Minimum Standards

Triodos Bank, Triodos Investment Management and Triodos Private Banking (in this document collectively referred to as “Triodos Bank”) finance and invest in companies, institutions and projects that add cultural value and aim to benefit people and the environment. Triodos Bank does this with the support of depositors and investors who want to encourage socially responsible business and a sustainable society. Triodos Bank’s activities are divisible into two main operational cores: banking and investment management. The banking business lends funds to sustainable companies and considers the positive social, environmental or cultural impact of their activities in its assessment process. Triodos Investment Management manages Socially Responsible Investment (SRI) funds and impact funds. The SRI funds enable clients and Private Banking to invest in listed companies with high sustainability performance. Through the impact funds Triodos Investment Management directly invests in sustainable companies and projects.

Scope of this document
To assess credit and investment proposals, our relationship managers and fund managers refer to our Business Principles in the first instance. Then, the Lending Criteria which specify how Triodos Bank’s vision and mission are translated into banking practice are applied. The Triodos Bank Minimum Standards in the document at hand set out the absolute minimum requirements that Triodos Investment Managements applies for its investment activities. The Minimum Standards are also applicable to all credit agreements.

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.

Ambition
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 sustainable banking into practice. First and foremost, this means offering products and services that directly promote sustainability. Money plays a leading role in this because using money consciously means investing in a sustainable economy. This in turn helps to create a society that enjoys a better quality of life.

Market and Core Activities
Triodos Bank aims to achieve its mission as a sustainable bank in three ways:
• As a relationship bank - Triodos Bank’s service is built on deepening and developing long-term relationships with its customers. It fosters these relationships through various channels, including offices where customers meet co-workers face-to-face, by post, over the phone and increasingly via the internet. 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. Exactly how this happens differs in each country, depending in part on the stage of development of the branches and offices in question.
• As a sustainable service provider - Bank customers not only want sustainable products and services, but also competitive prices and a professional service. Triodos Bank believes that these key customer values cannot be seen in isolation. So it tries to offer a collective package of banking services to promote sustainable development. Triodos Bank’s commitment to meaningful relationships as a key strategic objective, leads to the development of innovative products which directly reflect the mission and values at the core of its work. Product development takes place in all countries.
• As a reference point - Triodos Bank wants to stimulate public debate on issues such as quality of life, corporate social responsibility and sustainable banking. It also wants to use over 30 years' experience to encourage society to promote more sustainable development. The implications of this public debate extend well beyond the activities of Triodos Bank itself. 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 in this respect, strengthening the Triodos Bank brand and reputation.

Triodos Bank's positive approach
Triodos Bank's positive approach to sustainable lending and investing involves:
• Identifying sustainable sectors, in which Triodos Bank can finance and invest in companies, organisations and projects.
• Selecting companies, organisations and projects that will deliver real social, cultural or environmental benefits.
• Evaluating the motivations of the people behind companies, organisations and projects, as well as the feasibility of their objectives and their capacity to realise them.
• Ensuring that selected companies, organisations and projects meet the Minimum Standards, thereby minimising potential negative impact on people or the planet.
• Financing sounds business, activities and projects addressing clearly defined needs.

Excluded products and processes
Triodos Bank uses a positive approach for both its banking services as well as its investment management activities. Triodos Bank is guided by what it wants to do and the impact it wants to have. The remainder of this document contains exclusions that logically follow from this positive approach, categorised as follows:
• **Human dignity**
  Health and safety: alcohol, gambling, pornography, tobacco and weapons
  Human rights: conflict minerals, human rights and labour rights

• **Planet awareness**
  Animals: animal testing, factory farming, fisheries, and fur and specialty leather
  Environment: biodiversity, deforestation, energy, genetic engineering, hazardous substances and contamination, natural resources and mining, water

• **Governance**
  Accounting and remuneration, corruption, taxes, violation of legislation, codes and conventions

Some of the numerous resources and products that companies use, manufacture or sell, are irreconcilable with Triodos Bank's positive impact ambitions. For these products, Triodos Bank distinguishes two approaches. For involvement with genuinely unsustainable products, Triodos Bank applies a zero-tolerance policy (e.g. for weapons and nuclear energy); involvement with such products leads to exclusion from financing or investment. For other undesirable products maximum involvement thresholds are in place to minimise exposure (e.g. for tobacco products). A company that exceeds the set threshold demonstrates to have made a strategic choice for involvement, and is therefore excluded from financing or investment.

