<b>Balance sheet value as at 31 December</b>	<b>26,550</b>	<b>5,132</b>	<b>31,682</b>	<b>33,742</b>	<b>5,414</b>	<b>39,156</b>

<sup>1</sup> This relates to the transfer of this asset from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

The provision does not relate to contingent liabilities and irrevocable facilities. In the provision for doubtful debts is included an Incurred But Not Reported (IBNR) provision in the amount of EUR 5.1 million (2018: EUR 5.4 million).

A breakdown related to received collateral, relevant industries, sectors and per geographic region can be found in the Pillar 3 report 2019 which can be found on the website of Triodos Bank.

### 32. Interest-bearing securities

	2019	2018
Dutch Government bonds	70,292	70,597
Belgian Government bonds	168,222	230,696
Spanish Government bonds	72,182	91,473
United Kingdom Government bonds	-	89,790
Other bonds	576,574	775,660
<b>Balance sheet value as at 31 December</b>	<b>887,270</b>	<b>1,258,216</b>

Differences between the acquisition price and the redemption value are amortised over the remaining life of the securities. These items were recognised as prepayments and accrued income, for an amount of EUR 20.2 million (2018: EUR 26.6 million,) or accruals and deferred income, for an amount of EUR 0.4 million (2018: 0.7 million), in the balance sheet but are transferred to interest-bearing securities. The comparative figures are adjusted accordingly.

The movement in interest-bearing securities is as follows:

	2019	2018
Balance sheet value as at 1 January	1,258,216	1,433,852
Purchase	112,417	235,063
Repayments	-362,823	-396,590
Sale	-	-
Transfer <sup>1</sup>	-111,822	-
Amortisation difference between acquisition price and redemption value	-8,718	-12,770
Exchange rate results on foreign currencies	-	-1,339
<b>Balance sheet value as at 31 December</b>	<b>887,270</b>	<b>1,258,216</b>

<sup>1</sup> This relates to the transfer of the interest-bearing securities from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

As part of the interest rate risk management Triodos Bank entered into interest rate swaps to hedge the interest risk on fixed interest rate bonds. The critical terms of the interest rate swaps such as nominal amount, maturity date and interest payment dates fully match the terms of the respective bonds. The total notional value of these bonds is EUR 153.0 million which equals the notional value of the interest rate swaps (2018: EUR 131.5 million). The fair value of the interest rate swaps as at 31 December 2019 is EUR - 1.7 million (2018: EUR -1.2 million). Triodos Bank applies cost price hedge accounting on these interest rate swaps and therefore the fair value is not recognised on the balance sheet.

### 33. Shares

	2019	2018
S.W.I.F.T. SCRL	20	20
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

The movement in shares is as follows:

	2019	2018
Balance sheet value as at 1 January	20	20
Purchase	-	-
Sales	-	-
<b>Balance sheet value as at 31 December</b>	<b>20</b>	<b>20</b>

### 34. Participating interests

	2019	2018
Participating interests in group companies	233,038	22,733
Other participating interests	24,279	22,448
<b>Balance sheet value as at 31 December</b>	<b>257,317</b>	<b>45,181</b>

This relates to equity participations that are held long-term for business operation purposes. The statement of equity participations in accordance with Section 2:379 of The Netherlands Civil Code is included under the accounting principles for consolidation in the Notes to the consolidated Annual Accounts.

The movement in this item is as follows:

	2019	2018
Balance sheet value as at 1 January	45,181	37,857
Acquisitions	–	9,848
Incorporations <sup>1</sup>	200,036	–
Increase of capital	3,726	2,499
Result on participating interests	13,998	5,507
Transfer from or to provision for negative equity of participating interests	–	342
Dividend paid	–5,082	–5,088
Revaluation	73	3,200
Repayment of capital	–4,393	–1,236
Sale	–	–7,996
Exchange rate result on foreign currency	3,778	248
<b>Balance sheet value as at 31 December</b>	<b>257,317</b>	<b>45,181</b>

<sup>1</sup> The incorporation relate to the transfer of the assets and liabilities from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

### 35. Intangible fixed assets

	2019	2018
Development costs for information systems	36,354	33,684
Computer software	1,840	2,608
<b>Balance sheet value as at 31 December</b>	<b>38,194</b>	<b>36,292</b>

#### Development costs for information systems

The development costs for information systems relate to the development costs for the banking system.

The movement in the development costs for the information systems item is as follows:

	2019	2018
Purchase value as at 1 January	57,442	43,828
Cumulative amortisation as at 1 January	-23,758	-16,557
Balance sheet value as at 1 January	33,684	27,271
Capitalised expenses	12,894	12,854
Amortisation	-7,465	-5,908
Impairments	-890	-512
Transfer <sup>1</sup>	-1,869	-
Exchange rate result on foreign currency	-	-21
<b>Balance sheet value as at 31 December</b>	<b>36,354</b>	<b>33,684</b>
Purchase value as at 31 December	66,307	57,442
Cumulative amortisation as at 31 December	-29,953	-23,758
<b>Balance sheet value as at 31 December</b>	<b>36,354</b>	<b>33,684</b>

<sup>1</sup> This relates to the transfer of the bookvalue of the development costs for information systems from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

## Computer software

Computer software relate to software that has been purchased.

The movement in computer software is as follows:

	2019	2018
Purchase value as at 1 January	4,612	4,307
Cumulative amortisation as at 1 January	-2,004	-1,605
Balance sheet value as at 1 January	2,608	2,702
Purchase	474	981
Amortisation	-1,142	-1,075
Impairments	-37	-
Transfer <sup>1</sup>	-63	-
<b>Balance sheet value as at 31 December</b>	<b>1,840</b>	<b>2,608</b>
Purchase value as at 31 December	3,825	4,612
Cumulative amortisation as at 31 December	-1,985	-2,004
<b>Balance sheet value as at 31 December</b>	<b>1,840</b>	<b>2,608</b>

<sup>1</sup> This relates to the transfer of the bookvalue of the development costs for information systems from the branch in the UK to the subsidiary Triodos Bank UK Ltd.

### 36. Property and equipment

	2019	2018
Property for own use	76,614	25,820
Equipment	32,513	12,140
Property not for own use	11,012	11,324
<b>Balance sheet value as at 31 December</b>	<b>120,139</b>	<b>49,284</b>

The movement in the property for own use is as follows:

	2019	2018
Purchase value as at 1 January	29,800	30,045
Cumulative revaluation as at 1 January	-1,595	-1,595
Cumulative depreciation as at 1 January	-2,385	-1,816
Balance sheet value as at 1 January	25,820	26,634
Purchase	3,517	-
Depreciation	-487	-669
Revaluation	-	-
Transfer <sup>1</sup>	47,764	-
Exchange rate differences	-	-145
<b>Balance sheet value as at 31 December</b>	<b>76,614</b>	<b>25,820</b>
Purchase value as at 31 December	84,430	29,800
Cumulative revaluation as at 31 December	-1,595	-1,595
Cumulative depreciation as at 31 December	-6,221	-2,385
<b>Balance sheet value as at 31 December</b>	<b>76,614</b>	<b>25,820</b>

<sup>1</sup> This relates to the transfer in of the properties for own use from the liquidated subsidiaries Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V. and Triodos Nieuwbouw B.V. in the amount of EUR 60,848 and the transfer out of the Property for own use from the branch in the UK to the subsidiary Triodos Bank UK Ltd in the amount of EUR 13,084.

The movement in equipment is as follows:

	2019	2018
Purchase value as at 1 January	34,490	33,511
Cumulative depreciation as at 1 January	-22,350	-19,091
Balance sheet value as at 1 January	12,140	14,420
Purchase <sup>1</sup>	21,432	1,780
Sale <sup>2</sup>	-4	-54
Depreciation <sup>2</sup>	-4,252	-3,988
Impairment	-60	-
Transfer <sup>3</sup>	3,257	-
Exchange rate differences	-	-18
<b>Balance sheet value as at 31 December</b>	<b>32,513</b>	<b>12,140</b>
Purchase value as at 31 December	55,353	34,490
Cumulative depreciation as at 31 December	-22,840	-22,350
<b>Balance sheet value as at 31 December</b>	<b>32,513</b>	<b>12,140</b>

<sup>1</sup> The purchase mainly relates to the investment in the installation and inventory of the new office building in The Netherlands.

<sup>2</sup> excluding disposal in the amount of EUR 2.6 million (2018: EUR 0.7 million).

<sup>3</sup> This relates to the transfer in of the equipment from the liquidated subsidiaries Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V. and Triodos Nieuwbouw B.V. in the amount of EUR 4,911 and the transfer out of the equipment from the branch in the UK to the subsidiary Triodos Bank UK Ltd in the amount of EUR 1,654.

The movement in the property not for own use is as follows:

	2019	2018
Purchase value as at 1 January	12,589	10,979
Cumulative depreciation as at 1 January	-1,265	-1,014
Balance sheet value as at 1 January	11,324	9,965
New foreclosed assets	41	1,610
Depreciation	-239	-224
Impairments	-114	-27
<b>Balance sheet value as at 31 December</b>	<b>11,012</b>	<b>11,324</b>
Purchase value as at 31 December	12,630	12,589
Cumulative depreciation as at 31 December	-1,618	-1,265
<b>Balance sheet value as at 31 December</b>	<b>11,012</b>	<b>11,324</b>

## Liabilities

### 37. Funds entrusted

	2019	2018
Savings accounts	5,432,087	5,798,813
Other funds entrusted	3,910,241	3,771,101
<b>Balance sheet value as at 31 December</b>	<b>9,342,328</b>	<b>9,569,914</b>

The Other funds entrusted item includes an amount of EUR 22.2 million (2018: EUR 11.7 million) for deposits from consolidated participating interests.

Savings are defined as:

- savings accounts (with or without notice) of natural persons and non-profit institutions
- fixed term deposits of natural persons and non-profit institutions

Other funds entrusted are defined as:

- current accounts of natural persons and non-profit institutions
- all accounts of governments, financial institutions (excluding banks) and non-financial corporations

Funds entrusted classified by residual maturity:

	2019			2018		
	Savings	Other funds entrusted	Total	Savings	Other funds entrusted	Total
Payable on demand	4,871,083	3,839,718	8,710,801	4,666,881	3,556,782	8,223,663
1 to 3 months	102,609	16,553	119,162	538,097	144,669	682,766
3 months to 1 year	228,854	26,197	255,051	288,022	41,832	329,854
1 to 5 years	197,223	25,287	222,510	270,222	25,477	295,699
Longer than 5 years	32,318	2,486	34,804	35,591	2,341	37,932
	<b>5,432,087</b>	<b>3,910,241</b>	<b>9,342,328</b>	<b>5,798,813</b>	<b>3,771,101</b>	<b>9,569,914</b>

### 38. Provisions

	2019	2018
Provision for negative equity of participating interests	–	653
Building maintenance	1,105	841
Other provisions	508	4,758
	<b>1,613</b>	<b>6,252</b>

The movement of the provisions is as follows:

	2019	2018
Balance sheet value as at 1 January	6,252	3,953
Addition	1,029	6,098
Withdrawal	–1,955	–3,628
Release	–3,253	–145
Transfer <sup>1</sup>	–561	–
Exchange rate differences	101	–26
<b>Balance sheet value as at 31 December</b>	<b>1,613</b>	<b>6,252</b>

<sup>1</sup> This relates to the transfer in of building maintenance provisions from the liquidated subsidiaries Kantoor Buitenzorg B.V., Kantoor Nieuweroord B.V. and Triodos Nieuwbouw B.V. in the amount of EUR 727 and the transfer out of provisions from the branch in the UK to the subsidiary Triodos Bank UK Ltd in the amount of EUR 1,288.

### 39. Capital

The authorised capital totals to an amount of EUR 1.5 billion and is divided into 30 million ordinary shares, each with a nominal value of EUR 50. At year-end, there were 14,401,765 ordinary shares (2018: 13,494,697 shares), each of EUR 50, issued to and fully paid up by Stichting Administratiekantoor Aandelen Triodos Bank. As at the same date, Stichting Administratiekantoor Aandelen Triodos Bank had also issued 14,401,765 depository receipts (2018: 13,494,697 depository receipts), each with a nominal value of EUR 50.

The purchasing and reissuing of depository receipts for own shares is charged or credited respectively to the Other reserves. Any balance remaining after the re-issuing of all own depository receipts purchased shall be placed at the disposal of the Annual General Meeting.

The movement in the number of shares is as follows:

	2019	2018
Number of shares as at 1 January	13,494,697	12,247,373
Increase of share capital	642,944	1,001,861
Stock dividend	264,124	245,463
<b>Number of shares as at 31 December</b>	<b>14,401,765</b>	<b>13,494,697</b>

#### 40. Share premium reserve

This item includes the share premium reserve, which is composed of deposits that exceed the nominal capital, after deduction of capital transfer tax. The full balance of the share premium reserve has been recognised as such for tax purposes.

#### 41. Revaluation reserve

The revaluation reserve relates to the unrealised value adjustments in respect of the acquisition price for participating interests.

#### 42. Statutory reserve

	2019	2018
Development costs	38,914	34,715
Conversion differences	-2,806	-3,527
<b>Balance sheet value as at 31 December</b>	<b>36,108</b>	<b>31,188</b>

#### Development costs

The movement in the statutory reserve for development costs is as follows:

	2019	2018
Balance sheet value as at 1 January	34,715	28,240
Transfer of other reserve	4,199	6,475
<b>Balance sheet value as at 31 December</b>	<b>38,914</b>	<b>34,715</b>

## Conversion differences

The movement in the statutory reserve for conversion differences is as follows:

	2019	2018
Balance sheet value as at 1 January	-3,527	-3,252
Exchange results on participating interests	721	-275
<b>Balance sheet value as at 31 December</b>	<b>-2,806</b>	<b>-3,527</b>

## 43. Other reserves

The movement in other reserves includes purchasing of own depository receipts. At year-end 2019, Triodos Bank had purchased 1,321 own depository receipts (2018: nil).

## Income

### 44. Interest income

	2019	2018
Loans	171,068	178,762
Banks	406	374
Government papers and interest-bearing securities	11,804	14,287
Other investments	85	92
Negative interest income other	1,612	1,275
	<b>184,975</b>	<b>194,790</b>

The interest income includes revenues derived from loans and related transactions, as well as related commissions, which by their nature are similar to interest payments. The interest-bearing securities item does not include transaction results (2018: nil).

Prior year interest income on loans have been adjusted for an amount of EUR 3,983 due to a change of the accounting principle regarding the way of using the effective interest rate. For further explanation see the general accounting principles on page 80.

#### 45. Interest expense

	2019	2018
Funds entrusted	10,620	17,338
Banks	534	190
Negative interest income banks	7,770	6,263
Other	2,123	10
Negative interest income other	485	1,301
	<b>21,532</b>	<b>25,102</b>

#### 46. Investment income

	2019	2018
Dividend from other participations	679	373
Realised result from other participations	–	3,765
	<b>679</b>	<b>4,138</b>

#### 47. Commission income

	2019	2018
Guarantee commission	710	842
Transaction fee securities	2,011	1,728
Payment transactions	26,265	23,342
Lending	13,077	11,254
Asset Management	6,894	6,177
Management fees	2,885	2,255
Other commission income	4,214	4,430
	<b>56,056</b>	<b>50,028</b>

Prior year commission income on lending have been adjusted for an amount of EUR 9,107 due to a change of the accounting principle regarding the application of the effective interest rate methodology. For further explanation see the general accounting principles on page 80.

#### 48. Commission expense

	2019	2018
Commission to agents	146	150
Asset Management	721	1,010
Other commission expense	3,667	3,271
	<b>4,534</b>	<b>4,431</b>

#### 49. Result on financial transactions

	2019	2018
Exchange results for foreign currency transactions	-107	47
Transaction results on currency forward contracts	108	324
	<b>1</b>	<b>371</b>

#### 50. Other income

	2019	2018
Realised results assets not in use <sup>1</sup>	239	1,407
Income assets not in use <sup>1</sup>	246	235
Other income	265	182
	<b>750</b>	<b>1,824</b>

<sup>1</sup> Assets not in use relates to acquired collateral on written off loans.

The other income relates to fees for other services performed and results from asset disposals.

The other income relates to fees for other services performed and results from asset disposals.

## Expenses

### 51. Co-worker and other administrative expenses

	2019	2018
Co-worker costs:		
• salary expenses	63,150	63,312
• pension expenses	8,166	9,086
• social security expenses	12,888	12,358
• temporary co-workers	17,410	14,194
• other staff costs	7,885	6,854
• capitalised co-worker costs	-5,828	-7,562
	<b>103,671</b>	<b>98,242</b>
Other administrative expenses:		
• office costs	4,220	4,666
• IT costs	14,323	12,619
• external administration costs	9,482	8,882
• travel and lodging expenses	2,618	2,639
• fees for advice and auditor	8,087	10,041
• advertising charges	5,817	5,876
• accommodation expenses	8,562	8,168
• other expenses	6,190	16,489
	<b>59,299</b>	<b>69,380</b>
	<b>162,970</b>	<b>167,622</b>
Average number FTEs during the year	<b>1,068.2</b>	<b>1,128.0</b>

### Other expenses

The decline is mainly caused by the increase of expenses charged to the subsidiary Triodos Investment Management B.V. and the newly established subsidiary Triodos Bank UK Ltd in 2019 (formerly Triodos Bank UK branch), with had to be deducted from the other expenses.

## 52. Depreciation, amortisation and value adjustments of intangible and tangible fixed assets

	2019	2018
Amortisation of intangible fixed assets	8,606	6,983
Impairment of intangible fixed assets	928	512
Depreciation of property and equipment	4,976	4,795
Impairment of tangible fixed assets	174	28
	<b>14,684</b>	<b>12,318</b>

Depreciation has been reduced by the part that is charged on to related parties.

## 53. Impairments loan portfolio and other receivables

This item consists of expenses associated with write-downs on loans and other receivables.

	2019	2018
Addition to provision doubtful debts	9,769	8,574
Correction on addition to provision doubtful debts regarding interest that has been invoiced but not received	-7	-66
Release of provision doubtful debts	-5,998	-5,423
Impairments other receivables	303	395
<b>Total expense</b>	<b>4,067</b>	<b>3,480</b>

Prior year figures have been adjusted for an amount of EUR 32 due to a transfer of repossessed assets from other assets to property not for own use. For further explanation see the general accounting principles on page 80.

## 54. Taxation on operating result

	2019	2018
Taxation to be paid	8,166	7,884
Deferred taxation	2,035	620
	<b>10,201</b>	<b>8,504</b>

Prior year taxation on operating results have been adjusted for an amount of EUR 1,409. For further explanation see the general accounting principles on page 80.

## 55. Subsequent events

Triodos Bank considers the COVID-19 Pandemic as a significant event after closing the Annual Accounts 2019. The impact of the pandemic on people, companies and the economy at large cannot be assessed in full depth at this stage. However, the impact may have a downward effect on profitability. Measures to mitigate the immediate operational risks are in place. Additional measures are dependent on our own assessments and the response of the authorities.

