Article 10 (SFDR)
Website disclosures

Sustainable Investment Mandate by Puilaetco

SFDR product category: Article 9

This document constitutes the website product disclosure for financial products that have sustainable investments as their objective. Under the EU Sustainable Finance Disclosure Regulation (SFDR), all art 9 SFDR funds are required to publish sustainability-related information document on their website.

A. Summary

B) No significant harm to the sustainable investment objectives : To select only those investments that do not cause significant harm to any environmental or social sustainable investment objective, every (new) investment is assessed on its alignment with the Triodos Minimum Standards policy (Minimum Standards). If an issuer is found to cause significant harm to any of those standards, it is excluded from investment. All applicable principal adverse impact indicators (PAIs) on sustainability factors are taken into account in the investment process. The Minimum Standards, that are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, also set out the minimum standards for employee relations, remuneration, taxes and other corporate governance topics that investees must meet in order to be eligible for investment.

C) Sustainable investment objective of the financial product: The sustainable investment objectives of the sustainable Mandate are to:

The sustainable investment objectives of the sustainable Mandate are to:

- Make money work for environmental and social change
- Contribute to the transition to an economy within planetary boundaries
- Contribute to the transition to an economy where all humans can enjoy a prosperous life.

In order to realize these three objectives, the sustainable Mandate invests in listed equities that actively contribute to at least one Triodos transition theme. Each Triodos transition theme is linked to one or more UN Sustainable Development Goals (SDGs):

- Sustainable Food and Agriculture: SDG 2, 3, 12 and 15
- Sustainable Mobility and Infrastructure: SDG 6, 7, 11 and 13
- Renewable Resources: SDG 6, 7 and 13
- Circular Economy: SDG 6, 12 and 15
- Prosperous and Healthy People: SDG 3
- Innovation for Sustainability: SDG 3, 7, 12 and 16
- Social Inclusion and Empowerment: SDG 1, 4, 5 and 10

The sustainable Mandate contributes to climate change mitigation and adaptation as set out in article 9 of the EU Taxonomy.

D) Investment strategy: Puilaetco is using the Triodos Investment Universe and has defined four stages in the investment process in order to attain the sustainable objectives of the sustainable Mandate:

- Contribution to transitions (positive screening): Every (potential) investment is assessed in-depth on its thematic fit with the Triodos transition themes, for which impact objectives have been defined.-Negative impact: In order to eliminate any significant negative impact, every (potential) investment goes through an exclusionary screening consisting of three steps: negative screening, check on controversies and ESG assessment. Every (potential) investment is assessed on its alignment with the Minimum Standards. During this stage, all PAIs and good governance criteria are taken into account.

- Integrated analysis: The Sustainable Mandate portfolio Managers considers the outcomes of all three stages and analyses the investment impact, risk and return, which then leads to the investment decision.
- Accelerate transitions (stewardship): Triodos IM frequently engages on environmental and social topics that are relevant to each company's individual business models, as well as on general corporate governance issues.

E) Proportion of investments: The sustainable Mandate invests at least 54.4% of its net asset value in sustainable investments. The remaining (maximum 10%) will be cash or cash equivalents held as ancillary liquidity. At least 19.5% of the investments of the sustainable Mandate will be sustainable investments that contribute to an environmental objective. At least 34.9% of the investments of the sustainable Mandate will be sustainable investments that contribute to a social objective. The minimum share of sustainable investments with an environmental objective that are aligned with the EU Taxonomy is 2%. The Triodos transition themes, which are used for the positive selection of the investments, encompass more environmentally sustainable economic activities than currently covered by the EU Taxonomy. This percentage is likely to increase over time as the remaining four Taxonomy objectives are finalised and more economic activities are added to the Taxonomy. The minimum share of investments in transitional activities is 0%, while the minimum share of investments in enabling activities is 0%.

F) Monitoring of sustainable investment objective: The extent to which the sustainable investment objective has been achieved is continuously monitored. Included in this assessment is the performance of the sustainability indicators in a quantitative and qualitative manner as well as against established targets. In order to monitor the attainment of its sustainable investment objectives, the sustainable Mandate measures its exposure to the Triodos transition themes, its absolute and relative contribution to SDGs and its carbon footprint relative to its benchmark.