Triodos Bank uses a Precautionary Principle to minimise the risk of negative impact. The principle is used to set preconditions for companies that operate in industries with increased sustainability risk, such as human rights violations or high levels of greenhouse gas emissions. The Precautionary Principle requires policies, programmes and performance data through which companies demonstrate their awareness and aim to prevent and manage involvement in controversies and negative effects of their business.

**Human dignity**
A main ambition of Triodos Bank's lending and investment activities is to promote human dignity and a focus on people's quality of life in general.

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

**Alcohol**
Alcohol has addictive qualities that affect judgement, mood and physical coordination. Triodos Bank does not deem alcohol products inherently controversial but the addictive qualities may cause abuse, which has negative effects on individuals (users), their families and society at large. Triodos Bank limits its involvement with companies operating in the industry that do not show awareness of these effects.

Triodos Bank excludes companies that:
• Produce alcoholic beverages and do not have a policy rejecting the sales and marketing of alcohol to minors, the use of alcohol in traffic and the excessive use of alcohol, and do not have programmes underpinning this policy.
Retail alcoholic beverages and do not show awareness of the risk of sales and marketing of alcohol to minors and have not implemented programmes mitigating this risk.1

Gambling
Gambling is the act of betting money or material goods with the intention of winning additional money or goods, whereby success is - at least partially - dependent on chance. Triodos Bank believes that people are free to pursue their activities of choice insofar as these are legal and do not negatively affect others or the environment. However, excessive gambling negatively impacts individual gamblers but also their families and society at large.

Triodos Bank excludes companies that:
• Develop, produce or sell gambling products.2
• Provide financial services related to gambling.

Pornography
Pornography includes films, photographs and performances that are sexually explicit and intended to arouse sexual excitement. Triodos Bank believes that people are free to pursue their activities of choice insofar as these are legal and do not negatively affect others or the environment. Triodos Bank chooses to limit its involvement with pornographic products as the industry is linked to the risk of exploitation or degradation of people. Vulnerable people, including minors, should not be exposed to pornographic material.

Triodos Bank excludes companies that:
• Produce or design pornographic products.3
• Provide access to the internet without having a policy and programmes showing their concern towards the risk of exposure of minors and of distribution of child pornography and other illegal forms of pornography.4

Tobacco
Tobacco products include finished products such as cigarettes and cigars, but also key materials necessary for the production thereof, such as cigarette paper and filters. Triodos Bank believes that people are free to pursue their activities of choice insofar as these are legal and do not negatively affect others or the environment. Triodos Bank chooses to limit its involvement with tobacco products as they contribute to serious health problems and negatively impact others, e.g. in the form of passive smoking.

Triodos Bank excludes companies that:
• Produce tobacco products or sell such products under their own label.5

Weapons
Arms are tools specifically designed for the execution of physical force by people towards other people or animals. Triodos Bank’s mission is to help create a society that advances people and promotes the quality of life. The use of arms undermines this mission, which is why Triodos Bank does not finance or invest in companies that make or sell them.

The term ‘dual-use technology’ is frequently used in relation to weapons. It refers to products and services that may have both a civilian use and specific military application (such as fuel or communication services). Companies involved with the production or sales of dual-use technologies are subjected to investigation as their products must not be designed to inflict, or contribute to, physical force on people or animals.

Triodos Bank excludes companies that:
• Produce or sell weapons, specifically designed components for weapons and weapons related services. These include conventional weapons and non-conventional weapons such as nuclear, chemical and biological weapons and complete weapons systems.
• Have participations for own account in companies as described under the first bullet, if the value exceeds € 100 million or 1% of total portfolio of participations for own account.
• Have shareholdings, bonds or loans related to companies that are involved in anti-personnel landmines, cluster bombs and biological and chemical weapons.
• Supply strategic products or services to parties that (are prone to) infringe human rights.

