Triodos Bank
EU Taxonomy reporting methodology
2022
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Triodos Bank EU Taxonomy reporting methodology 2022

1. Introduction

This document is supplementary to the text in the annual report and provides a more elaborate explanation of the methodology used by Triodos Bank to report on the EU Taxonomy.

The 2022 annual report provides the following information in Chapter 1.3.7 – Taxonomy reporting:

• What is the EU Taxonomy?
• What does Triodos Bank need to disclose?
• Scoping considerations: why most of our sustainable lending portfolio falls outside the EU Taxonomy scope
• Triodos Bank N.V. 2022 Taxonomy-eligibility figures
• Compliance with the Taxonomy regulation: How the Taxonomy fits into Triodos Bank

Appendix VII contains the full Taxonomy disclosures based on the CRR ESG Risk template 7. The appendix further explains how the template has been applied and relevant assumptions and limitations for FY2022.

The remainder of this document is structured as follows. This chapter gives further background on the EU Taxonomy (and hence has overlap with the disclosure in the annual report). The next chapters provide information on definitions used, the scope of the EU Taxonomy and, on a high level, the EU Taxonomy reporting process within Triodos Bank.

The methodology for the EU Taxonomy reporting has been created by Group Finance in close collaboration with Group Legal. The qualitative and quantitative disclosures on the EU Taxonomy are externally audited, and limited assurance is provided on the Taxonomy-related disclosures. The full methodology document has been condensed in order to make it easier to understand for an external reader, while still providing a solid basis on which to gain insight into our EU Taxonomy reporting process.

1.1 Background of the EU Taxonomy and the Sustainable Finance Action Plan

The Taxonomy Regulation and the Delegated Regulation both form part of the EU action plan on sustainable finance (the Sustainable Finance Action Plan, “SFAP”), a package of interlocking regulatory initiatives at the EU level which aims to strengthen sustainable finance and sustainable growth. This mainly consists of the SFDR (Sustainable Finance Disclosure Regulation) and the EU Taxonomy.

In addition to the disclosure requirement of Article 8(1) Taxonomy Regulation, various other sustainability-related disclosures are prescribed throughout the Taxonomy Regulation and the other legislative initiatives of the SFAP. The focus of this document is on the application of the EU Taxonomy.

The EU Taxonomy is a classification system created by the EU to identify which economic activities are green and which are not. The goal is to stimulate sustainable investment and to provide companies, investors, and policymakers with tools to define which economic activities can be considered as environmentally sustainable. This should create transparency and security for investors, mitigate greenwashing and provide guidance to companies how to be climate friendly. Additionally, the EU Taxonomy should accelerate the investments that support the transition towards a low-carbon economy.1

Currently, within the EU Taxonomy six environmental objectives have been set:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Pollution prevention and control
5. Protection and restoration of biodiversity and ecosystems
6. Transition to a circular economy

An economic activity is seen as Taxonomy-eligible if it has been included in the Taxonomy Delegated Acts and thus if there is an indication that it could contribute to one or more of the environmental objectives. According to the EC FAQ released in December 2021 and Article 8(4) of the Disclosures Delegated Act, eligibility-related disclosures of financial undertakings shall be based on actual information, provided by the financial or non-financial undertaking. In the case where an underlying undertaking has not yet disclosed its Taxonomy eligibility, a financial undertaking may choose to estimate the proportion of eligibility of economic activities. Such estimated values may only be reported on a voluntary basis and must not form part of the mandatory disclosures. This can be assessed based on the industry code of the economic activity. Although the legal texts from the Delegated Acts are considered to be binding above the FAQ, the guidance below has led to the decision to split the reporting into a mandatory and a voluntary disclosure.

One step further than Taxonomy-eligible is when an activity is Taxonomy-aligned, meaning the economic activity:
1. Contributes substantially to one or more of the environmental objectives
2. Does no significant harm to any of the other environmental objectives
3. Complies with minimum social safeguards
4. Complies with the technical screening criteria defined by the EU

Within the Taxonomy regulation currently only the specific technical screening criteria for two environmental objectives are included: climate change mitigation and adaptation. In the coming year, the screening criteria will be extended for the remaining environmental objectives. Additionally, the Taxonomy might be expanded to also define criteria for social objectives, as well as activities that significantly harm environmental objectives. 2021 was the first year that organisations were obliged to report on the EU Taxonomy. Reporting was required on two of six environmental goals: climate change mitigation (CCM) and climate change adaptation (CCA). As a credit institution, Triodos reports in FY2022 over the data collected from counterparties during the year. Hence we will experience a time lag of one year as we will use counterparties’ FY2021 information to report over FY2022. We will therefore only include information over Taxonomy eligibility for CCM and CCA, also given the delay in publication of the additional Taxonomy technical screening criteria. In 2022, Triodos Bank has decided to not integrate the EU Taxonomy into her strategy yet on a more holistic level due to the implementation phase of the SFAP regulations.

