Triodos Bank

More Green, Less Greed.

Triodos Bank is one of the world’s leading sustainable banks. Although not as large as some of the mainstream banks yet, Triodos now has a balance sheet worth €4.3 Billion, and is one of the largest investors in renewable energy in Europe.

Sustainability is at the heart of the Bank’s mission, to make money work for positive social, environmental and cultural change. The Triodos business model is based on lending to, and investing only in organisations that benefit people, society, and the environment.

As such, Triodos helps its customers to deliver sustainable outcomes. For example, Triodos-financed renewable energy projects in 2011 generated enough power to meet the needs of nearly 1.5 million households in Europe, saving over 2 million tonnes of CO₂ emissions.

The Triodos case study doesn’t consider how an organisation was driven by sustainability to change as such, as these principles have always been at the very heart of what Triodos is about. It is more an exploration of what a company, operating within financial services, can look and operate like, if sustainability is truly integrated into its DNA – strategically and operationally.

The Triodos story also provides another interesting example of how sustainability and profitability are not mutually exclusive concepts, even in the world of financial services. As well as driving towards, and influencing a more sustainable world, Triodos delivers consistent and growing returns. The Bank generated a net profit of €17.3 million in 2011, up by nearly 50% on the previous year.

Triodos Bank truly walks-the-talk, integrating sustainability principles within its own operations. This includes carbon neutral banking, through energy reduction and efficiency measures, eco-efficiency buildings, allied to appropriate offsets. The Bank also has a good focus on sustainable resources.

Triodos Bank also shows us how alternative ownership models can work. All Triodos Bank’s shares are held in trust, and are traded via a ‘matched-bargain’ market.1 This approach protects the integrity and independence of the business and helps maintain its long-term focus.

The quality of sustainability reporting is also very strong, demonstrating visibility and transparency. It is also the first bank to publish 100% of the loans it makes.

While there are many lessons in eco-efficiency and ethics, this case study also provokes much thought on the development of sustainable business models and strategies in support of the transition to a more sustainable economy – if a financial services company can do it, then anyone can.

“The world faces a number of crises and, whether we like it or not, banks will play a fundamental role in dealing with them. The values of these banks will determine whether this responsibility is taken on in the interests of the long-term future of people and the environment, or it continues to be driven by short-term profit.”

Peter Blom, CEO Triodos Bank.

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1 Triodos operates a euro-denominated matched-bargain market, which ordinarily means depository receipts can be bought and sold on a weekly basis.
Global Research Project: “In Search of Sustainable Business”

Peter Blom, CEO Triodos Bank

In this case study we provide an introduction to Triodos Bank, its strategy for sustainable banking, and its strategic influence and impact on customers. We also look at how the Bank is walking-the-talk with sustainable business operations, the business case for sustainable banking, the challenges faced, along with key learning points. At a time when the banking sector is still largely in crisis, reading about the Triodos approach to sustainable banking can feel like a breath of fresh air.

- Business purpose & sustainability aligned
- Sustainable business model
- Sustainable banking products
- Sustainability integrated in operations
- Enabling customer sustainability
- Business case delivered

COMPANY OVERVIEW

Triodos Bank is one of the world’s leading sustainable banks.² Founded in Holland in 1980, Triodos is a European bank with branches in The Netherlands, Belgium, the United Kingdom, Spain and Germany. The head office is in The Netherlands. The company focuses its support on social, environmental and cultural investments, with lending predominantly going to four key sectors:

- Organic Food & Agriculture.
- Energy & Climate.
- Arts & Culture.
- Social.

The ‘Triodos’ name is itself intriguing, drawn from an amalgamation of ‘tri’, meaning three, and ‘hodos’, the Greek word for road. The three roads provide an ideal metaphor for the triple bottom line, a touchstone for the bank that aims to make a positive impact on people, planet and profit.

Triodos Bank’s principle aim is simple: to provide customers with simple, professional and competitively priced services that enable them to achieve their financial goals. The mix of products and services varies from one country to another, but may include:

- Banking services
- Fund management
- Project development
- Investment management
- Corporate finance
- Private banking

Triodos Bank’s mission is to make money work for positive social, environmental and cultural change. More specifically, they are in business to:

- Help create a society that protects and promotes the quality of life of all its members.
- Enable individuals, organisations and businesses to use their money in ways that benefit people and the environment, and promote sustainable development.
- Provide our customers with innovative financial products and high quality service.

Sustainability is clearly at the heart of the Bank’s mission to make money work for positive social, environmental and cultural change. Although not as large as the mainstream banks, Triodos now has a balance sheet worth around €4.3bn, is one of the largest investors in renewable energy in Europe, and one of the largest investors in

² For Triodos, Sustainable Banking means using money with conscious thought about its environmental, cultural and social impacts, with the support of savers and investors who want to make a difference, by meeting present day needs without compromising those of future generations.
commercial microfinance in the world, with operations in around forty countries. The Bank employs around 80 co-workers in UK, and a further 640 across Europe (2011).

Triodos Bank has grown significantly in the UK in recent years. The bank achieved record annual growth in 2011, with a 36% increase in its UK loan book to £424m. This represents a net increase of £113m, compared to £64m in 2010, with new loans supporting a range of sustainable businesses and initiatives. The bank’s total lending and commitments now total £625m in UK. Growth across the whole Group has also been consistently strong, at 30% during 2009, 28% in 2010, and a further 33% in 2011.

By anyone’s measure this is quite impressive for a financial services company during a difficult economic period. Several factors are attributed to this success, including Triodos Bank’s independence, a strong balance sheet, and continued ability to lend (where mainstream banks have struggled), along with an increasing demand for sustainable banking.