Human rights
Human rights are universal and applicable to all human beings. In the past, upholding respect for human rights was mainly viewed as a government responsibility but nowadays a clear responsibility in this respect is also ascribed to companies.

Conflict minerals
Tantalum, Tin, Tungsten and Gold are minerals that – among others – originate from the Democratic Republic of Congo and its adjoining countries. They are qualified

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1 High–risk industries are: Brewers, Distillers & Vintners, Food Retail, Food Distributors, Hypermarkets and Supercenters, Hotels, Restaurants & Leisure.
2 An exception is made for long odds activities, such as lotteries, that are not for profit. These are considered less addictive because the interval between the bet and the outcome is longer, giving the gambler the opportunity to consider the consequences of the behaviour; a threshold of 5% of company revenue applies for the entire organisation and all its activities.
3 A threshold of 5% of company revenue applies for the entire organisation and all its activities.
4 High–risk industries are: Software & Services, Diversified Telecommunication Services, Wireless Telecommunication Services, Cable & Satellite.
5 A threshold of 5% of company revenue applies to the production of tobacco and a threshold of 10% applies to the retail of tobacco products.
as 'conflict minerals' as this region is heavily torn by armed conflict. Control over the mines is linked to financing of the fighting parties and fuels the ongoing conflict.

Triodos Bank excludes companies that:
- Operate in industries identified as high-risk for the (potential) use of conflict minerals or extract and supply such minerals and do not have a statement to source conflict-free minerals and require their suppliers to comply with the statement. Companies that have a statement to source conflict-free (allowing in-region sourcing), while participating in or relying on the (outcomes of the) Conflict Free Smelter programme, can be selected.

Human rights

Triodos Bank uses frameworks such as the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights to assess and select companies prior to financing or investment. Business relations are expected to respect human rights standards as defined by the organisations referenced above, especially the rights of women, and those of children and other vulnerable groups.

Triodos Bank excludes companies that:
- Operate in industries identified as high-risk for the violation of human rights and do not have a policy on awareness to prevent potential and/or actual human rights infringement risks that arise from their business activities.
- Operate in industries identified as high-risk for the violation of human rights and do not have processes to enable the remediation of adverse human rights impact which they cause or to which they contribute.
- Do not respect international humanitarian law. This is assessed on a case-by-case basis applying relevant UN Conventions and international human rights’ legislative frameworks.
- Do not prevent conflicts over land rights and acquire natural resources without engaging in meaningful consultation with local government bodies and communities and by obtaining Free, Prior and Informed Consent (FPIC) of (traditional) land users.
- Are involved in human rights violations, including contributing to or benefitting from structural and gross human rights violations.
- Employ or co-operate with parties that infringe political and civil rights, like security forces or repressive regimes.
- Supply strategic products or services to parties that directly contribute to the violation of political and civil rights.
- Operate in weak governance zones or conflict-affected areas without being able to successfully demonstrate non-involvement with human rights abuses.
- Deny people their basic needs.
- Produce or sell breast milk substitutes and do not have a policy acknowledging the WHO Code on Marketing of Breast Milk Substitutes.

Labour rights

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

The ILO has identified four issues as being fundamental to rights at work: child labour, equality (discrimination), forced labour and unionisation. Companies are expected to respect these, as well as other labour rights e.g. concerning health and safety at work that are defined by the ILO and described in the Tripartite Declaration, and to establish procedures for processing employee complaints and solving violations and conflicts, preferably in consultation with labour unions. Companies are expected to treat workers equally, independent of their gender or background, and efforts to provide living wages and maximise working hours are recognised and supported.

Triodos Bank acknowledges the importance of various industry-specific sustainability initiatives that aim to improve labour conditions and advance companies’ broader social, environmental and ethical responsibilities. In addition to protecting workers, companies should protect people otherwise negatively affected by their business, from sickness, disease and injury.