Zeist, 18 March 2020

### Supervisory Board

Aart de Geus, Chair  
Fieke van der Lecq, Vice-Chair  
Ernst-Jan Boers  
Sebastien d'Hondt  
Mike Nawas  
Dineke Oldenhof

### Executive Board

Peter Blom, Chair  
Jellie Banga, Vice-Chair  
André Haag  
Carla van der Weerd

# Other information

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## Profit appropriation

The appropriation of profit as set in the articles of association are presented under note 16 Equity on page 112.

## Banking entities

In addition to its head office in The Netherlands, Triodos Bank has banking entities in The Netherlands, Belgium, Spain, Germany and a subsidiary in the United Kingdom.

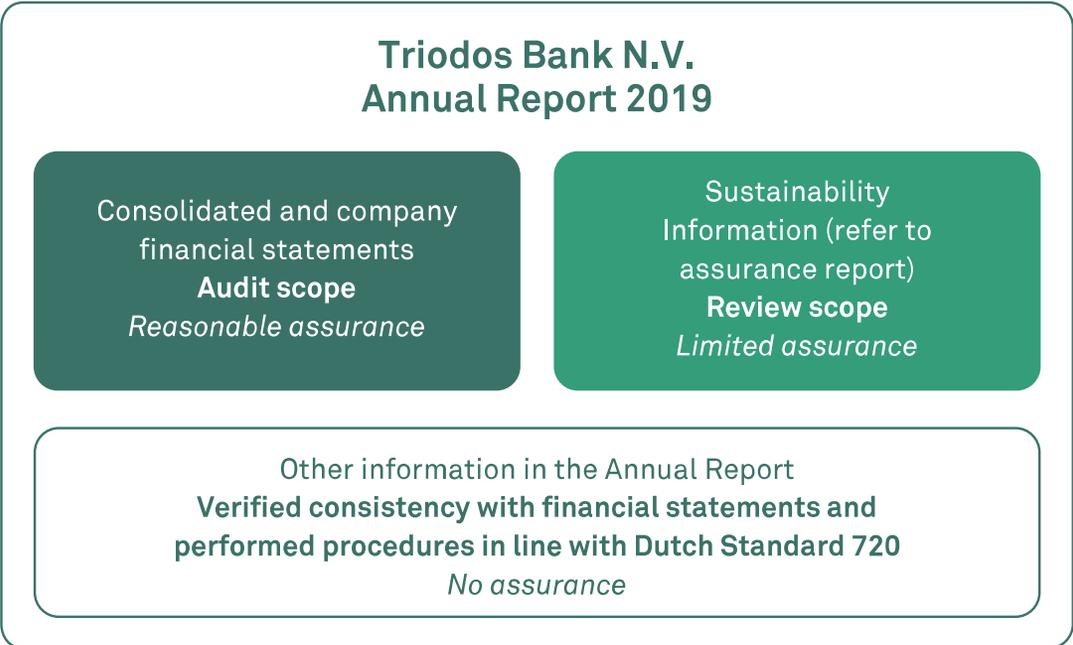
## Combined independent auditor’s and assurance report

### General

The purpose of Triodos Bank N.V. (‘the Bank’), as disclosed in the annual report on page 8, is to connect depositors and investors with socially responsible businesses to build a movement for a sustainable, socially inclusive society, built on the conscious use of money. This purpose makes that customers and other stakeholders are interested in more than just the financial performance of the Bank.

Our assurance procedures therefore consisted of an audit of the annual accounts (‘the financial statements’) of Triodos Bank N.V. and limited assurance procedures (review procedures) over the sustainability information in the Bank’s annual report.

Our scope can be summarised as follows:



## Independent auditor's report

To: the general meeting and the supervisory board of Triodos Bank N.V.

### Report on the financial statements 2019

#### Our opinion

In our opinion, the financial statements of Triodos Bank N.V. ('the Bank') give a true and fair view of the financial position of the Bank and the Group (the Bank together with its subsidiaries) as at 31 December 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2019 of Triodos Bank N.V., Zeist. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2019;
- the consolidated and company profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

#### The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of Triodos Bank N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

#### Our audit approach

##### *Overview and context*

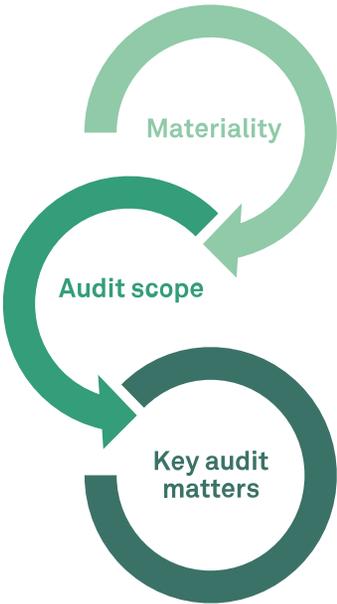
The Group is comprised of several components (refer to the consolidation principles on page 82 of the annual report for an overview of the companies included in the consolidation) and therefore we considered our group

audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the executive board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the section 'The use of estimates and assumptions in preparation of the financial statements', the Group describes that the main areas of judgement concern the methods for determining the fair value of assets and liabilities and determining impairments and other value adjustments. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the impairments of loans to customers and fair value measurement of financial instruments, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered as key audit matters were IT and compliance with laws and regulation. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the executive board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams at both group and component level included the appropriate skills and competences, which are needed for the audit of a bank. We therefore included experts and specialists in the areas of amongst others IT, accounting, valuation of financial instruments and taxation in our team. The outline of our audit approach was as follows:



**Materiality**

- Overall materiality: €2.6 million.
- 

**Audit scope**

- We conducted audit work on Triodos Bank N.V.'s head office activities (hereafter: head office), its four banking entities, Triodos Bank UK Ltd. and Triodos Investment Management B.V.
  - We conducted site visits to the Dutch branch, the Spanish branch, Triodos Bank UK Ltd. and Triodos Investment Management B.V.
  - Audit coverage: 100% of consolidated total income, 97% of consolidated total assets and 95% of consolidated profit before tax.
- 

**Key audit matters**

- Impairments of loans to customers
- Fair value of financial instruments

## Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

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**Overall group materiality**

€2.6 million (2018: €2.5 million).

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**Basis for determining materiality**

We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of profit before tax.

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**Rationale for benchmark applied**

We used profit before tax as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On this basis, we believe that profit before tax is an important metric for the financial performance of the Group.

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**Component materiality**

To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €0.5 million and €2.3 million.

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We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above €130 thousand (2018: €125 thousand) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons. For balance sheet only reclassifications, we agreed with the Group's supervisory board to report on misstatements above €6 million (2018: €5.4 million).

### *The scope of our group audit*

Triodos Bank N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Triodos Bank N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit primarily focussed on the significant components: head office, three of the four banking entities (in the Netherlands, Belgium and Spain), Triodos Bank UK Ltd. and Triodos Investment Management B.V. We subjected these six significant components to audits of their complete financial information, as those components are individually financially significant to the Group.

Compared to the audit scope in prior year, we no longer considered the German branch to be a significant component (based on financial insignificance of this component to the Group as whole). However, the component auditor still performed a full scope audit, only the level of our involvement was less. Furthermore, the UK branch was converted into a subsidiary on 1 May 2019. For the results of the UK branch, audit procedures were performed to achieve appropriate coverage on financial line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

<b>Total income</b>	100%
-----	
<b>Total assets</b>	97%
-----	
<b>Profit before tax</b>	95%

None of the remaining components represented more than 1% of total group income or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

The group engagement team performed the audit work for the head office. For the components Triodos Investment Management B.V. and the Dutch branch, we used component auditors from the Netherlands, and for the other banking entities and Triodos Bank UK Ltd., we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the

structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We attended all local clearance meetings, either physically or through conference calls, where we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

The group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. These included derivative financial instruments, hedge accounting, impairment of incurred but not reported losses and fair value disclosures.

Banks in general depend heavily on an effective and efficient information technology ('IT') environment. We engaged our IT specialists to assist us in assessing, for the purpose and to the extent relevant for our audit, the information technology general controls ('ITGCs') at the Group. This includes the policies and procedures used by the Group to ensure IT operates as intended and provides reliable data for financial reporting purposes. Furthermore, our IT specialists supported us in our key report testing and application controls testing.

We tailored our approach towards the fact that the Group operates an in-house developed IT system as well as off-the-shelf IT systems throughout the Group.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information as a whole, to provide a basis for our opinion on the financial statements.

## **Our focus on the risk of fraud and non-compliance with laws and regulations**

### *Our objectives*

With respect to fraud the objectives of our audit are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations our objectives are:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the executive board with the oversight of the supervisory board. We refer to the section 'risk and compliance' of the Executive Board report and the section 'risk management' of the annual report, where the executive board included its risk assessment and risk control measures. We also refer to the Supervisory Board report, where the supervisory board reflects on this assessment.

## *Fraud*

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We have involved forensic specialists in our fraud risk assessment. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls, performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias. Finally, we incorporated elements of unpredictability in our audit.

We refer to the key audit matters 'impairments of loans to customers' and 'fair value of financial instruments', that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

## *Compliance with laws and regulations*

We performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Group. We performed audit procedures on laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, such as the financial reporting framework and tax and pension laws and regulations.

In addition, we identified laws and regulations that do not have a direct effect on the financial statements, but where compliance may be fundamental to the operating aspect of the business, to the Bank's ability to continue its business or to avoid material penalties (e.g. Anti-money laundering and anti-terrorist financing act (Wwft)). We inquired with management and/or those in charge with governance as to whether the Bank is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities. We refer to the deficiency detected in the area of customer identification and acceptance and monitoring of customer transaction behaviour, as disclosed on page 58 and 153 of the annual report.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

We note that the key audit matters related to 'impairments of loans to customers' and 'fair value of financial instruments' are recurring. These relate to the Group's primary business process and objectives, and did not change significantly compared to prior year. In the previous year, we also considered the potential VAT charges on intracompany transactions in Belgium to be a key audit matter. This is no longer a key audit matter for our 2019 audit, as the Belgian tax authorities issued a ruling in this respect, and therefore the impact on the financial statements is significantly less compared to prior year.

### Key audit matter

#### **Impairments of loans to customers**

*Refer to sections 'the use of estimates and assumptions in the preparation of the financial statements' and 'banks and loans' of the accounting principles and note 3 'loans'.*

Given the size of the loan portfolio of €8,187 million (note 3 'loans' in the financial statements) and the high level of management estimates associated with the determination of impairments, we consider this as a key audit matter in our audit.

The high level of management's judgement associated with the impairments of loans to customers means that differences in judgements and changes in assumptions may result in higher or lower impairment charges.

#### *Specific impairments*

The Group assesses whether there is an indication of a possible impairment of loans on an individual basis. As of 31 December 2019, the specific allowance for impairment amounts to €28.3 million (2018: €33.7 million, refer to note 3 'loans' in the financial statements).

### Our audit work and observations

Our audit procedures included an assessment of the overall governance of the credit and impairment process of the Group and the testing of design and operating effectiveness of the key controls directly related to:

- the identification of impairment triggers;
- the parameters and data applied in the impairment models (e.g. exposures, cash flows, market values of collateral); and
- the review on and approval by management of the outcomes of the individual impairments and the impairment models.

We determined that we could rely on these controls for the purpose of our audit.

#### *Specific impairments*

We examined the methodology applied by the Group in determining specific impairments. Based on a risk assessment, we tested a sample of loans included in the specific loan loss provision to verify the judgemental elements such as:

- the reason for classification as an impaired loan;

In accordance with Part 9 of Book 2 of the Dutch Civil Code, impairments are based on incurred losses at balance sheet date. When a trigger is identified, the Group determines the level of impairment, which includes judgements on elements such as:

- the identification of an impaired loan;
- the estimation of expected future cash flows;
- their timing; and
- the market value of the underlying collateral.

Management's judgements change over time as new information becomes available, or recovery strategies evolve, resulting in revised scenarios to individual impairments.

#### *Incurred but not reported losses*

Furthermore, the Group estimates an impairment for incurred but not reported losses ('IBNR' or 'collective provision').

As of 31 December 2019, the IBNR provision amounts to €5.5 million (2018: €5.4 million, refer to note 3 'loans' in the financial statements). For loans that are individually not impaired, the Group determines, based on experience and historical loss data, whether further impairment losses are present in the portfolio. The key parameters used in this calculation are:

- the exposure at default ('EAD');
- the probability of default ('PD');
- the loss given default ('LGD'); and
- the loss incubation period ('LIP').

- the nature and accuracy of the expected future cash flows based on the source from which the cash flows arise;
- the accuracy of the applied discount rate given the applicable latest interest rate and expected timing of the future cash flows; and
- the valuation of the corresponding collateral based on appraisal reports and other external information.

Furthermore, we assessed the past due listings and loans with low credit ratings and compared these to the loans actually provided for in the specific loan loss provision to determine whether the loans were adequately classified as performing or non-performing.

We found the assumptions applied by management in determining the specific provision to be consistent with historical practices and in line with our expectations and we did not identify any material exceptions.

#### *Incurred but not reported losses*

We examined the methodology applied, as well as the calculation used by the Group in determining the IBNR provision. We assessed the assumptions applied by management with respect to the EAD, PD, LGD and LIP parameters by, amongst other:

- reconciling the EAD to the banking system;
- re-performing the calculation of the PD times LGD and reconciling the Group's historical loss data to the source systems; and
- performing our own sensitivity checks on both the PD times LGD and the LIP.

We found the IBNR calculation to be mathematically accurate and, based on our sensitivity analyses, to fall within acceptable ranges of reasonable outcomes.

We also assessed the completeness and accuracy of the disclosures relating to impairments of loans to customers and observed that the disclosure complies with the requirements included in Part 9 of Book 2 of the Dutch Civil Code.

Key audit matter

### **Fair value of financial instruments**

*Refer to sections 'financial instruments', 'participating interests' and 'derivatives and hedge accounting' of the accounting principles section, note 6 'participating interests', note 10 'prepayments and accrued income', note 14 'accruals and deferred income' and the note disclosure 'fair values'.*

As of 31 December 2019, the items carried at fair value in the financial statements concern:

- participating interests amounting to €24.3 million (2018: €22.4 million);
- derivatives amounting to €7.8 million (2018: €5.2 million) on the asset side and €10.1 million (2018: €4.8 million) on the liability side of the balance sheet.

Loans and interest-bearing securities are valued at amortised cost. The fair values, disclosed in 'fair values' on page 114 of the financial statements, amount to €8.3 billion and €1.1 billion respectively. Cost price hedge accounting is applied on the interest rate swaps on loans and on interest-bearing securities. The fair values amount to €2.4 million (negative) and €1.7 million (negative) respectively.

For a part of the portfolio, quoted prices from observable market sources can be obtained for the fair value valuation. The more illiquid instruments on the other hand are valued based on models and assumptions that are not market observable (like spreads and prepayment rates applied). These areas have a higher potential risk of error or bias and, consequently, we determined the fair value of these financial instruments to be a key audit matter.

Our audit work and observations

Our audit procedures included an assessment of the overall governance of the treasury and investment process of the Group and the testing of design and operational effectiveness of the key controls with respect to financial instrument deal capturing and source data management. We determined that we could rely on these controls for the purpose of our audit.

For a sample of the participating interests we performed the following substantive procedures:

- testing the mathematical accuracy of the valuation performed by management;
- reconciling the applied share price as at year-end to supporting documentation; and
- assessing the classification as participating interest based on the level of influence.

We found that the estimates made by management were in line with market practice.

For our substantive audit procedures with respect to derivatives and the fair value disclosures of loans and interest-bearing securities we used our valuation specialists and experts to assist us in testing the outcome of management's valuations of these financial instruments by:

- evaluating the appropriateness of the valuation models used considering market practices;
- comparing, on a sample basis, the observable input data against externally available market data and evaluating the reasonableness of the unobservable inputs applied; and
- independently re-performing management's valuation using our own valuation tools for the full portfolio of derivatives, debt securities, the mortgage loan portfolio and a sample of embedded derivatives.

We found no material differences in the re-performance of the valuation of the financial instruments nor in the testing of the input data.

With respect to our independent valuation procedures performed, we found that the estimates made by management were within an acceptable range considered in the context of the estimation uncertainty in the fair valuation of these financial instruments.

## Emphasis of matter related to the uncertainty related to the effects of the COVID-19 virus

We draw attention to note 55 in the financial statements in which management has described the possible impact and consequences of the COVID-19 (Corona) virus on the entity and the environment in which the entity operates as well as the measures taken and planned to deal with these events or circumstances. This note also indicates that uncertainties remain and that currently it is not reasonably possible to estimate the future impact. Our opinion is not modified in respect of this matter.

## Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- key figures;
- Triodos Bank group structure 2019;
- our purpose: the conscious use of money;
- Executive Board report;
- corporate governance;
- Supervisory Board report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- report by the Foundation for the Administration of Triodos Bank Shares (SAAT);
- about this report;
- appendices;
- addresses; and
- production.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The executive board is responsible for the preparation of the other information, including the Executive Board report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### Our appointment

We were appointed as auditors of Triodos Bank N.V. on 22 May 2015 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 22 May 2015. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 4 years.

## No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

## Services rendered

The services, in addition to the audit, that we have provided to the Bank and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 'auditor's fees' to the financial statements.

## Responsibilities for the financial statements and the audit

### Responsibilities of the executive board and the supervisory board for the financial statements

The executive board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the executive board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the executive board is responsible for assessing the Group's ability to continue as a going concern. Based on the financial reporting framework mentioned, the executive board should prepare the financial statements using the going-concern basis of accounting unless the executive board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The executive board should disclose events and circumstances that may cast significant doubt on the Group's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Group's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

## Assurance report of the independent auditor

To: the general meeting and the supervisory board of Triodos Bank N.V.

### Assurance report on the sustainability information 2019

#### Our conclusion

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information included in the annual report 2019 of Triodos Bank N.V. (hereafter: the Bank), Zeist, does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to corporate social responsibility; and
- the thereto related events and achievements for the year ended 31 December 2019 in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as included in the section 'reporting criteria'.

#### What we have reviewed

We have reviewed the sustainability information included in the annual report for the year ended 31 December 2019, as included in the following sections in the annual report (hereafter: the sustainability information):

- Key Figures page 4-5
- Our purpose: the conscious use of money page 8
- Executive Board report sections:
- Our stakeholders and material topics page 13-22
- Strategic objectives page 23-27
- Impact and financial results page 35-47
- Co-worker report page 48-51
- Environmental report page 52-54
- About this report page 219-222
- Appendix: Triodos Bank business model: creating value page 224-225
- Appendix: Global Alliance for Banking on Values score card – Quantitative evidence of our impact page 251-254
- Appendix: Co-worker and environmental statistics page 255-262

This review is aimed at obtaining a limited level of assurance.

The sustainability information comprises a representation of the policy and business operations of the Bank with regard to corporate social responsibility and the thereto related business operations, events and achievements for the year ended 31 December 2019.

