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Sustainability risk integration & organizational impact

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1. Introduction

Robeco's corporate mission is to enable our clients to achieve their financial objectives through superior returns and solutions. Sustainability is key in fulfilling that duty and a key pillar of Robeco's corporate strategy. We are convinced that investee companies with sustainable business practices have a competitive advantage and are more successful in the long-term. A proactive approach to measuring, managing and mitigating sustainability risk is therefore an essential part of our sustainable investing approach.

Robeco integrates relevant sustainability risks in all aspects of its investment strategies, client solutions and organization. This includes investment analyses and decisions, investment advice, risk management, product governance & client suitability assessment processes, as well as the organizations governance of these processes.

This document aims to provide a comprehensive overview of Robeco's sustainability risk integration approach. It is based on underlying policies, procedures and tools, which are outlined in this document.

The document is made publicly available on Robeco's website and updated on a regular basis, at least annually.¹

1.1 Regulatory Framework

Our sustainability integration measures comply with relevant provisions of the EU Sustainable Finance Framework, e.g.:

- Information disclosure requirements with respect to sustainability risk integration at entity and product level (Regulation on sustainability- related disclosures in the financial services sector - SFDR).
- Provisions to integrate sustainable risks in investment due diligence and risk management policies & processes, and governance structures (UCITS Delegated Directive 2021/127, AIFMD Delegated Regulation 2021/1255 and MIFID Delegated Regulation 2021/1254).
- Provisions to integrate ESG factors in mandatory client suitability assessment & product governance processes (MIFID II Delegated Regulation 2021/1254 and MIFID Delegated Directive 2021/1269).

The European Securities Markets Authority (ESMA) has stressed the importance of incorporating sustainability risks in investment and risk processes and internal organization of UCITS and AIFM managers in its 31 May 2021 Supervisory briefing on sustainability risks and disclosures in the area of investment management.

1.2 Evolving Field

Our current sustainability risk integration measures are outlined in this document. The integration of sustainability risks is however an evolving field. The available data, expertise and technology to identify, measure and mitigate sustainability risks will probably increase over time. Therefore, we will regularly review and, where relevant, recalibrate our sustainability risk integration processes to ensure that these remain fully in line with these innovations.

1. [Art 3 SFDR requires financial market participants and financial advisers publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making process and their advice](#)

2. Sustainability Risk Identification

2.1 Definition of Sustainability Risks

Sustainability factors - such as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters - may have a positive or negative impact on the financial performance of our investments.² While sustainability factors can also have positive impacts (opportunities), the sustainability risks for the purpose of integration are defined as the negative materialization of the factors. Sustainability as a risk factor is relevant to all investments, while sustainability opportunities are typically relevant to the products that have an ESG objective. For its sustainability risk integration approach Robeco applies the legal definition of sustainability risk included in the EU Sustainable Finance Disclosure Regulation (SFDR).

*'Sustainability risk' means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.*³

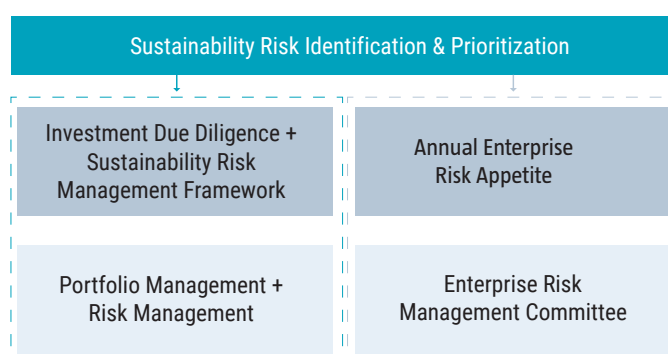
This definition is also used in the amended rules under UCITS, AIFMD and MIFID II frameworks, which cover the majority of the mandatory policies and process requirements, as well as the organizational related requirements regarding sustainability risks. The definition has two core elements (1) an event/condition from the broad ESG spectrum that (2) could (potentially) cause a material negative impact on the value of the portfolio. This means that Robeco is expected to identify relevant ESG risks and subsequently determine which of them are material in the short, medium and long term with regard to its investment strategies.

It is important to keep in mind the concept of double materiality⁴ in understanding the concept of sustainability risk. Sustainability risk relates to the potential financial impact on the investments, while principal adverse impact reflects the negative effect investments may have on society (societal impact).

2.1.1 Identification

Sustainability risks can be climate-related, or related to other environmental, social and governance practices. Sustainability risks can be identified across asset classes, sectors and geographies, or on the basis of length and maturity. Robeco uses various proprietary and external tools to identify and evaluate sustainability factors and related risks. Our Investment Due Diligence and Risk Management frameworks are the basis for the different investment teams and risk management functions to identify and evaluate potential sustainability risks for our investment portfolios.

Once identified and evaluated as financially material for an individual investment portfolio, sustainability risks and the mitigation thereof are directly integrated in the related investment and risk management processes.



In parallel, we run a holistic materiality analysis at entity level – as part of our annual internal risk appetite review - of potential risks, including sustainability risks, relevant to our business activities. The World Economic Forum Global Risk Report is an important building block for our materiality analysis. Integrating climate-related and environmental risks into the internal risk appetite increases Robeco's resilience to such risks and improves its ability to manage those risks. This company wide risk assessment provides an additional source/ check to the sustainability risk evaluations made by the different investment teams and risk management functions within Robeco and is used to confirm that all potential risks have been properly identified and prioritized.

The sustainability component of our internal risk appetite, currently primarily focusing on carbon emission mitigation, is adopted by the Enterprise Risk Management Committee (ERMC) after consultation with Robeco's Sustainability Impact & Strategy Committee (SISC).

Robeco runs an Internal Capital Adequacy Assessment Process (ICAAP) to assess the level of capital that adequately supports all relevant current and future risks in their business. The potential financial impact of climate risk is incorporated in this assessment.

2. Art 2(24) SFDR.
3. Art 2(22) SFDR.
4. In the context of SFDR (articles 4 and 7) Principal Adverse Impact relates to the societal impact side (and therefore the exclusion process) and article 6 of SFDR relates to the financial side (and therefore ESG risk integration process).

2.2 Climate-related Risks

Climate-related risks are the financial risks posed by the exposure to an investment that may potentially contribute to, or be affected by, climate change. Following the adoption of the Paris Agreement, governments are endeavoring to transition to low-carbon and more circular economies on a global scale.

On the European front, the European Green Deal sets out the objective of making Europe climate-neutral by 2050. EU asset managers are expected to play a key role in this respect, as enshrined in the EU Sustainable Finance Action Plan and the Taxonomy Regulation.

Robeco considers climate-related risks as financial material for all its investment strategies. This is underscored by our Roadmap to net zero emissions by 2050, our commitment to the TCFD recommendations and our as well as our commitment to the Dutch Climate Accord.

Transition to a low-carbon and more circular economy entails, beyond opportunities, risks for the regions, industries and companies in which Robeco invests, whilst physical damage caused by climate change can have significant impact on those regions, industries and companies as well as the wider financial system. In addition to transition and physical transmission channels climate change risk may also arise from clients or other persons seeking compensation for losses they may have suffered from the physical or transition risks from climate change (liability risk channel).

Robeco seeks to take a forward-looking and comprehensive approach to considering climate-related risks. To run climate change scenario analyses and measure climate risk, Robeco has developed proprietary tools in addition to possible third-party data provider solutions. To assess the impact of climate change, Robeco primarily uses (forward looking) scenario analysis available via Climate Value-At-Risk which is a measure of the likely impact climate change can have on the return of a portfolio's holdings.

2.3 Other Sustainability Risks

Risks related to climate-related factors are therefore well-known, and methodologies and data to calculate and apply these are relatively mature. However, our sustainability risk identification and prioritization assessments are not solely restricted to climate issues. Other environmental factors (such as air pollution, water pollution, scarcity of fresh water, biodiversity loss and deforestation), social issues and governance practices may also present serious risks to the value of our portfolio investments and are therefore also considered.