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6 As defined by the OECD Due Diligence Guidance for Responsible Supply Chain of minerals from Conflict-Affected and High-Risk Areas and the Kimberly Process Certification Scheme amongst others. High-risk industries are: Communication Equipment, Consumer Electronics, Household Appliances, Electrical Equipment, Industrial Conglomerates, Health Care Equipment, Information Technology, Metals & Mining, Diversified Telecommunication Services, Wireless Telecommunication Services.

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


9 A threshold of 5% of company revenue applies for the entire organisation and all its activities.

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

11 Examples are the Clean Clothes Campaign, the Better Cotton Initiative and Fair Wear for the garment industry, the International Council of Toy Industries for the toy industry, the Responsible Care Global Charter for the chemical industry and Electronic Industry Citizenship Coalition and the Guide to Greener Electronics for the ICT-industry.
Triodos Bank excludes companies that:
• Structurally violate the labour rights of their own employees or contract suppliers that violate their employees' labour rights.
• Operate in industries identified as high-risk for the violation of the own employees' labour rights and do not have policies and programmes, including clear targets, addressing industry-specific labour rights issues, such as freedom of association, health and safety and working conditions.
• Operate in industries identified as high-risk for the violation of labour rights of contractors' employees and do not have a policy addressing their supply chain, on health and safety and the four fundamental labour rights covered in the basic ILO conventions, nor an additional management programme including clear targets, monitoring, annual evaluation and corrective measures.
• Deny their employees a safe and healthy workplace or thwart the basic needs of employees, such as access to medication and to adequate food.

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

Animals
Triodos Bank is a committed advocate of animal welfare and acknowledges that animals contribute to a better quality of life in various ways. Animal-related considerations include animal testing, factory farming, fur and specialty leather.

Animal testing
Animal testing may be legally required under specific circumstances. Triodos Bank only deems animal testing acceptable for medical products, in case reliable alternatives are not available. In these cases, Triodos Bank requires companies to reduce, refine and replace animal testing where possible.

Triodos Bank excludes companies that:
• Manufacture non-medical products that are tested on animals.
• Carry out animal tests for non-medical products without a legal obligation to do so.
• Carry out animal tests for medical products, but do not have a ‘Three Rs policy’ in place and promote the Three Rs principle.

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

Triodos Bank excludes pharmaceutical companies that:
• Do not perform an ethical review of animal tests.
• Do not report on the number of animals used.
• Do not use lower animals where possible.
• Are not transparent on their use of transgenic animals.
• Do not actively promote the Three Rs principle.

Factory farming
Factory farming is characterised by livestock kept in confinement and at high density. Triodos Bank believes that organic agriculture, which is found at the opposite end of the farming spectrum, is the only systematic approach to sustainable agriculture and food production. Triodos Bank expects companies that are involved with (wild) animals to respect the Five Freedoms principle, referring to freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behaviour and freedom from fear or distress.

Triodos Bank excludes companies that:
• Operate in industries identified as high-risk for the use of products from factory farmed animals and do not have a policy on animal welfare or do not apply sufficient animal welfare standards to the animal products they buy or produce.
• Operate in the Food & Staples Retailing industry and are not part of initiatives to improve animal welfare, do not promote products with better animal welfare standards and do not offer organic animal products or other products with better animal welfare standards.