Triodos Bank’s mission is to make money work for positive social, environmental and cultural change and therefore it only lends to and invests in organisations that benefit people and the environment. Specifically, this means helping to create a society that protects and promotes quality of life that enables individuals, organisations and businesses to use money in ways that benefit people, the environment and sustainable development. In this role, Triodos Bank connects savers and investors who want to make a difference, with the businesses and charities that are meeting present day needs without compromising those of future generations.

The Bank’s model is about connecting savers and investors who want to change the world for the better with the entrepreneurs and sustainable companies doing just that. Triodos is the only specialist bank offering integrated lending and investment opportunities for sustainable sectors across a number of EU countries.

Triodos’ lending criteria are transparent and based on positive criteria, rather than a limited list of exclusions. This approach recognises that money has the potential to create lasting, positive change. To realise this aim the lending process focuses on:

- Sustainable sectors where the Bank can help projects to innovate and businesses to emerge and develop.
- Projects which will bring real and meaningful benefits for the wider community - for which creating cultural, social and environmental added value is as important as meeting commercial and financial targets.
- Closely considering the motivations of the people involved in a loan application.
- Ensuring each selected project meets absolute criteria, which measure the potential negative impact of an organisation’s activity on people and the environment.
- Financing clearly defined assets, activities or projects within each organisation.

“36% growth over the year demonstrates demand for sustainable finance, despite the challenging economic environment. It’s also an indication that a sustainable and socially conscious approach can help businesses and charities to flourish, bucking the trends of the wider market.”

Dr Bevis Watts,
Head of Business Banking at Triodos UK.
DRIVERS FOR CHANGE

The Triodos case study doesn’t consider how and why an organisation was driven by sustainability principles to change as such, as sustainability has always been at the heart of what Triodos is about. It is more an exploration of what a company, operating within financial services, can look and operate like, with sustainability built into its DNA from Day 1.

Triodos Bank originally started out as a study group in 1968, to see how money can be managed sustainably. The teachings of Rudolph Steiner, the Austrian philosopher, social reformer and architect, were an early inspiration. This has less of a direct influence today, as the bank’s remit, approach, mission and values have since become much broader.

Triodos values - a firm foundation:
Triodos is dedicated to making a positive impact on the world, and has four key values that encapsulate what is important, and provide a firm foundation on which to build its business:

- Sustainability: Triodos only finances activities that actively benefit people, the environment or culture.
- Transparency: The Bank strongly believes depositors should know how their money is used – so this is visible to all, on the company website.
- Excellence: As a bank, Triodos wants its products and services to be among the best in their industry.
- Entrepreneurship: Triodos is constantly working to develop innovative new ways to finance sustainable sectors and the entrepreneurs leading them.

In addition to the broad vision and key values that underpin its business, Triodos Bank has a number of business principles that guide and support its day-to-day decision-making. These serve as a code of conduct, and also set the standard by which anyone can judge the Bank. Through these principles Triodos is committed to:

- Promote sustainable development - considering the social, environmental and financial impacts of everything it does.
- Respect and obey the law - in every country it does business.
- Respect human rights - of individuals, and within different societies and cultures; supporting the aims of the United Nation’s Universal Declaration of Human Rights.
- Respect the environment - doing all it can to create and encourage positive environmental effects.
- Be accountable - to anyone for anything the Bank does.
- Improve continuously - always looking for better ways of doing things in every area of its business.

These values and principles really do underpin everything that Triodos Bank does. As a customer, Earthshine can certainly provide an endorsement here; our direct experience of working with Triodos Bank has left us increasingly impressed, not just by their model, but also how its operations and services are conducted in its every day business.

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Global Research Project www.sustainablebusinesslab.org
BUSINESS STRATEGY: TOWARDS SUSTAINABLE BANKING

For Triodos, Sustainable Banking means using money with conscious thought about its environmental, cultural and social impacts, and with the support of savers and investors who want to make a difference, by meeting present day needs without compromising those of future generations. There is an interesting parallel with the teachings of Zen master Thich Nhat Hanh, who calls for mindfulness rather than economics if we are to protect nature and avoid being destroyed by climate change.³

There are three main positions the Bank focuses on in supporting a sustainable banking philosophy, all geared towards influencing sustainable world:

1. As a sustainable service provider - providing products and services that support sustainable development, but also at competitive prices, and with a professional service. This helps to create a powerful international community of individuals, businesses and organisations with a shared desire for positive social, cultural and environmental change.

This also means that Triodos tends to drive the market, effectively to support desirable outcomes. A great example concerns investments in farms converting to organic cereal production; money is lent at very competitive rates (1% over base rate) in order to stimulate this beneficial move. At a time where conventional banks stand accused of exploiting their position, by borrowing low and lending high, this is a very encouraging move that speaks volumes about Triodos Bank’s integrity and why customers are attracted to the Bank.⁴

2. As a market innovator – Triodos is constantly working to develop innovative, new sustainable financial products. For example, Triodos was one of the first innovators in renewable energy investments in Europe. More recently, the Bank has worked with Bristol Together to create a ‘social impact bond’ that will enable Bristol Together to buy empty, sub-standard properties, which can then be fully repaired and refurbished. Over the next five years the social enterprise expects to create full-time jobs for over 200 of some of the most excluded people in and around Bristol. In time it is the intention to ‘scale-up’ and replicate this model in other large UK cities. Again, this innovative approach not only enables growth for the Bank, but also helps to spread the sustainable banking message to a wider customer base.