Environmental and social risks are closely interrelated. The continuous deterioration of environmental conditions implies heightened social risks, such as when climate-related physical changes or water stress affect deprived parts of a geographical area and already disadvantaged populations. Reputational impacts are then also possible. Poor governance practices and/ or significant social issues may also have material financial impact on portfolio investments if the probability of their occurrence is not sufficiently priced into the valuation of the affected assets or liabilities.

Therefore, Robeco's sustainability risk identification covers a broad range of ESG factors, including (but not limited to):

Key sustainability factors

| Environmental | Social | Governance |
|---------------------------------|--|--|
| Climate change vulnerability | Compliance with recognized labor standards | Risk & Business continuity management |
| Carbon pricing | Compliance with employment safety and health protection | Integrity and ethical behavior |
| Biodiversity | Fair working conditions, diversity, and training and development opportunities | Information security and data protection |
| Environmental waste & pollution | Product safety and customer well-fare | Board composition and remuneration |
| | Infectious diseases | Regulatory and Tax Compliance |
| | | Political instability |

2.3.1 Sustainability Risk Characteristics

The relevance of a sustainability risk type for a portfolio depends on both the investment strategy and the risk type characteristics. Some sustainability risks may potentially have a negative impact on all investment strategies, while others may only affect specific companies or sectors. The time horizon, likelihood of occurrence, likely impact and ability to control some sustainability risks are often uncertain.

Sustainability risks may become relevant and lead to pressure for action in the short term, as well as over the medium and long-term.

2.4 Relation with Established Risk Categories

Sustainability risks are often related to and may have an impact on other risk categories or may be a factor to their materiality. Examples of the relation of sustainability risks with established risk categories include:

1. Credit risk/counterparty default risk: The business model of an issuer of an investment grade bond may be severely damaged by transition risk).
2. Market risk: An investee company that does not demonstrate management for transition towards a sustainable economy may lose value due to a decline in market sentiment (reflecting transition cost expectations)
3. Liquidity risk: If climate-related and environmental risks materialize (e.g. natural disaster) we may experience substantial outflows and/or a fund liquidity mismatch related to the financially material impact of physical risks on our operations in one or more relevant markets.
4. Operational risk: events like extreme weather conditions and epidemic diseases may impact our operations in one or more regions.
5. Data availability risk: sustainability risk integration underscores the need for reliable and high quality ESG information. ESMA has acknowledged that there are operational challenges involved with 'getting reliable data on sustainability risks and factors'.⁵ The ECB has highlighted this as an impediment to the consistent use of ESG data by market participants and stresses that unreliable ESG data and ratings limit users in their capacity to conduct granular financial risk analyses.⁶

Robeco acknowledges the relation of sustainability risks with established risk categories and therefore holds an integrated view on sustainability risk management. Robeco incorporates sustainability risks as drivers of aforementioned established risk categories into Robeco's existing risk management framework, with a view to managing and monitoring these risks over a sufficiently long-term horizon.

5. In its 2019 final report on ESG risk integration in UCITS and AIFMD, p. 18 (ESMA34-45-688).

6. Eurosystem reply to the European Commission's public consultations on the Renewed Sustainable Finance Strategy and the revision of the Non-Financial Reporting Directive (https://www.ecb.europa.eu/pub/pdf/other/ecb.eurosystemreplyeuropeancommissionpublicconsultations_20200608~cf01a984aa.en.pdf).

3. Internal Sustainability Risk Governance

3.1 Management Board and Committees

Robeco's management board and key officers appointed to manage Robeco (together the Executive Committee) bear overall responsibility for monitoring the implementation of the business, risk strategy and governance arrangements. Accordingly, the Executive Committee is also responsible for the strategic considerations of integration of sustainability risks connected to its business activities and governance and control.

Collectively, the members of the Executive Committee are equipped with sufficient knowledge to ensure that sound and well-informed decision are taken. Key function holders of the Executive Committee – in particular the Chief Investment Officer and the Chief Financial Risk Officer - are individually suitable including that they have sufficient knowledge, skills and experience with regard to sustainability factors and related risks in their management function.

3.1.1 ERM

The enterprise risk management committee (ERM) is the body responsible for a comprehensive risk and oversight framework within the managerial scope of the Executive Committee, including strategic consideration of sustainability risk integration. The ERM is responsible for the evaluation and approval of the annual Enterprise Risk Appetite in which relevant sustainability risk aspects will be incorporated. The ERM also determines changes in policies for measuring, monitoring and reporting on all relevant risk types, e.g. sustainability risk. The ERM will also periodically evaluate the effectiveness of the internal processes and governance of sustainability risk integration. The ERM's responsibility regarding sustainability risk is included in the Charter ERM. The ERM delegates the responsibility for client portfolio risk frameworks to the Risk Management Committee (RMC).

3.1.2 SISC

The dedicated body for the governance of sustainable investing at Robeco is the Sustainability & Impact Strategy Committee (SISC). The SISC includes members of Robeco's Executive Committee, as well as senior managers and specialists on sustainable investing across the company. The SISC oversees all areas of business of Robeco that pertain to sustainability and sustainable investing. The scope of the SISC includes:

- the sustainability strategy and the sustainable investing approach (e.g. ESG integration, Impact investing, SDG and Climate approach, Sustainable Investing);
- sustainable products (response to relevant regulatory developments, sustainable product developments, major changes to ESG characteristics of existing SI strategies and SI labels);
- sustainability Data Management & Engineering;
- sustainability Marketing & Sales.

3.2 Internal Control Framework

Robeco's organizational structures, established around the 'three lines' model, support and promote effective and prudent decision making around integration of sustainability risk taking into account the proportionality principles.

3.2.1 Investment teams

The teams managing our investment portfolios have the primary responsibility for managing the risk generated by their investment activities throughout the lifetime of the portfolio. This principle is equally important for the integration of risks stemming from sustainability factors. To carry out this task in the first line effectively, Robeco has incorporated the sustainability aspects of the investment strategies into adequate investment due diligence processes and procedures for the selection and monitoring of investments (ref. Chapter 4), taking into account Robeco's risk appetite and sustainability risk management policies.

3.2.2 Risk Management Function

Robeco's risk management function is responsible for ensuring the proper risk controls, also in relation to sustainability related risks. Operating in the second line of functions, independent from the investment teams, the measurement and monitoring of sustainability risks and setting relevant limits by the risk management function aim to ensure that the material impact of sustainability risks is accounted for in the investment decision-making process (active feedback loop) and overall minimize the investments exposure to sustainability risks.

Robeco's dedicated Sustainability Risk Policy describes how sustainability risks are measured and what kind of monitoring activities are performed. The sustainability risk policy is approved and evaluated by our Risk Management Committee (RMC). In Chapter 5 the risk management framework in relation to sustainability risks is further described.

The Risk Management function is also responsible for sustainability in the enterprise risk management (ERM) framework. The Risk Management function incorporates climate risks in the aforementioned ICAAP framework to the extent these risks may transmit prudential risks at entity level. Robeco's ICAAP Climate Risk assessment is aligned with TCFD and takes into account DNB's Good Practice on the integration of climate related risks and environmental risks in risk managements of investment firms and management companies of UCITS and AIFs.

3.2.3 Compliance Function

Robeco's Compliance function contributes to the risk management framework and monitors the alignment of Robeco activities with regulatory requirements, including sustainability regulatory aspects and our own internal policies with sustainability elements (e.g.

product governance policies, conflict of interest policies and client suitability assessment procedures). The Compliance function plays a key role in the periodic review of products, e.g. products promoting environmental or social characteristics and funds with sustainable investment objectives. Part of the review is verifying whether the fund remains consistent with any ESG preferences (where relevant) of the target market.

3.2.4 Internal Audit Function

Robeco's Internal audit function addresses the appropriate handling of sustainability risks as part of its audit activities. In particular, Internal Audit may include an assessment of the appropriateness and effectiveness of the revised operational, risk management and governance structure as a result of the integration of sustainability risks.

3.3 Other Relevant Committees

3.3.1 Climate Change Committee

Robeco's Climate Change Committee is a sub-committee of the SISC. It is responsible for the oversight of climate change-related topics, adapting existing investment strategies, risk management, and active ownership activities.