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12 These industries are: Automobiles, Construction materials, Food & Staples retailing, Hotels, Restaurants & Leisure and Metals & Mining.
13 These industries are: Communications Equipment, Technology Hardware, Storage & Peripherals, Food Products, Retailing, Textiles and Apparel & Luxury Goods.
14 A threshold of 5% of company revenue applies for the entire organisation and all its activities.
15 The Three Rs principle is widely accepted as the ethic of animal experimentation and guides those using animals for scientific purposes in certain countries. It prescribes to Reduce the number of animals used, to Replace animal testing with other solutions if possible and to Refine tests to minimise animal suffering.
16 Lower animals are those of relatively simple characteristics as contrasted to advanced ones such as mammals and vertebrates.
17 High–risk industries are: Chemicals, Food Products, Household Products, Personal Products, Health Care Equipment & Supplies, Biotechnology, Pharmaceuticals, Life Sciences Tools & Services
18 These industries are: Food Products, Food & Staples Retailing, Hotels and Restaurants & Leisure.
19 A ‘sufficient animal welfare policy’ adheres to the internationally recognised Five Freedoms, or acknowledges the intrinsic value of animals and specifies the responsibility of humans towards animals. Sufficient animal welfare standards must go beyond legal requirements on animal welfare and address for example housing, transport, feed and natural behaviour.
• Operate in the Food Products industry using animals and do not offer alternative products containing organic animal ingredients.
• Operate in the Hotels, Restaurants & Leisure industry and do not offer vegetarian or organic alternatives to regular meals.
• Offer products and services related to factory farming, like transport, slaughtering or equipment, and do not have a policy or do not apply sufficient standards to reduce animal suffering.
• Engage in educational or nature protection activities in which wild animals are involved, and cannot guarantee the welfare of those animals.
• Engage in entertainment activities in which wild animals are involved.

Fisheries
Unsustainable fishing poses a threat to the maintenance of fish stocks and conservation of the marine environment for future generations. The monitoring and managing of stocks is impeded by the controversial act of registering fishing vessels in countries with weak regulatory frameworks.

Triodos Bank excludes companies that:
• Operate in the fishery industry or process or sell fishery products and do not have a responsible fishery programme and policy.
• Operate in the fishery industry or process or sell fishery products and do not comply with international standards and agreements.
• Engage in controversial fishing techniques.

Fur and specialty leather
Animal fur and skin are used for clothing, furniture or other purposes. Fur and specialty leather are luxury products and not necessary to fulfil basic human needs as there are adequate alternatives. Triodos Bank believes animals have a right to freedom from pain and fear, and opposes breeding, hunting and catching animals solely for their fur or skin.

Triodos Bank excludes companies that:
• Capture and/or keep animals for their skin or fur.
• Make or sell products containing fur or specialty leather.

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

Biodiversity
Biodiversity refers to the variety of animals, plants, their habitats and genes on which all life depends. Triodos Bank believes that biodiversity is the foundation of life on earth and people depend on it for their wellbeing and survival. Biodiversity also underpins the economy and provides goods and services. Therefore, Triodos Bank closely monitors companies operating in industries that could damage the biodiversity.

Companies should refrain from impacting biodiversity and sensitive ecosystems, for example by introducing alien species. In order to prevent biodiversity decline Triodos Bank expects its business relations to follow the UN Convention on Biological Diversity and related documents such as the Bonn Guidelines, the Nagoya Protocol and the Cartagena Protocol.

Triodos Bank excludes companies that:
• Operate in industries that have a large impact on biodiversity and do not have programmes to reduce their impact. Programmes may include, but are not limited to environmental impact assessment of the total consequences on biodiversity, according to the guidelines for reporting on biodiversity and land use in the Global Reporting Initiative.
• Use palm oil in their products but are not a member of the Round Table of Sustainable Palm Oil (RSPO) or the Palm Oil Innovations Group (POIG) or have not set a clear target for sourcing 100% sustainable palm oil.
• Use soy in food products and are not a member of the Round Table for Responsible Soy or have a sourcing policy and/or programmes that explicitly addresses soy or, more generally, the avoidance of deforestation.
• Cause negative impact on protected areas.
• Cause negative impact on protected animals.
• Use species that are on the CITES-list and do not have sustainable sourcing guidelines for such activities.