G) Methodologies: Puilaetco uses the Triodos Impact Management Cycle as an overarching tool to manage its impact. Impact management is about actively steering the means to optimise positive impact and minimise negative impact. In order to do so Triodos IM develops a Theory of Change, which serves as a basis to set impact objectives and set and measure sustainability indicators. Triodos IM verifies that the outcomes meet the targets and expectations and if not, why not, and Triodos IM defines what actions should be taken (i.e. capital allocation decisions, engagement or thought leadership) to optimise the contribution to impact.

H) Data sources and processing: To determine whether a (potential) investment contributes to the sustainable investment objective, several data sources are used. Independent research in ESG is the source for the SDG Impact Rating Products and Services score. These scores assess the overall impact of a company's product portfolio on the achievement of the SDGs. Secondly, for every investee an investment analyst consults relevant public disclosures such as the annual report. Where no detailed information is available, own estimations are used.

I) Limitations to methodologies and data: The limitation of using percentage of net sales generated with relevant products/services to estimate attainment of the sustainability objective, is that sales are not always disclosed at a high level of detail. This analysis is often accompanied by a more qualitative assessment.

J) Due diligence: The due diligence carried out on the underlying assets consists of a positive screening, a negative impact assessment (consisting of three steps) and an integrated analysis. A Due Diligence policy and process is in place to ensure that all the necessary stages and steps of due diligence are followed before the decision to invest is taken.

K) Engagement policies: A focus on impact includes the careful selection of investees, as well as proactively supporting or advocating for investees to increase their positive and reduce or avoid negative impact. To do so, Puilaetco frequently engages on environmental, social and governance topics that are relevant to each investee's business model, fund or sector context as well as on general corporate development and business strategy issues. This is done through 1) company engagement, 2) active ownership and 3) advocacy - influencing decisions within political, economic, and social institutions.

B. No significant harm to the sustainable investment objective

To select only those investments that do not cause significant harm to any environmental or social sustainable investment objective, every (new) investment is assessed on its alignment with the Minimum Standards. If an issuer is found to cause significant harm to any of those standards, it is excluded from investment. All applicable principal adverse impact indicators (PAIs) on sustainability factors are taken into account in the investment process. The Minimum Standards, that are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, also set out the minimum standards for employee relations, remuneration, taxes and other corporate governance topics that investees must meet in order to be eligible for investment.

Principal Adverse Impact indicators

What Triodos considers significant environmental and social harm is outlined in the Minimum Standards. For every (new) investment, alignment with the Minimum Standards is assessed. If an issuer is found to cause significant harm in relation to any of those standards, it is excluded from the Universe

The PAIs are taken into account in the second phase of the investment process (negative impact, consisting of three steps), both as part of the initial screening and the continuous monitoring of investments:

1) Negative screening: Every (potential) investee is screened for involvement in controversial business activities. If an investee exceeds the threshold below, "high concern" is concluded, and the investee is excluded from investment.

2) Controversies: Every (potential) investee is assessed on violations of UN Global Compact and OECD Guidelines for Multinational Enterprises on a case-by-case basis considering violations in the last three years. Per case, the verification of information, severity and company response are considered to conclude if a case is low, medium or high concern. In case a company is involved in severe and/or frequent violations without taking credible remediation measures, "high concern" is concluded, and the investee is excluded from investment.

3) ESG assessment: By combining Triodos IM's proprietary materiality map, highlighting material ESG issues per industry, with an understanding of the company's actual business activities, the risk that an investee inflicts negative impacts on these ESG issues is assessed. Based on the risk classification (low, medium or high risk), the company must meet additional requirements such as having sustainability programs, reporting, certifications, policies or practices in place. In case a company does not meet these requirements but is in transition, it is flagged for engagement. The PAI indicators are considered on an absolute basis, over time and compared to five peers (where relevant). Taking all of the above into consideration, a company's practices are assessed as low, medium or high concern. If "high concern" is concluded, the investee is excluded from investment.

The PAI assessment is based on data provided by external parties (third-party ESG data provider, public information and/or investee company).

Alignment with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights

Prior to being selected for investment and for the entire duration of the investment, (potential) investees are screened for compliance with the Minimum Standards. The Minimum Standards are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Alignment with the Minimum Standards is assessed in the second phase of the investment process through the check on controversies and the ESG assessment, based on data from external sources and additional in-house desk research. In case of significant violations of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (i.e. having severe impact, recurrence of incidents, lack of risk management and inadequate remediation measures), the investee is excluded from investment.

C. Sustainable investment objective of the financial product

The sustainable investment objectives of the sustainable Mandate are to:

- Make money work for environmental and social change
- Contribute to the transition to an economy within planetary boundaries
- Contribute to the transition to an economy where all humans can enjoy a prosperous life.