2. Definitions

2.1 Abbreviations

<table>
<thead>
<tr>
<th>Abbreviations</th>
<th>Meaning</th>
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<tr>
<td>AIFs</td>
<td>Alternative Investment Funds</td>
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<tr>
<td>AuM</td>
<td>Assets under Management</td>
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<td>CCO</td>
<td>Chief Commercial Officer</td>
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<tr>
<td>BICC</td>
<td>Business Intelligence Competence Center</td>
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<td>EB</td>
<td>Executive Board</td>
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<tr>
<td>EC</td>
<td>European Commission</td>
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<tr>
<td>DA</td>
<td>Delegated Act</td>
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<tr>
<td>DNSH</td>
<td>Do No Significant Harm</td>
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<td>EDW</td>
<td>Enterprise Data Warehouse</td>
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<td>GAR</td>
<td>Green Asset Ratio</td>
</tr>
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<td>NFRD</td>
<td>Non-Financial Reporting Directive</td>
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<td>SFAP</td>
<td>Sustainable Finance Action Plan</td>
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<td>SFDR</td>
<td>Sustainable Finance Disclosure Regulation</td>
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<td>T-IM</td>
<td>Triodos Investment Management</td>
</tr>
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<td>TGIC</td>
<td>Triodos Group Impact Committee</td>
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<td>TSC</td>
<td>Technical Screening Criteria</td>
</tr>
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<td>TRMC</td>
<td>Triodos Regenerative Money Centre</td>
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<tr>
<td>UCITSs</td>
<td>Undertakings for the Collective Investment in Transferable Securities</td>
</tr>
</tbody>
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5 https://ec.europa.eu/info/publications/210712-sustainable-finance-platform-draft-reports_en
2.2 Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit institution</strong></td>
<td>Triodos Bank is a credit institution as defined in article 1:1 of the Act on Financial Supervision (Wft).</td>
</tr>
<tr>
<td><strong>Do No Significant Harm (DNSH)</strong></td>
<td>Criteria under which the other environmental objectives are not harmed by an economic activity that substantially contributes to one of the environmental objectives identified by the Taxonomy.</td>
</tr>
<tr>
<td><strong>Environmental Objectives</strong></td>
<td>The six environmental objectives identified by the Taxonomy Regulation, to which environmentally sustainable activities can contribute. These objectives include climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.</td>
</tr>
<tr>
<td><strong>EU Taxonomy NACE</strong></td>
<td>The EU Taxonomy is a classification system, establishing a list of environmentally sustainable economic activities.</td>
</tr>
<tr>
<td><strong>Taxonomy-aligned</strong></td>
<td>Economic activities that contribute substantially to one or more environmental objective in line with the technical screening criteria established in the Delegated Acts, do not significantly harm (DNSH) to the other objectives, and are carried out in compliance with the minimum safeguards or Art. 18 of Taxonomy Regulation.</td>
</tr>
<tr>
<td><strong>Taxonomy-eligible</strong></td>
<td>Sector or economic activity that could substantially contribute to one or more environmental objective.</td>
</tr>
<tr>
<td><strong>Technical Screening Criteria</strong></td>
<td>Detailed provisions laid down in Delegated Acts identifying when an eligible activity substantially contributes to one or more environmental objective.</td>
</tr>
<tr>
<td><strong>Triodos Bank Group</strong></td>
<td>‘Triodos Bank Group’ means the economic and organisational unity, under central control, constituted by a primary group consisting of Triodos Bank N.V. and all legal entities in which Triodos Bank N.V. owns more than 50% of the economic rights, and a secondary group consisting of all legal entities in which the primary group has effective management control, as well as the Triodos Investment funds incorporated in the Netherlands and Luxembourg.</td>
</tr>
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</table>


3. Scope

This methodology applies to Triodos Bank Group.