20 High–risk industries are: Food Products, Food Retail, Hotels, Restaurants & Leisure
21 Examples of international agreements of relevance are EU and MARPOL regulations, the Marine Stewardship Council, the FAO Code of Conduct for Responsible Fisheries, the Aquaculture Stewardship Council, Marine protected areas and the International Principles for Responsible Shrimp Farming; a threshold of 5% of company revenue applies for the SRI funds.
22 Examples of controversial fishing techniques are trawls, drift nets and shark-finning, as well as ghost fishing and disrespecting no-take zones.
23 A threshold of 5% of company revenue applies for the SRI funds.
24 Industries with a large impact on Biodiversity are: Metals & Mining, Paper & Forests Products and Food Production. For the use of palm oil, specific high-risk industries are identified: Food & Staples Retailing, Food Products, Household Products, Personal Products, Utilities (except Water Utilities). For the use of soy the Food Products industry is considered as high risk.
25 Protected areas are those identified as such by relevant bodies, for example categories I-IV of the World Conservation Union, the UNESCO World Heritage Committee, Ramsar Convention on wetlands and as described in the High Conservation Value (HCV) concept.
26 Protected animals are those identified as such by relevant bodies, for example the Red List of the International Union for the Conservation of Nature.
• Use cotton in their products and are not a member or supporter of a sustainable cotton initiative or have set a company-wide policy or target for the use of sustainable cotton.28

Deforestation
Deforestation is the intentional clearance of forest. Triodos Bank believes forests are a valuable source of biodiversity and a resource of many forest products, ranging from medicine to timber. Forests, especially High Carbon Stock (HCS) forests29, have an important capacity to absorb greenhouse gases and to hold large stores of carbon. Triodos Bank expects companies to take their responsibility with respect to preserving forest areas.

Triodos Bank excludes companies that:
• Are involved in illegal deforestation or controversial logging activities in protected areas, that may include but is not limited to the conversion of peatland and High-Carbon Stocks forests for agricultural development.
• Do not prevent the use of illegally cut and traded timber throughout their wood supply chain.
• Do not respect the rights of local and indigenous communities on the fair and equal use of forests.
• Own forests that are not certified according to preferably the Forest Stewardship Council (FSC); or otherwise by the Programme for the Endorsement of Forest Certification (PEFC).
• Operate in industries identified as high-risk for the use of wood or pulp30 and do not purchase at least 50% of those materials from certified forests.
• Operate in industries identified as high-risk for the use of large amounts of paper31 and do not purchase at least 50% from certified or post-consumer recycled origin.
• Operate in industries identified as high-risk for selling beef originating from South America32 and do not have a general policy on deforestation.

Energy
Energy concerns the sources of energy and energy security as well as the generation, production, supply and use of energy. Triodos Bank strives for a sustainable energy future. Therefore it finances companies that augment the use of renewable resources, support projects that reduce the demand for energy and promote energy efficiency.

Triodos Bank excludes companies that:
• Retail petrol33
• Operate in energy-intensive industries34 and do not disclose the greenhouse gases they emit as well as have a sound programme with clear targets for the reduction of greenhouse gases.
• Produce or retail energy from fossil fuel (coal, oil, and gas) power plants (utilities).35
• Build coal-fired power plants or operate such plants constructed after 200936.
• Produce biomass energy with feedstock that competes with food production or finds its origin in intensive farming.
• Produce or sell nuclear power, nuclear power stations or specific components for nuclear power production.
• Transport or store spent nuclear fuel.

Genetic engineering37
Genetic modification is the artificial manipulation of genes. Genetically modified crops have found their way into the food production chain, even though the consequences thereof for the environment have not been extensively researched. Genetic modification of animals is anticipated as well. Triodos Bank believes in organic food and farming, based on natural ecosystems, sustaining biodiversity and with care for human health and animal welfare. People should have the option to choose non-genetically modified food.