In order to realize these three objectives, the sustainable Mandate invests in listed equities that actively contribute to at least one Triodos transition theme. The (environmental) objective to contribute to the transition to an economy within planetary boundaries is addressed in the following transition themes:

- Sustainable Food and Agriculture (feed the world sustainably)
- Sustainable Mobility and Infrastructure (be mobile, live and work in a sustainable way)
- Renewable Resources (limit the use of finite resources)
- Circular Economy (make use of resources as efficiently and long as possible)
- Innovation for Sustainability (innovate for a sustainable future)

The (social) objective to contribute to the transition to an economy where all humans can enjoy a prosperous life is addressed in the following transition themes:

- Sustainable Food and Agriculture (feed the world sustainably)
- Prosperous and Healthy People (become and stay healthy and happy)
- Social Inclusion and Empowerment (create a society in which all people can fully participate)
- Innovation for Sustainability (innovate for a sustainable future)

Through investments that contribute to the Sustainable Mobility and Infrastructure, Renewable Resources and Innovation for Sustainability transition themes, the sunstainable Mandate contributes to the following environmental objectives as set out in article 9 of the EU Taxonomy:

- climate change mitigation; and
- climate change adaptation

D. Investment strategy

Puilaetco have defined four stages in the investment process in order to attain the sustainable objectives of the Sustainable Mandate. Every potential investment that has passed the first three stages is included in the Triodos investment universe. This universe is the basis from which investments must be made by Puilaetco; the Sustainable Mandate is not allowed to invest outside the Triodos investment universe. The bottom-up approach used to build the Triodos investment universe leads to a reduction of 60 to 90% of the benchmark universe, on average.

- Contribution to transitions (positive screening): Every (potential) investment is assessed in-depth on its thematic fit with the Triodos transition themes, for which impact objectives have been defined. Impact indicators based on sources of revenue data are used to track companies' contribution towards the impact objectives formulated per transition theme. The analysis is further substantiated by examining companies' product offering and relevant impact indicators as well as other qualitative evidence of sustainable practices as stated by companies' policies and active programmes. Every (potential) investment needs to actively contribute to at least one Triodos transition theme in order to be eligible for the Triodos investment universe.
- Negative impact: In order to eliminate any significant negative impact, every (potential) investment goes through an exclusionary screening consisting of three steps: negative screening, check on controversies and ESG assessment. Every (potential) investment is assessed on its alignment with the Minimum Standards. During this stage, all PAIs and good governance criteria are taken into account. Every (potential) investment needs to align with the Minimum Standards in order to be eligible for the Triodos investment universe.
- Integrated analysis: From the previous assessment of negative sustainability impact, Triodos IM selects those ESG factors that are expected to have a material financial impact on the investment. The research team considers the outcomes of all three stages and analyses the investment impact, risk and return, which then leads to the investment decision. For equity investments the financial impact is quantified.

- Accelerate transitions (stewardship): Triodos IM aims to accelerate and direct transitions through thought leadership, stakeholder dialogues, engagement and advocacy. As such, Triodos IM frequently engages on environmental and social topics that are relevant to each company's individual business models, as well as on general corporate governance issues.

The Sustainable Mandate (through the intermediary of Triodos IM) takes its responsibility as a shareholder seriously, strongly believing that by exercising its voting rights, it can exert a positive influence on a company's long-term strategy. Therefore, whenever possible, the Sustainable Mandate votes by proxy at shareholder meetings of the companies in which it invests.

Shareholder meetings are also attended to question the company's board or management on its sustainability performance. Once included in the Triodos investment universe, every eligible investment is continuously monitored to ensure it still meets the investment criteria. To do so, Triodos IM bases itself on the alerts it gets from external parties signaling any new development or controversy, and on its own research, which includes news feeds and analyst sector expertise.

In case Triodos IM finds that an (eligible) investment no longer meets the investment criteria, or is in danger of no longer meeting the criteria, it evaluates whether a dialogue with the issuer could be fruitful. If, due to the nature of the investment criteria violation, dialogue is not expected to lead to change or if there has been a dialogue with the issuer which has not led to the desired change, the eligible investment will be removed from the Triodos investment universe and the investment will be divested from all portfolios within a period of three months after removal from the Triodos investment universe.

Policy to assess good governance practices of investee companies

The Minimum Standards is used to assess good governance practices of investee companies. This policy describes the minimum standards for employee relations, remuneration, taxes and other corporate governance topics. Additionally, the Position on Tax describes the five principles to ascertain good governance in relation to tax.