Triodos Bank qualifies as a credit institution for purposes of identifying the applicable requirements and methodologies for determining the Taxonomy disclosure, as set out by the Delegated Regulation. The disclosure requirement applies at the level of “prudential consolidation”, i.e. based on the prudential consolidated financial statements that are disclosed in the context of supervisory financial reporting (FinRep). The disclosures pursuant to Article 8(1) Taxonomy Regulation should therefore also consider the activities performed by or through the consolidated subsidiaries of Triodos Bank. Any non-banking activities or services that are performed within Triodos Bank Group should also be addressed based on the requirements and methodologies provided for credit institutions. Specifically, the portfolio management activities and asset management activities that are performed by the private banking and investment management divisions of Triodos Bank do not warrant additional qualifications as an “asset manager” or “investment firm”.

The Taxonomy aims to provide information to market participants about the extent to which an undertaking contributes to activities that are environmentally sustainable. This is done through a reporting obligation that requires non-financial and financial undertakings to report on several KPIs. For non-financial undertakings these are the turnover, capex and opex deriving from Taxonomy-aligned activities. For financial institutions and, particularly relevant for Triodos, credit institutions, the relevant KPI is the Green Asset Ratio (GAR), basically identifying the ratio of Taxonomy-aligned exposures over total exposures. Other KPIs that credit institutions must disclose include off-balance sheet exposures such as a similar ratio for Financial Guarantees and Asset under Management, a KPI on Fees and Commissions deriving from Taxonomy-aligned activities, and a KPI covering the trading book portfolio, if present.

The disclosure requirement of Article 8(1) Taxonomy Regulation is gradually becoming applicable starting from 1 January 2022. The requirement to disclose on Taxonomy-eligibility and the qualitative disclosures applies per the 1st of January 2022 and with respect to financial year
4. Data

This paragraph describes the process to create the quantitative disclosure, including data requirements, sources, flow of data, considerations in the quantitative reporting and assumptions and limitations in the EU Taxonomy disclosure in the annual report.

4.1 Triodos Bank approach to identification of NFRD obligatory counterparties

The Non-Financial Reporting Directive (NFRD) is relevant to determine the scope of exposures that must be taken into account for the Article 8(1) Taxonomy Regulation disclosure requirement. Exposures to undertakings that are not subject to the NFRD remain out of scope for the mandatory Taxonomy disclosure. The NFRD applies to a category of large undertakings that are established in the EU and meet certain minimum size criteria. As a result of these thresholds, exposures to small and medium size enterprises (“SMEs”) and exposures to most non-listed large undertakings remain out of scope of the disclosure requirement of Article 8(1) Taxonomy Regulation. The NFRD threshold is not relevant for exposures to counterparties that are not undertakings (e.g. households and local governments).

In order to determine the applicability of the Taxonomy Regulation disclosure requirement, it must be assessed whether an undertaking is subject to the NFRD disclosure requirements as laid down by Articles 19a(1) and 29a(1) of the Accounting Directive. Especially in the first year of Taxonomy reporting, where counterparties have not yet published their NFRD reports, this is a complex assessment involving several compounded size criteria that are provided throughout the Accounting Directive.

1 Articles 10(2), 10(3) and 10(4) Delegated Regulation. For non-financial undertakings, the requirement to disclose information on Taxonomy-alignment enters into effect on 1 January 2023 with respect to financial year 2022, providing a phase-in period for credit institutions to collect Taxonomy-alignment data of their counterparties.

2 Article 10(4) Delegated Regulation.

2021. For credit institutions, the requirement to disclose Taxonomy-alignment and the KPIs will only enter into effect on 1 January 2024 and with respect to financial year 2023. The rationale for this deferred application is that credit institutions can only start to disclose information on Taxonomy-alignment after such information has been disclosed by their (non-financial) counterparties. Furthermore, the applicability of the requirement to disclose the F&C and Trading KPIs will remain deferred until 1 January 2026.

The 2022 Taxonomy eligibility assessment includes our business loans, Treasury positions, mortgage loans and (specialised lending to) municipalities on our balance sheet. The main driver of our Taxonomy-eligibility score in 2022 is our exposure to mortgages which relate to real-estate activities and are eligible for climate change mitigation. EUR 137 million (58.8%) of the non-financial corporations subject to NFRD disclosure obligations are Taxonomy-eligible. These companies are mainly active in renewable energy, engineering activities and real estate. Other eligible activities are driven by specialised lending to local governments and green bonds. Exposures of Triodos Bank UK are to be considered if they are subsidiaries of an EU based group. Triodos Investment Management activities are seen as ‘Assets under management’ which is not included in the mandatory reporting for FY2022. Additionally, while Triodos Investment Management is active in Europe, the global activities outside the EU fall out of scope for Taxonomy eligibility. Other asset management activities within Triodos including private banking and activities of TRMC also remain out of scope as these do not meet the UCITS/AIF qualification. In the future these activities will be relevant for the EU Taxonomy KPI on Fees and Commissions, which will become applicable as per 2026.