3.3.2 SDG Committee

The responsibility of the UN Sustainable Development Goals (SDG) Committee is to maintain and upgrade the SGD mapping framework used for many of our investment products, and to ensure that the systems and processes in place are of the highest quality, including the assessment of proposed amendments to the framework.

3.3.3 Controversial Behavior Committee

The Controversial Behavior Committee is mandated by the SISC to assess and regularly review cases for holdings with elevated sustainability risk as described in the investment due diligence chapter. The Controversial Behavior Committee is chaired by the Controversy Engagement Specialist. The head of Financial Risk Management and the head of Compliance have an advisory role in the Committee.

3.3.4 Sustainable Investing Research Board

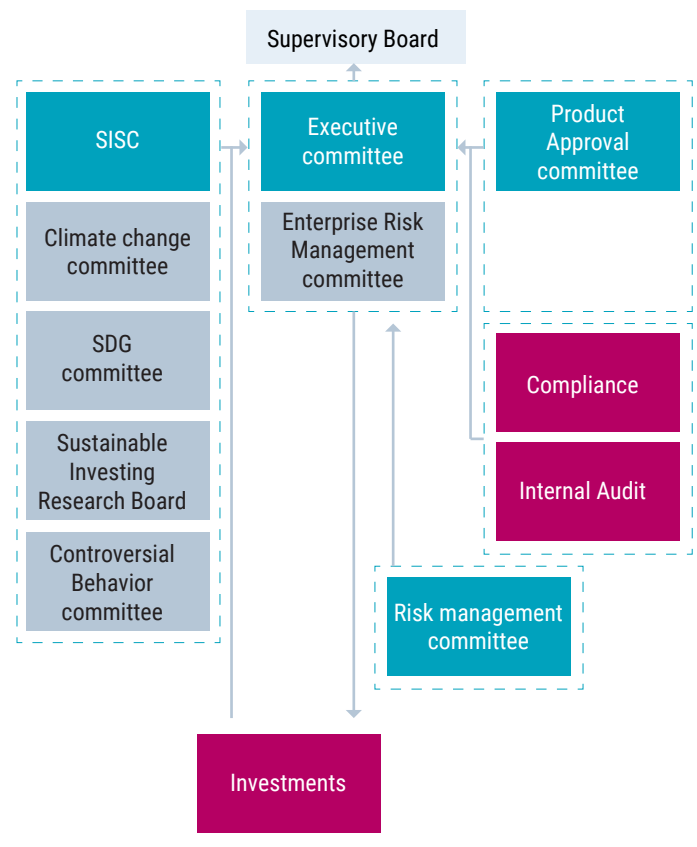
The function of the Sustainable Investing Research Board is to ensure a close connection between the research and investment activities of Robeco. With respect to the sustainability aspects of investments, the research board discusses, and monitors focus, prioritization and quality of sustainability research undertaken at Robeco, and is chaired by the Head of Credit Research.

3.4 Remuneration Policy

Robeco's remuneration policy is consistent with, and promotes, sound and effective risk management and does not encourage risk

taking which exceeds the risk profiles of the portfolios we manage.⁷ We consider appropriate incentives-based mechanism vital to support achieving our investment performance goals within an appropriate risk culture and to account also for relevant sustainability risks. Sustainability related KPIs are set to ensure decisions are taken in line with the relevant sustainability risk considerations related to investment strategies and also facilitate the implementation of relevant ESG risk-related factors consistent with our sustainability risk policy.

3.5 Graphic Robeco's Governance structure regarding Sustainability Risk Integration



7. Art 14b (1)(a)(b) UCITS Directive, Annex II AIFMD.

4. Investment Due Dilligence

4.1 Investment Due Dilligence Processes and Procedures

Robeco offers its clients an extensive selection of active investment strategies, covering a broad range of asset classes. Robeco's investment strategies are research-driven and executed in a disciplined, risk-controlled way. Three key research pillars can be defined:

- Fundamental research;
- Quantitative research;
- Sustainability research.

Our Investment Due Diligence policy sets out how it is ensured that investment decisions are carried out in compliance with the objectives, the investment strategy and, where applicable, the risk limits of the portfolio. Material sustainability risks related to the investment strategies are integrated in these processes and procedures for the selection and monitoring of investments. We have integrated sustainability risks in the investment decision-making process in the belief that this leads to better-informed investment decisions and better risk-adjusted returns throughout an economic cycle. Additionally, we integrate sustainability risks and considerations of potential principle adverse impact (PAI) of investments on sustainability factors in our investment due diligence and portfolio management policies (double materiality).

As for the integration of sustainability risks Robeco directly assesses the performance and risk exposure in terms of E, S and G at the individual investment level. The principal negative impact on the environment or society is managed through our exclusion policy and our engagement policy. For funds with sustainable investments (as referred to in article 2(17) SFDR) indicators for adverse impact will be used for the purpose that the investment 'do not significantly harm' any environmental or social objective.

Portfolio managers and analysts are primarily responsible for conducting investment due diligence on their strategies on a daily basis. They are supported by independent monitoring, performed by the Financial Risk Management and Investment Restrictions departments. The description of investment due diligence processes is reviewed in case of material changes, at least on an annual basis, and approved by the Executive Committee.

4.2 Methods used for Assessment and Evaluation of Sustainability Risks

Overall sustainability risks are integrated in Robeco's investment due diligence processes by using an approach which is identified by the European Banking Authority (EBA) as the Exposure Method.⁸ This means that we directly assess the performance and risk exposure in terms of E, S and G at the individual investment level.

8. EBA 23 June 2021 Report on management and supervision of ESG risks for credit institutions and investment firms (EBA/REP/2021/18).

This is done both (i) at point of security selection and (ii) during the monitoring of investments.

The evaluation of ESG sustainability takes place through Sustainable Development Goals impact and ESG integration policies, exclusions and negative screening, and engagement dialogues with investee companies. These different sustainability criteria are implemented to varying degrees, depending on the investment strategy, which is addressed in the following paragraphs of this section.

To assess the impact of climate change, Robeco uses (forward looking) scenario analysis available on Climate VAR which provides a likely impact the return of the holdings.

4.3 Sustainability Research as a key Research Pillar

Fundamental investing strategies are based on top-down and bottom-up fundamental research. The portfolio managers can leverage on analysts and the expertise of other investment teams within Robeco.

Quantitative investment strategies are largely model based. Portfolio managers of Robeco's Quantitative strategies benefit from the expertise of quantitative researchers in managing their strategies.

Sustainability research ensures that a long-term investment view is incorporated into our investment strategies. The SI research team is the basis for this. The team's SI analysts are responsible for conducting a financial materiality analysis for a wide range of industries, with the aim to identify sustainability factors that drive business value and that have the greatest impact on long-term value assumptions used in financial analysis. The financial materiality analysis leverages our quantitative research, which identifies which factors have demonstrated relevant correlations to past financial performance.

In addition, SI analysts contribute to the fundamental investment analysis by determining which long-term economic, social or environmental factors are likely to have significant impact on a company's business value drivers of growth, costs, risk, and ultimately, future financial performance. The SI team performs an analysis on a company's product impact, the Paris alignment and corporate governance, to help assess the impact they have on sustainable development. Besides the use in financial company analysis, the research output of the SI team is used in our proprietary SDG framework and engagement activities.

Important input for analyzing companies' corporate sustainability are external sustainability resources, like Sustainalytics, different Carbon and other environmental data providers and the proprietary Country Sustainability Ranking methodology, next to a range of

other sources like company disclosures, industry reports and meetings with investee companies' management.

Other tools used to integrate sustainability criteria can differ per strategy.

4.3.1 Exclusion Policy and Negative Screening

Robeco applies its exclusion policy to all listed assets under management from all funds over which it has full discretion. The policy entails the exclusion of companies based on controversial behavior (based on breaches of the UNGC, UNGP, ILO standards and OECD Guidelines for Multinational Enterprises) and excludes or applies criteria for controversial products (including controversial weapons, tobacco, unsustainable produced palm oil and certain fossil fuels). In addition, we consider investing in government bonds (federal or local) of countries where serious violations of human rights or a collapse of the governance structure take place as unsustainable. In addition, we follow applicable Sanctions of the UN, EU or US to which it is subject and follows any mandatory (investment) restrictions deriving therefrom.