28 A threshold of 5% of company revenue applies for the SRI funds. Examples of sustainable cotton initiatives are Organic Cotton Accelerator (OCA), Better Cotton Initiative (BCI), Cotton made in Africa (CmiA) and Fairtrade Cotton. For the use of cotton, specific high risk industries are identified: Food and Staples Retailing, subind. Hypermarkets and Super Centers; Internet and Catalog Retail; Multiline Retail, subind. Department Stores; Specialty Retail, subind. Apparel Retail; Textiles, Apparel and Luxury Goods, subind. Apparel, Accessories and Luxury Goods.
29 The HCS Approach is a methodology that distinguishes forest areas for protection from degraded lands with low carbon and biodiversity values that may be developed.
30 High–risk industries are: Paper & Forest Products, Building Products, Household Durables.
31 High–risk industries are: Paper Packaging, Publishing, Household Products.
32 High–risk industries are: Food & Staples Retailing, Hotels, Restaurants & Leisure, Food Products.
33 A threshold of 10% of company revenues applies for the SRI funds.
34 These industries are Chemicals, Construction Materials, Metals & Mining, Paper & Forest Products, Transportation, Automobiles and Utilities.
35 A threshold of 5% of company revenue applies for the SRI funds.
36 After 2009, awareness of climate change and its origin is paramount. Involvement in such activities indicates a conscious decision.
37 High–risk industries for genetic engineering of plants are: Chemicals, Paper & Forest Products, Hotels, Resorts & Cruise Lines, Restaurants, Food & Staples Retailing, Beverages, Food Products. Industries identified as high risk for other levels of genetic engineering are: Chemicals; Biotechnology, Pharmaceuticals, Life Sciences Tools & Services.
Triodos Bank excludes companies that:
• Develop or commercialise transgenic food or feed crops.
• Process genetically modified food crops, unless they proactively reduce their use or provide consumers’ freedom of choice.
• Emphasise the benefits of genetically modified food crops and do not take a precautionary approach; or actively oppose labelling regulation, thereby obstructing the consumers’ freedom of choice.
• Genetically modify animals for non-medical purposes.
• Genetically modify animals for medical purposes while alternatives are available.
• Are involved in xenotransplantations, which implies the breeding of animals for the production of organs for transplantation into other species (humans).
• Are involved in the cloning of animals.

Hazardous substances and contamination
Hazardous substances can cause environmental and health problems, either by accumulation in the food chain or acute toxicity. Contamination refers to the introduction of micro-organisms, chemicals, toxic substances, waste or wastewater into the environment (air, water or soil) at concentration levels that decline the health and usefulness of living organisms. Triodos Bank believes hazardous substances and contamination can seriously damage the environment, and interfere with natural processes as well as pose a threat to human life and quality of life. Triodos Bank expects companies to minimise the use of hazardous substances, such as pesticides, and to manage waste with caution. In addition, companies have a responsibility to prevent contamination from their supply chains, production processes and products.

Triodos Bank excludes companies that:
• Operate at locations where potential negative consequences of their activities are unmanageable.
• Produce or sell pesticides or other hazardous substances that form a threat to the wellbeing of humans, animals and the environment. 38
• Are involved in controversies related to contamination and hazardous substances, and have not taken sufficient measures, using B(est) A(available) T(technologies), to prevent future occurrences.
• Produce or sell the most dangerous internationally acknowledged substances as identified by the UN Stockholm Convention on Persistent Organic Pollutants.
• Run their businesses in a way that causes serious and irreversible environmental damage.
• Do not respect relevant international agreements on the production and use of hazardous or toxic substances 39.
• Do not respect relevant international agreements on trade in chemicals and chemical waste 40.
• Are involved in riverine tailings disposal and sub-marine tailings disposal.

Natural resources and mining
Extraction of non-renewable resources, such as iron, aluminium, copper, will eventually lead to their depletion. Currently recycling does not meet all urgent needs for raw materials. Triodos Bank supports companies that aim to slow down and remedy the depletion of natural resources, for example by enhancing efficient utilisation, recycling or replacing commodities with more sustainable substitutes.

Triodos Bank excludes companies that:
• Extract or produce unconventional oil and gas, such as shale gas and oil sands.
• Extract or produce conventional oil and gas 41, including producing equipment, making specific components for, or provide specific services to, oil and gas extraction.
• Extract or process scarce commodities 42 and do not undertake activities to prevent depletion.
• Extract metals or minerals (mining industry).
• Process metals or minerals and do not have clear environmental requirements regarding suppliers or a sound environmental management system in place.
• Are involved in controversial mining.
• Mine coal or uranium 43

Water
Global demand for fresh water has doubled during the past 50 years and is expected to increase by another 40% by 2030. In water-scarce areas this may result in increased competition for water among companies, the general population, agriculture and ecosystems. Triodos encourages companies to manage and limit their water use, and minimise the impact of their water use, to e.g. prevent water pollution, through water management strategies and programmes. We engage with companies to encourage them to understand their water footprint and stimulate good water stewardship.

