

# Strategic Objectives

The table that follows provides the key strategic objectives for Triodos Bank's three year plan from 2016-2018.

The plans reflect strategic goals that were developed following work to develop a 10 year strategic perspective which concluded in 2015.

This information reflects some of the key issues raised in the materiality analysis that are priorities for Triodos Bank and our stakeholders.

This year we have included a 'progress at-a-glance' indicator to provide an estimation of our progress against each goal in 2016. This assessment is based on professional judgement and the opinion of co-workers with an overview of these topics.

## Objectives within the 2016-2018 Business Plan

### Finance for Impact

We want to have delivered more finance – by way of loans, investments and gift money – to achieve a positive impact:

- Diversify our loan sectors to extend impact and spread risk
- Clearly communicate our vision on how we help sectors make step changes in their sustainability and our objectives, and progress to deliver positive impact
- Grow our investment funds significantly
- Significantly increase our capacity to support innovative initiatives with gift money.

Goals for 2016-2018	How We Did	Progress at a glance
Focus on loan growth – 15 to 20% net increase.	Net growth of the sustainable loan portfolio was 14% (2015: 13%). We would have met the target of 15-20% growth without a sharp decline in the euro value of the loan book following the Brexit vote. If fairly high levels of repayments and refinancing are also taken into account this represents good growth. Excluding all repayments gross growth of sustainable loans was 32% (2015: 30%).	● ● ○
Develop new sectors and sub-sectors to diversify our portfolio and remain relevant to the needs of society.	Good levels of diversification took place across our loan portfolio, including financing energy storage projects and a higher proportion of mortgage lending.  Isolated new sectors were developed, although below expectations.	● ● ○
Communicate our vision for the development of specific sectors.	Despite clarifying some policies and criteria, communication of comprehensive sector visions was delayed until 2017.	○ ○ ○

Goals for 2016-2018	How We Did	Progress at a glance
Triodos Investment Management aims to grow its funds under management to EUR 3.6 billion in 2016. It aims to build a more balanced portfolio of impact investment funds realising impact in key areas related to the UN Sustainable Development Goals.	Funds under management were at EUR 3.3 billion. Growth was behind target partly because Triodos Renewables plc became an independent company from Triodos (EUR 132 million) and partly because the overall inflow of investment was behind target.  Triodos Investment Management has realised some diversification within portfolios in particular to support impact investments in emerging markets but did not launch new impact funds in new areas.	● ○ ○
Private Banking will investigate connecting individual Private Banking clients with social entrepreneurs in need of finance.	A pilot project has started in 2016 with around 25 investors with potential investment capacity of around EUR 3.5m. Investee cases are being prepared for 2017 in conjunction with the LEAF Lab (see below).	● ● ○
Private Banking will evaluate investment services with the aim of offering clients an online investment guiding application. Introduction planned for 2017.	'Fondsbeheer' was introduced in The Netherlands, enabling affluent clients to build a sustainable investment portfolio, managed by Triodos Bank. The same service is planned for Belgium in 2017.	● ● ●

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

## Objectives for 2017

Continue to increase our volume of positive impact finance. We aim to grow our loan book by 15-20% (net).

Ensure that our new loans go beyond meeting the criteria of making positive impact, and bring about a deepening or transforming impact.

Develop new subsectors and follow market developments to remain relevant in each of our countries. In particular, focus on topics such as energy efficiency and storage, circular economy, sustainable food businesses and progressive small and medium-sized enterprises.

Become more relevant in the major shifts in energy production by helping to finance larger projects. We want to increase the number of participations in syndicated loans for energy generation projects (including potentially offshore wind projects) which are too large for us to finance on our own; and broaden the sources of funds to include complementary sources of finance alongside our depositors.

We will create more flexibility so we can support pioneering projects with relatively small amounts when there is insufficient traditional security. Where we set up guarantee arrangements with other funding bodies to support specific lending activity, we will also utilise these facilities to their full extent. As a result we will implement changes to our risk appetite policies within each country.

Significantly step up our ability to enable individuals to use gift money to catalyse new sustainable ideas.

## Broaden our Scope

We want to broaden the scope of our products and service offering: complementing our existing services so that we can respond flexibly to a wide spectrum of customer needs within a relationship-based approach.