3. As an opinion leader – an important part of Triodos Bank’s role is to stimulate and lead public debate on issues including our quality of life, social and environmental development, and sustainable banking. Consequently, many of the Bank’s people are acknowledged experts in their fields, and they are strongly encouraged to take part in all relevant forms of discussion and consultation, to promote sustainable development and make the biggest possible difference.

³As an aside, it may be worth watching the Thich Nhat Hanh interview with Jo Confino, an executive editor of the Guardian. We have a copy embedded at The Sustainable Business Lab: http://www.sustainablebusinesslab.org/video/thich-nhat-hanh-interview-with-jo-confino-an-executive-editor-of-

Global Research Project: “In Search of Sustainable Business”

INTEGRITY AS A DIFFERENTIATOR

The Triodos approach tends to make the Bank stand out in the market place. Triodos does not feel that it has a true competitor in the UK; there are other banks that operate under an ethical banner, but aren’t necessarily able to demonstrate the same level of integrity. Triodos has a number of attributes that enable it to differentiate its offer on this basis.

Genuine focus on customer value: Triodos Bank’s inherent approach to sustainability tends to attract many of its customers, but the Bank is equally aware of need to provide quality service that will ensure customers will stay with them for the long-term. In addition to the sustainable banking differentiator, Triodos Bank also works hard to ensure competitive rates for lending and savings. For example, in 2010 Triodos launched a competitive online easy access savings account which now pays 2.5% AER, reflecting consumers’ growing appetite for products that offer a decent rate of return, but that also do not compromise their ethics.

A sustainable business model: Triodos Bank only lends money entrusted by its savers and investors, to entrepreneurs that the Bank has got to know well. Triodos only works in the real economy – and it doesn’t invest in complex and risky financial instruments.

While new Basel rules require a minimum threshold of 5% for a bank’s core Tier-1 capital ratio, Triodos Bank holds a much higher ratio of 14%. Furthermore the Bank only lends up to 75% of its deposits.

It may sound old-fashioned, but it's an approach that has enabled Triodos Bank not only to remain solid and stable in a time of global financial crisis, but also enables it to continue growing rapidly. The model is about managed risks within the real economy.

Positively 100% sustainable lending: Triodos only lends customers' money to people and organisations working to make the world a better place, actively seeking out and promoting sustainable, entrepreneurial businesses driven by values and ideals - rather than simply refusing to back businesses that do harm.

Lending criteria are not based around simple exclusions, but are directly focused on positive outcomes. Important aspects here include: business aims, motivations of the management team, technical sustainability aspects (e.g. no displacement of food crops for biofuel production), and other holistic considerations (e.g. ensuring no adverse lifecycle impacts or issues).

This approach goes beyond thinking about companies interested in the usual ‘green’ services, such as recycling, and so on, as sustainability has to be explicit in the customer’s mission. For example, if you have a conventional ‘dirty’ business looking to invest and switch to renewable energies, you will not necessarily fit with Triodos’ criteria to become a customer. But if you wanted to become one of Europe’s most sustainable companies, and had genuine and robust plans to achieve this, and be prepared to undergo a business transformation, then the Bank may consider this. There has to be an environmental and/or social benefit delivered by the business.

Total transparency: Triodos also operates with total transparency and is the first bank to publish 100% of the loans it makes, enabling investors and savers alike to see how funds are being deployed. Triodos believes that sustainable banking depends on trust, and so publishes details of every single organisation it lends to. This information is available to all on the company website.

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5 Interestingly, the 2011 stress tests conducted by the European Banking Authority (EBA), found that eight banks out of 90 failed to pass the threshold of a core Tier-1 capital ratio of 5% under a stressed scenario. Five were Spanish, two were Greek and one was Austrian. Another sixteen banks posted ratios of between 5% and 6%, dangerously close to failure. Source Economist...
Triodos is the first bank to operate with 100% transparency

Transparency isn’t just about seeing how funds are intended for use, when assigning loans; it also holds for the whole life of the loan. All loans are reviewed at least annually, to ensure they are being used for the initial purpose.

If any customer were found to be misusing funds – for example, if an organic farm were no longer farming organically – then Triodos would work with the customer to understand what the real issues and constraints were, and if no positive way forward could be established, then refinancing would be discussed.

Alternative Ownership Model: Triodos Bank operates an alternative to the conventional PLC ownership model. All Triodos Bank’s shares are held in trust, and are traded via an internal euro-denominated matched-bargain market, which ordinarily means depository receipts can be bought and sold on a weekly basis. Very large stakes can take longer to transact.

The Bank issues new shares from time to time, in line with the growth of depository receipts, to assist with the growth of the Bank’s sustainable investment activities. The chief advantage of this approach is that it enables Triodos Bank to maintain the integrity of its mission and long-term commitment, free from the volatility of short-term market behaviours.

SAAT - Foundation for the Administration of Triodos Bank Shares

Triodos Bank believes it is crucial that its mission and identity is protected. As a result, all Triodos Bank's shares are held in trust by SAAT - the Foundation for the Administration of Triodos Bank Shares. SAAT then issues depository receipts for Triodos Bank shares to the public and to institutions. These depository receipts represent the monetary shares of Triodos Bank NV. In addition, they exercise voting rights for the Triodos Bank NV shares. SAAT’s Board of Management’s voting decisions are guided by the Bank's ethical goals and mission, its business interests, and the interests of the depository receipt holders. Triodos Bank depository receipts are not listed on any stock exchange. Instead, the Bank maintains an internal market.