Reporting covers only certain exposures. Exposures towards central governments, central banks and supranational issuers are always excluded from both the numerator and the denominator of the GAR. As a common rule, exposures towards undertakings not subject to an obligation to report under the NFRD and, consequently, also on Taxonomy alignment, are excluded from the numerator unless these undertakings have decided to voluntarily report. In other words, Triodos Bank does not have to assess the extent of Taxonomy alignment of such exposures for its mandatory disclosure obligations.

By 1 June 2024 the European Commission will review the exclusion of certain exposure categories. These are (i) exposures to central governments and central banks; and (ii) exposures to undertakings that are not subject to a requirement to disclose non-financial information pursuant to the NFRD/CSRD (i.e., SMEs and larger undertakings not meeting the size criteria set out in Paragraph 3.1). In case of a positive review by the European Commission, these exposure categories may be brought into the scope of the disclosure requirements.
The NFRD applies to “large undertakings” that also qualify as “public interest entities”. Where an undertaking is a consolidated subsidiary of a group company, the NFRD criteria must be met at the consolidated level. When a subsidiary meets the NFRD thresholds on an individual level, it can be assumed that the parent company also meets the NFRD criteria.

Undertakings that are subject to the non-financial disclosure requirements of the NFRD must meet the following three cumulative requirements (at the consolidated level)¹:
1. ≥ 500 employees; and
2. Balance sheet total ≥ EUR 20,000,000 and/or net turnover ≥ EUR 40,000,000; and
3. Being a “public interest entity” (“PIE”), which is any one of the following types of entities:
   a) EU entities with a listing on an EU regulated market;
   b) EU credit institutions;
   c) EU insurance undertakings; and
   d) EU entities that have been designated as a public interest entity by a Member State.

In FY2021 the NFRD analysis was done based on country-specific criteria as the specific application of the NFRD directive differs per EU member state. In FY2022 we have performed the NFRD analysis based on EU level regulation based on the February 2022 FAQ guidance. This has led to a reduction of entities in scope mainly in Spain as the NFRD criteria in that country are stricter in the sense that they lead to an entity or its parent being in scope based on fewer criteria. Additionally, companies that may be subject to the NFRD based on local criteria, may not be obliged to report on the EU Taxonomy.

¹ These requirements are laid down by Articles 2(1), 3(4), 19a and 29a of the Accounting Directive. Although the focus is on the consolidated level, the criteria may also already be met at the individual level.

Identifying Public Interest Entities (PIEs)
Triodos Bank has identified different methods to identify PIEs. For the first criterium of being an EU entity with a listing on an EU regulated market (debt or equity), The European Securities and Markets Authority (ESMA), the EU’s securities markets regulator, maintains lists of entities listed on EU regulated markets. Lists also exist for listed debt securities (bonds), however these are registered at debt security level and are not per se directly linked to the entity that has issued the debt security. For the second and third criteria of being an EU credit institution or insurance undertaking, it is possible to identify counterparties through ECB and supervisors lists of licensed EU Banks and insurers. The fourth criterium is the most complex as no total list is available per Member State. Designated entities are added and removed over time and methodologies differ per country. The most complex analysis is for TBNL and TBBE as specific types of organisations are mentioned such as grid operators or central clearing parties.

An alternative for identifying PIEs is the so-called ‘auditor approach’. Only auditors with a license for public interest entities are allowed to provide assurance services to PIEs. In the Netherlands and Belgium, the audit landscape is fairly compounded where only a limited number of auditors are licensed to audit PIEs. These auditors are obliged to publicly disclose in their transparency report which PIEs they audit. These lists can be used for the Netherlands and Belgium to do a relatively simple check on whether a counterparty is a public interest entity. For other countries the check is less reliable as the audit landscape is more fragmented.

It has also occurred that counterparties meet the size criteria on an entity level, but the organizational structure is complex and/or little information is provided by the counterparty. In these situations, a best effort has been considered and the relation manager has been asked to confirm whether the counterparty does not have listed debt or equity and is not a licensed bank or insurer.