In all funds managed by Robeco over which it has full discretion, the general exclusion policy applies as standard. For funds with an enhanced sustainability profile stricter exclusions may apply. Towards its discretionary mandates clients, Robeco advocates applying the Robeco exclusions policy.

For selected strategies, additional negative screening might be applied tailored to the sustainable characteristics or objective pursued by the strategy.

4.3.2 Active Ownership

As a signatory to the United Nations Principles for Responsible Investments, Robeco's dedicated Active Ownership team conducts engagement activities based on clearly stated objectives. A relevant subset of companies globally in clients' equity and credit portfolios are targeted for a constructive dialogue on environmental, social and governance factors. The Active Ownership department engages with the aim of increasing long-term value for investors.

The Engagement Policy distinguishes two types of engagement:

- Value engagement is a proactive approach focusing on material sustainability themes which have the most potential to create value for investors. The focus is on long-term, financially material ESG factors that can affect companies' ability to create value. Achieving impact on the UN Sustainable Development Goals is also an important consideration in our value engagement approach.
- Enhanced engagement focuses on companies involved in controversial behavior. This includes companies that severely

and structurally breach principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption and/or the OECD Guidelines for Multinational Enterprises. In case the engagement is unsuccessful, the respective company will become candidate for exclusion from the investment universe of Robeco.

Voting at companies' shareholder meetings is conducted based on the IGCN principles and local governance codes. The Active Ownership team performs these activities with the goal of improving corporate behavior and long-term investment returns. Voting is performed using the platform and corporate governance research of a major proxy voting research firm. The responsibility for deciding how to vote on ballot items lies with the Active Ownership department, on the basis of Robeco's Voting Policy. The policy provides guidance on common proposals for shareholder meetings. Analyses from RepRisk, Glass Lewis and Sustainalytics are used to make well-informed voting decisions.

4.3.3 Reduce Footprint

Strategies may aim for having a lower environmental footprint than their index on greenhouse gas emissions, water use and/or waste generation, or may be managed against a climate transition or a Paris Aligned benchmark.

4.3.4 SDG Investing

SDG (Sustainable Development Goals) investing aims at producing both an attractive return and alignment with the Sustainable Development Goals. To measure a company's alignment with the SDGs, Robeco has developed a three-step proprietary framework. SDG strategies focus on multiple goals by investing in companies with a neutral to positive exposure or helping business to achieve positive impact through engagement.

4.3.5 Sustainability-Themed Investing

Sustainability-themed investments contribute to address social or environmental challenges by aiming to invest in companies offering solutions to these issues. These issues may be, but are not limited to, population growth, food security, natural resource scarcity, energy security and climate change.

4.4 Good Governance Assessment

Assessment of good governance practices forms an integral part of investment products promoting environmental or social characteristics or pursuing a sustainable investment objective. SFDR requires that those products – classified as Article 8 or Article 9 respectively – do not invest in (securities issued by) companies who do not follow good governance practices.

9. <https://www.robeco.com/docm/docu-robeco-good-governance-policy.pdf>

| Indicator | SFDR topic | Metric |
|--|----------------------|--|
| 1. Employee Relations | Employee Relations | The company is compliant with the 3rd principle on labor relations of the UN Global Compact and is not on the non-compliance list. |
| 2. Bribery Corruption, and Business Ethics | Management Structure | The company is compliant with the 10th principle on anti-bribery and corruption of the UN Global Compact and is not on the non-compliance list |
| 3. Accurate Reporting to Markets and the broader Public | Management Structure | The company has published unqualified audited financial statements and reports |
| 4. To have Board Oversight on Functioning of Management | Management Structure | The Supervisory Board, if applicable, has at least one independent board member |
| 5. Tax Behavior | Tax compliance | The company has no significant controversies on Taxation and Accounting |
| 6. Consistent Remuneration issues | Remuneration | Companies that have a significant shareholder dissent and do not follow basic expectations on golden parachutes and claw back provisions. |
| 7. Breaches of shareholder rights and Governance incidents | Management Structure | The company has 'other governance issues' and/or Active Ownership 'assessment principles. |

Robeco developed a good governance test for which purpose it has defined 7 criteria (see table). These criteria reflect widely recognized industry-established norms.

The Good Governance Test is not applied to investments in securities issued by sovereigns or supranational entities, however separate sustainable investing measures for sovereigns are in place. and can be found on our website.⁹

4.5 Quantitative Equity

For all quantitative equity funds, sustainability factors and risks are incorporated in multiple ways in quant equity investment strategies depending the fund's sustainability profile:

- ESG scores are integrated in the quant ranking model, to take ESG opportunities and risks into account and to tilt the portfolio toward more sustainable stocks. The stock ranking model uses decarbonized value signals to reduce the portfolio's environmental footprint. The portfolio construction algorithm ensures that the scores on the ESG dimensions of the portfolio are at least as high as that of the underlying index: companies with higher scores have a greater chance of an overweight in the portfolio. With this enhanced form of ESG integration the risk of being overexposed to less sustainable companies further decreases.
- The quant equity portfolios aim for a lower environmental footprint than the applicable index.
- A direct link between the enhanced engagement program and the portfolio is applied. We lower the portfolio weight of companies under enhanced engagement for the duration of the enhanced engagement process, when rebalancing the portfolio. In case the enhanced engagement is closed unsuccessfully, the company may be excluded from the investable universe and any remaining positions in the portfolio can be sold.

4.5.1 Sustainable Conservative & Factor Investing

ESG factors are integrated into the investment process, by using ESG scores as one of the variables in the quantitative stock selection model. Furthermore, the sustainability integration aims for a total ESG score of the portfolio that is at least 10% better than the index. This ensures that stocks with better ESG scores are more likely to be overweighted in the portfolio while stocks of companies that have very poor ESG scores are more likely to be underweighted in the portfolio. In addition, the environmental footprint of the fund is improved by restricting the GHG emissions, water use and waste generation, aiming for minimal 30% better for carbon and 20% better for water and waste levels than the index. As a result, stocks with relatively low footprints have a higher probability of being selected in the portfolio compared to stocks with poor environmental footprints. The funds are solely invested in companies that hold a minus 1 or better SDG score.

4.5.2 Quantitative SDG & Climate Equity Strategies

For the quantitative SDG and Climate Equity strategies, sustainability is integrated in a similar way with some additional requirements. In line with the sustainability integration aims for a total ESG score of the portfolio that is at least 10% better than the index. Funds managed under this strategy are solely invested in companies that hold a neutral or positive SDG score. For Climate strategies, the weighted carbon footprint is also aimed to be better than that of the Climate Transition (CTB) or Paris-Aligned Benchmark (PAB), which in addition to year-on-year decarbonization should make sure the footprint at least 30% (CTB) or 50% (PAB) lower than the broad market reference index, and the weighted water and waste footprint score is aimed to be at least 20% better than that of the reference index. The funds also comply with activity-based exclusions with regards to products (including controversial weapons, tobacco, palm oil, and thermal coal, upstream oil and gas and electricity producers in line with Article 12 of the EU regulation on Climate Transition Benchmarks, EU

Step 1

Identify and focus on the most material ESG issues

Step 2

Analyze the impact of material ESG factors on the business model

Step 3

Quantify the impact and adjust the value-driver assumptions

Identify material ESG factors and potential red/green flags

Analyze how the company is exposed to material ESG factors!

Implications for valuation analysis

■ Sustainability analyst ■ Fundamental Equity analyst

Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks).

4.6 Fundamental Equity

4.6.1 Fundamental Equity Strategies

All fundamental equity strategies integrate ESG factors into the investment process by analyzing the impact of financially material ESG factors to a company's competitive position and value drivers. If ESG risks are significant, the ESG analysis could impact a stock's fair value and the portfolio allocation decision. In addition to this, for the emerging market strategies the country sustainability ranking is used to determine the country risk.

