



## **Triodos Bank and human rights**

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## Human rights at the heart of our operations

Since its start, Triodos Bank has had a strong commitment to respect human rights - as a financier, employer and purchaser. This commitment is at the heart of our operations. Our mission states that we want to help create a society that promotes people's quality of life and has human dignity at its core.

In our [Articles of Association](#) it reads: With the exercising of banking business, the company aims to contribute to social renewal, based on the principle that every human being should be able to develop in freedom, has equal rights and is responsible for the consequences of his economic actions for fellow human beings and for the earth.

We respect people, support society and embrace different cultures and we fully support the aims of the [United Nations Universal Declaration of Human Rights](#). Our business principles for all of our activities, are fully aligned with international standards and guidelines regarding human rights, including the [OECD Guidelines for multinational enterprises](#). This information on human rights on our website is part of our commitment to work towards reporting in line with [United Nations Guiding Principles Reporting Framework](#).

## Triodos Bank at a glance

Triodos Bank only finances and invests in companies, institutions and projects that add cultural value and aim to benefit people and the environment, thereby respecting human rights. Traditionally banks have focused on risk and return, primarily to avoid negative outcomes, and to enable investors to understand the performance of a particular institution. Risk and return tend to be seen in a short-term context, particularly when an institution sees its main goal as maximising returns to shareholders. It's a perspective that sees a company through the narrow lens of its financial performance only; and it neglects a company's wider relationship with – and impact on – society and the environment.

Therefore, Triodos Bank uses impact, risk and return to understand its overall development and place in the world around it. This necessarily means it has a positive, long-term perspective. Because if one is focused on delivering sustainable social, environmental and cultural impact as well as risk and return – as Triodos Bank is – the horizon is inherently longer-term and has a positive, holistic outlook.

Triodos Bank does this with the support of depositors and investors who want to encourage socially responsible business and a sustainable society. Around 681,000 customers, around 1400 co-workers and many suppliers help every day to achieve this mission.

Triodos Bank has two main operational activities: banking and investment management. The banking business is active in six European countries (Netherlands, Belgium, Germany, France, Spain and the United Kingdom). It lends funds to sustainable companies and considers the positive social, environmental or cultural impact of their activities in its assessment process.

Its customers are mostly small and medium sized enterprises that operate in European countries with strong regulatory frameworks regarding human rights. We also use project finance as part of our banking activities to finance renewable energy projects such as wind in these six countries.

[Triodos Investment Management](#) is active in asset management. It 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.

## Dutch Banking Sector Agreement on human rights

In 2016 Triodos Bank signed the [Dutch Banking Sector Agreement](#) on international responsible business conduct regarding human rights to emphasise our commitment to respecting human rights. The agreement has enabled us to engage on human rights with other banks, non-governmental organisations, trade unions and the Dutch government

The agreement focuses our non-retail banking activities in six European countries (the Netherlands, Belgium, Spain, Germany, France and the United Kingdom). Our investment activities through Triodos Investment Management are not part of the scope of the covenant.

## Potential negative human rights impact in the banking business

As part of our due diligence and to support our commitment to the Dutch Banking Sector Agreement we identified the human rights most at risk in our roles as a lender in the six European countries where we have banking activities, as an employer and as a contractor. We held an internal consultation with relevant stakeholders in our banking business, human relations department and with procurement, in 2018 and early 2019 to identify these so-called salient issues. Prioritising these issues helps us to manage the risks and engage with relevant stakeholders.

### Human rights risks as a financier

Triodos Bank has banking activities in the Netherlands, Belgium, Germany, France, Spain and the United Kingdom. Our customers are mostly small and medium sized companies that operate in European countries with strong regulatory frameworks regarding human rights. We also use project finance as part of our banking activities to finance renewable energy projects in these six countries.

We only finance and invest in companies, institutions and projects that add cultural value and aim to benefit people and the environment. The six European countries where we are active have a low risk of human rights violations. This has to do with very strict regulatory requirements. On top of that, we have a strict due diligence process in selecting companies and organisations we invest in.

Despite these safeguards, we realise there is still a relatively low risk of potential negative human rights impact in our corporate lending and project finance in these countries. We've identified four areas where the risk is most prevalent. Triodos Bank can be directly linked to these salient issues but is most likely not the cause and does not directly contribute.