Goals for 2016-2018	How We Did	Progress at a glance
In the UK a personal current account will be further developed for launch in 2017, together with developments in the product range of other branches.	UK personal current account on track for 2017 launch. Spain launched personal pensions and has developed investment funds for launch in 2017.	● ● ●
A decision about whether to open a full branch in France will be taken in 2016.	An in-principle decision to open a French branch was taken subject to further preparatory work and the approval of the authorities.	● ● ●
Four new commercial offices to be opened in Spain.	One new commercial office opened in Spain, plus new office working space in Berlin and London.	● ● ○
Theme days, which explore important Group-wide topics in a collaborative action-oriented process, to continue in 2016 to cover services to entrepreneurs beyond property-secured lending.	Delivered in 2016 and lead to a number of initiatives within the bank – including tailor made risk policies in all branches to support high-quality small loan proposals, and pilot schemes in crowd funding and invoice discounting services.	● ● ●
Triodos Investment Management aims to expand its international distribution network and have a resilient and diversified investor base.	Good progress made to diversify international distribution network with new distribution partners and clients in the UK, Germany, Italy and Switzerland.	● ● ●
Triodos Investment Management will further explore the development of its SRI funds. By 2018, it aims to offer an impact investment portfolio with all asset classes represented via both direct and publicly traded investments.	Progress made to further develop the SRI funds. New values-based investment solutions are under review and in development.	● ● ○
Expand Triodos Foundation activity through activities including crowd funding.	Crowdfunding campaigns for organic gardens in schools (such as Huertos Educativos) active in Spain with EUR 13,141 of micro-donations. Also gift money via Spanish businesses accessed the Responsible Consumption App (downloaded by 11,000 people with over 1,000 shops enrolled in the programme – some donating a percentage of each transaction made with a Triodos Bank card to the Triodos Foundation).  Triodos Foundation Netherlands trialed their first crowdfunding campaign.  No significant developments on gift money in other countries.	● ● ○

**Objectives for 2017**

Launch a personal current account in the UK with a mobile app that will represent our first step in Signature, our online strategy.

Continue to push for regulatory changes that open up access for retail investors in positive impact products, to make our funds available to retail customers and grow the volume of those funds which are distributed.

**Deepening our Relationship Approach**

We want to transition to a point where what we offer is driven more by our customers’ needs rather than our products.

We want to build interconnected stakeholder communities where we make connections and are the catalyst for productive discussions between our customers.

Goals for 2016-2018	How We Did	Progress at a glance
Deliver broader client relationship initiatives to help provide alternative financial solutions for clients and create learning communities for entrepreneurs.	<p>A network and service book of parties who we can refer potential clients to created and implemented in The Netherlands.</p> <p>Delivered a range of interactions with clients including Business Breakfasts in UK and a new commercial office concept in Malaga, Spain.</p> <p>‘Heart-Head’ programme for entrepreneurs developed significantly (NL) with similar sector-themed events and discussions running in other countries.</p>	● ● ●
Enhance our client and stakeholder relationships with a full review of Triodos Bank’s online presence, and development of a marketing intelligence project to deepen our understanding of our clients and their needs.	<p>Thorough investigation and reflection on our client relationships took place as part of Signature (a project which will renew our online presence).</p> <p>Studies carried out about our core customer groups.</p> <p>Further marketing intelligence projects due to start in 2017.</p>	● ● ○
Extend stakeholder engagement process, deliver combined client and depository receipt holder meetings and Group-wide survey.	Group-wide survey of depository receipt holders (DRH) and combined and separate client and DRH meetings delivered. But engagement process not extended as broadly as planned.	● ○ ○

**Objectives for 2017**

Focus on how we can further support our clients through our relationships with them by providing useful insights, introductions and events so that our clients feel more supported to succeed.

Implement and embed Customer Experience Principles across the Group to improve the quality of the interactions and service our clients receive.

**Innovating: new ventures and partnerships**

We want Innovation to become core to the business within each business unit, with a clear innovation process in place and secure allocation of resources.

New ventures should be launched within identified ‘innovation focus areas’.

Goals for 2016-2018	How We Did	Progress at a glance
Develop new initiatives which go beyond the bank with a focus on innovating new ventures and partnerships, co-developed with clients and stakeholders. These ventures to form part of a balanced portfolio as part of the bank's future business model.	<p>Good progress made towards crowdfunding through pilots and via direct investment through Triodos Investment Management into Duurzaam Investeren, a crowdfunding platform for sustainable energy projects.</p> <p>Acquired a social impact consulting company, EBSI, who use the evidence of social programmes to stimulate the procurement of new social impact bonds, via our UK Corporate Finance department.</p> <p>Facilitated Dutch and Spanish crowd donations and participated in a new Spanish crowd funding platform, La Bolsa Social.</p> <p>The LEAF Lab, a Triodos Bank team researching and creating new business models in the Dutch market for sharing internationally, worked with partners to develop a circular currency.</p>	● ● ○

### Objectives for 2017

Launch our own Crowdfunding platform in one or more countries to help raise money for small businesses directly from individuals.

### Resilient and effective business operations

During 2017 and 2018 we want to further strengthen the resilience and effectiveness of our (business) operations to meet the expectations of customers and society and to be demonstrably in control at acceptable cost levels.

Goals for 2016-2018	How We Did	Progress at a glance
Internal processes within business units and internal functions will be reviewed to optimise efficient work practices.	<p>Created a framework to find and realise more value and less waste.</p> <p>Identified efficiency projects within each business unit and made improvements to key processes including online applications in Germany and mortgage applications in The Netherlands.</p> <p>Collaborated to create a set of international customer experience principles.</p>	● ● ○

### Objectives for 2017

Improve our internal and customer processes so that they are more efficient – creating more value for clients and reducing internal waste.