For all fundamental equity funds, the sustainability is integrated in a similar way in the investment process, with the level of integration or ESG factors being dependent on the fund's sustainability profile. A limit is in place regarding exposure to elevated sustainability risk investments. All elevated sustainability risk investments are substantiated with a bottom-up sustainability analysis showing an extensive ESG valuation analysis. For some strategies the aim is also for the fund to have a better carbon footprint compared to their reference index.

4.6.2 Sustainable Fundamental Equity Strategies

All sustainable fundamental equity strategies integrate ESG elements at different stages of the investment process. The investment teams use sustainability performance rankings to focus their fundamental analysis on companies that have demonstrated superior sustainability performance compared to their peers. The impact of financially material ESG factors to a company's competitive position and value drivers is then analyzed. If ESG risks and opportunities are significant, the ESG analysis could impact a stock's fair value and the portfolio allocation decision. Throughout the investment process, the investment teams strive for a low

environmental impact, as measured by GHG emissions, water use and waste generation, with the aim of realizing 20% better levels than the index. The fund's weighted average ESG score is aimed to be better than that of the reference index using Sustainalytics ESG data.

4.6.3 RobecoSAM Thematics Strategies and SDG Investing

The strategies in this group are designed to make a measurable environmental or societal impact.

The RobecoSAM thematic impact investing strategies are managed on the basis of a targeted thematic universe. The portfolio is checked on the basis of the proprietary SDG framework to monitor the impact on the relevant SDGs. The applicable portfolios are solely invested in companies that hold a positive or neutral SDG scores.

In addition to the thematic impact investing strategies, we offer dedicated SDG strategies. These strategies apply a proprietary SDG framework to quantify the impact that companies have on the SDGs. Eligibility is based on SDG scores assigned to each company based on its contribution to the SDGs (positive, neutral or negative) and the extent of this contribution (high, medium or low). The scores are used in a screening process, to define the investable universe that exclude companies with a Negative impact on the SDGs.

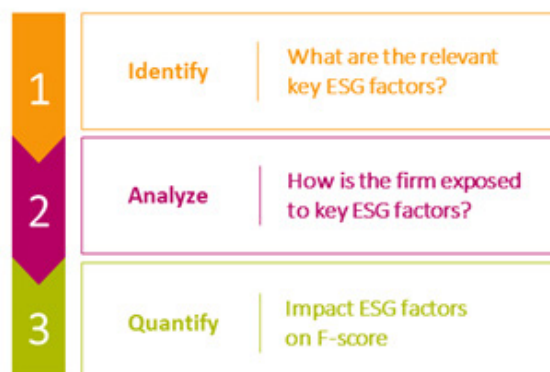
These thematic impact investing and SDG strategies employ bottom-up stock selection that combines proprietary ESG data and research throughout the investment process. The SI research team integrates financially-material sector and company-specific sustainability analysis into investment cases. A dedicated thematic equity team incorporates SI research within fundamental analysis and stock valuations. Impact assessments of controversial incidences affecting portfolio holdings provide additional risk management.

The role of ESG integration in fundamental credit analysis



Source: Robeco

Assessing the impact of ESG by focusing on what is material



4.7 Fixed Income Strategies

4.7.1 Fundamental Credits, Investment Grade, and High Yield

The analysis of issuers includes the issuers' performance on ESG factors in order to improve the risk/return profile of the investments. ESG analysis is integrated in the bottom-up security analysis. Key material ESG factors per industry are defined, and for every company an analysis is conducted to determine how the firm is positioned versus these key ESG factors, and how this impacts the fundamental credit quality. ESG factors are one of the five pillars that constitute an analyst's fundamental view of a bond issuer, and to compile a fundamental score (F-score). The other factors are business position, strategy, financial position, and corporate structure.

We also thoroughly assess the sustainability risk profile of companies. A limit is in place regarding exposure to elevated sustainability risk investments. All elevated sustainability risk investments are substantiated with a bottom-up sustainability analysis showing an extensive ESG valuation analysis.

The fundamental strategies have a minimum aggregate allocation to Green, Social, Sustainable, and Sustainability Linked bonds.

4.7.2 Quantitative Credits, Factor Credits, and Conservative Credits

ESG analysis is incorporated into the investment process to ensure that companies with higher ESG scores are more likely to be included in the portfolio, and vice versa. With these portfolio construction rules the aim is to achieve an ESG profile of the

strategy that is better than the index. The quant credit portfolios aim for a better environmental footprint than the applicable index. In addition, credit analysts use external sources to identify additional ESG risks, e.g. corporate governance issues or companies that have major litigation or regulatory risks. If these ESG risks may result in a material financial impact, the strategy will not invest in these companies.

4.7.3 SDG Credit Strategies

SDG credit strategies look for investments with a positive societal impact, whilst generating healthy financial returns. Impact is defined as an alignment with the UN Sustainable Development Goals (SDGs). These dedicated SDG strategies apply a proprietary SDG framework to quantify the impact that companies have on the SDGs. Eligibility is based on SDG scores assigned to each issuer based on their contribution to the SDGs (positive, neutral or negative) and the extent of this contribution (high, medium or low). The scores are used in a screening process, to define the investable universe that exclude credits with a negative impact on the SDGs. In addition to the universe screening, credit analysts integrate ESG factors in their analysis of the companies' fundamental credit quality which is used to assess the downside risk of credit investments.

4.7.4 Green Bond Strategies

We invest in green bonds whose proceeds are used towards an environmental objective. The eligibility of green bonds is based on an internally developed five-step framework. First, we assess the alignment with the ICMA Green Bond Principles, the Climate Bond Initiative and/ or the EU Green Bond Standard. Second, we identify

and evaluate the allocation of the investment proceeds in line with the EU Taxonomy and EU's six environmental objectives. We verify that the bond proceeds are allocated to projects that positively contribute to at least one of the six objectives, and do not significantly harm the other five: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, waste prevention and recycling, pollution prevention and control, protection of healthy ecosystems. Third, we require the bond issuers to report on the use of proceeds, and fourth, we assess the wider sustainability strategy of the issuer. Fifth and finally, we require issuers to respect international norms related to conduct such as international labor rights, human rights and the UN Global Compact. In addition to the universe screening, our analysts integrate ESG factors in their fundamental analysis of companies and sovereigns.

4.7.5 Climate Strategies

Robeco's climate bond strategies aim to align with the Paris Agreement requirements on greenhouse gas emission reduction by being benchmarked against a Paris Aligned or Paris Aware index. Climate change considerations are fully integrated in the research process, from an impact and risk perspective. The greenhouse gas emission intensity of issuers is a starting point for determining the impact on climate change. Robeco's climate bond strategies aim to align with the Paris Agreement requirements on greenhouse gas emission reduction.

Analysis of issuers includes the issuers' performance on ESG factors. This includes the assessment of climate related risks, both in country analysis and credit analysis. ESG analysis is integrated in the bottom-up security analysis. For investments in sovereigns, Country Sustainability Ranking and underlying research is used as input for assessment of the structural outlook for a country. For credits, the ESG analysis is part of the fundamental scoring by the sector analyst.

4.7.6 Fundamental Government Bonds

In government bond portfolios, the active country allocation is based on a combination of top-down and bottom-up analysis. In the bottom-up analysis, besides financial health and economic cycle, ESG criteria are an integral part of the analysis. For the top-down analysis, RobecoSAM Country Sustainability Ranking (CSR) is used in country allocation decisions. The CSR is a comprehensive and systematic ESG ranking framework for countries and acts as an early-warning system which helps to identify problems as well as opportunities in countries well before they are reflected in spreads or are picked up by the rating agencies. The resulting country sustainability ranking is updated twice a year. Changes in scores and ranking act as a flag for developments that could be relevant. In addition, the investment team discusses individual countries on a

regular basis to identify material changes in their ESG profile.

The fundamental government bond strategies have a minimum aggregate allocation to Green, Social, Sustainable, and Sustainability-linked bonds.

4.7.7 Quantitative Government Bonds

In addition to the exclusions, a quantitative government bond portfolio will have a weighted average CSR score and a weighted carbon emissions per capita that are better than its index.