Additional considerations on ownership structures
For undertakings owned by governments or public authorities, the government is not considered the ultimate parent for the purpose of Taxonomy reporting. In the example of a Dutch grid operator owned by the Dutch government, the unit of analysis is considered the grid operator, regardless of whether ownership lies 100% with the Dutch government. The economic activities and NACE code(s) to be assessed are those of the grid operator, as well as the turnover/capex/opex data that will be employed in the following years of reporting.

Client information is considered to be leading. If a counterparty discloses in their annual report they are obligatory to report on the EU Taxonomy, we flag the counterparty as being NFRD obligatory even if our analysis concluded otherwise. Similarly, if a client has informed us they are not NFRD obligatory then we will take over this conclusion even if our analysis previously indicated the contrary.

4.2 Mandatory disclosure – collecting EU Taxonomy eligibility data
This section describes how in general EU Taxonomy data is obtained for the mandatory reporting. For mandatory
reporting on exposures in Business Banking and Treasury positions, data on the eligibility of counterparties is to be obtained bilaterally. This was interpreted as either obtained through publicly available information such as annual reports or obtained from clients.

Collecting EUT data starts with determining if the Use of Proceeds (UoP) are known. The EU legislation does currently not provide sufficient guidance for how to deal with known UoP. A known use of proceeds means that information is available on how the proceeds of a loan are used and specified. An unknown use of proceeds in general is a regular loan.

When the UoP is known, this information is used to determine the EUT eligibility as this better describes the economic activity than the economic activity of an entity or parent. When the UoP is unknown, the general EUT eligibility figures of an entity or its parent are used.

Known use of proceeds
We only reported on known use of proceeds within Business Banking and on Green Bonds within Treasury. The methodology is further described in those sections below.

Unknown use of proceeds
Generally, NFRD obligatory companies publish an annual report with EU Taxonomy information or a non-financial / sustainability report. In some instances a Universal Registration Document contains this information. We have used these reports to obtain EU Taxonomy eligibility data from counterparties. When no EUT figures were found we requested clients either to confirm that the client was not obligatory to report on the EUT (and hence out of scope) or obtain EUT figures. In the case a client does not respond and no EUT data is available, the assumption is made that 0% of turnover is eligible.

In FY2022 Triodos Bank only reports on turnover figures for the GAR and not CapEx/OpEx. In some instances this has led to professional judgment being made in filling in EU Taxonomy data, due to the different reporting approach of Triodos Bank’s counterparties.

4.3 Voluntary disclosure - Economic activity and NACE codes
Following the Art 8 FAQ, in the voluntary disclosures, credit institutions are invited to report about exposures towards clients that do not (yet) publish non-financial reports on the basis of the NFRD. These include almost all NFRD counterparties in the first reporting year and, generally, SMEs not covered by the Taxonomy disclosures obligations.

For the voluntary reporting the economic activity of a counterparty can be established using the NACE code.

For counterparties already in scope of the mandatory reporting, we will use EUT data provided by them for mandatory reporting when available. We have therefore not included a voluntary reporting on our on-balance exposures as for these we have collected information bilaterally (or using publicly disclosed information) for the mandatory reporting. The same information should be used for these counterparties in any voluntary reporting. We do disclose on a voluntary basis the EU Taxonomy information for Triodos Investment Management. The methodology on this disclosure is further described below.

4.4 Process and data flow
The source for the quantitative reporting relates to three segments within Triodos Bank: Business Banking, Retail Banking and Triodos Group Treasury positions. All these segments are linked to the Triodos Enterprise Data Warehouse (EDW).

Retail Banking
Exposures to Retail Banking counterparties are exposures to households and for the largest part comprise mortgage loans. The main source for mortgage loans are the core banking systems and the Stater administration (only used by TBNL and TBBE). As mortgages loans relate to (residential) real estate activities, we consider all mortgage exposures as eligible for CCM.

Business Banking
The majority of the exposures are to counterparties within the Business Banking segment. Financial information of business banking clients is stored in core banking systems. Triodos has a phased-in approach to determine which counterparties are NFRD-obligatory until a central database comes into place (expected after CSRD is in effect). For the majority of the counterparties a consistent procedure is used. See chapter 3.1 for more information.

Known use of proceeds
For Business Banking, system flags are available on a product level in which a financing goal is stated. If the system flag or the client sector gave an indication of a specific financing goal being present, a manual analysis was performed on the Credit Agreement.

The UOP were then mapped to an economic activity described in the DA Annex I TSC of CCM. The below activities were found in the case of known UOP.
Cases were encountered where the credit agreement text mentioned a financing goal of refinancing of a certain energy project. We have taken the position that the goal of refinancing per se does not affect the possibility to determine eligibility or alignment of a loan. The end goal of the activity performed by the counterparty is nonetheless perceived as being renewable energy.