Source: www.triodos.co.uk

Triodos Bank has also applied a similar shareholding model, with the creation of other ethical PLCs, including Café Direct and Ethical Property Company.
EXTENDING THE BANK’S INFLUENCE: TOUCHING A BILLION LIVES BY 2020

While Triodos is essentially a European bank, a major part of its strategy is about influencing wider change in the way banking works worldwide. To this end, Triodos Bank is one of the founding members of the Global Alliance for Banking on Values (GABV), an independent network of banks using finance to deliver sustainable development for unserved people, communities and the environment.6

The Global Alliance for Banking on Values (GABV) is a membership organization, made up of sixteen of the world’s leading sustainable banks, from Asia and Latin America to the US and Europe.

The network’s members have to meet three criteria:
- They are independent and licensed banks with a focus on retail customers;
- With a minimum balance sheet of $50 million; and,
- Most significantly, they should be committed to social banking and the triple bottom line of people, planet and profit.

The GABV, which uses finance to deliver sustainable development for unserved people, communities and the environment, represents seven million customers in 20 countries, with combined assets of over $26 billion. It was launched in March 2009. Its members are profitable and many have been growing rapidly during the continuing financial crisis.

They are bound by a shared commitment to find global solutions to international problems – and to promote a positive, viable alternative to the current financial system. The member organisations believe that we must improve the quality of life for everyone on the planet, recognising that we are economically interdependent and responsible to current and future generations.

The Global Alliance for Banking on Values (GABV) has also made a commitment to take their values-based banking mainstream, and to build a viable future for the financial industry. The organisation is pledging to touch the lives of one billion people by 2020. It expects the growth to come from expanding the network’s membership significantly, supporting banks looking to adopt genuinely values-driven models, and the creation of new sustainable banks.

The network’s members also plan to promote and demonstrate the impact of business models, which focus on solutions to the world’s most urgent social and environmental problems.

The Global Alliance for Banking on Values works with key partners to further its work. In particular, with FMO (the development bank of the Netherlands), the Rockefeller Foundation, which co-funds its financial capital and impact metrics action track7, and SBI which delivers services and solutions that extend access to capital to un(der)-served individuals, households and entrepreneurs globally.

“We believe sustainable banking - which focuses on people and the environment as well as profit - should reach one billion people by 2020 when a number of key international targets converge. We need to raise more money and invest in the sustainable bankers of the future so we can use this finance to its full potential. This commitment is an important line in the sand. We believe values-led banking can and should make a positive difference to the lives of one in six people within ten years.”

Peter Blom, Chair and co-founder of the GABV, & CEO of Triodos Bank.

6 For more information, please visit www.gabv.org.

7 There are five interdependent action tracks; immediate actions to be taken on critical issues facing the economy and society: http://www.gabv.org/our-news/a-call-to-action
IMPACT ON THE CUSTOMER: SUPPORTING THE TRANSITION TOWARDS A SUSTAINABLE WORLD

Triodos is unlike most banks. As we have already described, its starting point is to improve people’s quality of life, using finance as a means to achieve this. The Bank is directly concerned with helping its customers, individually and collectively, move towards a sustainable future.

Towards a Renewable Energy Future: Triodos Bank itself supports the achievable transition to a low carbon economy by focusing on three key drivers within its investment strategy and working with its customers:
1. Reduction – by reduced demand and more efficient use, by preventing waste, increasing efficiency and changing human behaviour.
2. Large-scale renewables – from solar and hydro to wind and tidal, renewable energies can be developed as large central power plants or small decentralised systems for villages or households.

Delivering a Real Impact: Triodos takes a proactive interest and concern with the impacts delivered by the finance it provides. To support this, the Bank measures, evaluates and reports on the various impacts it has delivered or enabled. Here is a brief summary of key impacts for 2011:

- 100% of Triodos Bank finance benefits sustainable projects.
- The renewable energy projects financed by Triodos Bank in 2010 generated enough renewable energy to meet the needs of the equivalent of 1,500,000 European households, saving over 2 million tonnes of CO₂ emissions.
- Triodos Bank finance helped make it possible for 6.8 million visitors to enjoy theatres and museums across Europe.
- 10,331 individuals benefited from care for the elderly projects, across 100 care homes financed by Triodos Bank in Europe.
- Specialised microfinance funds provide finance to 85 microfinance institutions in 43 countries, serving 7.4 million borrowing clients.
- The organically managed land on the farms financed by Triodos Bank could produce the equivalent of just over 18 million meals in 2011 – enough food to provide a sustainable diet for 16,500 people during the year.

Towards the Mainstream: When looking at the Triodos business model, and the mission for spreading sustainable banking, the obvious question has to be when will they take their approach into the mainstream, and offer current accounts to the general public? That move would surely alter the face of banking, and certainly, with continued questions over the conventional banking system, there is a real hunger for genuine and sustainable financial services. Triodos is certainly committed to expand into this market space, when the time is right, and hopefully within the next couple of years.
SUSTAINABLE OPERATIONS - WALKING THE TALK!

For any organisation promoting the virtues of sustainability and sustainable banking, it is just as important to demonstrate how the business itself manages to walk-the-talk and deliver on this promise within its own operations. It would be difficult to maintain a position of integrity without this.

While Triodos Bank’s greatest impact on the environment comes through financing entrepreneurs and enterprises developing innovative ways to create a more sustainable world, the organisation also takes very seriously its own direct impact.

The Bank monitors and manages its total impact through an Environmental Management System. Triodos has developed a bespoke system to monitor its major impacts, looking at: paper, water, electricity, gas usage, transport, and so on. An in-house system was selected, as this would more readily align with the Bank’s business requirements.