E. Proportion of investments

The sustainable Mandate invests at least 54.40% of its net asset value in sustainable investments, which will be split between sustainable investments with an environmental objective (minimum 19.5%) and sustainable investments with a social objective (minimum 34.9%), with the remaining 45.6% floating between the two as either environmentally or socially sustainable as to allow for flexibility for proper portfolio management as fitting in the strategy of the Sustainable Mandate. The remaining 10% will be cash or cash equivalents held as ancillary liquidity. Due do the neutral nature of these investments, they will not qualify as sustainable investments.

The sustainable Mandate does not make use of derivatives to attain the sustainable investment objective.

Minimum share of sustainable investments with an environmental objective

At least 19.5% of the investments of the Sustainable Mandate will be sustainable investments that contribute to an environmental objective.

Minimum share of sustainable investments with a social objective

At least 34.9% of the investments of the Sustainable Mandate will be sustainable investments that contribute to a social objective.

Sustainable investments with an environmental objective aligned with EU

Taxonomy-data is purchased from a third-party data provider that has a review process in place to verify and validate the data. The coverage of this third-party reviewed data includes equity and corporate bonds. Taxonomy-data related to bonds that are not covered by this data provider are obtained directly from investee companies. A distinction is made between Taxonomy-aligned data reported by investee companies and equivalent information collected or estimated by the data provider based on publicly available information. The Taxonomy-aligned economic activities are measured by turnover as this data is readily available and provides a good insight into the scope of sustainable activities of the investee companies. Also, turnover data is more stable than capital or operational expenditure figures which are highly variable from one year to another, resulting in an undesirable volatility in Taxonomy-alignment. The Sustainable Mandate does not have any sovereign exposures.

Minimum share of investments in transitional and enabling activities

The minimum share of investments in transitional activities is 0%, while the minimum share of investments in enabling activities is 0%.

Minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy

The sustainable Mandate commits to a minimum 19.5% share of sustainable investments with an environmental objective aligned with SFDR. The Triodos transition themes, which are used for the positive selection of the investments, encompass more environmentally sustainable economic activities than currently covered by the EU Taxonomy. Presently, the EU Taxonomy focuses on certain sectors only, whereas the Triodos transition themes are sector agnostic.

The percentage of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is likely to decrease over time as the remaining four Taxonomy objectives are finalised and more economic activities are added to the Taxonomy.

What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

Although the Sustainable Mandate does not plan to have other investments than sustainable investments, it can hold cash and cash equivalents as ancillary liquidity.

Cash and cash equivalents do not affect the delivery of the sustainable investment objectives of the Sustainable Mandate on a continuous basis. Firstly, they are used - in limited proportion – to support the proper liquidity management of the Sustainable Mandate. Secondly, Puilaetco assesses on a regular basis whether counterparties for cash and cash equivalents comply with the four pillars of the UN Global Compact, using data from a third-party provider. These four pillars consist of 1) human rights, 2) labour rights 3) environment and 4) anti-corruption. Also, Puilaetco assesses its counterparties’ policies and sustainability performance.

F. Monitoring of sustainable investment objective

Puilaetco continuously monitors the extent to which the sustainable investment objective has been achieved. Included in this assessment is the performance of the sustainability indicators in a quantitative and qualitative manner.

G. Methodologies

Puilaetco invests to generate social and environmental impact alongside a healthy financial return. Impact management is about actively steering the means to optimize positive impact and minimise negative impact.

The impact strategy of the sustainable Mandate is determined, taking into account factors such as the risk/return profile, asset class, availability of investment opportunities and regional focus. The Sustainable Mandate determines this impact strategy, following from the vision. In order to do so, Puilaetco develops a Theory of Change as part of the strategy phase of its Impact Management Cycle. The Theory of Change serves as a basis to set impact objectives and sustainability indicators. In the monitoring phase Puilaetco measures the impact of its investment activities. In the subsequent learning and adapting phase Puilaetco verifies that the outcomes meet the targets and expectations and if not, why not, and Puilaetco defines what actions should be taken (i.e. capital allocation decisions, engagement or thought leadership) to optimise its contribution to impact.

In order to measure the attainment of its sustainable investment objectives, the Sustainable Mandate measures its exposure to the Triodos transition themes as a percentage of portfolio holdings that contribute to at least one transition theme and as a percentage of assets under management allocated to each theme.