#### The basis for our conclusion

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' (Assurance engagements on corporate social responsibility reports). Our responsibilities under this standard are further described in the section 'our responsibilities for the review of the sustainability information' of this assurance report.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

## Independence and quality control

We are independent of the Bank in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen' (NVKS – Regulations for quality systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other relevant legal and regulatory requirements.

## Reporting criteria

The sustainability information needs to be read and understood in conjunction with the reporting criteria. The executive board of the Bank is solely responsible for selecting and applying these reporting criteria, taking into account applicable laws and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria, as disclosed in 'about this report' of the annual report. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

## Limitations to the scope of our review

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the sustainability information.

The links to external sources or websites in the sustainability information are not part of the sustainability information reviewed by us. We do not provide assurance over information outside of the annual report.

## Responsibilities for the sustainability information and the review

### Responsibilities of the executive board and supervisory board

The executive board of the Bank is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in the section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by the executive board regarding the scope of the sustainability information and the reporting policy are summarised in 'about this report' of the annual report. The executive board is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

The executive board is also responsible for such internal control as the executive board determines is necessary to enable the preparation of the sustainability information that is free from material misstatement, whether due to fraud or errors.

The supervisory board is responsible for overseeing the Bank's reporting process on the sustainability information.

### Our responsibilities for the review of the sustainability information

Our responsibility is to plan and perform the review engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence to provide a basis for our conclusion.

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

### Procedures performed

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the Bank;
- evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information – this includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the executive board;
- obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review;
- identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis; these procedures consisted amongst others of:
  - interviewing management (and/or relevant staff) at corporate (and business/division/cluster/local) level responsible for the sustainability strategy, policy and results;
  - interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information;
  - reviewing, on a limited test basis, relevant internal and external documentation; and
  - performing an analytical review of the data and trends;
- reconciling the relevant financial information with the financial statements;
- evaluating the consistency of the sustainability information with the information in the annual report, which is not included in the scope of our review; and
- evaluating the presentation, structure and content of the sustainability information; and
- to consider whether the sustainability information as a whole, including the disclosures, reflects the purpose of the reporting criteria used.

We communicate with the supervisory board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Rotterdam, 19 March 2020

PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.D. Jansen RA

## Appendix to our auditor's report on the financial statements 2019 of Triodos Bank N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

### The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluding on the appropriateness of the executive board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

# Report by the Foundation for the Administration of Triodos Bank Shares (SAAT)

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This report of the Board of SAAT accounts for the Board of SAAT's voting and activities in 2019.

This report is integrated within Triodos Bank N.V.'s annual report 2019. However, the Board of SAAT does not view Triodos Bank N.V.'s annual report prior to publication. This ensures that depository receipt holders and the Board of SAAT have access to this information simultaneously. As a consequence, this Board of SAAT report does not include an assessment of Triodos Bank's 2019 annual report. The Board of SAAT will account for its voting regarding the Annual Accounts and annual report of Triodos Bank N.V. 2019 at the Annual General Meeting (AGM) and Depository Receipt Holder Meeting on 15 May 2020. An explanation of the vote will be given at the AGM where depository receipt holders will have the opportunity to ask questions about the explanation.

## Introduction

The Board of SAAT observed during 2019 that Triodos Bank was challenged to realise its mission and ambition in a healthy balance between impact, risk and return. The increasing call to Triodos Bank to create impact and the macro-economic developments and increasing regulatory costs might strain Triodos Bank towards the limits of its business model.

Triodos Bank's annual report 2018 and the half year report 2019 reflect the Executive Board's view on developments in society and in the financial sector and their strategic, tactical and operational actions to maintain healthy financial results and increase Triodos Bank's impact.

Regarding the developments in society the Executive Board highlights increasing imbalances in society. These imbalances are based on highly interrelated problems, which call on Triodos Bank to increase its efforts to realise its mission and ambition.

Regarding the developments in the financial sector the Executive Board articulates the difficult macro-economic environment and its clear responsibility to comply with – and to pro-actively implement all

regulatory requirements while maintaining a healthy cost-income ratio.

In the context of these developments the Executive Board has refreshed its strategic approach. Triodos Bank's focus areas have been re-articulated supported by position papers which show the long lasting commitment with these focus areas.

## Voting in 2019

### General Meeting 17 May 2019

The Board of SAAT exercised the voting rights at Triodos Bank's AGM which took place in Utrecht on 17 May 2019.

The Board of SAAT approved the following proposals:

- adoption of the 2018 Annual Accounts and the proposed dividend;
- discharge of the members of the Executive Board of responsibility for their management during the financial year 2018;
- discharge of the members of the Supervisory Board of responsibility for their supervision during the financial year 2018;
- appointment of Mr Mike Nawas as member of the Supervisory Board;
- indemnification to the members of the Supervisory Board and Executive Board; and
- granting a power of attorney to the members of the Executive Board to obtain depository receipts in Triodos Bank and to issue shares and to exclude or limit pre-emptive rights.

The approval is based on the assessment of the annual report 2018 taking into account the introductory remarks above and taking into account the following paragraphs regarding mission, economic rights of the depository receipt holders and the independence of the bank. The annual report 2018 accounts for the policy of the Executive Board and the supervision of the Supervisory Board in 2018.

## The mission

Regarding SAAT's policy to safeguard the mission, the Board of SAAT paid more specific attention to:

- The observations of the Executive Board regarding developments in society because these observations give context to the challenges for Triodos Bank's mission to improve human dignity at its core. The Board of SAAT wants to understand the developments the Executive Board identifies as pivotal for the realisation of Triodos Bank's mission and for the strategic choices of the Executive Board as a consequence of that. The Board of SAAT challenged these observations internally in the context of its view on societal developments relevant for the mission of Triodos Bank; specifically regarding the increasing imbalances. This view of the Board of SAAT on developments is that society – individuals and institutions – struggle to unite and to combine forces to bridge increasing gaps. In its 2018 report, the Board of SAAT referred to these gaps in society (see report 2018). The diverging tendency in society would benefit from an integrated approach. The Board of SAAT challenged the strategic refreshment of Triodos Bank from this perspective. Whilst focussing on three clear areas which support human dignity and social renewal from an integrated approach the Board of SAAT welcomes this strategic approach and will critically follow the outcomes of its implementation.
- The Executive Board's strategic approach: Triodos Bank focusses at three strategic perspectives; on products with a purpose, on an agile way of working and on delivering a modern online environment that puts relationships first. The rationale of these perspectives was clear to the Board of SAAT. We cannot yet observe the effect of the implementation of this strategy which started in 2019. Its impact will be shown in future results.
- Redefining focus areas as part of the strategy: Triodos Bank redefined its impact focus areas on social inclusion, food and agriculture and energy and climate. The Board of SAAT adheres to the rationale of these focus areas since in the area of energy and climate and in food and agriculture Triodos Bank is highly experienced and has gained front running knowledge. Regarding social inclusion Board of SAAT welcomes the ambitions of Triodos Bank. Its

integrated approach to the societal issues should enable the bank to contribute to these topics significantly. Triodos Bank committed to deliver position papers on these focus areas which will help guide it in its activities in these areas.

- During 2019 Triodos Bank delivered two position papers; 'Triodos Bank's vision paper on food and agriculture systems' and 'Towards a low carbon economy. Triodos Bank's vision paper on energy and climate'. We value these developments and will closely follow the implementation of these visions and how they translate into the strategy of the bank.
- Impact reporting: Triodos Bank announced the implementation of a more in-depth method to do this. The Board of SAAT invites Triodos Bank to set impact goals in order to articulate its ambition to realise its mission.
- The various activities of the banking entities including Triodos Investment Management: The Board of SAAT observes a diverse spectrum of loans and in the investment portfolio in the various countries where Triodos Bank operates. The cause of this variety is clearly linked to the local context. The transition of Triodos UK from a branch to a subsidiary implies that depository receipts will no longer be traded in the UK.
- Triodos Bank as a frontrunner in responsible finance: Among its ongoing activities, which can be derived from announcements on various platforms like the Sustainable Finance Lab, Triodos' website and the website of the GABV, Triodos Bank contributes to the debate in the financial sector about how to create a more responsible financial system in, for example, the context of the Sustainable Finance Lab and the PCAF initiative and the reporting that comes from it.
- Stakeholder dialogue and materiality matrix: SAAT would welcome Triodos Bank to give more information on the various stakeholder interactions and their results on Triodos Bank's strategy and policy.

## The economic rights of the depository receipt holders.

Regarding SAAT's policy to safeguard the economic rights of the depository receipt holders in the context of the financial interests of Triodos, the Board of SAAT paid more specific attention to:

- a decline in Triodos Bank's financial performance as reflected in the various parameters of return on equity, net profit per share, the cost income ratio and the BIS ratio, as described in Triodos Bank's Annual Accounts 2018 and in the half year report 2019.
- Concerns regarding the mid-term profitability. The Board of SAAT would like to know the perspective on the financial performance given the current circumstances and that it is in line what is realistically and sustainable possible in these circumstances.
- The increased loan to deposits ratio. This increase shows that Triodos Bank is able to support projects within the areas of Triodos Bank's focus and therefore should contribute to increasing the impact of Triodos Bank.
- Triodos Bank's strategic/ tactical approach towards increasing fee income and increasing integrated operational activities across all its country operations, as described in Triodos Bank's Annual Accounts 2018 and half year report 2019.
- The risk appetite paragraph which shows a consistently prudent risk approach.
- The transfer from Dutch GAAP to IFRS, and the effect on the buying and selling and the price of the Depository Receipts. Triodos Bank suspended its buying and selling of depository receipts from 4 June until 3 July. Through the half year report 2019 Triodos Bank informed the Board of SAAT about the impact of Triodos Bank's decision to transfer from Dutch GAAP to IFRS accounting standards, the implementation of this decision and its effects on the share/ depository receipt price and on the effect on buying and selling. With the perspective of the three principles that guide the Board of SAAT's execution of its voting rights, the Board of SAAT sought external advice on two questions in order to be able to assess if Triodos Bank did respect the economic rights of the depository receipt holders:
  - The prudence of the decision to change accounting policies from Dutch GAAP to IFRS;
  - Did Triodos Bank disclose this decision in a timely and prudent way including the consequences of this decision to its relevant stakeholders, particularly to the Board of SAAT and to the depository receipt holders.

Based on the information it received the Board of SAAT came to the conclusion that Triodos Bank did respect the economic rights of the depository receipt holders. In the current banking environment, the change of accounting standards from Dutch GAAP to IFRS is a prudent decision. The effect of that decision was disclosed as early as it could have been to the depository receipt holders.

### Triodos Bank's independence

Regarding SAAT's policy to safeguard Triodos Bank's independence the Board of SAAT paid more specific attention to the strategic, tactical and operational goals. These goals aim to increase the integration between impact, risk and return. As set out in the sections regarding mission and economic rights, the Board of SAAT challenged the Executive Board and Supervisory Board to set clear impact goals supported by coherent impact reporting and would welcome an enhanced accountability regarding stakeholders.

### Appointment of Mr Nawas

The Board of SAAT wholeheartedly approved the appointment of Mr Mike Nawas as a member of the Supervisory Board. Mr Nawas was previously a member of the Board of SAAT.

He stepped down from this role in April 2019.

The approval is based on the assessment of the nomination in the context of the generic profile of the Supervisory Board and more specifically the competence matrix of the Supervisory Board. The Board of SAAT interacted with Mr Nawas on his nomination more specifically on:

- the continuity of Triodos Bank over the mid-term;
- the increasing call to Triodos Bank to contribute significantly to human dignity in terms of social inclusion;
- the contribution of the Supervisory Board to the continuity of Triodos Bank and to the implementation of the strategy of Triodos Bank.

The Board of SAAT has been able to observe over the years by working with Mr Nawas a clear connection

with the mission combined with a very mature experience as a banker and as a board member.

For details on the approved proposals visit [www.triodos.com/agm](http://www.triodos.com/agm), where a webcast from the General Meeting is also available.

### Annual Meeting of depository receipt holders

The Annual Meeting of depository receipt holders was also held on 17 May 2018 in Utrecht. This formal meeting followed a series of informal meetings with depository receipt holders in the countries in which Triodos Bank operates. The Board of SAAT articulated the rationale underlying its voting decisions as set out in the section “Decisions at the General Meeting” and entered into relatively free-format dialogues with depository receipt holders.

The Annual Meeting of depository receipt holders approved the appointment of Mercedes Valcarcel as a member of the Board of SAAT.

### Voting at the Extraordinary Shareholder Meeting 13 December 2019

The Board of SAAT exercised the voting rights at Triodos Bank’s Extraordinary Shareholder Meeting which took place in Zeist on 13 December 2019.

### Appointment of Mr D’Hondt

The Board of SAAT approved the proposal of the Supervisory Board to appoint Mr Sébastien D’Hondt as a member of the Supervisory Board.

The approval is based on the assessment of the nomination in the context of the generic profile of the Supervisory Board and more specific the competence matrix of the Supervisory Board. The Board of SAAT interviewed Mr Sébastien D’Hondt twice, focussing on:

- the adherence of the mission of Triodos Bank and the relation of Mr Sébastien D’Hondt towards human dignity and social renewal;
- interpretation of Mr Sébastien D’Hondt of the various key parameters for Triodos Bank’s performance. More specifically, his perspective on the

context of Triodos Bank’s ambitions and its approach to impact, risk and return;

- interpretation of Mr Sébastien D’Hondt of the strategic approach of Triodos Bank regarding its current challenges and, more specifically, his approach towards innovation in the banking environment.

The Board of SAAT observed a clear willingness to contribute to the mission of Triodos Bank from the perspective of an experienced banker, used to working in the area of innovation in the financial sector.

### Activities/meetings of the Board of SAAT

During 2019, the Board of SAAT convened:

- with The Executive Board to discuss the annual report and Annual Accounts 2018, as set out in paragraph “Decisions at General Meeting” of this report (1 April 2019).
- with the Supervisory Board, together with an Executive Board guest, to discuss the annual report and Annual Accounts 2018, as set out in paragraph “Decisions at General Meeting” of this report (1 May 2019).
- with the Executive Board to discuss the half year figures 2019 and impact of the transition from Dutch GAAP to IFRS accounting. The Board of SAAT reports in a sub section of this report on the “Impact of IFRS”. The assessment of the half year figures will be integrated in the reporting on the Annual Accounts and annual report 2019 at the AGM 2020 and in the SAAT annual report 2020. The recruitment of SAAT member(s) was also discussed and a decision taken to approve the nomination of Mr. Sébastien D’Hondt.
- with the Executive Board and Supervisory Board on an educational initiative to explore the governance of Triodos Bank, roles, responsibilities and social renewal. This was an historical, legal and purpose-oriented education with specific contributions from Professor Mr Geert Raaijmakers and the interactive contribution of all participants (4 October 2019).
- with the Executive Board to discuss stakeholder interaction at Triodos Bank, evaluate the education initiative above, recruit new Board of SAAT member(s) (17 December 2019) and topics related to depository receipts and capital.

The three Chairs of Executive Board, Supervisory Board and the Board of SAAT convened on three occasions. In these meetings topics were discussed which effect the overall value creation of the three boards; evaluation and preparation of the General Meeting(s) and client meetings at the Triodos Bank's country operations; stakeholder interaction; alignment regarding representation at various meetings; and preparation for the three boards' education above.

The Board of SAAT participated in various client/informal depository receipt holder meetings at Triodos Bank in Spain, the UK, Belgium and The Netherlands.

## Composition of the Board of SAAT and independence of its members

SAAT's articles of association stipulate that the Board of SAAT shall consist of three or more members. At present, it has five members, from the various countries where Triodos Bank operates: one Belgian, one German and three Dutch nationals. The composition of the Board of SAAT changed in 2019 because of the appointment of Mercedes Valcarcel by the Annual Meeting of depository receipt holders of 17 May 2019.

For information about the remuneration of the members of the Board of SAAT, please refer to the Triodos Bank Annual Accounts on page 71.

The Board of SAAT expects that it will again be able to deepen its role as a committed shareholder in 2020. Maintaining and intensifying a dialogue between Triodos Bank, the Board of SAAT and the depository receipt holders is an essential part of this effort. It will undertake this work during the General Meeting and at meetings of depository receipt holders in The Netherlands, Belgium, the UK, Spain, Germany, and at an additional meeting in The Netherlands, where informal meetings for depository receipt holders will take place. Its perspective and fulfilment of its role will also be informed by the interests of a wider group of stakeholders.

## Additional information

### SAAT's Policy

Triodos Bank's constitution reflects a clear choice to issue all shares to an independent Foundation in order to safeguard the mission of the Bank. As a consequence of that the Board of SAAT upholds the following principles in exercising its voting rights:

- safeguarding Triodos Bank's mission;
- safeguarding Triodos Bank's independence and continuity;
- safeguarding the economic interests of the depository receipt holders and balance this with the interests of the economic interests of Triodos Bank.

SAAT has defined its vision on how to fulfil its role guided by these principles. This vision is published at [triodos.com](http://triodos.com).

Because of its independence and the principles guiding its voting rights, there is an ongoing dialogue in the Board of SAAT itself about societal developments and their relevance for Triodos Bank. Based on its observations and this internal dialogue the Board of SAAT challenges the Supervisory Board and the Executive Board on its strategy and implementation as reflected by the annual report. The Board of SAAT gives its opinion on the Executive Board policy and the Supervisory Board supervision by executing its voting rights at the AGM.

### The Role of SAAT in the Corporate Governance of Triodos Bank

All shares of Triodos Bank are held by SAAT. SAAT issues depository receipts to finance the shares. Depository receipt holders benefit from the economic rights associated with these shares, such as the right to dividends, but do not exercise the voting rights related to the shares. Voting rights are vested in SAAT. A more detailed description of the corporate governance structure of Triodos Bank, and the rights and responsibilities of SAAT and the depository receipt holders, can be found in the chapter on corporate governance, on page 59 of this annual report.

SAAT fulfils its role according to its policy as described in the document “SAAT’s vision on fulfilling its role” which can be found at [www.triodos.com/corporateinformation](http://www.triodos.com/corporateinformation).

For an overview of the shares taken in trust and the issued depository receipts of Triodos Bank, as at 31 December 2018, please refer to page 215 of this annual report.

Zeist, 18 March 2019

Board of SAAT,

Josephine de Zwaan, Chair  
Willem Lageweg, Vice-Chair  
Nikolai Keller  
Koen Schoors  
Mercedes Valcarcel

SAAT’s registered office is Nieuweroordweg 1, 3704 EC, Zeist, The Netherlands.

This report is available in full, including additional context for the Board of SAAT’s work, online at [www.annual-report-triodos.com](http://www.annual-report-triodos.com).

## SAAT statement of shares

### Statement of the shares taken in trust and the issued depository receipts of Triodos Bank N.V. as at 31 December 2019.

in thousands of EUR	31.12.2019	31.12.2018
Triodos Bank N.V. shares taken in trust, having a nominal value of EUR 50 each	720,088	674,735
Issued depository receipts of Triodos Bank N.V., having a nominal value of EUR 50 each	720,088	674,735

#### Basis of preparation

The SAAT statement of shares as at 31 December 2019 of Stichting Administratiekantoor Aandelen Triodos Bank (‘SAAT’) is based on the nominal value of the total number of issued shares by Triodos Bank N.V. that are held in custody by SAAT, versus the total number of issued depository receipts of Triodos Bank shares by SAAT to the depository receipt holders.