4.7.8 Aggregate Fixed Income

ESG factors are integrated into the investment process, both in country analysis and credit analysis. For investments in sovereigns, the Country Sustainability Ranking and underlying research is used as input for assessment of the outlook for a country. For credits, the ESG analysis is a fixed part of the fundamental analysis by the credit analyst. See the previous paragraphs for a more detailed description.

The fundamental aggregate fixed income strategies have a minimum aggregate allocation to Green, Social, Sustainable, and Sustainability-linked bonds.

4.7.9 Private Debt Capability

Most companies within our loan capability are not covered by any (external) ESG data provider. Robeco's sector analysts integrate their industry knowledge on potential ESG-factors in every loan analysis. Analysts also use input from conversations with the borrower and the participating bank. Analysts then focus on ESG-risks which could materially and financially alter the investment case. The factors discussed are diverse from Corporate Governance issues, supplier risks, exposure to bribery to reputational issues. The loan documentation also often contains specific clauses regarding environmental issues. These ESG factors are taken into account by analysts during credit committees.

4.8 Quantitative Multi-Asset and other Capabilities

4.8.1 Quantitative Multi-Asset Strategies

ESG factors are integrated into the investment process in several ways. Firstly, the portfolio's ESG score is substantially better than the market. Also, the environmental footprint on carbon emissions, water use and waste generation is expected to be substantially lower than the market. Furthermore, extensive exclusions are applied, covering various controversial sectors or business practices. The investable universe of the strategy is monitored for companies with corporate governance issues, major litigations or regulatory risk. Finally, proxy voting and engagement activities are performed to improve companies' behavior on ESG themes.

4.8.2 LDI and Buy & Maintain Strategies

The LDI strategies hold positions in Core Euro government bonds and related entities for reasons of liquidity and creditworthiness. ESG is integrated in the analysis of these countries in line with the paragraph above on Fundamental Government bonds. The Country Sustainability Ranking and underlying research is used as input for assessment of the structural outlook for a country. The positions LDI strategies hold in government bonds typically apply a minimum average CSR score. In allocating to government related issuers we take into account a maximum allowed Sustainalytics ESG Risk score.

Furthermore, the LDI strategies may have a minimum aggregate allocation to Green, Social, Sustainable, and Sustainability-linked bonds.

Insurers and pension funds face the imperative of finding investment solutions that generate sufficient returns while also managing risk and being compliant with regulations. The focus on sustainability and specifically climate change is rising. Buy-and-maintain portfolios are bespoke by nature, they are ideally suited for incorporating impact investing and can be customized to meet investors' sustainable investing requirements very precisely, including net-zero commitments, focus on UN SDGs and sustainable bond investments. Extensive proprietary tooling, which includes portfolio optimization and monitoring, is in place to ensure that the portfolio meets the client preferences on risk and return, but also on the sustainability characteristics.

4.9 Robeco ONE, Lifecycle Funds

4.9.1 Robeco ONE and Lifecycle Funds

Robeco ONE primarily invests in Robeco funds, for which the integration of sustainability risks is described above. For direct investments the same investment due diligence is performed as described in the relevant paragraph for equity, credit and government debt. Capabilities from other asset managers might be selected if no comparable Robeco product is available.

4.9.2 Robeco Multi-Asset Sustainable and Robeco ONE Duurzaam

Robeco Multi Asset Sustainable primarily invests in Robeco funds, for which the integration of sustainability risks is described above. The thematic impact funds in the portfolio intentionally seek measurable social and environmental benefits alongside a financial return.

4.9.3 Internal Guidelines

Each portfolio conforms to a series of internal guidelines and restrictions to promote diversification and minimize material risk, including risk stemming from sustainability factors, while facilitating the actively managed nature of the portfolio. These portfolio and investment guidelines are monitored by the investment team on a daily basis.

4.10 Elevated Risk Process

All our fundamental strategy products promoting Environmental/Social characteristics must comply with a limit on their exposure to Elevated Sustainability Risk. For this purpose the Sustainalytics ESG Risk Rating is used. The ESG Risk Rating ranges from 0 to a theoretical maximum of 100, with five rating buckets:

- ESG Risk Rating <10: negligible
- ESG Risk Rating 10-19.9: Low
- ESG Risk Rating 20-29.9: Moderate
- ESG Risk Rating 30-39.9: High
- ESG Risk Rating >40: Severe

"Elevated Sustainability Risk" is as an ESG Risk Rating of >40 or 'severe risk' according to Sustainalytics ESG Risk Ratings. This Elevated Sustainability Risk is a financial sustainability risk and not a sustainability impact factor like e.g. principal adverse impact. Product specific limits to invest in investee companies with an elevated risk profile are based on the sustainability risk appetite and sustainability risk profile of the funds and are disclosed in the relevant prospectus.

4.10.1 Valuation Cases

A product with an elevated risk limit as a promoting Environmental of social characteristic is allowed to invest in investee companies with an Elevated Sustainability Risk in accordance with the prospectus.

For these products investing in a company with elevated sustainability risk could be justifiable if the following criteria are met:

1. The investment is still within the risk limit, and
2. The potential financial impact is analyzed in an investment case, a valuation case is needed, clearly showing the expected impact of the risk on the valuation of the security, or
3. There is a clearly explained portfolio construction reason to hold the security.

An impression of the decision-making flow is provided below.

Valuation cases



Each investment case needs to include a concise valuation paragraph that demonstrate the high expected returns.

The Controversial Behavior Committee can at its own discretion also review and discuss positions that technically are not in scope (ESG Risk rating below 40) but are relevant from point of view that the investee company may not fit Robeco's sustainability risk appetite and/or principle adverse impact considerations. Companies could be subject to this review, irrespective of the elevated sustainability risk threshold of 40, and could result in ineligibility of this company for investment.

4.11 Principle Adverse Impacts

Investment decisions can lead to negative, material or likely to be material effects on sustainability factors. These negative impacts are also referred to as Principal Adverse Impact (PAI). On an entity level, Robeco has identified and prioritized adverse impacts and indicators on sustainability factors relevant to the organization's overall investment strategy.

Analysts and portfolio managers consider the adverse impacts in investment due diligence procedures through various methods ranging from exclusions, reduction (emission) thresholds, voting and engagement, amongst other planned actions. Robeco has published a Principal Adverse Impact Statement on its website to explain to investors and prospective investors its due diligence policies on how it takes the principal adverse impacts which investee companies have on sustainability factors into account when making investment decisions.

5. Risk Management Framework

5.1 Independent monitoring of sustainability risk

Robeco's Portfolio management teams in the first line are responsible for the daily management and monitoring of portfolios, including any sustainability risks. From the second line, the Financial Risk Management (FRM) department performs an independent monitoring function, overseeing market, liquidity and sustainability risks and applying stress tests to capture potential extreme losses. The monitoring of sustainability risks is described in the Sustainability Risk Policy (SRP). This policy describes sustainability risk limits and controls and the way any possible exceedances of these risks are coped with.

5.2 Sustainability Risk Policy

The SRP sets out procedures that enable the risk management function to assess the material sustainability risks and addresses tools and arrangements to measure, calculate and manage the sustainability risks. Furthermore, the SRP describes the governance around escalation of exceedance in sustainability risk exposures.

5.2.1 Governance Structure

The SRP is managed and maintained by FRM. Approval of the policy takes place by the Risk Management Committee (RMC). Evaluation and ratification of the policy takes place each year. The RMC is informed about sustainability risks over all portfolios each quarter.

5.2.2 Scope

The policy applies to all funds of which Robeco has full discretion. In case of mandates, the monitoring primarily takes place based on client preferences stated in the Investment Management Agreement (IMA). Sustainability risk targets and controls defined in the IMA are directly monitored from the second line. Additionally, the mandates are by default monitored in line with the related fund. This is shared with the client by a SFDR disclosure document. In case the client actively decides not to make use of this additional control, the mandate is exempted from monitoring of sustainability risk restrictions. Aside the investment restrictions, all funds and mandates are monitored on a variety of metrics and characteristics by FRM (See paragraph 5.2.6).