Each Triodos transition theme is linked to one or more UN Sustainable Development Goals (SDGs):

- Sustainable Food and Agriculture: SDG 2, 3, 12 and 15
- Sustainable Mobility and Infrastructure: SDG 6, 7, 11 and 13
- Renewable Resources: SDG 6, 7 and 13
- Circular Economy: SDG 6, 12 and 15
- Prosperous and Healthy People: SDG 3
- Innovation for Sustainability: SDG 3, 7, 12 and 16
- Social Inclusion and Empowerment: SDG 1, 4, 5 and 10

Therefore, the Sustainable Mandate also reports its absolute and relative contribution to environmental (SDGs 6, 7, 11, 12, 13 and 15) or social (SDGs 1, 2, 3, 4, 5, 10 and 16) SDGs based on external data performing a comprehensive assessment of company products and services that affect SDGs.

Finally, the Sustainable Mandate reports its carbon footprint relative to its benchmark.

H. Data sources and processing

In order to realise its sustainable investment objective, the Sustainable Mandate invests in listed equities that actively contribute to at least one Triodos transition theme. To determine whether a (potential) investment does so, several data sources are used.

Firstly, an independent research provider is the source for the SDG Impact Rating Products and Services score. These scores assess the overall impact of a company's product portfolio on the achievement of the SDGs. Scores are calculated by multiplying the (estimated) net sales shares generated with relevant products/services with the numeric scores assigned to them (-10, -5, 0, 5, 10). All scores range on a scale from -10 (i.e. 100% of net sales are generated with products/services classified as having a significant obstructing impact) to 10 (i.e. 100% of net sales are generated with products/services classified as having a significant contributing impact).

Secondly, for every investee an investment analyst consults relevant public disclosures such as the annual report. The public disclosure serves as a data quality check for revenue derived from different products and services. The SDG scores and public disclosure are used to determine whether the corporate investee substantially contributes to one of the seven Triodos transition themes as also represented in the sustainability objective.

Every holding in the investment universe is continuously monitored using data from various sources and the company itself to ensure contribution to at least one Triodos transition theme. The Sustainable Mandate Data Reporting team performs a sanity check to ensure data quality and completeness before external communication.

The proportion of the data that are estimated is not tracked per investment, but for every investee an impact narrative describes qualitatively how the alignment with the transition theme was determined.

I. Limitations to methodologies and data

The limitation of using percentage of net sales generated with relevant products/services to estimate attainment of the sustainability objective, is that sales are not always disclosed at a high level of detail. The percentages can be used to determine the materiality of products/services linked to a transition theme. This analysis is often accompanied by a more qualitative assessment. This limitation is addressed by continuous monitoring of controversies.

J. Due diligence

The due diligence carried out on the underlying assets consist of a positive screening, a negative impact assessment (consisting of three steps) and an Integrated analysis. This is described in section D 'Investment strategy'.

K. Engagement policies

A focus on impact dictates which investees the Sustainable Mandate finances and how. This includes the careful selection of investees, as well as proactively supporting or advocating for investees to increase their positive and reduce or avoid negative impact. Types of engagement include requesting information and disclosure, investigating alleged shortcomings of a company's responsible management, sharing expertise, encouraging and tracking companies' performance towards pre-defined goals and voting (whenever possible). This is done with the aim to create long term value for the benefit of society and for the planet whilst enhancing the long-term value creation potential of the company.

As such, Triodos IM frequently engages on environmental, social and governance topics that are relevant to each investee's business model, the Sustainable Mandate or sector context as well as on general corporate development and business strategy issues. Triodos IM undertakes the following range of activities in its active investment approach, depending on the asset class.

1. Company engagement

2. Active ownership

3. Advocacy | Influencing decisions within policymaking, economic, and social institutions.

Engagement procedures

As the first step in the investment selection process is a screening on positive impact potential, followed by the strict Triodos Minimum Standards screening, significant harmful activities are excluded from the portfolios ex-ante. Key opportunities for improvement and for longer term value creation are identified and provide the basis for building trusting relationships with investees. The engagement agenda is prepared by a range of department representatives. Engagement activities are monitored on a quarterly basis in the Impact Financial Risk Committee and reported upon annually.

Sustainability-related controversies

In the case of (alleged) adverse impact, the company is contacted to clarify and investigate the allegations or information, and to assess the severity of the incident as well as the responsibility and accountability of the company. Involvement in a controversy with limited corporate responsibility would lead to expressing a concern and more scrutiny on the topic, while involvement in a severe controversy highlighting clear company shortcomings would lead to a major concern and divestment.