- Onshore wind farms. We see a risk that during the development of large-scale onshore wind farms the interests of residents are insufficiently considered. For example, when it comes to noise and visual pollution.
- Healthcare institutions. There is a risk that patients in healthcare institutions are not properly cared for or are abused.
- Organic farming, related to seasonal workers. There is a risk seasonal workers are not treated fairly.
- Clothing industry. Even though we finance small companies in the clothing industry that match our mission, there might be human rights violations in the supply chain.

- Religious institutions. There is a risk that religious institutions we finance violate human rights, for example by discriminating based on sexual orientation.

### Human rights risks as an employer

As an employer we have identified a certain risk of causing or contributing to undesirable conduct such as bullying, discrimination, aggression and (sexual) harassment. Also, there is a certain risk we fail to be a diverse and socially inclusive organization.

### Human rights risks as a contractor

Most of our suppliers (around 80 %) are small and medium sized companies that operate in one of our six European countries. We have not identified salient human rights issues with these suppliers. We also have contracts with larger organisations. Through their activities and supply chains we could become linked to potential negative human rights impacts, especially when supply chains are in regions with relatively weak regulation and enforcement. We have identified the extraction of raw materials for ICT appliances as a salient issue in our supply chain.

## Human rights governance

Triodos Bank has two important policies that describe the way we incorporate human rights in our activities: the [Business Principles](#) and [Minimum Standards](#). These policies are applied across all activities of Triodos Bank and Triodos Investment Management. In all the countries where we have banking activities, they apply to new clients, existing clients, our own operations and our own staff.

In our Business Principles we explicitly state our commitment to [the United Nations Universal Declaration of Human Rights](#) and that we seek to ensure that none of our products and services abuse civil, political, social or economic rights. In our Minimum Standards we state that companies have a clear responsibility regarding human rights and that our business relations are expected to respect human rights, especially the rights of women, and those of children and other vulnerable groups. The Minimum Standards set out the absolute minimum requirements for all our investments and credit agreements. It includes the sectors we do not want to invest in.

We strive for an open dialogue with our stakeholders. If any of them feel their rights have been impacted, they can file a complaint as part of our grievance mechanism. Our [Complaint Handling Policy](#) is open to co-workers, clients and third parties.

### Governance as a financier

We assess our lending, finance and investment decisions according to our own social criteria and according to those detailed in relevant international standards and guidelines (where applicable). These include the [UN Global Compact](#), [OECD Guidelines for multinational enterprises](#) and the [Equator Principles](#). We apply these proportionally, based on the type of client, their size and activities.

In order to minimise the possible involvement with violations of human rights, our Minimum Standards (page 2 – 9) identify industries that we always exclude or limit its activities in. For instance, companies that operate in industries identified as high-risk for the violation of human rights (such as conflict minerals) or weapons manufacturers.

An important part of our due diligence for banking clients are the strong legal requirements and regulatory frameworks in the six European countries where we have banking activities. For instance,

there are strict requirements regarding the rights of residents when developing onshore wind farms and there is strong regulation and supervision regarding health care institutions.

On top of governmental regulation Triodos Bank has its own strict due diligence and assessment process. Since most of our business banking clients are small or medium sized, we apply our policies and international standards based on the size and activities of a company. The scheme below shows in what phase of our client related business processes our policies are applied, and how this is embedded in the organisation.

Phase	Business Process	Applying Business Principles, Min. Standards and lending criteria	Embedding in organisation
Origination	Client assessment	In client due diligence	<ul style="list-style-type: none"> <li>• Credit administration team</li> <li>• Relationship management</li> </ul>
	Proposals	Lending criteria assessment	
	Decision	-	
Lending	Execution	-	
	Loan Servicing	In periodic review	<ul style="list-style-type: none"> <li>• Credit administration team</li> <li>• Relationship management</li> </ul>
Special Management	Special Management	If in breach of contract	<ul style="list-style-type: none"> <li>• Special management</li> <li>• Relationship management</li> </ul>

The Triodos Bank Minimum Standards set out the absolute minimum requirements. Our relationship managers determine the positive and negative social, environmental and cultural impact of each (potential) client. They engage intensively – in most cases face to face - with (potential) clients and require relevant information to determine impact (if relevant, also relating to human rights).

### Sector Risk Analysis

Each business banking unit applies a Sector Risk Analysis (SRA) which can be input for client and sector assessments. Amongst many other factors, the SRA addresses the sector dynamics, main risks identified (including related to responsible business conduct if applicable), criteria for lending, stress test result and detailed market assessment. The SRA is updated frequently.