The purpose of this statement is to provide the depository receipts holders insight to whether the total issued shares by Triodos Bank reconcile to the total issued depository receipts by SAAT.

Zeist, 18 March 2020

Board of SAAT

Josephine de Zwaan, Chair  
Willem Lageweg, Vice-Chair  
Nikolai Keller  
Koen Schoors  
Mercedes Valcarel

## Independent auditor's report

To: the board of Stichting Administratiekantoor Aandelen Triodos Bank ('SAAT')

### Report on the SAAT statement of shares 2019

#### Our opinion

In our opinion, the accompanying SAAT statement of shares as at 31 December 2019 is prepared, in all material respects, in accordance with the accounting principles as included in the basis of preparation note to the SAAT statement of shares.

#### *What we have audited*

We have audited the accompanying SAAT statement of shares 2019 of Stichting Administratiekantoor Aandelen Triodos Bank, Zeist.

The financial reporting framework applied in the preparation of the SAAT statement of shares is the number of shares and certificates respectively times the nominal value as set out in the basis of preparation note to the SAAT statement of shares.

#### The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the SAAT statement of shares' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of Stichting Administratiekantoor Aandelen Triodos Bank in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

#### *Emphasis of matter – Basis of accounting and restriction on use*

We draw attention to the basis of preparation note to the SAAT statement of shares, which describes the basis of accounting. The SAAT statement of shares as at 31 December 2019 is prepared by the board of SAAT to report to the depository receipt holders. As a result, it may not be suitable for another purpose. Our report is addressed to the board of SAAT, to whom we own a duty of care. Our opinion is not modified in respect of this matter.

## Responsibilities for the SAAT statement of shares and the audit

### Responsibilities of the board

The board is responsible for:

- the preparation of the SAAT statement of shares in accordance with the accounting principles as included in the basis of preparation note to the SAAT statement of shares; and for
- such internal control as the board determines is necessary to enable the preparation of the SAAT statement of shares that is free from material misstatement, whether due to fraud or error.

### Our responsibilities for the audit of the SAAT statement of shares

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the SAAT statement of shares is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the SAAT statement of shares.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 19 March 2020

PricewaterhouseCoopers Accountants N.V.  
Original has been signed by M.D. Jansen RA

## Appendix to our auditor's report on the SAAT statement of shares 2019 of Stichting Administratiekantoor Aandelen Triodos Bank

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the SAAT statement of shares and explained what an audit involves.

### The auditor's responsibilities for the audit of the SAAT statement of shares

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the SAAT statement of shares, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SAAT's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board.
- Evaluating the overall presentation, structure and content of the SAAT statement of shares, including the disclosures, and evaluating whether the SAAT statement of shares represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

# About this report

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## This chapter at-a-glance

- Triodos Bank always reports financial and non-financial information in an integrated report because it is, and has always been, an integrated sustainable business itself
- Its annual report is available as a hard copy document and pdf in English, and in summary form in the languages of the countries where Triodos Bank operates. The English version is the legally leading document
- This unaudited content, plus much more, is also available online ([www.annual-report-triodos.com](http://www.annual-report-triodos.com))
- The report's key content is derived from finding out what's most important, or material, to Triodos Bank and its stakeholders
- Triodos Bank's report challenges the 'old world' orthodoxy of focusing on financial targets to understand a bank's performance
- Triodos Bank combines qualitative and quantitative evidence of its impact. It has its impact data verified to better understand, manage and report on its non-financial impact.

## An integrated report

Triodos Bank's annual report is integrated. That means it combines sustainability-related, or 'corporate social responsibility' (CSR), topics with everything else you would expect from a traditional annual report, such as key financial targets and performance information. As well as the Global Reporting Initiative (GRI) and other frameworks (see below), Triodos Bank uses the International Integrated Reporting Council's Integrated Reporting Framework as a reference for its report.

For Triodos Bank, integrating reporting doesn't just mean reporting on how the organisation behaves as a responsible corporate citizen – by using renewable energy to power its buildings, for example, important as this is. It means reporting in-depth on the impact of its activity in the widest sense – from the greenhouse gas emissions of its loans and investments to a deeper understanding of the sustainability value of its work.

## The annual report – on and offline

This annual report is produced as a hard copy document that's available as a pdf and as an online annual report, in English, at [www.annual-report-triodos.com](http://www.annual-report-triodos.com).

The English offline report is Triodos Bank's legally leading document. It is reproduced, in its entirety, in the online report. But the online report also includes much more information, such as films highlighting Triodos Bank's qualitative impact during the year. A shorter and more focused off and online summary is also provided for stakeholders in Dutch, French, German and Spanish.

## Report structure

The report's content is informed by what Triodos Bank's stakeholders, and Triodos Bank itself, think are the most important, or material, issues to it.

Triodos Bank's stakeholders, and how the bank interacts with them, are explored in more depth online and later in the Executive Board report. But, in short, they are:

- people and organisations that engage in economic transactions with Triodos Bank; for instance customers, depository receipt holders, co-workers and suppliers. Those that are predominantly connected to the social, cultural and environmental context Triodos Bank operates in, such as regulators, other institutions and associations in the financial sector, non-governmental organisations, governments, local communities and media. And advisors and inspirers who provide us with new insights, opportunities and knowledge.

Triodos Bank identifies its material topics through research and structured conversations with these groups. You can find these material topics in the materiality matrix.

Some of the material topics are also reflected in Triodos Bank's strategic objectives where the organisation's key priorities are described in detail, including progress against them. The organisation wants to help its stakeholders understand how well,

or not, it is doing. So it aims to only use meaningful indicators that are genuinely relevant and provides context for what they really mean to the health of the business.

The report aims to provide a coherent thread throughout. Some material issues are explored further in the Executive Board report, including both financial and non-financial performance. Reports from Triodos Bank's Supervisory Board and Board of SAAT reflect these topics and describe issues that were discussed with the Executive Board during the year. As a values-based, integrated bank, these topics often relate to sustainability and how it is integrated in the business' strategy.

As well as its impact on society, the environment and culture via its external finance, the report includes information about the organisation's environmental and co-worker responsibilities and developments during the year. Its financial performance is also described in detail in a financial accounts section.

### Targets and benchmarks

Where targets provide important information linked to strategic goals, or where they are required by relevant external organisations, Triodos Bank reports against them. However, Triodos Bank is convinced that targets, particularly non-financial ones can, if not addressed properly, become an unhelpful end in themselves. They have a habit of driving the wrong kind of behaviour, often losing sight of their original goal. Triodos Bank often describes the philosophy behind its approach to targets as 'hitting the target without missing the point'.

For that reason, while meaningful indicators are included, readers should expect to see limited 'hard metrics' in Triodos Bank's annual report. Instead, Triodos Bank is developing 'theories of change' in its key sectors to help structure its impact-driven activity and deliver goals that reflect real needs in society. It supports these efforts with a tool – known as the Triodos Impact Prism – which helps understand, monitor, and equip the business to steer and report on impact in service of the goals described in these theories of change. Triodos Bank's Impact Prism was

developed during 2018, rolled out across Triodos Bank in 2019 and will continue to be refined and extended to Triodos Investment Management in the future.

Triodos Bank is also careful not to retrofit its reporting to meet the requirements of benchmarks or initiatives. It believes that meaningful sustainable developments that contribute to a fairer economy come from principle-based decision making and not from rule-based compliance and 'box ticking'. By partnering with others, Triodos Bank hopes to co-create new reporting and disclosure approaches to better meet the needs of stakeholders and businesses within a more sustainable economy. From this perspective targets and benchmarks are only relevant in the context of a business' wider purpose; one in which the needs of society, and operating responsibly within planetary limits, sit alongside financial sustainability concerns.

Triodos Bank has embraced the UN Sustainable Development Goals (SDGs), a universal set of targets and indicators designed to help countries end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. Its stakeholders have asked to position the organisation's impact in a global framework. The SDGs allow the bank to do just that. Triodos Bank addresses the SDGs in three main ways:

- An appendix to this annual report on page 231 maps how Triodos Bank's activity relates to each of the 17 SDGs, using a three-tiered approach: describing baseline, direct and catalytic actions taken to meet the goals.
- Via SDG report at project and sector levels by mapping the results of the Triodos Impact Prism to the SDGs
- And via links connecting Triodos Bank's activity to the SDGs throughout this report.

This year new indicators have been added as a result of collaborative work undertaken in The Netherlands to identify the most relevant metrics per SDG for the financial sector.

More specifically this report meets SDG 12 responsible consumption and production in relation to target 12.6 to "encourage companies...to adopt

sustainable practices and to integrate sustainability information into their reporting cycle”.

In addition, Triodos Bank is either a signatory to, or follows, the codes of conduct and (international) conventions below:

- Equator Principles
- Financial Action Task Force recommendations
- OECD guidelines for multinational enterprises
- UN Global Compact
- UN Principles for Responsible Investment
- UNEP Finance Initiative
- Wolfsberg Principles
- European SRI Transparency Code
- International Finance Corporation Performance Standards and Health and Safety Guideline
- Global Reporting Initiative (GRI) framework.

Triodos Bank has had a fundamental commitment to respect human rights since its inception. Its business principles clearly state that it respects people, society and different cultures and it supports the goals of the United Nations Universal Declaration of Human Rights. Triodos Bank has published a detailed statement on human rights ([triodos.com/humanrightsstatement](http://triodos.com/humanrightsstatement)).

By signing the Dutch Banking Sector Agreement on international responsible business conduct regarding human rights, Triodos Bank became part of a broad coalition of banks, trade unions, civil society organisations, the Dutch Banking Association and the Dutch government. By acting together these organisations can have a greater positive impact on the current situation regarding human rights. The agreement applies to project finance and corporate lending activities.

Triodos Bank is working towards reporting in line with, or equivalent to, the UN Guiding Principles Reporting Framework as part of this agreement. It has a Complaints Handling Policy which applies to all its activities, products and services. This policy, which addresses the rights and process to complain for customers, employees and third parties, is publicly accessible via [www.triodos.com](http://www.triodos.com). Triodos Bank also started the process to identify where the most severe

negative impacts on human rights are possible (known as salience).

### Who does Triodos Bank partner with to improve its reporting?

In addition to the dialogue with stakeholders described above, this year’s report has been developed with the benefit of practitioner sessions with businesses, academics and experts in and outside the banking industry. In particular, Triodos Bank partners with specialists from sustainable banks in the Global Alliance for Banking on Values (GABV).

During the year Triodos Bank has also consulted, among others, with the United Nations Environment Programme finance initiative (UNEP fi), the Partnership for Carbon Accounting Financials (PCAF) both globally and in The Netherlands; Global Reporting Initiative (GRI); a number of specialist consultants and initiatives; and PricewaterhouseCoopers Accountants N.V. in their role as independent auditor. Triodos Bank is grateful for their contributions and insights.

### Triodos Bank and the Global Reporting Initiative (GRI)

Triodos Bank has used the guidelines of the Global Reporting Initiative (GRI) since 2001. GRI was established in 1997 by the United Nations and the Coalition for Environmentally Responsible Economics (CERES) to organise reporting on sustainability in a consistent manner and to make performance objective and comparison easier. Triodos Bank is an organisational stakeholder of GRI.

Triodos Bank was one of the first to use GRI’s Standards. The Standards aim to make reporting more relevant to the sustainability impact of an institution and to improve how they are presented for its stakeholders. This report has been prepared in accordance with the GRI Standards: Core option. Previously Triodos Bank reported using the Comprehensive option. These options do not relate to the quality of the information in the report or the magnitude of the organisation’s impacts. Instead, they reflect the degree to which the GRI Standards have

been applied. Triodos Bank believes the core option better meets its reporting needs and the information needs of its stakeholders, focusing more closely on the issues and disclosures that are most relevant to both. You can find more, including an index of GRI disclosures, at [www.annual-report-triodos.com](http://www.annual-report-triodos.com).

During the review of the annual report, we have had several discussions with our auditor/ PwC to further improve our GRI index, for example regarding the link between material topics and the content of the annual report itself. Within this context we have made significant improvements in this annual report.

### Impact measurement and reporting

The annual report aims to provide a clear and compelling picture of how Triodos Bank delivers long-term, sustainable change through its operations as a sustainable bank. In practice that means sharing qualitative information supported by relevant impact data. Almost uniquely among banks, this impact data is verified by an independent auditor to a limited assurance level. That's because Triodos Bank believes financial and non-financial information should be treated in a similar way.

In recent years there has been growing attention on how organisations manage, measure and report on their non-financial impact. This is an important area for a mission-driven organisation that was created to use money to make positive social, environmental and cultural change happen.

### Some facts and figures about the report

The 2019 annual report covers banking entities and business unit activities of Triodos Bank N.V. in The Netherlands, Belgium, the UK, Spain and Germany, as represented in the Triodos Bank Group Structure. The

report covers the period from 1 January to 31 December 2019. Triodos Bank's previous integrated report was published in March 2019 and covered the 2018 calendar year.

The reporting on the 2019 financial year is based on the same principles as the 2018 report. Any changes in the methods of calculation used are explained in the text. While the financial accounts are audited to the level of reasonable assurance, the report includes limited assurance on the Executive Board chapter. This, which includes 2019 impact data including detailed greenhouse gas emissions data and measures included in the GABV's scorecard, which is designed to deliver a structured approach to capture the vision, strategy and results of any bank relative to values-based banking. PricewaterhouseCoopers Accountants N.V. audits the financial statements.

### Disclosure requirements

Disclosures are required both to meet Dutch law and to comply with other regulation, in particular the Capital Requirements Regulation and the Capital Requirements Directive. Capital Requirements Regulation is direct regulation from the European Union. The Capital Requirements Directive has been translated by the Dutch Government into various laws and regulations that apply to Triodos Bank.

Triodos Bank complies with the EU Directive on the disclosure of non-financial and diversity information. The main part of these disclosures appears in this annual report. Additional required disclosures are published on our websites locally and on the corporate website: [www.triodos.com](http://www.triodos.com) and [www.annual-report-triodos.com](http://www.annual-report-triodos.com).

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# Appendix – Triodos Bank business model: creating value

## Capital inputs

### Human (capital)

- Skilled and committed co-workers motivated by mission
- Expertise in social, cultural and environmental sectors
- Strong emphasis on development as individuals and as a co-worker community

### Social and relationship (capital)

- Foster relationships that enable cross-sectoral knowledge sharing within the bank
- Establish and participate in networks, within and between sustainable sectors, including the banking sector

### Inspirational and intellectual (capital)

- Regular internal reflection sessions
- Engage in two-way dialogue with stakeholders
- Specialist expertise and track record in delivering, assessing and communicating sustainable finance and banking services

### Financial (capital)

- Finance from like-minded customers who choose to use their money positively
- Fair returns to attract loyal, values-aligned customers

## The Triodos essence

- A values-based bank, enabling people to use money consciously to create a healthy society with human dignity at its heart

## Our role

- Our mission fully integrated in our strategy
- Only financing sustainable enterprises in the real economy all of which are published openly
- Meaningful, human relationships with customers and wider stakeholders
- First bank, offering comprehensive sustainable products and services
- Financial resilience including high capital ratios
- Managing both risk and balanced growth (targeted sustainable loans to deposits ratio of 75-85%)
- Offering fair financial returns with sustainable impact
- Acting as a reference point for sustainable banking through our own approach to sustainability, innovation and leadership

## The changing world

- Responding to an evolving landscape of societal challenges and innovative enterprises addressing them



## Value outputs

### People

- A positive contribution to the healthy development of society
- Convening a community of interest to bring about social change
- Enabling values-driven entrepreneurs to fulfil their potential
- Transparent finance so stakeholders see how money is used

### Planet

- Finances for sustainable and inclusive enterprise
- Development of a sustainable, circular economy
- Sustainably sourced and managed suppliers. Carbon neutral business
- Development of concrete initiatives (PCAF) and proposals (New Pathways) to deepen impact of sustainable finance

### Prosperity

- Fair Return on Equity of 3-5%
- Leverage ratio of at least 7% ensuring resilience
- Developing compelling visions for the future of finance

## Triodos Bank business model and value creation in brief

Our business model and value creation process is illustrated in the diagram to the left.

This model creates value by transforming capital inputs. These inputs include the skills and entrepreneurship of the people within our organisation and money from customers, via our core products and services. It transforms these inputs into value outputs so that they make a positive contribution to the development of a healthy society that's able to flourish within our planetary limits.

We aim to reflect the capitals described by the International Integrated Reporting Council in our business and value creation model. However, we make a conscious choice not to include 'manufactured capital', such as tangible assets like buildings, or 'natural capital', such as the natural resources used to deliver our work. While both are significant for some companies, they are less material to a service industry like ours whose principle capitals relate to people, ideas and money.

The financial resilience of this model is built on fair (but not inflated) interest rates to savers; reasonable long-term returns for investors both in our funds and in Triodos Bank itself; and deposits that are lent to sustainable entrepreneurs working in the real economy to deliver real impact.

In order to lend to sustainable enterprises, we aim to use deposits rather than borrow from other banks. And we endeavour to deliver a healthy balance between loans and deposits so we're able to mobilise as much of our deposits as possible. We also maintain healthy levels of capital, well above regulatory requirements. This makes us more resilient over the long-term.

Importantly, Triodos Bank develops through cycles of reflection and dialogues where our inner essence as an organisation meets our interaction with society's evolving needs.

## Appendix – Executive Board, Supervisory Board and Board of SAAT biographies

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### Executive Board

#### **Peter Blom (1956), CEO, Chair**

Peter Blom has been a statutory member of the Executive Board of Triodos Bank N.V. since 1989 and is Chair of this Board. He is also a Statutory Director of Triodos Ventures B.V., member of the Board of Stichting Triodos Holding and Stichting Triodos Sustainable Finance Foundation, Chair of the Board of Stichting Global Alliance for Banking on Values, member of the Board of the Dutch Banking Association, co-Chair of the Board of Stichting Sustainable Finance Lab, member of the Board Stichting NatuurCollege and Chair of the Supervisory Board of MVO Nederland. Peter Blom is also a member of the Central Planning Committee of Netherlands Bureau for Economic Policy Analysis (CPB).

Peter Blom is of Dutch nationality and owns one Triodos Bank N.V. depository receipt.

#### **Jellie Banga (1974), COO, Vice-Chair**

Jellie Banga has been a statutory member of the Executive Board of Triodos Bank N.V. since September 2014. She is Chief Operating Officer and was first appointed to the Executive Board as a non-statutory member in 2013. Jellie Banga is Statutory Director of Triodos Ventures B.V., member of the Board of Stichting Triodos Sustainable Finance Foundation and Stichting Triodos Holding and member of the Advisory Council of the “Finance and the Common Good” programme of the Sustainable Finance Lab.