Carbon Neutral Banking: Triodos has a stated objective to operate in a carbon neutral way. Net zero CO₂ emissions are achieved through a combination of energy reduction and efficiency measures, with the remaining emissions offset by carbon credits.

Total direct company emissions (across Europe) registered 2,885 tonnes for 2011, which is roughly equivalent to the combined carbon footprint of 280 average UK households. This represents a slight increase on 2010 emissions, by 3% in absolute terms, although the intensity of emissions per employee was lower in 2011 by around 10%. It is a key challenge for all growing businesses; how to reduce absolute emissions, as well as intensity.

Most of the Bank’s emissions are related to business travel and commuting, but a significant share of emissions also arises from heating premises (natural gas), and also through the embedded energy related to paper consumption.

New office buildings are designed and constructed using carefully selected sustainable materials and the most energy-efficient lighting, heating and cooling technologies. Electricity comes from renewable energy sources only; in the UK supplied by Ecotricity.

As the company has only recently moved into its new UK HQ, it is too early to be able to review any robust figures for energy efficiency performance. Energy efficiency does, however, underpin everything the Bank does. We look forward to watching this picture evolve, in the coming months and years.

Walking-the-Talk: New Sustainable UK HQ in Bristol

Where offsets are required, around 50% of emissions are compensated for by emissions reduction projects, representing a value of €15 per tonne of CO₂, which benefit projects in developing countries. The remaining 50% of offset emissions are accounted for by sustainable forestry projects, representing a value of €10 per tonne. Offsets are purchased from the Climate Neutral Group. 2011 CO₂ emissions were compensated by emission reduction projects certified by The Gold Standard.8

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8 An award winning certification scheme that is mobilising half a billion Euros for high impact carbon offset projects http://www.cdmgoldstandard.org/
In practice, it is understood that more emissions may be offset than are actually required, especially as Triodos has elected not to include offsets used by its green suppliers. This policy may change in the future, depending on the outcome of an assessment of suppliers’ offsetting methods against Triodos Bank’s business principles.

Resources: Unsurprisingly for a bank, one of the key resources used is paper. The intensity of paper use has dropped significantly since 2005, by around 16% on average. Although performance has been variable, with some years looking better than others; this is possibly due to the continued growth of the bank and its operations. A range of initiatives to reduce direct paper consumption includes the greater use of email and online communications. A key example here includes the introduction on an online annual report, to supplement a smaller printed version.

Triodos Bank now also measures separately, the paper used for office functions and paper used for printed materials for its customers. The Bank is now engaged with its customers to replace printed media with other forms of customer communication. Also, Triodos’ customer magazine is printed on 100% post consumer waste by Seacourt; one of the world’s top three environmental printers.

Water: Triodos Bank monitors water consumption very closely, and uses it as sparingly as possible. The head office uses groundwater to heat and cool the building and rainwater to flush its toilets. This is biggest single impact on limiting its water use.

Waste & recycling: Triodos Bank monitors the waste collection process very carefully, separately collecting glass, paper, plastics, food and garden waste. It also encourages proactive recycling.

Green sourcing & procurement: External suppliers are assessed according to social and environmental criteria, including Triodos Bank’s own sustainability criteria and best environmental practice. All Triodos Bank’s suppliers, from caterers to building maintenance services, are asked to provide information on their sustainability policy and practice. They are asked to provide details of labour conditions for their employees, necessary permits, and whether they use environmentally friendly resources and production processes. In particular, Triodos Bank aims to make maximum use of the services of companies that work with disabled People. If possible, Triodos Bank employs suppliers that are located close its offices. If appropriate, it asks for a tailor-made approach to sustainability, including using sustainable raw materials and sourcing products, in turn, from local suppliers. In Germany Triodos Bank participates in an initiative with more than 20 companies to discuss, share best practice and promote, sustainable procurement.

The energy-efficiency of office equipment and environmental impact of other products is used to inform decisions before buying them. Through its procurement, Triodos Bank encourages its suppliers to address social and environmental issues in a more conscious and sustainable way.

Biodiversity: Triodos Bank recognises that, through the indirect impact of its investments and loans, it could unintentionally damage the world’s biodiversity. For this reason, Triodos Bank has lending criteria for companies operating in sectors with a high risk of negative effects on biodiversity. This approach ensures businesses have a policy to identify these risks and act to deal with problems when they occur. At the same time Triodos Bank focuses on financing enterprises that protect and encourage biodiversity.

People: People are at the heart of everything that Triodos Bank does; from the families that benefit from finance provided, to the...
entrepreneurs the Bank lends to, and indeed the people who work at Triodos Bank itself.

The Bank’s social policy is based on the belief that an organisation can only develop in a positive sense if its co-workers have the room and opportunity for professional and personal development. Its policies in this regard are geared towards authenticity, cooperation, entrepreneurship, and a professional, commercial attitude. Triodos follows through with regular co-worker surveys to ensure these conditions are enabled for all its people.

Absenteeism was reported at a fairly modest and steady 2.2% for 2011. This compares favourably with an EU average of 3.3%.  

A key contributory factor here could well be that co-workers feel a higher sense of motivation and wellbeing, that comes through working for an organisation with values that are aligned with their own personal values. Co-workers themselves identify the ‘culture’ to be very different from that associated with mainstream financial service companies, and at Triodos they genuinely sense that the Bank “makes a real difference to the development of a fairer and more sustainable world.”