Local governments – specialized lending
A special category within the EU Taxonomy is the local governments – Specialised Lending. Manual analysis has been performed on the financing goals of these exposures. Where the credit agreement gave enough evidence, the exposure was considered as Taxonomy-eligible towards CCM. Additional input from TBNL was requested on loans with indication of specialised lending, but not enough evidence to link to real estate.

Treasury positions
The scope of the EU Taxonomy reporting includes Treasury positions of Triodos Bank, for example cash and cash-related assets that are kept at other banks to maintain liquidity. These positions are also related to counterparties that may be subject to NFRD disclosure obligations.

Group Treasury invests in Green and Sustainable Bonds, which is a specific exposure category where a use of proceeds is determined. The Delegated Act provides insufficient guidance on green bonds but does refer to specialised lending only to undertakings or for local governments (municipalities). The latest FAQ issued in February 2022 question 31 does mention that financial undertakings shall include in the numerator of the eligibility disclosure the Taxonomy-eligible proceeds of environmentally sustainable bonds and debt securities issued by undertakings whose purpose is to finance specific identified activities. Based on these references, only green bonds from financial undertakings, non-financial undertakings and local governments are included as part of the mandatory disclosures. Also considering Annex V 1.2.1.1. under (2)(c)(1)(a), although this section refers to green bonds issued by non-financial undertakings, it states that credit institutions shall consider total gross carrying amounts to exposures to Green Bonds. Both EU and Non-EU exposures are included based on the guidance provided in the latest FAQ (February 2022) and as the eligibility information is obtained from Green Bond issuance reports. This means that green bond holdings (within Group Treasury) towards both NFRD and non-NFRD counterparties are included in the mandatory disclosure.

Triodos Investment Management
The off-balance sheet positions in Assets Under Management are reflected by activities for UCTISs and AIFs within T-IM (Triodos Investment Management, excluding positions for Private Banking and Hivos Triodos Fonds. The UCTISs are mainly present in T-IM IE&B (Impact Equities & Bonds, T-IM business unit that focuses on listed holdings) and AIFs are mainly present in IPD&E (Impact Private Debt & Equity, T-IM business unit that focuses on non-listed (private) holdings). AuM is not to be included in the mandatory EU Taxonomy disclosures. As voluntary disclosures are encouraged by the EC, we have decided to disclose the AUM eligibility on a voluntary basis. Triodos Investment Management may report their Total AUM of all holdings and a further breakdown of the holdings to report the percentage of these holdings that are subject to NFRD disclosure obligations and are Taxonomy-eligible. The approach to green debt instruments differs from the on-balance sheet disclosures with regards to green debt. Within Bloomberg currently only a label is available which identifies debt securities classified as green. A verification system to indicate whether a green bond aligns with the EU Taxonomy is not yet in place. Therefore, green debt is treated as regular debt securities where non-EU exposures are not considered in the covered part.

As AIF funds invest mostly in non-listed companies, only a small number of holdings were identified as

<table>
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<tr>
<th>TSC section</th>
<th>Activity</th>
<th>Eligibility</th>
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<tbody>
<tr>
<td>4.1.</td>
<td>Electricity generation using solar photovoltaic technology</td>
<td>100%</td>
</tr>
<tr>
<td>4.11.</td>
<td>Storage of thermal energy</td>
<td>100%</td>
</tr>
<tr>
<td>4.16.</td>
<td>Installation and operation of electric heat pumps</td>
<td>100%</td>
</tr>
<tr>
<td>4.3.</td>
<td>Electricity generation from wind power</td>
<td>100%</td>
</tr>
<tr>
<td>6.15.</td>
<td>Infrastructure enabling low-carbon road transport and public transport</td>
<td>100%</td>
</tr>
<tr>
<td>7.1.</td>
<td>Construction of new buildings</td>
<td>100%</td>
</tr>
<tr>
<td>7.2.</td>
<td>Renovation of existing buildings</td>
<td>100%</td>
</tr>
<tr>
<td>Not found in TSC</td>
<td>Glass Fiber</td>
<td>0%</td>
</tr>
</tbody>
</table>