Jellie Banga is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

#### **André Haag (1982), CFO**

André Haag has been a statutory member of the Executive Board and Chief Financial Officer of Triodos Bank N.V. since 1 January 2020.

André Haag is of German nationality and does not own any Triodos Bank depository receipts.

#### **Carla van der Weerd (1964), CRO**

Carla van der Weerd has been a statutory member of the Executive Board and Chief Risk Officer of Triodos Bank N.V. since 17 May 2019. Carla van der Weerd is currently a member of the Supervisory Board of DSW Zorgverzekeraar U.A.. Carla van der Weerd is a former member of the Supervisory Board of Triodos Bank N.V.

Carla van der Weerd is of Dutch Nationality and does not own any Triodos Bank depository receipts.

## Supervisory Board

### Aart de Geus (1955), Chair

Aart de Geus is Chair of Triodos Bank's Supervisory Board, Chair of the Nomination Committee and member of the Remuneration Committee. He is Chairman of the Executive Board of the Goldschmeding Foundation. He is a member of the Advisory Boards of the Jacques Delors Institute (Berlin), the Calouste Gulbenkian Foundation (Lisbon), NOW and Planbureau Leefomgeving and Chairman of the Advisory Board of Stichting SBI. Previously, he was Chairman and CEO of the Bertelsmann Foundation (Gütersloh), Deputy Secretary-General at the Organisation for Economic Cooperation and Development (Paris) and Minister of Social Affairs and Employment in the Dutch Government (2002-2007). He was also a partner at Boer & Croon Strategy & Management Group and worked for the Industriebond CNV and Vakcentrale CNV.

Aart de Geus was first appointed in 2014 and his present term expires in 2022. He is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

### Fieke van der Lecq (1966), Vice-Chair

Fieke van der Lecq is Vice-Chair of Triodos Bank's Supervisory Board, member of the Nomination Committee and Chair of the Remuneration Committee. She graduated in economics and business economics, and holds a PhD in monetary economics from Groningen University. Currently, she is part-time Professor of Pension Markets at the Vrije Universiteit in Amsterdam, Academic director of VU programme Risk Management for Financial Institutions, and Chair of the editorial board of Netspar. Fieke van der Lecq is member of the Supervisory Board and Chair of the Audit and Risk Committee of Syntrus Achmea Real Estate & Finance, member of the Supervisory Board of Arriva Netherlands, member of the Supervisory Board and Chair of the Audit Committee of Air Traffic Control The Netherlands, member of the audit committee of the Pension Fund for the Security Industry, and Chair of the Board of Foundation KDP (KPMG Deferred

Payments). She is also an independent ('crown') member of the Social and Economic Council of The Netherlands (SER) and academic member of the Occupational Pensions Stakeholder Group (OPSG) of the European Insurance and Occupational Pensions Authority (EIOPA). Prior to this Fieke van der Lecq held various positions in academia, business, and policy making.

Fieke van der Lecq was first appointed in 2017 and her present term expires in 2021. She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

### Ernst Jan Boers (1966)

Ernst Jan Boers is Chair of the Audit and Risk Committee. He was Chief Executive Officer at SNS Retail Bank until March 2014 where he previously also held the position of Chief Financial Risk Officer. He worked at ABN AMRO Hypotheken Groep B.V. until March 2007 including a role as Chief Financial Officer. Prior to that he worked at Reaal Groep N.V. as the head of Internal Audit and as a Controller. Ernst Jan Boers is Chair of the Supervisory Board of Pensioenfonds Metaal en Techniek (PMT), Board Member of Stichting Nationaal Energiebespaarfonds, a financial member of the Board of Coöperatie Medische Staf Gelre U.A., a member of the Supervisory Board of Coöperatie Univé U.A., a member of the Supervisory Board of Stichting Fonds Duurzaam Funderingsherstel and Chair of the Board of AHOLD Delhaize Pension fund.

Ernst Jan Boers was first appointed in 2014 and his present term expires in 2022. He is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

### Sébastien D'Hondt (1964)

Sébastien D'Hondt is member of the Audit and Risk Committee. He is partner at Ernest Partners, a company advising multinational companies on worldwide Key Account Management and Sales Optimisation Programme. Sébastien D'Hondt is member of the Board of Nutway S.A., member of the Board of Cash Converters Belgium and Observer of the Board of Inoopa N.V. He is also investor in digital tech scale ups. Prior to that he worked at ING Bank for more than twenty years in Belgium and The Netherlands in various positions such as Head of Corporate Clients Belux and Managing Director Capital Structuring & Advisory at Wholesale Banking, as Head of M&A at Corporate Finance and as Director Business Center, ING Midcorps Belgium and in Risk Management. Sébastien D'Hondt started his career at Bank Brussel Lambert (BBL).

Sébastien D'Hondt was first appointed in December 2019 and his present term expires in 2024. He is of Belgian nationality and does not own any Triodos Bank N.V. depository receipts.

### Mike Nawas (1964)

Mike Nawas is a member of the Audit and Risk Committee. He is co-founder of Bishopsfield Capital Partners Ltd (BCP), a financial consultancy based in London. Mike Nawas has been Associate Professor Financial Markets at Nyenrode Business University since 2011. Prior to that he worked at ABN AMRO Bank for twenty years in various positions, including from 2005 as group director worldwide responsible for helping clients access the credit markets via loans, bonds or structured finance. Since 2013 he has been Chair of the Foundation Akademeia. Mike Nawas is a former member of the Board of Stichting Administratiekantoor Aandelen Triodos Bank (SAAT).

Mike Nawas was first appointed in 2019 and his present term expires in 2023. He is of Dutch and US nationality and does not own any Triodos Bank depository receipts.

### Dineke Oldenhof (1958)

Dineke Oldenhof is member of the Nomination Committee and the Remuneration Committee. She joined the National Police in 2008, where she became HRM Director in 2011. Since 2014 she has been a Special Councilor of the National Police. She has been director of Operations of the Police Academy since February 2018. Dineke Oldenhof is a member of the Supervisory Board of the regional health centre, Widar. Previously she held various positions in a retail, political and educational environment as well as in financial services, such as holding director HR at Maxeda, director HR at Interpay, organisational consultant to the executive board of ING Group and trainer/manager at the Vrije Hogeschool.

Dineke Oldenhof was first appointed in 2018 and her present term expires in 2022. She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

## Board of SAAT

### Josephine de Zwaan (1963), Chair

Josephine de Zwaan is a member and Chair of the Supervisory Board of Stichting Triodos Holding. She was a lawyer for more than thirteen years, specialising in major real estate projects. During the last five years of that period, she was a member of the partnership (owner) CMS. Derks Star Busmann. Since 2000 she has acted in various administrative and supervisory roles in education, health care and culture. She is Chair of the Supervisory Board of Stichting Cito, Chair of the Supervisory Board of Fairphone B.V., Chair of the Supervisory Board of Buma/Stemra, Vice-Chair of the Supervisory Board of the University of Applied Science Leiden, and Chair of the Board of the Foundation for the Register of Social Enterprises. She is a member of the Board of Foundation Akademeia and an independent advisor to various organisations, in both the public and private sector (including social enterprises).

Josephine de Zwaan was first appointed in 2010 and her present term expires in 2020. She is of Dutch nationality and does not own any Triodos Bank N.V. depository receipts.

### Willem Lageweg (1951) Vice-Chair

Willem Lageweg is a member of the Supervisory Board of Stichting Triodos Holding. He was CEO of MVO Netherlands, a centre of excellence which encourages corporate social responsibility among companies until July 2016. Prior to that he worked for Rabobank Netherlands where he held various positions such as spokesperson & Communications Director, Director of Cooperation and Project Director for Major Cities. He began his career at the National Cooperative Council for Agriculture and Horticulture. Currently he holds a number of administrative, supervisory and advisory positions, including at Transition Coalition Food, Louis Bolk Institute, SIB Kenya, Institute for Positive Health, Friends of the Maasia and Max Havelaar.

Willem Lageweg was first appointed in 2016 and his present term expires in 2020. He is of Dutch nationality and owns 183 Triodos Bank N.V. depository receipts.

### Nikolai Keller (1959)

Nikolai Keller is the CEO of the Filderklinik gGmbH in Filderstadt and is shareholder and Board Member of Mahle Stiftung gGmbH. Nikolai Keller is also a lawyer and partner at Keller & Kollegen, a law firm based in Stuttgart, as well as Chair of the Supervisory Board of Helixor Heilmittel GmbH and member of the Supervisory Board of Nikolaus Cusanus Haus e.V. Prior to that he had served at Weleda AG as Managing Director Pharma Germany/Austria/Switzerland. Mr. Keller started his career at the law firm Barkhoff & Partner in Bochum.

Nikolai Keller was first appointed in 2018 and his present term expires in 2022. He is of German nationality and does not own any Triodos Bank N.V. depository receipts.

### Koen Schoors (1968)

Koen Schoors is full professor of economics at Ghent University. His research focuses on banking and finance, law and economics, development economics, institutional economics and complexity. At Ghent University he is the current head of the newly founded Russia platform. Outside Ghent University he is Chair of the Board of Gigarant and Trividend and is also a member of the Board of the Cooperative firm Energent, and of the social-artistic collective Bij de Vieze Gasten. He also acted as an expert for the Fortis Commission of the Federal Parliament, the Dexia Commission of the Flemish Parliament and the G1000. He actively participates in the policy debate, via colloquia, debate evenings, public lectures, columns, commentaries and interviews.

Koen Schoors was first appointed in 2017 and his present term expires in 2021. He is of Belgian nationality and does not own any Triodos Bank N.V. depository receipts.

### Mercedes Valcarcel (1968)

Mercedes Valcarcel is Managing Director in Fundación Generation and professor in economics in UNED (Spanish on-line public university) focused on social finance and social impact assessment. She is member of the Spanish Social Investments Association (Spainsif) and member the Board of Directors of Fundacion Viceversa. In the last years she participated in European Commission advisory groups on social entrepreneurship and on social innovation. Previously, for 10 years, Mercedes Valcarcel held various management positions in public foundations

in charge of training for employment of vulnerable people and of supporting small and medium-sized enterprises (SME). Before that, she worked for 14 years in the financial sector in internal audit, consultancy and financial departments of various European banks and venture capital companies, such as Sepides, Najeti, SCR, Banco Espirito Santo and Deloitte.

Mercedes Valcarcel was first appointed in 2019 and her present term expires in 2023. She is of Spanish nationality and owns 156 Triodos Bank depository receipts.

## Appendix – UN Sustainable Development Goals

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In 2015, the 17 Sustainable Development Goals (SDG) were launched by the United Nations. The SDGs, successors to the Millennium Development Goals, are a universal set of targets and indicators designed to help countries end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda.

The goals are principally focused on wide-reaching action by states, business and civil society. And they resonate strongly with Triodos Bank and our essence as a values-based bank that has been working on this agenda since our founding in 1980.

Triodos Bank is clear about the path we want to take to use money consciously as a catalyst for sustainable change. And while we have our own path to take on a journey to a sustainable, low carbon and inclusive future, we welcome a framework that enables us to communicate better with our fellow travellers. The SDGs do just that. They provide powerful language to communicate integrated sustainability goals that are more urgent now than ever.

The SDGs have quickly become an established framework with relevance for businesses, government and civil society alike. The goals play an increasingly important role for wider society and have the potential to be a powerful and positive agent of change in the financial industry. That's why Triodos Bank was one of 18 Dutch financial institutions to invite the Dutch Government and Central Bank to continue to make a concerted effort to help deliver the SDGs. The initiative was the first in the world to bring national pension funds, insurance companies and banks together around a shared SDG agenda, and included a report recommending priorities to maximise 'SDG investing'.

### Triodos Bank and the SDGs

The goals clearly articulate objectives that must be addressed at a global level. They reflect the importance of a joined up, integrated approach to the multiple challenges we face – an approach that closely reflects our own. But the SDGs, like us all, are not perfect. For example, nurturing personal development, education and inspiration are a core part of Triodos Bank's mission. We lend to and invest in thousands of projects in the cultural sector as a result. And we continue to believe this cultural aspect is both core to developing a more sustainable society and largely absent from the SDGs.

Triodos Bank is asked to describe its approach to the SDGs by various stakeholders. During the year this included presenting our approach to the SDGs to inspire other companies during a workshop organised by The Shift, the Belgian sustainability network.

This is the fourth year that Triodos Bank will include the SDGs in its reporting. We do this in three distinct ways:

- Via the mapping exercise that follows in this appendix, including updates where we have made specific progress
- By linking relevant content throughout the report to specific SDGs
- By identifying and reporting against several specific targets, which underpin each of the SDGs.

We started by mapping what we do against the SDGs and where our work is directly relevant to an SDG and a specific indicator. While we highlight how we intend to further this work in the future, specific indicators of how this will be achieved are available in other parts of the report – in the strategic objectives section, for example – and not duplicated here.

Where relevant we also highlight SDG targets (e.g. '1.5 resilience to external shocks' below) that underpin each of the goals. We have selected targets that are closest to our activity and aspirations, for readers with a more detailed interest in the specifics of each goal. These targets have been identified, in part, through collaborative work among businesses across sectors, with the support of the Global Reporting Initiative and United Nations Global Compact.

This year, for the first time, we will also include a new set of indicators where they are relevant. They have been developed through a joint effort of representatives from Dutch financial institutions and companies, including Triodos Investment Management. The group is part of the Sustainable Finance Platform, Chaired by the Dutch Central Bank. Together they have tried to identify indicators that help to capture the positive impact of companies produced through their products and services, and not their operations. These are a starting point only and are expected to develop over time.

The table below lists the SDGs and Triodos Bank's contribution to them against three categories highlighting the depth of involvement in relation to each goal. Where our activity is less core to the SDG in question we describe the work we do in this area and our wider perspective on that goal in one column.

- Level 1 – Baseline activity to ensure we are not harming these goals
- Level 2 – Direct activity we take to positively influence them
- Level 3 – The catalysing role we can play to stimulate long-term, transformational change – where Triodos Bank is already, or can in the future, play a catalysing role helping to stimulate the lasting systemic change that the goals demand.

This last point is important because Triodos Bank aims to work with the SDGs to genuinely 'move the dial' on the goals. In creating this table, we have considered the spirit behind each goal and its supporting indicators, as well as the text itself, to produce a clear view of how Triodos Bank's activity maps against them. We hope it helps our stakeholders better understand how our work relates to the SDGs and we welcome your feedback.





## No poverty

**Relevant UN target:** 1.5 resilience to external shocks (for individuals and families)

**Sustainable Finance Platform indicator:**

Number of people provided with access to financial services, including microfinance: 38.3 million

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>Our policy is to avoid predatory lending and to undertake good due diligence when making decisions about which inclusive finance institutions to invest in.</p>	<p>We invest in financial institutions working for inclusive finance in emerging markets, so they can serve people to build their assets gradually, develop small and medium-sized enterprises, improve their income earning capacity, create employment and provide a financial cushion for the future. In 2019 we provided inclusive finance for 19.2 million savers and 19.1 million borrowers in emerging markets, via 109 financial institutions. We have pioneered Fair Trade finance including partnering with key players such as Oxfam and Fairtrade Iberica and Fairtrade Belgium.</p> <p>Triodos Bank has an active role in eradicating urban poverty in Europe, financing organisations devoted to care and social inclusion, such as Emmaus, Blackburn YMCA and 16-25 Independent People in the UK who re-house and provide employment for disadvantaged and homeless people. In The Netherlands we finance Eigen Schuld, a theatre performance about the social problem of poverty. The challenging play is written by young people and performed in school classes.</p> <p>Co-workers are also involved directly in local initiatives. In Belgium, for example, the Triodos Bank banking entity in Brussels supports a local organisation, Comité de la Samaritaine, to help provide vulnerable people in the local community with access to decent food.</p>	<p>We integrate climate concerns and social issues, by advising financial institutions who specialise in inclusive finance on how to incorporate environmental issues in their business. This makes both the institutions and the entrepreneurs they finance, and their families, more resilient to outside shocks.</p> <p>Where appropriate we responsibly exit from investments in institutions that build their capacity to the point where they do not need our support anymore, so we can focus again on helping other institutions serving those most in need.</p>



## Zero hunger

**Relevant target:** 2.4 ensure sustainable food production

**Sustainable Finance Platform indicator:**

Number of people provided with safe, nutritious and sufficient food: 28,000 (this figure excludes the Triodos Organic Growth Fund)

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>We do not finance intensive agriculture and, instead, only and exclusively finances sustainable and organic agriculture.</p>	<p>We specialise in financing sustainable food production through our lending and investing activity in organic farming and sustainable trade.</p> <p>Our investment activity focuses around the Triodos Organic Growth Fund (EUR 42 million) which invests in mature, privately owned, sustainable consumer businesses and on the Triodos Groenfond (EUR 969 million) that invests in 'green' projects including sustainable food and agriculture (EUR 129 million).</p> <p>We are the financial partner for social organisations delivering services for people struggling to meet their nutritional requirements, in Europe.</p> <p>For example, in Spain we finance initiatives such as eQuáliment, a specialised application for social organisations to optimise the management of food collection and distribution. (see SDG 1).</p> <p>In Belgium, we finance Ethiquable Benelux, a cooperative with a social purpose, specialising in Fair Trade and organic products. In partnership with the French company Ethiquable SCOP, the cooperative directly partners with more than 40 cooperatives of small producers from the South, working exclusively on agricultural projects that benefit people living on low incomes. In The Netherlands, we finance Willem &amp; Drees, a company which takes care of the most vulnerable parts of distribution issues of alternative food networks and short food supply chains, as well as regional/local food systems in general.</p> <p>The Hivos-Triodos Fund finances Ecozen Solutions in India. They provide renewable energy-based products for the agricultural markets in India, mainly solar water pumps and solar-powered cold storage. Through its innovative products, Ecozen minimises food waste and enables up to a 40% increase in income for farmers.</p> <p>The Triodos Foundation, Triodos' grant-giving arm, supports the Dutch organisation Urban Greeners and other innovative initiatives that focus on nutrition and biodiversity.</p>	<p>At a systemic level our finance aims to inspire the financial sector, by showing that sustainable organic and Fair Trade agriculture can be successfully financed in European and emerging markets.</p> <p>During a <i>Our Future: Fair &amp; Healthy Food</i> conference in the European Parliament, organised by the Green European Foundation, the Belgian banking entity presented Triodos Bank's vision paper <i>Towards ecologically and socially resilient food and agriculture systems</i> to international experts on food policy.</p> <p>We also work with others (see also SDG 17) to promote sustainable food production. During 2019, we continued to work with partners to develop 'true cost accounting' for finance, food and farming, for example.</p>



Good health and well-being for people

**Relevant target:** 3.5 drugs and substance abuse

**Sustainable Finance Platform indicator:**

Number of people reached with improved health care: 43,000 (this figure relates to the people benefiting from elderly care homes financed by Triodos Bank)