Potential clients in the areas where we have identified our salient issues are under more scrutiny. For instance, in financing wind farms we demand that residents participate in the project. We are also

involved in a [Green Deal](#) for the participation of residents in renewable energy projects. Another example is that we have strict guidelines about the type of religious institutions that fit our mission.

### **Impact Prism**

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 we finance and includes a Sustainable Development Goal report. It allows us to keep track of a client's development towards positive impact, also by measuring the negative impact of its activities. During 2019 we expanded the scope of the project to include sector-specific metrics, such as for the energy and climate sector. These metrics will be implemented early in 2020. We will report the results of this work next year when the system has been embedded more thoroughly.

### **Review**

We periodically review specific clients in business banking to determine if they still match our initial client assessment, in line with our Business Principles and Minimum Standards. In the case of relevant developments, we engage with our customers. Of course, our relationship managers are also in regular contact with clients during the year. If issues arise before or after the formal review, they will address them with their client.

The specifics of the review can depend on financial information, and on (negative) public attention or otherwise gathered information. During a review, all existing criteria for assessment are reviewed. Next to financial criteria, the impact and business activities are reviewed with the Impact Prism and impact metrics of the clients.

If an issue arises with a client, we initially will work with the client to remediate the adverse impact and improve its positive impact, including remediation for potentially affected people if necessary. The ultimate consequence of negative impact is the termination of the client relationship. All our business banking clients are publicly listed on the website [Mijn geld gaat goed](#) so we are transparent in who we finance.

### **Governance as an employer**

Our co-workers are essential to achieve our mission to make money work for a sustainable society with human dignity at its core. The organisation's goal is to create a living, learning community of co-workers; a working environment that's inspiring, healthy and welcoming. Triodos Bank aims to foster a workplace where each co-worker finds room to address society's most pressing questions and where each individual can work effectively in line with Triodos Bank's mission and values. For more information, read our [Co-worker report](#) in our Annual report.

Triodos Bank's responsibility is to create a welcoming work environment for all. A diverse co-worker community contributes positively to our effectiveness, vitality and makes us resilient. Triodos Bank aims to identify potential barriers to enter the organisation in terms of diversity, through awareness raising activities. And it acts to resolve any issues that arise.

Initiatives to include those with a distance to the labour market are launched throughout the organisation. Triodos Bank offers work experience opportunities, for refugees and people reintegrating after a situation of illness, in some of its branches for example. Some of these initiatives lead to

permanent roles. Triodos Bank continues to explore new ways to increase diversity and inclusion, in collaboration with local refugee communities and (re)integration networks among others.

Under all circumstances, Triodos Bank wants to avoid discrimination of candidates based on the protected characteristics of age, gender, gender reassignment, pregnancy, marital status or civil partnership, race, colour, ethnic or national origin, sexual orientation, etc.

In this context, Triodos Bank has a policy to counter undesirable conduct, such as bullying, sexual discrimination, aggression and (sexual) harassment. If a co-worker is confronted by undesirable conduct, he can contact one of the confidential advisors. This advisor will offer a sympathetic ear and will act with the co-worker's consent. Triodos Bank also has an internal complaints and objections procedure for employees. We have a [whistleblower policy](#) that allows our co-workers to safely and confidentially address any concerns they might have.

### Governance as a contractor

As stated in our Business Principles, the environmental considerations underpinning our procurement are translated into the Triodos Bank Sustainable Procurement policy. Sustainable procurement combines the social and environmental aspects with the standard focus on value for money when buying goods or services.

In line with our positive impact ambitions for supply chains, we require suppliers and contractors to contribute to sustainable development with their products and services. We strive to inspire and support all our business relations to make their supply chains more sustainable. As part of our contracts, we require our suppliers to sign our company guidelines, including our Business Principles, which apply to our own organisation and to those doing business with us.

Through our sustainable procurement policy, which is applicable to all our suppliers, suppliers of Triodos Bank are expected to comply with the same principles regarding human rights we have adopted for our own activities. We assess our strategic suppliers through dialogue according to our Minimum Standards and strive to implement this way of working for all our suppliers. In addition, we consider international standards and guidelines that support sustainable development, such as the latest [Global Reporting Initiative](#) guidelines. Where appropriate we provide feedback to suppliers about their own environmental and social performance.