We aim to further improve the loans to deposit ratio in 2017.

Triodos Group impact project will be a priority for 2017.

**Being a Learning Organisation**

By 2018 we want the mission and essence of Triodos Bank to be better understood, and engaged with, across the co-worker community.

We want co-workers to benefit from an open, collaborative culture ‘inside and out’ with a flexible organisational structure that enables learning, exchange and the development of talent.

Goals for 2016-2018	How We Did	Progress at a glance
Implement a new internal online platform across the bank to improve collaboration on joint topics.	A new internal collaboration tool, Engage, launched across the Triodos Group, improving internal communication and supporting greater connectivity and collaboration across teams, departments and business units.	● ● ●
Stimulate and support exchanges between departments and international offices, and with member banks of the GABV, creating a more dynamic working environment, by improving the practical arrangements around these efforts.	Exchanges continued both within and between offices and across the Global Alliance for Banking on Values (GABV).	● ● ○
Extend the Triodos Academy covering all aspects of management development across the Triodos Group and the Values Education Programme to support the embedding of values and our essence in our daily work.	Group Manager Learning and Development recruited to strengthen Triodos Academy programme of training and organisational development.  Over 100 co-workers participated in two MOOCs (massive open online courses) about values based banking – from the GABV in conjunction with the Massachusetts Institute of Technology (MIT) – and U-theory (from MIT).	● ● ●
Improve our approach to talent development, identifying and supporting co-workers throughout the organisation.	Several appointments of senior management moving from one department to another, strengthening the depth of senior management experience across the Group and the resilience of the organisation.	● ● ●

**Objectives for 2017**

Encourage and nurture ‘intrapreneurship’ supported by training via the Triodos Academy resulting in more development initiatives lead by individuals at every level of the organisation.

Co-worker group to share and learn as a community – from each other, across the group and with the outside world.

## Initiating dialogue with society on positive change

We want to create conversations, at multiple levels, about the role of money and finance in creating a positive impact in the world. And we want to share our vision of how people can make a difference through the conscious use of money.

Goals for 2016-2018	How We Did	Progress at a glance
Continue key, established partnerships and deepen and extend the impact of Corporate Partnerships, including links with academic institutions and become more active in targeted European bodies to further the sustainable finance agenda.	Continued our engagement with relevant parties – such as the Sustainable Finance Lab (NL) and B Corp Europe.  Co-created events with the Sustainable Finance Lab in The Netherlands bringing senior regulators from across Europe together to discuss new financial models.  Engaged with various academic institutions about relevant sustainable banking case studies (including Harvard Business School).	● ● ●
Learn from and collaborate with external stakeholders in new development and innovation programmes.	In addition to stakeholder engagement, theme day and LEAF Lab above, plus multiple local meetings, engaged with prominent thought leaders including Christiana Figueres, one of the architects of the Paris climate agreement, who visited the bank in The Netherlands for a number of meetings in November.	● ● ●

## Balanced Portfolio of Impact-Risk-Return

We want to see each Business Unit managing a balanced portfolio of activities, managing our Impact-Risk-Return profile so that we extend our impact within an acceptable risk/return framework.

Goals for 2016-2018	How We Did	Progress at a glance
We want to maintain the stability of the Group's Return on Equity (RoE).	Financial Return levels were acceptable for 2016 (3.5%). This decrease can be attributed to lower growth in income from interest because of lower interest margins. At the same time costs increased relative to volume as a result of higher co-worker costs to meet regulatory requirements and due to the contribution to the Deposit Guarantee Scheme. Persistent low interest rates also have an impact on Triodos Bank because our business model funds lending almost exclusively from deposits.  Despite this we can still continue our programme of investments in major strategic projects (the development of a branch in France, personal current account in the UK, our online presence and the next generation of SRI Fund management) whilst delivering an acceptable return.	● ● ○
Improve loans to deposit ratio to between 65 and 75% (in 2016).	The sustainable loans to deposit ratio has increased to 64% (2015: 62%) but was short of our ambition. We intend to increase the rate of loans growth in 2017.	● ○ ○

Goals for 2016-2018	How We Did	Progress at a glance
Develop a system to categorise impacts in a consistent way across the Group. We will build on our existing impact reporting to drive positive impact through our management processes.	<p>Process to deliver non-financial impact data further improved.</p> <p>Considered the impact of the UN Sustainable Development Goals in the strategic direction of the business and mapped current activities against them.</p> <p>Started Triodos Investment Management impact management and communicating impact project.</p>	

**Objectives for 2017**

Maintain a relatively stable Return on Equity (RoE) allowing for the continuation of major investments in challenging market conditions with a target of 3-5% RoE. We expect 2017's return to be at the lower end of this band.