<p><b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal</p>	<p><b>Level 2</b> What we do to make a meaningful difference</p>	<p><b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change</p>
<p>We only finance health care providers with a human-centred approach to care, ensuring health and well-being, particularly for the elderly, people with learning and physical disabilities and other disadvantaged groups such as those recovering from drugs and substance abuse.</p>	<p>We lend to large numbers of health care organisations whose emphasis is on quality of care, including clinics specialising in addiction treatment. Approximately 13.5% of our lending is in the health sector.</p> <p>In Belgium we finance Médecins du Monde: an NGO specialising in international medical aid. It provides medical assistance to vulnerable populations all over the world, including in Belgium. The organisation cares for victims of natural disasters, epidemics and armed conflicts, refugees, minorities, abandoned children and people without access to healthcare. Medical care is Médecins du Monde's main objective, but the organisation also fights to make access to health care a fundamental right.</p> <p>Triodos Bank also finances many community health centres including Le Gué in Tournai, catering for up to 5,000 patients in Belgium.</p> <p>In the UK we have provided finance to charities like The Green House in Bristol that provides therapy for children and adults who've experienced sexual abuse.</p> <p>In addition, Triodos Bank in The Netherlands finances Siza, providing support for people with disabilities, for example.</p> <p>In The Netherlands we also finance Ben Oude NijHuis, an affordable, small-scale home for elderly people centred around nurturing human dignity.</p> <p>In numbers, 43,000 elderly people in Europe benefited from care provided by initiatives financed by Triodos Bank in 2019, representing 21 days of health care financed for each Triodos Bank customer.</p> <p>The Triodos Pioneer Impact Fund (EUR 357 million) invests in equities issued by listed companies, including medical technology firms that are pioneers in the theme of 'healthy people'.</p>	<p>We can contribute more powerfully by financing scalable projects and we can further contribute to the debate about how to serve elderly people's financial needs in the future.</p>



## Quality education

**Relevant target:** 4.4 upskill youth and adults

4.7 promote sustainable development knowledge and skills

**Sustainable Finance Platform indicator:**

Number of people receiving education services: 660,000

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>Our approach is to only finance education initiatives – from kindergartens to adult education – that benefit individuals’ personal development and society in terms of social cohesion in general, and sustainable economic development in particular.</p>	<p>We lend to education initiatives that benefited 66,000 individuals in 2019.</p> <p>They include projects like Strontian primary school set up as a community benefit society to serve a remote Highland community in Scotland. We also financed a campus development for University of Winchester as they strive to be the most sustainable university in the UK.</p> <p>In Spain we financed Imagine Montessori School, a new educational centre in Valencia. Sustainability is an integral part of this project through environmental education and the facilities themselves which are powered by renewable energy. We give dozens of conferences about ethical banking at schools, high schools and universities every year, including participating in the ‘Bank voor de Klas’ initiative in The Netherlands.</p>	<p>We can contribute to the overall education ‘mix’ by focusing our finance on diversity in the education system – through progressive educational establishments and initiatives that serve the excluded.</p> <p>We also provide long-term support and participate in initiatives beyond our role as a bank directly, through initiatives like HERA (Higher Education and Research Awards) in Belgium. The awards explore how masters students integrate sustainable development principles into their work and recognise the importance of integrating sustainability concerns, in a holistic way, at an important stage in their development. Co-workers, at all levels, are regularly invited as guest speakers during Economy &amp; Finance lessons to present the Triodos Bank vision on Finance and the bank’s business model.</p> <p>We want to continue to co-create innovative projects such as Agricultura Social, (social agriculture) launched by Triodos Foundation in Spain to promote the educational potential of nature and organic gardens, crowdfunding for projects and an annual prize recognising landmark initiatives.</p> <p>Co-workers in all countries regularly accept invitations to explain to students how sustainable finance and economics work for a better society.</p>



## Gender equality

**Relevant target:** 5.1 end discrimination against women

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>We treat all individuals equally, and particularly include people who are often excluded. In practice this leads to an explicit focus on making access to finance available to women.</p> <p>We value a diverse community in Triodos Bank itself, including gender. In 2019 49.6% of Triodos Bank co-workers were women and 44% of management positions were held by women.</p>	<p>We finance financial institutions in developing countries and emerging economies that demonstrate a sustainable approach toward providing financial services to those traditionally excluded. In 2019 these institutions served 19.1 million loan clients, of which 75% were female.</p> <p>For over 30 years Triodos Investment Management has partnered with Women's World Banking, a global non-profit providing low-income women with access to financial tools and resources to build security and prosperity. We are a co-investment manager for the Women's World Banking equity fund (EUR 39 million).</p>	<p>The greatest contribution we can make is to both promote and extend healthy gender diversity as an important pre-condition for our work as an institution ourselves and in how we apply the money entrusted to us, both in Europe and in developing countries.</p>



## Clean water and sanitation

### Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

### Level 2

What we do to make a meaningful difference

### Level 3

The catalysing role we can play to stimulate long-term, transformational change

Clean water and sanitation are topics relevant around the world. While this is not a core loan or investment theme, much of our finance takes care of both, not least through entrepreneurs financed through inclusive finance and SME lending and in sectors such as organic agriculture which support water conservation and water health. We invest, via the Triodos Pioneer Impact Fund (EUR 357 million) in listed companies such as Hong Kong-based Beijing Enterprises Water Group, a water and sewage/waste-water treatment company that contributes to the availability of clean drinking water and the cleaning of wastewater.

In Spain we continued to work with Ongawa in 2019, an organisation primarily focused on providing clean drinking water for disadvantaged people in Africa and South America.

In Belgium we finance Shayp, a Brussels-based start-up, who have developed smart technology to detect water leaks and repair them efficiently. Shayp's software works just as well for large office buildings as for private homes in cities.



## Affordable and clean energy

**Relevant target:** 7.2 increase share of renewables globally

### Sustainable Finance Platform indicator:

Renewable electricity produced that can be attributed to Triodos finance: 2,000,000 MWh

Avoided greenhouse gas emissions (in tonnes of CO<sub>2</sub> equivalent): 0.9 million

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>Our policy is not to finance fossil fuels and exclusively to finance renewable energy initiatives in the energy sector.</p> <p>Whenever we can we buy energy from renewable sources to power the buildings that we work from within our own network</p>	<p>We finance sustainable energy via direct lending in all the countries where we operate (EUR 1.596 million) and via investments through Triodos Green Fund (EUR 969 million) and Triodos Renewables Europe Fund (EUR 120 million).</p> <p>As well as considerable impact in Europe, Triodos Bank has financed more renewable energy initiatives in Europe than any other financial institution each year for the last four years.</p> <p>Triodos Bank extended its wind energy financing to offshore wind energy projects through its international Energy &amp; Climate Desk. While in Germany we financed a decentralised rooftop solar portfolio, with a loan that allows the project developer to easily structure and finance new projects in a short timeframe.</p> <p>Triodos' renewable energy projects also extend to emerging markets, such as hydro projects Ecuador and wind projects in Kenya.</p>	<p>As well as its direct impact as a financier, Triodos Bank acts as an opinion leader in the energy space, including engaging in debate about the urgent importance of a low carbon economy and how to move towards it. In 2019, it published a vision paper describing its long-term view of energy and climate issues.</p> <p>During the year, Triodos Bank built on the implementation of a groundbreaking new methodology – co-created by the financial industry for the financial industry – to measure the carbon emissions of loans and investments, by launching a global programme. The Partnership for Carbon Accounting Financials (PCAF) aims to encourage all financial institutions to account for their carbon emissions as a pre-condition to align their impact with the Paris climate goals. Several events in The Netherlands, Germany, Spain and Belgium took place during the year to share this approach with the wider banking sector.</p> <p>We can contribute further in the future by extending our work into new areas such as energy storage, energy efficiency finance and electric vehicle infrastructure via Triodos Bank's European network of energy finance experts.</p>

Triodos Bank Belgium finances SPS, a 'third investor' that's installing solar panels on the roofs of companies and organisations. We also connected this client with other Triodos Bank clients like the new Brasserie de la Senne brewery and the Flagey culture house in Brussels, to install solar panels on their roofs. Triodos Bank UK has financed 60,000 solar panels for Heart of England Community Energy, the largest community-owned solar farm in the UK and solar panels and LED lighting at some of the key sites for charity RSPB, supporting their aim of being energy self-sufficient.

In The Netherlands, Triodos Bank is actively financing onshore and offshore wind energy, collective large-scale solar energy projects, energy from residual flows and energy-saving projects, like Slim Opgewekt. The latter improves the sustainability of schools both by installing LED and solar panels, and by teaching children more about energy; for example, through self-developed sustainable games.

Triodos Bank has developed a detailed programme to reduce the environmental impact of its own activities; its operations meet the highest environmental standards and it uses 100% renewable energy in its buildings.

We collaborated on a white paper 'New Pathways' – arguing for concrete changes to build a more just and sustainable financial future, and actively communicated about them throughout the year. Since its publication there has been significant progress made at a European level on sustainable finance. This includes draft legislation on transparency and disclosure of environmental, social and governance (ESG) risks and impacts on all financial products. There is more open debate and exploration on levying additional capital charges for assets which could increase climate risk. And we continue to be an active participant in the debates in this field together with other organisations.

Triodos Bank was closely involved, as a lead negotiator, in developing a Dutch Climate Agreement. As part of the agreement banks, and other Dutch financials, have committed themselves to substantially reduce CO<sub>2</sub> emissions on their balance sheets.

Triodos Bank is convinced it's time the energy transition becomes a matter for citizens themselves. In The Netherlands we are financing more and more energy initiatives from citizens, as a result, including energy cooperatives such as Grunneger Power and Westeinde.

## Decent work and economic growth

- Relevant targets:** 8.3 ...encourage the growth formalisation and growth of micro-, small- and medium-sized enterprises, including access to financial services  
 8.4 improve ...global resource efficiency in consumption and production ...decouple economic growth and environmental degradation  
 8.9 ...implement policies to promote sustainable tourism  
 8.10 strengthen the capacity of domestic financial institutions encourage and expand access to banking ...and financial services for all

<p><b>Level 1</b>                      Baseline policies and activity, to avoid doing any harm in relation to the goal</p>	<p><b>Level 2</b>                      What we do to make a meaningful difference</p>	<p><b>Level 3</b>                      The catalysing role we can play to stimulate long-term, transformational change</p>
<p>Triodos Bank considers how the mission of an organisation translates into the organisation itself before considering a loan or investment. It has over 20 years' experience financing microfinance and inclusive finance initiatives in emerging markets. As well as only financing the green economy in Europe, including developing lending in the sustainable tourism sector, all our banking products and services take the environment into consideration.</p> <p>Our finance often leads to job creation and frequently, due to the sustainable focus of all our finance, to work that benefits the excluded – from people with disabilities to ex-offenders.</p>	<p>The inclusive finance activity we describe in SDG 1 above is delivered via Triodos Investment Management connecting thousands of investors with Microfinance and SME institutions in developing countries. Inclusive finance is also relevant in The Netherlands where we work with Qredits, a Dutch initiative providing microfinance loans, mentoring and online tools to support entrepreneurs.</p> <p>In Belgium, Triodos Bank co-founded the Solifin platform, a network of foundations and crowdfunding platforms specialised in impact investing. Solifin will facilitate access to information and finance for entrepreneurs delivering social and environmental impact.</p> <p>As a partner bank in the Mayor of London's Energy Efficiency Fund (MEEF) Triodos Bank UK has provided finance to NHS hospital trusts to improve energy efficiency on site. In Amsterdam, Triodos Bank finances WOW. Its founders have converted a former technical school in the 'Kolenkitbuurt', a district in the city, into a unique hostel and cultural hotspot. WOW provides a new impulse in the neighbourhood, combining tourism and art.</p> <p>Triodos Bank integrates resource efficiency and environmental concerns in products with a purpose; including sustainable mortgages, credit cards for spending on sustainable products and pensions linked to front-running sustainable companies</p> <p>We are continuing to extend lending to certified green sustainable tourism projects, or those working towards it, across Europe.</p> <p>Enric Majoral, in Spain, uses 100% fair-mined certified gold. A well-established jewellery brand, it promotes fairer labour conditions in a high impact industry.</p>	<p>We intentionally look to finance companies that can act as a catalyst for deep-seated change within their industries, as inspirational examples of what's possible in the circular economy. Dick Moby, producers of sustainable sun glasses are one example.</p> <p>We partner with others who share this agenda, including co-founding the Sustainable Finance Lab in The Netherlands and contributing to the development of a similar initiative in Spain in 2019, the Sustainable Finance Forum (Foro de Finanzas Sostenibles). In The Netherlands we are also a founding partner of Social Enterprises NL. As a national membership body, Social Enterprise NL represents, connects and supports the growing community of social enterprises in The Netherlands.</p> <p>Triodos Bank and the European Investment Fund (EIF) have also signed a significant guarantee agreement for social entrepreneurship. The agreement allows Triodos Bank to finance more than 400 social entrepreneurs across four EU countries over the next years for a total of EUR 65 million. This means that we can help more social entrepreneurs to add value to society in their own way, and can accelerate the social transition in our economy that's so urgently needed.</p> <p>We also celebrate and encourage front-runners in social and sustainable entrepreneurship, through initiatives like the Heart Head prize; an awards programme delivered in several countries where we operate.</p> <p>We have backed The Thriving Places Index in the UK, an approach that undertakes analysis of how well local authorities are doing at creating the conditions for people to thrive. It is a new Index seeking to create an alternative to GDP as a measure of success.</p>



## Industry, innovation, and infrastructure

**Relevant targets:** 9.3 ...increase access of small-scale ...enterprises ...to financial services

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

### Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

### Level 2

What we do to make a meaningful difference

### Level 3

The catalysing role we can play to stimulate long-term, transformational change

While we typically do not finance large-scale infrastructure projects, Triodos Bank promotes an inclusive, sustainable economy and fosters innovation; indeed, Triodos Bank itself is an example of innovation in the banking sector. Our work for the inclusive finance sector supports efforts to increase access of small-scale enterprises to financial services, including affordable credit.

In the UK, we have raised finance through the crowdfunding platform for community-owned broadband pioneer, Broadband for Rural North.



## Reducing inequalities

### Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

### Level 2

What we do to make a meaningful difference

### Level 3

The catalysing role we can play to stimulate long-term, transformational change

Our collective work is designed to contribute to a fairer and more equitable economy in Europe and around the world. One way we do this is via investment funds that promote inclusive finance, targeting small and medium-sized businesses in emerging markets. We also aim to be a reference point for values-based banking, working alongside partners in networks like the Global Alliance for Banking on Values (GABV), to promote and help deliver a fairer, more equitable society.

We have a comprehensive approach to inequality which includes financing groups in risk of social exclusion.

This work also translates into loans to businesses and organisations that serve and employ people with disabilities or who are otherwise at risk of exclusion. We actively finance refugees through several initiatives across Europe.

In Spain, we work with the Fundación Secretariado Gitano, an organisation that defends the rights and culture of the minority travelling community. In The Netherlands we finance 'Specialisterren' enabling people with autism to excel as software testers.

In Belgium we finance The Belgian Committee for Refugee Assistance (CBAR), an NGO that provides legal aid to refugees as well as to their lawyers and social workers active in the field. CBAR is the operational partner of the United Nations High Commissioner for Refugees (UNHCR) in Belgium.

**Relevant targets:** 11.1 ...access for all to ...affordable housing

11.4 ...protect and safeguard the world's cultural ...heritage

11.7 by 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older people and people with disabilities

**Sustainable Finance Platform indicator:**

Number of people with access to safe, affordable, and sustainable housing: 58,000

Floor space of green real estate (M<sup>2</sup>): 921,000m<sup>2</sup>

<p><b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal</p>	<p><b>Level 2</b> What we do to make a meaningful difference</p>	<p><b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change</p>
<p>We do not finance unsustainable housing and have a proactive policy to finance social and sustainable housing as well as arts and culture projects.</p>	<p>We have approximately EUR 500 million in loans and investments in social and co-housing, providing affordable homes for often excluded groups, including housing associations across Europe. We also have more than EUR 900 million in sustainable property projects.</p> <p>We renovate and refurbish culturally significant buildings and monuments, like Amsterdam's Stadsherstel, or Earth (Evolutionary Arts Hackney) in London.</p> <p>Triodos Bank Belgium co-finances Inclusio, an investment fund which aims to provide quality housing, at an affordable price, to vulnerable populations.</p> <p>Another example is a project in Frankfurt, where a building is being renovated for shared housing. This integrative project offers space for students and refugees.</p> <p>In the UK the North Camden Housing Co-operative in London redeveloped apartments to the passive house retrofit standard. We financed Ssassy Springfield Meadow which provides an important model for a sustainable residential development – with a mix of housing association and private homes for sale, all to Passive House and Bioregional sustainable certification.</p> <p>In Spain we made a loan to make it possible for Cinemas Verdi, a traditional cinema in Barcelona and member of the Europa Cinemas network, to continue to operate.</p>	<p>We can contribute most powerfully by financing scalable, inspirational projects that change the perspective of the housing and arts and culture industries. These projects show that social, environmental and cultural objectives can and should be integrated in developing sustainable housing for the whole community.</p> <p>We can also respond to urgent challenges in society. For example, refugees with the legal status to stay in The Netherlands for five years can now access a mortgage via a special product developed with the Triodos Foundation and a partner (see also SDG 17).</p> <p>We can also work with partners to advise on how best to attract and apply finance for sustainable infrastructure projects in cities.</p>



## Responsible consumption and production

**Relevant targets:** 12.2 sustainable management ...of natural resources

12.5 reduce waste generation

12.6 encourage companies to adopt sustainable practices

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>Our products and services (see qualitative elements in the GABV scorecard) have responsible consumption 'built in'.</p> <p>We positively look to finance companies focused on reducing waste generation and promoting reuse and recycling. We also encourage listed companies to act more sustainably, and actively promote responsible consumption.</p>	<p>The efficient use of natural resources is at the heart of much of our finance. We only finance organic agriculture projects for example, and proactively look to finance businesses operating in the circular economy. The farms we finance in Europe, produced the equivalent of 31 million organic meals in 2019. As well as direct lending we have the Triodos Organic Growth Fund (EUR 42 million), which invests in mature, independent, sustainable consumer businesses.</p> <p>We proactively finance waste reduction and recycling businesses, including Le Champignon de Bruxelles (The Brussels Mushroom), an urban agriculture and circular economy project. Mushrooms are produced with the residue from the brewing of barley in the manufacturing of beer.</p> <p>Through Triodos Investment Management's Research department, we engage with large companies, including front-runners such as Wessanen, encouraging them to improve their sustainable practices, including by voting as an investor through Triodos Bank's Impact Equities and Bonds funds (EUR 2,020 million).</p> <p>In Spain we financed initiatives, in 2019, to promote changes in patterns of consumption, such as Yes Future Positive Supermarket, a zero-waste supermarket. In The Netherlands we finance MUD Jeans, producers of high-quality jeans in a sustainable and fair way. The company works according to the principles of a circular economy. New jeans are made from organic cotton and recycled 'MUD Jeans'. Customers can either buy or lease their jeans. The company believes in 'use' instead of 'ownership'. In this way, consumers can keep up with fashion trends, with minimal impact on the environment.</p> <p>We have adopted sustainable practices as an integrated element of our business from the start. And integrate sustainability into our reporting cycle as a logical consequence of this focus.</p>	<p>Through events, articles and public affairs activity we aim to promote an integrated view that responsible consumption and production is closely connected to a better quality of life. In 2019 this included producing a publication on food and farming describing our long-term vision for the sector.</p>



## Climate action

### Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

### Level 2

What we do to make a meaningful difference

### Level 3

The catalysing role we can play to stimulate long-term, transformational change

While most of the specific SDG 13 targets do not relate directly to Triodos Bank's activity, much of our direct loans and investments' finance aims to combat climate change, particularly through finance of the sustainable energy sector, which generated green electricity, equivalent to the electricity needs of 0.7 million households worldwide and avoiding 0.9 million tonnes of CO<sub>2</sub> emissions in 2019.