5.2.3 Approach

The Sustainability Risk Policy is based on three pillars that together form the policy (see table 1). The first pillar entails the minimum sustainability activities that are applied on all Robeco strategies. The second pillar entails the promotion of environmental or social characteristics by additional sustainability related investment restrictions. The third pillar entails an assessment of sustainability risks for all portfolios which may lead to further in-depth analysis of individual portfolios. In this analysis special attention is paid to sustainability themes such as climate risk, biodiversity, and human

rights. The first two pillars entail strict sustainability risk limits, while the third pillar entails an active dialogue between the first and second line instead of limits.

Table 1: Allocating funds to ESG categories

| Pillar | Activities / SFDR Designation | Article 6. | Article 8. | Article 9. |
|----------|-------------------------------------|------------|------------|------------|
| Pillar 1 | Exclusions | √ | √ | √ |
| | ESG Integration | √ | √ | √ |
| Pillar 2 | Promoting ESG Criteria | | √ | ~ |
| | Reducing Environmental Footprint | | ~ | ~ |
| | Sustainable Development Goals (SDG) | | ~ | ~ |
| | Minimum Allocation Limits | | ~ | ~ |
| | Sustainability labels | | ~ | ~ |
| | Active Ownership ¹¹ | | ~ | ~ |
| Pillar 3 | Climate Risk Analysis | √ | √ | √ |
| | Holistic ESG Dashboard | √ | √ | √ |

5.2.4 Pillar 1: Minimum Sustainability Requirements

All funds managed by Robeco are subject to an exclusion list which prevents the exposure towards controversial issuers, hereby mitigating sustainability risk. Exclusions are based on two types of criteria: type of activities and type of behavior (governance). Table 2 shows an overview of the binding elements related to the exclusion policy.

¹¹ Monitoring the active ownership activities falls out of the scope of FRM's responsibilities.

Table 2: Pillar 1 Binding elements

| Exclusion Type | Category | Description |
|---------------------------|-------------|--|
| Activity based exclusions | Corporates | Companies are excluded based on certain exclusion criteria with regards to products (including controversial weapons, tobacco, palm oil, and fossil fuel) and business practices that Robeco believes are detrimental to society and incompatible with sustainable investment strategies. |
| Behavior based exclusions | Corporates | Companies that do not act in accordance with the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labor standards, the United Nations Global Compact (UNGC), and the OECD guidelines for multinational enterprises are excluded from the portfolios, unless they are part of Robeco's enhanced engagement program. |
| | Governments | The countries representing the bottom 15 percent of the World bank worldwide Governance Indicators (WGI) Corruption Index are excluded from the investment universe. |

The activity-based exclusions that are applied may differ depending on the type of strategy. All funds are subject to the Robeco exclusion list. Depending on the Robeco sustainability category, the exclusion list is extended and becomes more stringent. Adherence to the exclusion list is monitored by Investment Restrictions.

5.2.5 Pillar 2: Promoting E/S Characteristics

Based on the strategy's commitment to sustainability, risk limits and thresholds are determined. Based on the sustainability activities and commitments, monitoring takes place to check whether strategies are compliant with these sustainability targets and objectives. The table below, gives an insight in the way this is done.

Table 3: Pillar 2 Binding elements

| Exclusion Type | Description |
|----------------------------------|---|
| Promoting ESG | Minimum ESG criteria can be incorporated in several ways, such as relative versus a benchmark or in absolute portfolio targets. There are three types of binding elements that are part of the strategy to enhance the ESG profile measured by an ESG Risk Rating System. |
| ESG profile versus the benchmark | Products may need to adhere to a minimum the overall ESG profile versus its benchmark. The lower the sustainability risk appetite, the stricter the limit. The ESG profile is assessed using the Sustainalytics ESG Risk Rating methodology |

| | |
|--------------------------------|---|
| Elevated Risk Profile | Products may commit to a maximum exposure to companies with an elevated risk profile. Additionally, an investment case needs to be discussed and approved by the controversy committee. The elevated risk profile is evaluated using Sustainalytics ESG Risk Ratings and represent a company with a score higher than 40. |
| Country Sustainability Profile | Funds that invest in government bonds commit to a minimum average sustainability score of the portfolio. The data used to assess a government's sustainability profile is the Country Sustainability Ranking of Robeco Zurich. |
| Footprint Reduction | Strategies may incorporate targets to reduce the environmental footprint versus its benchmark. Environmental footprint refers to (1) carbon, (2) water, and (3) waste footprint. |
| Carbon Footprint Reduction | Funds may commit to a maximum carbon footprint relative to their benchmark, including Paris-alignment. The carbon footprint is measured by normalizing the greenhouse gas (GHG) emissions by Enterprise Value Including Cash (EVIC). The GHG emissions are derived from the Robeco Carbon database of which Trucost is the prime underlying data vendor. For products that follow a Paris-aligned benchmark, the same data is used as in the index methodology. In practice this is ISS for fixed income and MSCI for equities. |
| Water footprint reduction | Products may commit to a maximum water footprint relative to their benchmark. The water footprint is measured by normalizing the cubic meters of water used by EVIC. The water footprint is based on Trucost data. |
| Waste footprint reduction | Products may commit to a maximum water footprint relative to their benchmark. The waste footprint is measured by normalizing the tons of waste generated by EVIC. Trucost is the vendor of the waste data used. |
| Sustainable Development Goals | Robeco's SDG Framework is a tool for explaining whether a fund attains a sustainable investment objective in line with the Sustainable Development Goals, and if it is avoiding harming environmental or social objectives. Products may incorporate SDG scores by excluding assets with low scores or by solely investing in positive SDG contributors. Based on the sustainability category and the SFDR classification monitoring takes place. |

| | |
|---|---|
| Minimum allocation measures | Apart from all the activities defined above, strategies may incorporate additional measures to enhance the E/S profile by committing to a minimum allocation towards sustainable assets. |
| Green, social, sustainable, and sustainability-linked bonds | Funds may commit to a minimum exposure to either Green, Social, Sustainable, Sustainability-linked bonds, or a combination of all. These positions are identified by using the International Capital Market Association (ICMA) definitions of these types of bonds. |
| Sustainability Labels | Robeco funds may be part of a sustainability label, which may result in additional investment restrictions than stated in the fund's prospectus and commonly is applied within Robeco, such as Negative Screening. |
| Negative screening | In case fun fund applies negative screening, it excludes 20 percent of the investment universe based on the ESG profile of the companies. Based on the Sustainalytics ESG Risk Rating the worst performers are excluded. |

5.2.6 Pillar 3: Sustainability Risk Analysis & Awareness

The third pillar of the sustainability risk policy entails independent sustainability risk identification and measurement by Financial Risk Management. The analyses are used for reporting to stakeholders and creating a dialogue with portfolio managers about the sustainability profiles of the portfolios. The third pillar does not involve any investment restrictions since the analyses' purpose is to create sustainability risk awareness and get a deeper understanding of sustainability risks.

The sustainability risk analysis & awareness is based on two elements, (1) a Holistic Sustainability dashboard and (2) Climate Risk Analysis.

5.2.6.1 Holistic Sustainability Dashboard

Integrating Environmental, Social and Governance ("ESG") risks has a broad range of criteria and can be difficult to measure. Robeco applies a comprehensive integration of such risks in the investment process. Robeco uses different methods to measure sustainability risks, which are described in paragraph 5.2.5). To provide an insight and overview of the sustainability performance of all funds and mandates, Financial Risk Management monitors the sustainability profiles using a holistic sustainability dashboard. In this dashboard, all portfolios are evaluated using multiple types of sustainability data and risk scenarios. The results of this assessment are shared in the monthly sustainability risk report. This dashboard serves as input for the Risk Management Committee and for the selection of portfolios for further analysis of sustainability risks. Additionally,

the dashboard serves for the identification of sustainability risk outliers. These outliers will be analyzed to get a better understanding if the underlying sustainability risk drivers. In this analysis, FRM also pays special attention to human rights and biodiversity risk.

5.2.6.2 Climate Risk Analysis

The risk Management function makes use of several climate risk scenarios to estimate the potential financial impact on strategies, both on an absolute and relative level. These scenarios entail internally developed scenarios as well as external scenarios provided by the Dutch Central Bank and MSCI. Using these scenarios, portfolio climate risk sensitivities and expected performance can be measured.