2 “Credit institutions shall consider the total gross carrying amount of exposures to environmentally sustainable bonds issued in accordance with Union legislation. Current bond issuances qualified as green bonds by issuers whose use of proceeds have to be invested in Taxonomy-eligible economic activities shall be assessed depending on the level of Taxonomy-alignment of economic activities in accordance with Regulation (EU) 2020/852 or of projects funded, based on specific information provided by the issuer for an issuance. Credit institutions shall provide transparency on the kind of economic activity that is being funded.”
NFRD obligatory. The UCITS funds invest mostly in listed companies, for which most data is readily available. No field within Bloomberg exists to determine whether an investee is NFRD obligatory. A manual check is performed by using ultimate parent, consolidated FTEs, consolidated revenue and consolidated total assets derived from Bloomberg. Counterparty location is determined using fund information. Using this information, a check is performed on whether the counterparty meets the NFRD criteria.

5. Reporting

The qualitative disclosure of the EU Taxonomy is covered in the annual report under the Executive Board report — Impact and Financial Results, including an appendix with the full EU Taxonomy disclosure. The content of the disclosure is shown in the introduction of this document and meets the qualitative disclosure obligations for FY2022 as set out in the Delegated Act annex XI.

With regard to the quantitative disclosures, Art. 5 of the Art. 8 Delegated Act requires credit institutions to present the information concerning Taxonomy reporting by using the templates in Annex VI. The template should thus be employed in its entirety in reporting Taxonomy-alignment. For eligibility reporting, the Art. 8 FAQ clarifies that the use of the templates for eligibility disclosures is not required, but it is recommended in preparation for the alignment disclosures.

Triodos Bank leverages Abacus3 as a software solution for her regulatory reporting. This is also the environment in which the information for EU Taxonomy reporting is collected. The EDW contains a datamart for Abacus, which provides input to Abacus for FinRep. The main source for the quantitative information on the EU Taxonomy is FinRep. FinRep is a requirement of the EBA for credit institutions to provide periodic reports to supervisory bodies containing granular income statement and balance sheet data. As stated in the scoping section, the EU Taxonomy disclosure requirement applies at the level of “prudential consolidation”, i.e. on the basis of the prudential consolidated financial statements that are disclosed in the context of supervisory financial reporting (FinRep).

In FY2022 no specific module was present in Abacus for EU Taxonomy filings. Therefore, the reporting was a manual gathering information from multiple FinRep forms. We based the reporting on CRR ESG Risk template 7 in order to align with future reporting requirements. This template is near-identical to the EUT Annex VI template 1 with the major difference being the absence of off-balance sheet exposures in template 7. Additionally we aligned the 2021 figures with the CRR template to increase comparability. The major changes are listed below.

- Green bond exposures are now reported under Debt Securities. Green Bonds are seen as debt securities where the use of proceeds is known. Therefore also Green Bond holdings to non-NFRD companies are in scope for the EU Taxonomy.
- All exposures to Financial Corporations are now included in the numerator. In 2021 we made the decision to separately report on non-NFRD Financial Corporations as this was not clear in the template. The template only allowed room to report on Financial Corporations in the numerator. Although we have now included all FC's (Financial Corporations) in the numerator, we only report eligibility of FC's for FC's that are NFRD-obligatory which is in line with the EUT Delegated Act requirements. Reporting all FC's in the numerator has no effect on the GAR as long as no eligibility is reported for non-NFRD FC's.
- We have decided not to report on Guarantees in FY2022. This off-balance exposure is not part of the CRR ESG Risk template 7 (but was in the EU Taxonomy Annex 6 template 1) and is not material for Triodos. The exposure in 2022 was EUR 300k.

To ensure consistency with FinRep the quantitative reporting template is reconciled with FinRep. FinRep itself is reconciled with the Annual Report financial statements by Group Finance. Within Abacus different reporting forms exist to provide regulatory bodies with financial reporting information.

Flow, Fees and Commission, and Trading KPIs are not relevant until 2023 and 2026 respectively. Sectoral information for GAR also does not seem relevant for 2022 as the template in tab number 2 does not provide for a separate column to indicate eligibility, different from i.e., the KPI for Asset under Management.

There has been much debate between banks on how to interpret the reporting requirements, which may lead to differences between banks in applying the EU Taxonomy.

One of our core values is transparency, hence we want to be open about our Taxonomy figures. But we do need proper and consistent guidance from the regulatory bodies on how to apply the Taxonomy.

5.1 Template interpretation

This section provides a high-level description of how Triodos interprets and applies the CRR ESG Risk template 7. 