Operational Cost Impact Delivered: With the recent office move, it is too early to review clear evidence of overall operational cost savings achieved against baseline spend; this could provide an interesting picture moving forward, however.

UNDERPINNING INITIATIVES

A number of initiatives and approaches tend to underpin most of the sustainable business approaches we have covered:

Engagement is key: Co-workers’ connection with Triodos Bank’s mission, and the way its values are apparent in their daily work, is vitally important. This manifests itself in weekly, Monday morning meetings and the induction process for new co-workers. The connection to the mission also plays a very important role in the development of Human Resources (HR) policy. To help support Triodos Bank’s organisational growth and to stimulate the engagement and involvement of co-workers Triodos Bank arranges two meetings each year: an annual extended International Management Council meeting, which, in 2011, focused on the three year strategy plan for 2012-2014, and an annual Co-worker Conference for 110 co-workers which was hosted by the Spanish branch. During 2011 the Co-worker Conference focused on the connection between professional banking, the shared mission, and authentic relationships. Young co-workers in particular were invited to contribute their vision and energy to this event.

Driving the right behaviour: One of the perceived ills associated with conventional banking is the big bonus culture – with excessive rewards for taking risks that are not truly accounted for. Triodos Bank has a completely different and much more modest approach. If the Group first hits all its targets, than all staff from CEO to clerk, regardless of status, receive an identical payment each year. This was set at €300 each for 2010.

Fair pay ratio: It is worthy of comment that the ratio between highest and lowest paid employees at Triodos is much more balanced than in other financial institutions.  


11 Working at Triodos: http://www.triodos.co.uk/en/about-triodos/jobs_working_at_triodos_bank/working-triodos/

12 As part the Hutton Review, the UK Government put forward a maximum ratio of 20:1 http://highpaycommission.co.uk/submissions/fair-pay-
factor by which the maximum salary in the lowest scale and the maximum salary for senior management differs in each country, and is monitored carefully to ensure the discrepancy between the highest and lowest remunerated co-workers is not excessive. In The Netherlands in 2011 the ratio was 9.8 (2010: 8.5). This ratio was lower in other countries due to the smaller size of the offices and because the Triodos Bank Executive Board is based at the head office in The Netherlands. The increase compared to last year is due to a new, lower scale position undertaken by a young co-worker.

**An emphasis on personal responsibility:** As a consequence of the financial crisis and widespread disquiet in society about the financial sector, the regulatory bodies, especially in The Netherlands, are enforcing more laws and controls. Triodos Bank will strive to comply positively with them. It will do so appropriately given its moderate remuneration policy, which excludes bonuses. Triodos Bank will continue to emphasise personal responsibility and use principle-based judgements, rather than depend on checklists and controls. A refreshing change to the received wisdom of management and risk reduction through Assurance based processes – which can stop people thinking for themselves.

**GRI reporting:** Triodos Bank uses the Global Reporting Initiative’s third generation (GRI 3.1) guidelines (as published in 2006 and updated in 2011) for the fourth time in the preparation of the 2011 Annual Report. For the third time we will use the GRI Financial Sector Supplements that have been updated in 2008. Triodos Bank uses these guidelines to try and ensure a high degree of comparability between its report and those of other companies that use them. The bank’s ambition is to do this at A+ level. This has been checked and confirmed by the GRI.

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13 The GRI Content Index and the GRI Application Level Check Statement can be found online at: http://report.triodos.co.uk/en/2011/impactandengagement/gricontentindex.html?cat=m
SUSTAINABLE BANKING: THE BUSINESS CASE

A recent report commissioned by the Global Alliance for Banking on Values (GABV) concluded that values-based banks have generally better or comparable Return on Assets and Returns on Equity, as compared with conventional banks. The returns of sustainable banks are also less volatile, and their products and services tend to provide a range of outcomes that provide greater support to what has become known as the real economy.

Although the GABV report calls for further research in proving the case, particularly in relation to extending the time frame of analysis beyond the financial crisis years, and also in developing further stakeholder-driven metrics, there appears to be a robust business case for values-based banking. And one that is likely to become even more compelling, given the context of developments in financial services industry regulation, but also as the real-world challenges and impacts of sustainability really start to hit home.

As for Triodos Bank, it has seen a significant growth in business and consistent financial performance over a number of years. There is no specific case to demonstrate the improvement in business results through becoming a sustainable organisation, because Triodos Bank is, and has always been, operated along sustainability principles. There is no change in guiding values or business philosophy against which to measure any change of performance. The case here merely proves what can be achieved by a company that has 100% sustainability DNA, operating within the financial services sector, even within a hugely volatile global economy.

Growing the Top Line: Triodos Bank has grown its business in Europe by 28% in 2010 and by 23% during 2011. Total Group income grew to almost €129 million in 2011, while total assets under management were worth €6,786 million by the end of 2011.

By anyone’s measure, this is quite an impressive performance for a financial services company during a period characterised by financial crisis and uncertainty. But perhaps that is the real point? The Triodos model is inherently more sustainable, resilient, adaptable and aligned with a whole host of economic, environmental and social drivers. It is more able to succeed, whatever the prevailing economic weather.

Several factors are attributed to the Bank’s success, including its strong balance sheet and solid approach to managing capital, which both enable Triodos to continue to lend (at a time when other mainstream banks have struggled), coupled with an increasing demand for sustainable banking in the marketplace; a trend in line with the growth in sustainable and social enterprises.