The primary metric to assess climate risk is MSCI Climate Value-at-Risk (VaR). The climate VaR methodology incorporates climate transition risks and opportunities, and physical risk based on a 1.5-degree pathway. Standardized Climate VaR pdf reports are actively shared with portfolio managers.

The internally developed scenarios are based on literature review and modelled into Robeco's risk platform. The scenarios focus on transition risk and follow both a bottom-up and top-down approach to assess the impact of climate risks on the portfolios versus their benchmark. The results of these scenario assessment are shared through a monthly sustainability risk report. Financial Risk Management periodically evaluates whether all scenarios are still valid. This may lead to the addition or removal of scenarios.

Apart from understanding the impact of climate risk factors in companies' valuation and their risk-return characteristics, mapping companies' contribution to the global warming is an important non-financial risk indicator. Robeco is also supported by MSCI alignment tool, Implied Temperature Rise ("ITR"). The implied temperature risk is included in the monthly sustainability risk report and used to assess which holdings in portfolios do not contribute to the goals of the Paris agreement.

5.3 Escalation & Reporting Process

5.3.1 Monitoring of Sustainability Risk Limits

The monitoring of sustainability risks takes place in a similar way as other financial risks monitored from the second line of defense. Risk Management codes the sustainability risk limits in the trading platform CharlesRiver. This way, a pre-trade and post-trade compliance check takes place. In case a limit is breached, all relevant stakeholders are informed, and the portfolio manager is required to adjust the portfolio to get back within limits.

5.3.2 Reporting & Escalation of Findings

The reporting and escalation of findings pursuant to the Sustainability Risk Policy follow a standard process. This means that sustainability risk developments and breaches are reported to several committees and actively discussed. Based on the findings, portfolios may be classified as 'at risk' and reviewed to determine the appropriate action reduce this risk.

5.4 Sustainability Risk Profiles

For each portfolio a Sustainability Risk Profile is determined and communicated through the prospectus or SFDR disclosure document. The sustainability risk profile consists out of multiple scores that reflect the materiality of the ESG related risks in the portfolio and how those risks may affect performance. For company and government ESG risks, and climate transition risk, the distinction is made in different categories, ranging from the lowest risk to the highest risk. Furthermore, the three most relevant physical climate risks are disclosed.

The sustainability risk classification is determined using Sustainalytics ESG Risk Ratings for companies. For governments the Robeco Country Sustainability Risk Ranking is used. MSCI Climate Value-at-Risk forms the basis of the climate risk classification.

6. Distribution Chain & Client Sustainability Preferences

6.1 Alignment across the Distribution Chain

The integration of sustainability risks in Robeco's investment strategies, products and organization is not conducted in isolation. As clients justify our existence, we are determined to focus on their needs and interests, including any sustainability preferences they may have. Across the distribution chain, we have implemented several measures to ensure that investment services and products properly reflect the needs and objectives of our clients with regard to sustainability.

6.2 Investment Advice

As with performing discretionary portfolio management, integrating sustainability risks is also relevant in those cases where Robeco provides investment advice. When selecting investments for advisory portfolios, portfolio managers and analysts apply the same research, methods and procedures for integrating sustainability risks and considering adverse sustainability impacts, as described in the Investment Due Diligence section. Following the delivery of the advice portfolio to the client, the latter is responsible for constructing and managing an investment portfolio (whether or not in line with the advice). Also, the continuous managing of the sustainability risks within the investment portfolio and, if necessary, carrying out active ownership activities with investee companies, will be the responsibility of the advisory client. Furthermore, the measures referred to in this chapter will contribute to managing sustainability risks in line with the needs and interests of the client.

6.3 Product Governance

The MiFID Product governance requirements aim to prevent mis-selling of financial products and other product issues from occurring, and to improve the quality of investment products through their lifecycle. A key element is that product manufacturers are responsible for determining the right target market for the product and to ensure that products do not (structurally) end up outside the target market.

- Robeco ensures that its procedures remain in accordance with the applicable MiFID Product governance requirements, safeguarding that our products, investment advice and portfolio management services continue to be fully offered in the interest of clients and that sustainability factors are taken into account in the target market assessment. On the basis of said procedures, Robeco ensures that sustainability-related client objectives are taken into account when specifying the appropriate target market of a fund it manufactures and of a financial instrument it may distribute as part of an investment advice or portfolio management service. This supports Robeco in ensuring that products and services remain compatible with the needs, characteristics and objectives of the identified target markets. In

addition, Robeco provides its fund distributors with the necessary sustainability-related information, on the basis of which distributors are able to match our funds with the sustainability preferences as expressed by their clients. Robeco communicates such information to distributors through the new standardized European ESG Template (EET), which is aligned with the SFDR EU classification. This facilitates distributors to conduct their own suitability assessment.

- Robeco also ensures that sustainability-related elements of a product or service are explicitly taken into account during product reviews.

6.4 Client Suitability Assessment

When providing investment advice or portfolio management services, Robeco performs a MiFID client suitability assessment on the basis of the respective individual client's investment objectives, risk tolerance and ability to bear losses. We have modified our suitability assessment procedure in order to incorporate a client's sustainability preferences as part of its investment objectives.

Based on information obtained from clients, Robeco takes the client's sustainability preferences into account when providing an investment advice or managing a portfolio.

6.5 Avoiding Conflicts of Interest

Preventing and controlling conflicts of interest at Robeco is an important element in ensuring that the interest of clients is protected. Based on Robeco's Conflict of Interest Policy, Robeco structurally analyzes potential conflicts of interest and takes additional measures in case it is concluded that a (potential) conflict of interest is not being managed effectively. We have modified our Conflicts of Interest Policy to ensure that our analyses explicitly take into account any conflicts of interest that may arise as a result of the integration of sustainability risk in our processes, systems and internal controls, the existence of which may damage the interest of any clients.

7. Disclosure & Reporting

Robeco's reports make disclosures on the integration of sustainability risks both at entity level and at product/mandate level, at regular intervals. Relevant sustainability risk information is also included.

7.1 Internal Reporting

The identified and evaluated sustainability risks for our investment strategies are integrated within the framework of internal risk reporting, as part of existing reporting channels. The typical characteristics of sustainability risks, e.g., a medium to long-term horizon, are taken into account.

7.2 Reporting to Supervisory Authorities

Robeco reports annually to the Dutch Central Bank (DNB) on its Internal Capital Adequacy Assessment Process (ICAAP) a description of the risk appetite/tolerance levels, thresholds and limits set for the identified material risks, as well as the time horizons, and the process applied to keep such threshold and limits up to date. Since 2018, climate risks scenario's, covering the horizon of materialization of these risks, for the short, medium and long term, are included in Robeco's ICAAP.

7.3 Disclosure at Entity Level

Through the availability of the sustainability risk integration disclosure document on Robeco's website, Robeco discloses how it integrates sustainability risks in its investment decisions and across Robeco's wider organization in alignment with SFDR (art 3). The document will be reviewed at least annually. A summary of the remuneration policy is also published on the website. The summary includes information on how the remuneration policy is consistent with the integration of sustainability risks.

7.3.1 Climate Risk Related Disclosures

A Climate risk related disclosure in accordance with the TCFD recommendations, where relevant taking into account the EU Non- Financial Disclosure Guidelines, will be made available via Robeco's annual sustainability report, aligned with our Roadmap to net zero emissions.

The climate risk related disclosure is also compliant with Robeco's commitment under the Dutch Climate Agreement and its commitment to achieve net zero carbon emissions over all its investments by 2050.

7.4 Disclosure at Product Level

Funds

A description of the manner in which sustainability risks are integrated in the investment decisions of a fund and the results of the assessment of the likely impact of sustainability risk on the returns are included in fund prospectus as well as on the website.

Mandates and Investment Advice Services

For (new) mandates and investment advice service clients, a description of the manner in which sustainability risks are integrated in the investment decisions of the mandate and the results of the assessment of the likely impact of sustainability risk on the returns are included in the MiFID precontractual information as well as on Robeco's website.