All our finance aims to integrate environmental concerns, with social, cultural and economic considerations. We enable individuals and businesses to act to combat climate change through our products and services, including green mortgages that incentivise more sustainable homes and personal loans for spending on sustainable products, such as solar panels. We participate in public initiatives, such as the UN COP25 in Madrid, through advocacy activity. In addition, we have built partnerships with others such as Climate Coalition in the UK and Ecómetro in Spain, in order to create a new educational website ([www.reducetusemisiones.org](http://www.reducetusemisiones.org)). This platform allows households to self-assess how sustainable they are and take steps to improve their sustainability.

In Belgium Triodos Bank supported several climate actions during the year including Youth for Climate, Sign for my future and Klimaatbetoog (Climate protest), all with the objective to raise awareness and action to help address the climate emergency.

Triodos Bank supported several climate actions in The Netherlands during the year, including a major Climate March in Amsterdam in the Spring.



## Life below water

### Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

### Level 2

What we do to make a meaningful difference

### Level 3

The catalysing role we can play to stimulate long-term, transformational change

Our finance in the organic sector aims to reduce marine pollution by focusing on soil quality and water conservation and health.

Triodos Bank's crowdfunding platform has raised finance for Fishtek Marine, an innovative company using new technology to help stop marine creatures becoming tangled in fishing nets.



Relevant target: 15.5 ...halt the loss of biodiversity

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>Our policy is not to finance any projects that degrade natural habitats or diminish biodiversity.</p>	<p>Next to financing organic agriculture, we finance conservation organisations, which see agriculture as part of a natural system which encourages greater biodiversity, rather than one of extraction. Around EUR 400 million of our loans and investments were in the organic farming and nature development sectors during 2019. They include organisations like Riverford Organic Farmers, a leading UK organic 'veg box' distributor that has also taken the company into employee ownership.</p> <p>In The Netherlands we have financed Tjermelan on the island of Terschelling who have created a dark 'sky park', an area where light pollution is eliminated so people can enjoy the darkness overnight. We actively engage on issues that relate to sustainable investing on the stock market via our research team, on topics such as palm oil, tin mining, commodity scarcity, and conflict minerals.</p> <p>We partner with organisations such as WWF and Greenpeace, in some of the countries where we are active and attract donations for their activities through the Triodos Foundation. In addition, we have contributed to Radboud University, in The Netherlands' research into declining insect populations in protected natural reserves, an issue that prompted widespread international coverage. And we finance Eucc The Coastel Union in the same country. EUCC's mission is to promote coastal and marine management that integrates biodiversity conservation with forms of development that sustain the integrity of landscapes, the cultural heritage and the social fabric of our coast.</p>	<p>We can contribute to systemic change by demonstrating that enterprises that are focused on greater biodiversity offer a financially viable alternative to the dominant extractive system.</p> <p>We can also develop new, innovative approaches – such as crowdfunding initiatives linked to increasing education about sustainable agriculture in schools – that punch above their weight as powerful examples of what's possible.</p> <p>And we can encourage meaningful debate on these issues, as we did in The Netherlands at the end of the year by co-hosting a debate in Amsterdam titled: 'Farmers, Citizens and Biodiversity: the way forward'.</p>



## Peace, justice and strong institutions

### Level 1

Baseline policies and activity, to avoid doing any harm in relation to the goal

### Level 2

What we do to make a meaningful difference

### Level 3

The catalysing role we can play to stimulate long-term, transformational change

We believe peaceful and inclusive societies require fair and inclusive economies focused on improving quality of life for all. Our finance is firmly focused on this goal.

We finance faith organisations of all kinds that commit to non-coercive expressions of religious belief, from Buddhist centres to Presbyterian churches.

In Belgium we finance Avocats Sans Frontières (ASF), (lawyers without frontiers). ASF aims to guarantee and promote access to justice for the most vulnerable and strives to establish legal systems capable of protecting them. The association is active in Burundi, Israel/Palestine, Nepal, the Democratic Republic of Congo, Rwanda and Uganda.



## Partnerships for the goals

**Relevant target:** 17.3 mobilise additional financial resources for developing countries

<b>Level 1</b> Baseline policies and activity, to avoid doing any harm in relation to the goal	<b>Level 2</b> What we do to make a meaningful difference	<b>Level 3</b> The catalysing role we can play to stimulate long-term, transformational change
<p>We have an open culture that encourages partnerships to help strengthen sustainable financial institutions and mobilise financial resources in developing countries.</p>	<p>Our aim is to enter sustainable markets early and demonstrate that they are financially viable – as we did with the renewable energy industry, lending to some of Europe’s first wind farms following the Chernobyl disaster in 1986.</p> <p>Our work in developing countries is delivered principally through Triodos Investment Management, as described above.</p> <p>Some key partnerships which impact on the SDG goals include B Corp – Triodos Bank was the first European bank to join this initiative of responsible companies – the Sustainable Finance Lab, and the GABV.</p> <p>We also run affiliate programmes in product partnership. In the UK that includes organisations and charities aligned with our values, such as the Soil Association, Friends of the Earth, Marine Conservation Society and the Vegetarian Society.</p> <p>In Spain, we’ve launched the Academic Forum for Sustainable Finances together with Analistas Financieros Internacionales (a leading economic and financial consultancy firm), with the goal of achieving a steady, resilient and sustainable financial system, through knowledge. We also have financed clients like Fundación Ciudadana Civio, a foundation that aims to ensure the greatest transparency possible from Government and public institutions in Spain.</p>	<p>We can help promote systemic change by partnering with others, such as the Sustainable Finance Lab, B Corp, Global Reporting Initiative, the Global Impact Investing Network and members of the GABV, a network of more than 50 values-based banks across the globe which Triodos Bank co-founded in 2009. The network argues for a more sustainable banking sector as well as strengthening the effectiveness of its individual members.</p> <p>Since 2015 we have been an active member of the Dutch Partnership for Carbon Accounting Financials (PCAF), developing a methodology to assess the carbon emissions of financial institution’s loans and investments. Triodos Bank will Co-Chair this group in 2020. In 2019 PCAF launched as a global programme, with Triodos Bank on its steering committee.</p> <p>Examples during 2019 include partnering with banks and voluntary organisations. In Belgium, we partner with MO*magazine, a Flemish magazine focused on development cooperation, globalisation and international affairs more broadly.</p> <p>We have also worked with academia to produce the ‘New Pathways’ report and co-created a new methodology to measure the carbon emissions of financial institutions’ loans and investments, described above. We continue collaborating with networks of financial institutions including UNEP FI, PCAF and others on technical standards, and have good working relationship with many NGOs and civil society groups working on the transformation towards a sustainable financial system, including Finance Watch, Share Action and WWF.</p> <p>We can, and do, partner selectively with individual thought-leaders and academic organisations to promote a growth-agnostic, sustainable economy that’s fit for the 21st century.</p>

# Appendix – Global Alliance for Banking on Values scorecard – quantitative evidence of our impact

The Global Alliance for Banking on Values (GABV) scorecard provides qualitative and quantitative evidence of the sustainable impact of banks. You can find Triodos Bank's full scorecard here - [www.gabv.org/the-impact/the-scorecard](http://www.gabv.org/the-impact/the-scorecard). Here, we report the quantitative impact of Triodos Bank, as a strong indicator of Triodos Bank's values-based agenda, not least because these measures are linked to Principles of Values Based Banking, established by the GABV and its members (available on the same page above).

These factors provide insights into the three key elements of a bank's activity, which are fundamental to understanding its focus on values-based banking:

- Focus on a triple bottom line of people, planet and prosperity
- Focus on the real economy, and
- Financial viability.

Triodos Bank's performance in relation to these factors, follows below. Figures for the years 2014-2016 have not been reviewed by the auditor. The 2018 year figures have been adjusted due changes in the accounting principles. For further explanation see the general accounting principles on page 80.

### Assets Committed to the Triple Bottom Line to Total Assets

Quantitative factor	2019	2018*	2017	2016	2015
Assets Committed to the Triple Bottom Line to Total Assets <sup>1</sup>	73.8%	76.3%	75.3%	77.0%	77.9%

<sup>1</sup> Triple Bottom Line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits. We believe this figure provides the best indication of a bank's commitment to sustainability. The assets and revenues committed to the Real Economy and to the Triple Bottom Line for the years 2015-2016 have not been audited.

\* The 2018 figures have been adjusted due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles.

Explanation: This figure provides the best indication of a bank's commitment to sustainability. Triple Bottom line assets don't just mean assets in the real economy. They specifically refer to assets focused on positive social, environmental and economic benefits.

Not all assets will be committed, however, because some liquidity needs to be available for the bank to support its clients in case of disruptions in the market such as repaying savings deposited with it, for example. This figure relates to assets on the balance sheet only.

## Assets Committed to the Real Economy to Total Assets

Quantitative factor	2019	2018*	2017	2016	2015
Assets Committed to the Real Economy to Total Assets <sup>1</sup>	76.1%	77.5%	80.2%	80.6%	83.3%

<sup>1</sup> Triple Bottom Line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits. We believe this figure provides the best indication of a bank's commitment to sustainability. The assets and revenues committed to the Real Economy and to the Triple Bottom Line for the years 2015-2016 have not been audited.

\* The 2018 figures have been adjusted due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles.

Explanation: Values-based banks are strongly and directly connected to financing the real economy because that's where they can have a positive impact on people's lives and safeguard the environment. Triodos Bank lends and invests in the real economy for this reason.

Real economy assets in a values-based bank should, therefore, be relatively high. By the same token financial economy assets should be relatively low because their impact on people's lives is, at best, indirect.

Triodos Bank targets a ratio of loans (all of which are in the real economy) to deposits of 75 to 85% to make sure it always has enough money available (or liquidity) to support its clients in case of disruptions in the market. Where it is possible to do so, and to have access to the banking services we need, this liquidity is invested in line with Triodos Bank's minimum standards. In 2019 most investments were in 'neutral' organisations, like Dutch municipalities.

## Revenues from the Real Economy to Total Income

Quantitative factor	2019	2018*	2017	2016	2015
Revenues from the Real Economy to Total Income <sup>1</sup>	94.8%	91.8%	90.4%	86.9%	83.9%

<sup>1</sup> Triple Bottom Line assets refer to assets not only focused on economic benefits, but also on positive social and environmental benefits. We believe this figure provides the best indication of a bank's commitment to sustainability. The assets and revenues committed to the Real Economy and to the Triple Bottom Line for the years 2015-2016 have not been audited.

\* The 2018 figures have been adjusted due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles.

Explanation: If a bank is earning more of its revenues from the real economy, it is both making more of a difference to people's lives and is a more resilient institution.

Revenues from the financial economy tend to be more volatile, are more removed from most people's lives,

are highly unlikely to be sustainable and mean a bank is less resilient over the long term.

The increase between 2018 and 2019 is mainly due to income related the increased loan portfolio and higher management fees.

### Bank Resiliency through Earnings – 3 year Average Return on Assets

Quantitative factor	2019	2018*	2017	2016	2015
Bank Resiliency through Earnings – 3 year Average Return on Assets <sup>2</sup>	0.33%	0.33%	0.39%	0.45%	0.48%

<sup>2</sup> The Average Return on Assets figure has been adjusted for two exceptional items: it is excluding a one-off bank levy of EUR 8.3 million contributing to the rescue of the Dutch SNS Bank in 2014 and it is excluding a one-time income of EUR 1.3 million in 2016 related to the sale of our participation in Visa Europe to Visa Inc.

\* The 2018 figures have been adjusted due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles.

Return on Assets figures tell you how profitable a bank is and are a good measure of a bank's operating performance. This is important because sustainable banks need to be resilient financially, in order to deliver long term, positive impact.

It's also reasonable to assume that if a bank's profits are excessively high they may be taking inappropriate risks and may be enjoying unreasonable profits at the expense of their customers.

### Bank Resiliency through Capital – Equity to Total Assets

Quantitative factor	2019	2018*	2017	2016	2015
Bank Resiliency through Capital – Equity to Total Assets	9.9%	10.2%	10.2%	10.0%	9.5%

\* The 2018 figures have been adjusted due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles.

The Equity to Total Assets ratio tells you how strong a bank is. It includes the total balance sheet, which means it provides a transparent and conservative measure of a bank's resiliency. This is important for values-based banks which are focused on lasting benefits to society, and want to develop strong capital positions that make them stronger over the long-term.

Other measures, such as risk weighted assets, are used for the same purpose but they are both more complex and less transparent, so the scorecard has chosen to use Equity to Total Assets instead.

As a guide, a benchmark figure of 8% is significantly higher than regulatory requirements. Triodos Bank's equity to total assets figure has consistently been well above this level.

### Bank Resiliency through Asset Quality – Low-quality Assets to Total Assets

Quantitative factor	2019	2018*	2017	2016	2015
Bank Resiliency through Asset Quality – Low-quality Assets to Total Assets	1.1%	1.3%	1.9%	2.5%	2.5%

\* The 2018 figures have been adjusted due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles.

Explanation: Low quality assets (such as loans to enterprises that struggle to repay them), at levels significantly above the market average, are generally a bad thing for banks because they represent the risk of financial losses in the future.

Values-based banks should have strong customer relationships, and have a deep understanding of their activities and the sectors they work in. Together this will limit the chances of loans and investments going wrong in the first place and should make working

through challenges with clients easier when problems do occur. Meaningful relationships with customers and precisely this expertise, is at the core of Triodos Bank's approach to banking.

Triodos Bank's low-quality assets to total assets ratio is below the market average in all the countries where it operates.

### Bank Resiliency through Client Based Liquidity – Client Deposits to Total Assets

Quantitative factor	2019	2018*	2017	2016	2015
Bank Resiliency through Client Based Liquidity – Client Deposits to Total Assets	88.6%	88.1%	88.1%	88.4%	88.7%

\* The 2018 figures have been adjusted due to a change of the accounting principle regarding the effective interest rate methodology. For further explanation see the general accounting principles.

Explanation: Banks finance their assets (such as loans, investments and their wider activities) with money that's either:

- deposited with them by customers,
- and/or borrowed from others (mostly other banks) and then lent on to clients,
- or sourced from investors.

A large amount of borrowing from the markets to finance a bank's activity is, by definition, riskier because markets are more volatile. Banks are both stronger and more values-based when more of the

money they use to finance their activity comes from customers.

High levels of funding from customers' deposits suggests a strong connection with clients and the real economy – both important elements of a values-based bank.

Triodos Bank funds all its lending from customers' deposits

## Appendix – Co-worker and environmental statistics

### Co-worker statistics

#### Social key figures<sup>1</sup>

	2019		2018		2017		2016		2015	
	Inside Netherlands	Outside Netherlands								
Number of co-workers at year-end	791	702	737	690	700	677	631	640	547	574
Average number of ftes during the year <sup>2</sup>	677.1	668.6	649.1	647.6	593.8	604.5	523.5	566.1	456.6	517.3
Number of ftes at year-end <sup>2</sup>	703.3	667.1	658.0	659.4	618.5	630.5	560.5	594.8	482.4	538.2
Sickness rate	4.3%		3.8%		3.3%		2.8%		2.7%	

<sup>1</sup> The co-worker report includes everyone employed by Triodos Bank.

<sup>2</sup> Fte stands for full-time equivalents and is the number of co-workers calculated on a full-time basis per week. (For The Netherlands this is 40 hours, Belgium 37 hours, United Kingdom 37.5 hours, Spain 37 hours, for Germany 40 hours and for France 35 hours).

#### Training expenses per co-worker

	2019	2018	2017	2016	2015
The Netherlands <sup>1</sup>	2,237	1,242	1,681	1,745	1,970
Belgium	1,012	1,669	1,531	1,150	1,595
United Kingdom	1,431	1,124	968	1,095	432
Spain	626	565	554	467	777
Germany	1,375	1,288	1,055	741	900
France	2,722	3,906	2,323	1,327	1,757
Head office	2,321	2,901	2,101	2,328	2,727
Triodos Investment Management <sup>2</sup>	3,715	2,173	2,298	2,261	2,924
<b>Average</b>	<b>1,840</b>	<b>1,602</b>	<b>1,471</b>	<b>1,435</b>	<b>1,692</b>
Increase	14.9%	8.9%	2.5%	-15.2%	-8.8%

<sup>1</sup> All references to The Netherlands in the co-workers figures include the Dutch Private Banking department.

<sup>2</sup> The co-workers figures of Triodos Investment Management includes TIAS as of 2019, since TIAS no longer exists as a separate entity.

## Training days per co-worker

	2019	2018	2017	2016	2015
The Netherlands	4.0	3.3	2.9	2.9	1.7
Belgium	2.2	4.0	3.5	2.7	2.3
United Kingdom	1.7	6.9	4.3	1.8	0.9
Spain	9.6	7.8	8.1	7.3	11.7
Germany	4.1	4.9	2.5	1.4	1.0
France	4.8	6.6	4.9	2.4	1.6
Head office	4.0	6.2	3.8	3.8	4.4
Triodos Investment Management	4.2	3.4	2.0	1.8	2.0
<b>Total</b>	<b>4.7</b>	<b>5.5</b>	<b>4.3</b>	<b>3.7</b>	<b>4.6</b>

## Salaries

Country	Ratio highest to median salary <sup>1</sup>					Ratio increase highest salary to increase median salary <sup>2</sup>				
	2019	2018	2017	2016	2015	2019	2018	2017	2016 <sup>3</sup>	2015
The Netherlands	4.6	4.8	4.7	4.7	4.7	0.5	0.5	0.4	0.0	0.8
Belgium	2.8	2.9	3.0	3.0	1.9	1.4	0.2	0.0	0.0	0.9
United Kingdom <sup>4</sup>	6.0	4.9	4.6	4.4	4.5	8.4	0.7	0.5	0.0	2.7
Spain	5.6	5.9	6.0	6.2	6.3	1.2	0.4	0.6	0.0	0.7
Germany	2.6	2.7	2.6	2.6	2.6	1.5	1.7	1.0	0.0	1.0
France	2.7	3.9	3.9	3.4	2.9	0.0	0.6	0.2	0.0	1.0
<b>Total</b>	<b>5.6</b>	<b>5.6</b>	<b>5.7</b>	<b>5.7</b>	<b>5.7</b>	<b>0.9</b>	<b>0.6</b>	<b>0.4</b>	<b>0.0</b>	<b>0.8</b>

<sup>1</sup> Ratio of the highest-paid co-worker to the median full-time salary of all co-workers (the median is defined excluding the maximum full-time salary in line with GRI Standards).