Gross carrying amount: In the EU Taxonomy template, the on-balance sheet items are reported in gross carrying amount. Gross carrying amount is the amortised cost of a financial asset before adjusting for any loss allowance. Because of this the total assets in the EU Taxonomy template are EUR 342 million higher than reported in the Annual Accounts. The EUR 342 million is comprised of EUR 51 million of loss allowance and EUR 290 million of hedge accounting fair value changes of hedged items. Including this amount in the denominator would unjustifiably result in a volatile GAR due to accounting adjustments (instead of portfolio changes).

Households. We consider the total of households collateralised by residential property and house renovation loans to households in the template and will not report them separately as all of these loans are considered eligible. Household loans are considered to be eligible for CCM as they fall under Section 7.7 of the Climate Delegated Act (Acquisition and ownership of buildings). Within Abacus it is not yet possible to separately create an overview of house renovation loans within the household counterparties.

Local governments. Annex V of the Delegated Act and template provide specialised lending to local governments. Paragraph 1.2.1.4. in Annex V mentions a GAR for loans and advances financing public housing and other specialised lending to public authorities. As the word ‘other’ is specifically mentioned, this section should only and exclusively relate to specialized lending for local government financing. However, and in deviation from the ordinary meaning of ‘public authority’, the FAQ has narrowed down the scope of ‘local governments’, as including governments that are not central governments, state or regional government, social security funds and international organisations. Public housing financing is therefore understood with reference to municipalities only, and ‘other local government’ or ‘public authority’ financing as including loans granted to local governments (as defined above) with the aim of funding any assets other than the acquisition of their place of residence of households in the municipality. The specialised lending to regional and local governments has been tested for eligibility based on information provided in the credit agreements (see 9.4 – Business Banking).

Collateral obtained by taking possession: residential and commercial immovable properties are seen as activities related to real estate (Section 7.7 of the Climate Delegated Act (Acquisition and ownership of buildings) and are therefore reported eligible to CCM.

Sovereigns are considered all government parties, so local, regional governments, provinces and states. Specialised lending to local governments is isolated within the template from the regular lending positions. Cash positions at central banks are in line with CRR considered as exposures to central banks.

The voluntary Funds under Management (FuM) positions are stated in net asset value. The FuM will differ from the FuM reported in the Annual Report as there we report the FuM for T-IM on a TNA (total net asset value) basis, meaning a balance sheet value on a fund level that may include other balance sheet items besides investments (loans, other assets, etc.). The annual report will include a comment to disclose on the difference between the FuM NAV and the segment reporting TNA.

It is important to note that, in addition to the activities of Triodos Bank as a credit institution, we carry out activities that include portfolio management, provided by the private banking division, and collective investment management, provided by the investment management division.

Under the DA Annex V, article 1.2.2. a green asset ratio for assets under management is to be disclosed. While the Delegated Act does not explicitly include a requirement for credit institutions to disclose eligibility for FuM in the transitionary period until 2024 it was understood that the scope of mandatory disclosure also encompass FuM of credit institutions. A different interpretation would create an uneven field between asset managers that are independent (and must report) and those part of a consolidated group that qualifies as credit institution (that would not have to report FuM).

This translates for us in 2022 to a ratio of eligible FuM to total FuM, where the eligible FUM concerns equity and debt instruments issued by corporates subject to NFRD. We have therefore decided to split between total FuM, NFRD-FUM and eligible FuM. We have applied the same approach for mandatory and voluntary disclosure illustrated above.
5.2 Assumptions and limitations

**NFRD**
There is no publicly available database or uniform method available to identify which counterparties are subject to NFRD disclosure obligations. Therefore, a best effort is considered to determine which clients are NFRD obligatory, in order to include these exposures separately as part of the voluntary disclosures. On several occasions professional judgment has been applied as no evidence was present to state otherwise. In these cases, no annual report or public information was available and limited client information was used to conclude that a counterparty did either not meet the enterprise size criteria or the public interest entity criteria. We strongly suggest a central repository on NFRD counterparties in the EU.

**Data limitations**
No uniform method is available to determine Taxonomy alignment for known use of proceeds and interpretations of how to treat specialised lending differs per bank. While our systems provide information on specialised lending, the specific eligibility analysis requires a case-by-case review of client documentation.

**FinRep audit**
While FinRep is reconciled with the annual accounts, the external audit on the FinRep figures commences in Q2 2022, meaning that the FinRep figures are not audited at the time of publication of the annual report.

**Applying the reporting template**
There has been much debate between banks on how to interpret the reporting requirements, which may cause differences between banks in applying the EU Taxonomy.