Impact on the Bottom Line: Triodos Bank clearly has an ethical business model, only supporting sustainable investment, but does it make money? The Bank generated a net profit of €17.3 million in 2011, growing from €11.5 million in 2010. Looking over a longer period, the Bank has also generated year on year improvements in profit since at least 2006 – the timeline of results we have explored in detail – with only a minor dip in the profit growth trajectory in 2009, due to the immediate impact of the financial crisis.

Shareholder Value: Triodos generated a net profit of €3.18 per share in 2011, up from €2.45 per share in 2010, yielding a dividend of €2.34 per share.

14 Global Alliance for Banking on Value, Strong, Straightforward and Sustainable Banking (March 2012)
15 Economic activities that generate goods and services, as opposed to a financial economy, concerned exclusively with activities in the financial markets.
16 The Green Economy is hard to measure but EU eco-industries estimated to be worth €557m and employed 3.4m people in 2012: http://ec.europa.eu/environment/enveco/jobs/pdf/jobs.pdf. And could be set to grow to more than €800bn by 2020.

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Global Research Project www.sustainablebusinesslab.org

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Awards & Recognition:

Triodos Bank has received a number of awards, in recognition of its work in financing and promoting a sustainable economy. These include:

- The FT Award for Sustainable Banking, 2009, which recognises banks and other financial institutions that have shown leadership and innovation in integrating social, environmental and corporate governance considerations into their operations.

- Triodos Bank won the prestigious Queen’s Award for Enterprise in 2010. Triodos was awarded the Sustainable Development category for its unique approach to finance, which values people and the planet as well as profit.

“To be one of the Queen’s Award winners recognises Triodos Bank’s achievements in marrying commercial success with a truly sustainable approach to finance. We’ve demonstrated that profit and principles need not be mutually exclusive – quite the opposite in fact. By working only with sustainable enterprises, we’ve continued to build our business during challenging times for the financial world, supporting more inspiring organisations than ever. Good news for our savers and investors, and for the planet.”

Charles Middleton, UK Managing Director, Triodos Bank

OVERCOMING CHALLENGES

Although Triodos Bank has done extremely well, outperforming many conventional banks, and through a time of global financial crisis, there have still been challenges along the way.

Perceptions: Triodos, and other sustainable banks around the world, are often seen as ‘alternative’; somewhat quirky, despite the fact that they are often more robust and less risky than the mainstream. But getting people to understand the connection between finance and sustainability; that these are not mutually exclusive concepts, is a fundamental challenge. Effective communication is essential here, along with the need to continually explain and reinforce this important message. In some cases this is achieved through building partnerships and alliances with like-minded parties sharing similar missions, including Ecotricity, Solar Century, Café Direct and Friends of the Earth.

Raising the bar on customer expectations: Many organisations have become used to the services and products offered by the conventional banks, perhaps accepting that this is just the way things are, that there is no alternative, or better approach to banking. Triodos throws out a challenge to all charities and NGOs, getting them to revisit their expectations, asking: “Who are you banking with, where do your funds come from, where do they go, have you got true visibility?” The idea is to get these organisations to expect more from banking, and to realise their own power and influence in support of the shift towards more sustainable banking.

“Because we share the same values, Triodos Bank was my first consideration for the loan and I am grateful it is able to help finance the scheme and invest in the potential of solar for future energy generation.”

Michael Eavis, English Dairy Farmer & Founder of Glastonbury Festival

KEY ENABLERS: WHAT MADE IT WORK?

There are a number of underpinning factors that have enabled Triodos Bank approach to develop and flourish.

Sustainability integrated into the Bank’s DNA: Sustainability principles are an inherent part of Triodos Bank’s mission and its values, clearly permeating its financial products, customer focus, operations, and all aspects of the way in which it conducts its business. The bank exists foremost to serve a useful social, environmental and economic purpose, and only seeks to gain legitimate profits from performing well in delivering on its promise. The Bank has a genuine focus on delivering positive social and environmental outcomes, e.g. alleviate poverty through enabling others to take control of their lives and to start businesses. For Triodos Bank, CSR/sustainability is therefore not something separate, to be done in addition to its everyday business; sustainability is about everything the Bank does and is the very reason it exists.

Values-based approach: Triodos has four stated values that guide its business: Sustainability, Transparency, Excellence, and Entrepreneurship. These values provide a moral compass and solid principles, by which all decisions are developed, tested and acted upon, driving business features such as 100% transparent on lending, the 100% focus on lending to sustainable businesses, entrepreneurship through innovation, and market-making moves like the Organic Cereals Initiative, which helps conventional farmers convert to organic production.17

Sustainability appetite & expertise: Mainstream banks are perhaps less willing, or may lack the expertise to venture into the field of sustainability in a meaningful way. But this area has been the lifeblood of Triodos’ business has for over 30 years. For the mainstream banks it’s often a question of scale, too; aiming for the big deals that generate large fees. For this reason investments in renewable energy projects under 20MW are not as commercially attractive for many mainstream banks.

Follow-through: The Triodos approach to sustainability has real substance; it is not just about appearing to do the right thing and looking good, it also about following through, delivering a real impact, and making sure it is done right. A key example here concerns the checks that occur to ensure that loans are used as intended, and to measure and prove the positive and cumulative impact these loans have made. For example, a loan provided to build care homes for the elderly: Triodos has a specification for what good looks like and a view on desirable sustainable impacts. The Bank will apply rigorous checks to ensure these are followed. Another example concerns a food waste to energy project: Triodos will bring in a range of internal and external experts to assess scheme viability, before the loan could go ahead and after completion.

Ownership model: Triodos Bank’s ownership model protects the integrity and independence of its approach. No single person or institution can own more than 10% of Triodos’ shares. This means that the Bank is always independent and able to maintain a consistent course, and not get hijacked by the short-term behaviours associated with conventional PLC ownership formats.