Triodos Bank excludes companies that:
• Operate in water-intensive industries 44 and do not proactively reduce their use or provide consumers’ freedom of choice.
• Emphasise the benefits of water-intensive industries 44 and do not proactively reduce their use or provide consumers’ freedom of choice.

38 A threshold of 5% of company revenue applies for the SRI funds.
39 For example as prescribed by the Montreal Protocol.
40 For example as prescribed by the Basel Convention and the Rotterdam Convention.
41 A threshold of 5% of company revenue applies for the SRI funds.
42 High-risk industries are: Fertilizers, Metals & Mining (excluding Steel).
43 A threshold of 5% of company revenue applies for the SRI funds.
44 These industries are: Chemicals, Construction Materials, Containers & Packaging, Food & Beverages, Metals & Mining, Paper & Forest Products and Utilities.
• Start new operations in areas where water scarcity is pre-existing and operations would compete with the needs of communities.

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

Accounting and remuneration
Solid accounting and remuneration policies and compliance therewith are essential for companies’ long-term health and reputation. With respect to remuneration Triodos Bank believes in the intrinsic motivation of employees to uphold good practices and strives to inspire others with this view.

Triodos Bank excludes companies that:
• Are involved in accounting irregularities or remuneration controversies that raise significant ethical/moral concerns and are in clear violation of local or international standards of best practice, while failing to take credible measures.

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

Triodos Bank excludes companies that:
• Operate in industries identified as high-risk for corruption45 without having a formal policy addressing the risk of bribery and corruption. In addition to this policy, companies that operate in the Construction & Engineering industry are required to have business ethics programmes addressing corruption.
• Are involved in controversies related to corruption, bribery or money laundering.
• Directly or indirectly promise or offer bribes or other illegal advantages, to acquire or retain orders or other advantages.

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

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

Violation of legislation, codes and conventions
Legislation, codes and conventions provide the framework within which companies can lawfully conduct their business and are critical for regulating companies’ behaviour with regards to their impact on people and the environment. Triodos Bank excludes companies that are involved in the violation of laws, codes of conduct or conventions, unless there is proof of a structural change within the company leading to fundamental changes in conduct.

Some (controversial) products, services and activities do not fall under one of the categories described in this document, but do constitute a significant obstacle for sustainable development. Triodos Bank reserves the right to exclude companies involved in such products, services and activities. Companies that were involved in controversies and do not demonstrate sufficient improvement may also be excluded.

Triodos Bank policies in practice
The Triodos Bank Minimum Standards are dynamic and may be subject to changes prompted by legislation, public debate, best practice standards and company behaviour. In addition, the engagement and continuous dialogue with experts, interest groups and civil society organisations may prompt policy amendments. Triodos Bank applies the ‘comply or explain principle’ in case it makes an exception to its own policies or to international standards and principles, providing accounts of such a decision. Exceptions may occur when Triodos Bank’s involvement stimulates a company or organisation to meet the desired sustainability standards in the short term. Strict requirements apply in such cases, such as a formal and public commitment to meeting the standards that is supported by a viable strategy, clear targets and a realistic timeline.

45 These industries are: Metals & Mining, Pharmaceuticals, Telecommunication Services and Construction & Engineering.
Due to the role and nature of Triodos Bank, the real world impact of its positive approach depends on cooperation with its business relations, such as the companies and organisations that Triodos Bank finances and invests in. These and other stakeholders should respect the (spirit of) Triodos Bank's policies and principles as outlined in this document and shape their activities accordingly. Triodos Bank actively expects its business relations to incorporate components of relevance to their businesses into their internal procedures and procurement policy, as well as in contracts with subcontractors and suppliers.

Triodos Bank serves its mission through the capabilities and human relationships of its co-workers. A clear governance structure aims to support and enhance those capabilities and relationships and should never be seen as a goal in itself.

Triodos Bank NV, April 2018