<sup>2</sup> Ratio of percentage increase for the highest-paid co-worker to the median percentage increase for all co-workers (the median is defined excluding the increase of the maximum full-time salary in line with GRI Standards).

<sup>3</sup> There have been no increases to the highest salaries on January 1, 2017 compared to January 1, 2016 in each country.

<sup>4</sup> The ratio of the increase of the highest salary to the increase in the median salary grew substantially in the UK. This is due to an increase in the salary of the Managing Director as a result of the conversion of the UK branch to a subsidiary. This change has a significant impact on the Managing Director's responsibilities.

## Fixed and variable remuneration awarded to identified staff in relation to year 2019, by instrument

	“Identified staff” in senior management functions	All other “Identified staff”
Number of co-workers	11	53
<b>Remuneration (in thousands of EUR)</b>		
Total fixed remuneration	2,245	6,099
Total variable remuneration:	–	8
of which in cash	–	8
of which in shares or share-based instruments	–	–
of which in other instruments	–	–
Total amount deferred remuneration	–	–
<b>Welcome payments</b>		
Number of beneficiaries	0	0
Total amount	–	–
<b>Severance payments<sup>1</sup></b>		
Number of beneficiaries	2	3
Total amount	461	282
Maximum amount per payment	263	136

<sup>1</sup> Severance payments include payments in case of leave, e.g. to facilitate a proper handover.

## Age categories of co-workers of Triodos Bank at year end

Age	2019		2018 <sup>1</sup>		2017		2016		2015	
	number	%	number	%	number	%	number	%	number	%
< 28 years	85	5.7	58	4.1	72	5.2	66	5.2	73	6.5
28–35 years	283	19.0	288	20.2	295	21.4	309	24.3	272	24.3
35–42 years	415	27.8	416	29.1	406	29.5	366	28.8	317	28.3
42–49 years	326	21.8	303	21.2	315	22.9	296	23.3	270	24.1
49–56 years	250	16.7	245	17.2	198	14.4	162	12.7	128	11.4
>= 56 years	134	9.0	117	8.2	91	6.6	72	5.7	61	5.4
<b>Total</b>	<b>1,493</b>	<b>100.0</b>	<b>1,427</b>	<b>100.0</b>	<b>1,377</b>	<b>100.0</b>	<b>1,271</b>	<b>100.0</b>	<b>1,121</b>	<b>100.0</b>
Average age	41.7		41.7		41.4		40.7		40.4	

<sup>1</sup> The figures published in the 2018 annual report have been updated because they included inactive co-workers, in error. The average years of service in 2018 have been adjusted from 6.4 to 5.0 as a result.

### Years of service of co-workers of Triodos Bank at year end

Years of service	2019		2018		2017		2016		2015	
	number	%								
0–1 years	209	14.0	173	12.1	212	15.4	238	18.7	226	20.2
1–3 years	323	21.6	374	26.2	401	29.1	348	27.4	292	26.0
3–5 years	328	22.0	297	20.8	241	17.5	218	17.2	195	17.4
5–10 years	375	25.1	367	25.7	339	24.6	312	24.5	284	25.3
10–15 years	179	12.0	140	9.8	118	8.6	96	7.6	75	6.7
> 15 years	79	5.3	76	5.4	66	4.8	59	4.6	49	4.4
<b>Total</b>	<b>1,493</b>	<b>100.0</b>	<b>1,427</b>	<b>100.0</b>	<b>1,377</b>	<b>100.0</b>	<b>1,271</b>	<b>100.0</b>	<b>1,121</b>	<b>100.0</b>
Average years of service	5.2		5.0		5.1		4.9		4.8	

### Sickness rate

	2019	2018	2017	2016	2015
The Netherlands	5.5%	5.1%	5.9%	3.7%	4.3%
Belgium	6.1%	3.6%	3.8%	3.5%	3.4%
United Kingdom	2.4%	2.4%	2.2%	2.2%	1.2%
Spain	5.8%	5.6%	3.4%	2.7%	2.0%
Germany	3.9%	2.8%	3.3%	2.7%	2.9%
France	2.2%	0.8%	0.0%	0.0%	0.0%
Head office	3.0%	2.7%	2.5%	3.0%	3.0%
Triodos Investment Management	2.7%	2.7%	2.1%	2.1%	2.0%
<b>Total<sup>1</sup></b>	<b>4.3%</b>	<b>3.8%</b>	<b>3.3%</b>	<b>2.8%</b>	<b>2.7%</b>

<sup>1</sup> Our sickness rate were above our target, which is not to exceed 3%. One of the reasons for this is reported as an increase in work load by co-workers. Our response to this is detailed in the co-worker report on page 48 and focuses on promoting well-being, working more efficiently and flexible working.

## Attrition

	2019	2018	2017	2016	2015
The Netherlands	8.8%	11.3%	9.4%	5.1%	7.1%
Belgium	13.6%	9.4%	12.1%	12.3%	11.4%
United Kingdom	13.9%	15.0%	15.4%	11.9%	32.1%
Spain	5.7%	5.9%	6.2%	4.9%	15.0%
Germany	4.7%	10.6%	3.5%	7.7%	20.8%
France	46.7%	13.3%	10.0%	0.0%	0.0%
Head Office	8.0%	6.3%	5.5%	4.7%	12.9%
Triodos Investment Management	12.9%	7.6%	9.3%	15.8%	7.8%
<b>Total<sup>1</sup></b>	<b>9.9%</b>	<b>8.9%</b>	<b>8.6%</b>	<b>7.9%</b>	<b>14.0%</b>

<sup>1</sup> In some business entities our attrition rate exceeds our target of 10%. This is sometimes related to specific local circumstances and changes in the organisation. As the total is still within the 10% this is not our main concern.

## Contract type<sup>1</sup> / Total number of co-workers by contract, by gender<sup>3</sup>

	2019		2018		2017	
	Fixed	Permanent	Fixed	Permanent	Fixed	Permanent
The Netherlands and Private Banking NL	55	238	46	215	44	203
Belgium	2	137	2	138	3	136
United Kingdom	18	178	21	159	8	159
Spain	15	271	13	268	10	280
Germany	–	68	6	58	3	63
France	–	10	–	15	2	13
Head Office	47	270	38	262	27	242
Triodos Investment Management	28	156	19	167	34	150
<b>Total<sup>2</sup></b>	<b>165</b>	<b>1,328</b>	<b>145</b>	<b>1,282</b>	<b>131</b>	<b>1,246</b>
Male	91	662	78	646		
Female	74	666	67	636		

<sup>1</sup> In the General Standard Disclosures of the GRI G4 Guidelines (G4-10), a new requirement was added in 2016: 'Total number of employees by employment contract (permanent and temporary), by region'. Therefore, as of 2016, we report the number of fixed and permanent contracts at year-end.

<sup>2</sup> The majority of the organisation's work is performed by co-workers under contract with Triodos Bank. Approximately 83% of all co-workers under contract with Triodos Bank are covered by collective bargaining agreements.

<sup>3</sup> As of 2019 we report the total number of co-workers by employment contract, by gender, in accordance with Disclosure 102-08a from GRI 102: Standard Disclosures.

## Environmental statistics

### Environmental key figures

absolute quantities/ftes	2019	2018	2017	2016	2015
<b>Energy consumption (in buildings)</b>					
Total electricity consumption in kWh	2,869,520	2,681,588	2,702,961	2,787,348	2,687,538
Electricity in kWh/fte	1,980	1,930	2,079	2,329	2,533
Total gas consumption in m <sup>3</sup>	143,816	143,936	132,167	122,829	111,032
Gas in m <sup>3</sup> /fte	99	104	102	103	105
<b>Business travel<sup>1</sup></b>					
By aircraft in km/fte	3,622	3,452	3,920	4,113	4,762
By car in km/fte <sup>1</sup>	888	1,036	1,020	1,188	1,246
By public transport km/fte	631	589	684	648	713
<b>Commuting<sup>1</sup></b>					
By car in km/fte	3,582	4,025	4,318	4,535	4,435
By carpool in km/fte <sup>2</sup>	94	182	145	118	109
By public transport in km/fte	4,791	3,361	3,454	3,458	3,241
By bike or on foot in km/fte	1,282	606	591	601	521
<b>Paper usage</b>					
Total paper usage in kg/fte	67	81	85	112	180
Blank copy recycled paper in kg/fte	11	13	13	17	26
Letter head paper/leaflets/etc. in kg/fte	56	68	72	95	155
Letter head paper/leaflets/etc. in kg/customer	0.11	0.13	0.14	0.17	0.27
<b>Co-workers</b>					
Ftes	1,346	1,297	1,197	1,089	968
External, temporary co-workers	104	93	103	102	93
<b>Buildings (absolute figures)</b>					
Surface area in m <sup>2</sup>	36,734	34,321	33,792	33,792	31,687
Volume in m <sup>3</sup>	123,929	114,445	112,678	112,678	104,661

<sup>1</sup> In 2019, an alternative calculation methodology for business travel by car and commuting travel was used. For commuting, we excluded data from external staff for extrapolation to the total of commuting kilometres for co-workers.

<sup>2</sup> The 2018 figure for travel by carpool has been corrected from 408 to 182 km/fte, because of calculation error in kilometres travelled by carpool.

## Emission of CO<sub>2</sub> (equivalents)

In thousands of kg	2019	2018	2017	2016	2015
<b>Scope 1</b>					
Gas consumption (heating)	70	73	72	73	90
Fossil fueled company cars & lease cars <sup>1</sup>	197	156	162	175	174
<b>Scope 2</b>					
Electricity <sup>2</sup>	22	7	13	22	1
Electric company cars & lease cars <sup>3</sup>	65	19	8	6	6
<b>Scope 3</b>					
Commuting travel					
Privately owned cars, rental cars & taxi's	1,122	1,312	1,319	1,319	1,144
Public transport	173	105	268	243	214
Flights	1,129	997	1,082	1,083	1,119
Paper	123	143	140	203	293
<b>Total</b>	<b>2,901</b>	<b>2,812</b>	<b>3,064</b>	<b>3,124</b>	<b>3,041</b>
Minus: Compensation for CO <sub>2</sub> credits	-2,901	-2,812	-3,064	-3,124	-3,041
<b>CO<sub>2</sub> balance (neutral)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
CO <sub>2</sub> compensation costs per tonne (EUR)	8.40	8.40	8.40	8.40	8.40

- <sup>1</sup> The emissions from fossil fueled company cars and lease cars is significantly higher in 2019 compared to 2018, because the kilometres for private purposes are included for the first time in 2019. Also, a different and more accurate calculation method was used (emissions calculated based on litres of fuel used instead of estimated kilometres driven).
- <sup>2</sup> Due to changes in the method of calculation, the CO<sub>2</sub> emissions of electricity have fluctuated in previous years. In 2019, the CO<sub>2</sub> emissions caused by electricity consumption in buildings has increased. This is due to the use of grey electricity (instead of green electricity) in our German office following a move to another building. Since the beginning of 2020, we use green electricity again in all our office buildings, including in Germany.
- <sup>3</sup> As a consequence of switching from fossil fueled cars to electric ones, the emissions related to electric company cars and lease cars has increased significantly (assuming grey electricity for charging the cars).

## Methodology

The data to calculate the final CO<sub>2</sub> footprint of Triodos Bank are collected by Local Environmental Managers (LEMs) in the various countries where Triodos Bank has its operations. They complete all data, including underlying evidence, in a CO<sub>2</sub> Management Application of the Climate Neutral Group (CNG). The Environmental manager in The Netherlands checks if the input of all data and evidence has been done correctly. After the completion of this phase, all data is consolidated by the Finance Division (using the four eyes principle). Finally, an external auditor checks if all relevant data has been entered accurately and approves the outcome. CNG determines conversion factors for the calculation of the amount of greenhouse gas emissions caused by Triodos Bank on an annual basis. The conversion factor multiplied by the outcome of the different components results in Triodos Bank's total CO<sub>2</sub> footprint.

In 2019, we changed our CO<sub>2</sub> footprint breakdown and divided it between a number of different scopes, in line with international standards like the Greenhouse Gas protocol (GHG Protocol) and the Global Reporting Initiative (GRI).

## Appendix – Reference overview disclosures related to the Capital Requirements Regulation

The Capital Requirements Regulation (CRR) requires disclosure of various kinds of information concerning mainly capital and risk. This table shows where this information has been published, if applicable.

Source: CRR articles	Subject	Part	Page
No. 435	Risk management objectives and policies, key ratios, information flow, information by risk category	Risk management	146
No. 435	In control statement and declaration of adequacy of risk management arrangements	Executive Board report	57
No. 435	Number of directorships	Executive Board and Supervisory Board report	226
No. 435	Recruitment and diversity policy	Website	
No. 435	Key areas of expertise	Supervisory Board report	68
No. 435	Risk committee	Supervisory Board report	66
No. 436	Scope of application of the Capital Requirements Regulation	Risk management	168
No. 437	Reconciliation of regulatory capital items and balance sheet	Website – Pillar 3 report	
No. 437	Main features and terms and conditions of regulatory capital instruments	Website – Pillar 3 report	
No. 438	Capital requirements credit risk	Website – Pillar 3 report	
No. 438	Capital requirements operational and market risk	Website – Pillar 3 report	
No. 438	Summary of internal capital assessment	Risk management	168
No. 439	Counterparty credit risk	Website – Pillar 3 report	
No. 440	Countercyclical capital buffer	Website – Pillar 3 report	
No. 442	Credit risk adjustments descriptions and approaches	Risk management	151
No. 442	Overview of exposures by exposure class, by industry, by geographic distribution and by maturity	Website – Pillar 3 report	
No. 442	Bad debts and past due receivables including charges for credit risk adjustments per sector and by country	Website – Pillar 3 report	
No. 442	Reconciliation of changes in credit risk adjustments	Website – Pillar 3 report	
No. 443	Unencumbered assets	Website – Pillar 3 report	
No. 444	External Credit Rating Agencies	Risk management	154
No. 445	Market risk	Risk management	161
No. 446	Operational risk	Risk management	152
No. 447	Equities: objectives, values and gains or losses	Notes to the consolidated financial statements	80
No. 447	Equities: total unrealised gains	Website – Pillar 3 report	
No. 448	Interest rate risk	Risk management	161
No. 450	Remuneration policy and remuneration for each of the members of the Executive and Supervisory board	Notes to the consolidated financial statements	126
No. 450	Remuneration committee	Supervisory Board report	60
No. 450	Remuneration: required quantitative data	Appendix	255
No. 451	Leverage	Website – Pillar 3 report	

**Source:****CRR****articles****Subject****Part****Page**

No. 453	Credit risk mitigation: policies and descriptions	Risk management	154
No. 453	Credit risk mitigation: quantitative data	Website – Pillar 3 report	
No. 492	Own funds: additional quantitative transitional information	Website – Pillar 3 report	

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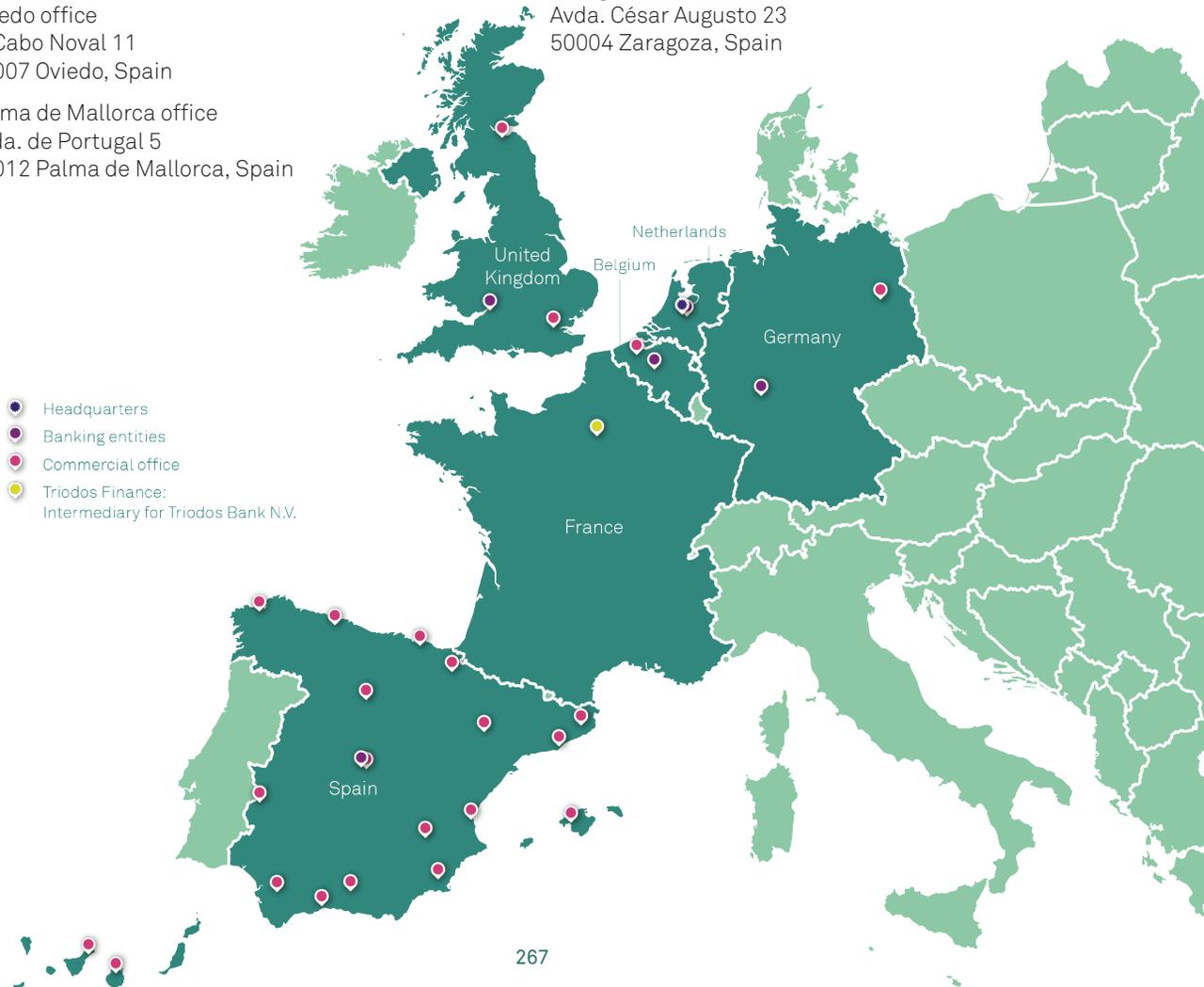
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# Sustainable banking

means using money with conscious thought about its environmental, cultural and social impact, with the support of savers and investors who want to make a difference. It means meeting present day needs without compromising those of future generations.