Availability of investors: Triodos’ sustainable investment model can only grow and thrive if the Bank has sufficient access to funds. To enable this Triodos has worked hard in developing a suitably aligned investment community. The more investors that get it, the more funds can be invested in sustainable outcomes.

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17 Funds are lent at the extremely competitive rate of 1 per cent over the Bank of England base rate, to help offset the cost of conversion to organic farming. http://www.farmersguardian.com/home/arable/arable-features/specialist-support-helps-organic-farmer-grow-acreage/33306.article
Growing pool of increasing sustainability-conscious customers: Following on from the previous point, the Bank also needs sufficient numbers of suitable customers, to support its mission and its continued expansion of sustainable banking activities. A key enabler of success is the growing number of discerning customers, who are not just interested in taking the highest interest rates, regardless of how this is achieved, but are keen to support the move towards a more sustainable world.

Culture of equality: As we have already discussed, Triodos Bank operates a different bonus culture, when compared with the mainstream banks. In fact, the Bank does not pay contractual bonuses. If the whole group achieves its profit targets, all staff receive the same payment regardless of rank; from CEO to clerk, set at a modest €300 each. There is also a discretionary bonus, for exceptional performance only, worth up to two weeks salary. This approach tends to attract a different calibre of person, more aligned with the Bank’s values.

Collaboration: Working with like-minded parties to extend the Bank’s influence in creating a more sustainable world. For example, the Global Alliance for Banking on Values.

WHAT DID TRIODOS LEARN?

Triodos Bank also appears to be a learning organisation, reflecting on what works well, and what could be changed along the way. Here are some of the lessons they wish to pass on.

Beyond certification: Triodos Bank elected not to continue with, and renew its commitment to ISO 14001, the series of environmental management standards. Essentially, the Bank wanted to go beyond the limitations of an assurance framework, to better understand performance and what should be done in relation to a fully integrated approach to sustainable business.

Triodos would certainly not discourage others from applying ISO 14001 in their own organisations, but any decision to proceed has to be based on what is appropriate for what you are working to achieve.

Opportunity from crisis: As we have all seen, the global banking system has been exposed by a series of events and crises in recent years, raising the question: Is there a better way? Triodos Bank’s whole model and ethos puts integrity and sustainability right at the heart of banking. The Bank has taken the opportunity to get this message across, both directly and through its collaboration with the Global Alliance for Banking on Values, in order to raise awareness and drive change in its sector. As a result, the Bank has experienced a huge period of growth, as savers and businesses seek out that better way. As the old adage goes, never let a good crisis go to waste!
LOOKING FOR INSPIRATION?
Triodos Bank is shining a light in these challenging and uncertain times. It is inspiring to see what can be achieved through being proactive, developing new business models, driving markets and even redesigning commerce based on sustainability principles, building steadily towards a sustainable economy.

Triodos also demonstrates that sustainable banking can deliver year on year profitability, as well as supporting the transition to a more sustainable world. But their story doesn’t just provide key lessons for the banking sector; there are transferable lessons for any business. Here are a few key insights:

Sustainability and profitability are not mutually exclusive concepts: Quite the opposite, Triodos has proven how developing a fully integrated sustainable business model enables greater resilience, along with continued, strong financial and business performance.

Business with a purpose: Sustainable business models are not just about the obvious impacts. Businesses that serve a real purpose, adding value to society and supporting the real economy, will be well placed in the transition to a sustainable economy, and will reap the benefits from doing so.

Help your customers to become sustainable: By focusing on what your customers needs are, but ensuring they can be delivered in sustainable ways. Constantly innovate to find new and creative ways for this to become a reality for your customers. This builds a robust network of loyal customers, as well as enabling your business to greatly extend its influence towards a more sustainable economy. It is also possible to measure and prove the combined impact you are having.

Sustainability and integrity are key differentiators (for now): Differentiating on sustainability is becoming increasingly important, in a world where customers are becoming more aware and more discerning. And when we reach a market tipping-point, these attributes will become a given, and your licence to operate.

Walking the talk: Especially important if you are a business involved in sustainability markets, but applicable to all businesses. It is becoming increasingly important that you are also operating with integrity, striving towards 100% sustainability.

Don’t necessarily be constrained by systems: As Triodos found, it is important to have a have a sustainable business strategy first. Systems can support the operational delivery of this, but should not act as a constraint to developing a complete and integrated strategy.

Alternative ownership models do work: There are viable alternatives to the conventional PLC format for growing and expanding companies. Triodos is able to maintain independence, integrity of its mission, a long-term focus, as well as expand in a sustainable way.

Culture of equality: There is always more to employee motivation than financial rewards, even in the financial services sector. Triodos has shown that a more equal reward structure really does work, and also attracts the right calibre of employees to support its mission.

Driving market change: Triodos has shown that it is possible to drive change in your sector, even if today the prevailing business culture appears overwhelmingly unsustainable and entrenched. It is possible to influence change through your customers, individual company endeavour, and through collective action/alliances with like-minded organisations. Your customers can also be your greatest are advocates; to help spread the word for your business, its mission and achievements.
“The historic CSR agenda is dead. Businesses that will be successful over the next 50 years are the ones that are really thinking about their role in society.”

Dr Bevis Watts,
Head of Business Banking,
Triodos Bank UK.

FURTHER RESOURCES

1. For more information and data on Triodos Bank visit: www.triodos.com
4. For information on the Global Alliance for Banking on Values visit: www.gabv.org

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