

**2 FIXED INCOME SOLUTIONS**



**5 EQUITY SOLUTIONS**



**ENGAGEMENT SOLUTIONS**



# AT THE FOREFRONT OF CLIMATE INVESTING SOLUTIONS

Reducing portfolio emissions, innovating climate solutions and engaging with corporate leaders to accelerate the shift to a net zero future.

Sustainable Investing Expertise by  
**ROBECOSAM**

# 1. THE CLIMATE CRISIS

## unprecedented, unequivocal and unrelenting

In just a few short years climate change has accelerated from a serious concern to a planetary crisis. Weather patterns globally are dramatically and palpably changing. What yesterday were projections based on theoretical models are today observable events, emerging with impressive speed and force. As air and ocean temperatures rise, hurricanes are growing more powerful and more frequent, impenetrable arctic ice sheets are melting and sea levels are rising. Record-breaking heat waves are contributing to massive wildfires and prolonged droughts even as storm systems become more unpredictable and more destructive.

But threats are not confined to weather. Changing temperature patterns threaten biodiversity, food security, human health as well as economic costs as insurance losses rise, fiscal debt balloons, present inequalities expand and geopolitical tensions intensify. Scientists agree that in order to stabilize climate change, temperatures must not exceed 1.5°C of pre-industrialized levels. That means net new atmospheric emissions of heat-trapping greenhouse gases such as CO<sub>2</sub> must halve by 2030 and fall to zero by 2050.

### Net zero – an uncharted journey that demands new rules, fresh approaches and pioneering spirit

The Paris Agreement of 2015 marked the first global commitment to combatting climate change and since then, countries representing 70% of global GDP (and the bulk of emissions) have pledged to be carbon neutral (net zero) by mid-century. Along with capping carbon, governments plan to price and tax it, invest in sustainable infrastructure, increase the share of renewables in the energy mix,

and promote energy efficiency across sectors so that less energy is consumed per unit of output. Plans will also include favorable financing for R&D linked to low-carbon technologies and products.

While governments define new boundaries, set rulebooks and season incentives, companies are developing their playbooks and charting their own path forward. That means embracing renewable energy, reducing resource use, increasing recycling, and switching to biomass and cleaner alternatives. Already companies representing USD 20 trillion in market capitalization have set carbon emission targets, a figure that will continue to increase as incentives sweeten and regulations sharpen.

A majority of investors, too, are feeling the sense of urgency and the weight of responsibility. In just two short years, sentiment on climate change has flipped from considering it insignificant and unimportant to significant and central for managing investment portfolios. And an overwhelming 86% of investors conclude it will be a critical driver in their investment policies by 2023.

Shifts in attitudes and agendas are necessary but charting a way forward will require steely resolve and pioneering spirit in order to maintain focus, see and seize opportunities, adapt to challenges and develop solutions. The goal of net zero is ambitious and the journey will at times be frustrating, but as with all journeys, the way forward begins with the first step. Though the pathway is uncertain, the motive and destination are clear; that first step must now be taken. Remaining still moves us closer to danger.



## 2. WHAT INVESTORS CAN DO

### innovate and invest in solutions

Investors can either be rapid first responders or slow-footed reactionists. First responders are already beginning to adapt investment portfolios, re-direct capital and accelerate the transition to a resource-efficient, low-carbon future. Reactionists will be caught on the back foot, facing regulatory sanctions and heavy market losses for failure to adapt to 21st century norms.

As a pioneering leader in sustainable investing, Robeco chooses to step up and embrace the challenge. As asset managers in a USD 100 trillion-plus industry, we feel the responsibility to take part in forging a path to net zero. As early movers, we can also get out ahead of the structural tailwinds whose force and momentum are visibly building across the globe.

But sizable impact in the face of an inexorable global force demands strategies executed on multiple fronts, which is why Robeco is deploying resources towards cutting carbon emissions, conserving the Earth's natural defenses and cultivating pro-climate actions and attitudes in business.

#### Cutting carbon from portfolios

In step with our pioneering role in sustainable investing, we were among the first to commit to decarbonizing our investments by 2050. In practice, this means investing in companies that are actively reducing their carbon footprints and maintaining a net zero trajectory over the coming decades.

Long-term goals are needed but effectively fighting climate change also requires immediate action in the here and now. That's why, in another historic first, Robeco has launched an industry-leading

series of Paris-aligned fixed income products that allocate capital to companies at the forefront of the climate transition. Robeco's Climate Global Bonds and Climate Global Credits strategies are directly focused on climate impact and are the most recent innovation in our impact investing fixed income range that includes the Green Bonds and SDG Credits strategies. These latest editions invest in global fixed income assets that strive to keep global temperatures well below the strict standards defined by the 2015 Paris Agreement.

#### Conserving the Earth's vital resources

Fighting climate change by reducing global emissions is urgent but protecting the Earth goes beyond decarbonization. The behaviors destroying the atmosphere are also destroying ecosystems. That's why for nearly a quarter century Robeco has been a pioneer in developing thematic equity products that target sustainable solutions to global challenges. In addition to addressing global warming, thematic strategies focus on reducing the extraction and burning of fossil fuels while preserving and protecting the Earth's other vital assets – clean air, water supply, biodiversity, unpolluted habitats, mineral resources and healthy human beings.

#### Cultivating pro-climate attitudes and action

Reaching net zero by 2050 is an ambitious goal requiring unwavering commitment and swift action from all actors, economy wide. The interconnectedness of supply chains means advances could be slowed or even nullified by sluggish naysayers dragging in the rear. This latter group is the focus of Robeco's active ownership and engagement team, which specializes in engaging with industry laggards, sustainability skeptics and others that are slowing global progress.

# 3. FIXED INCOME SOLUTIONS

Around the world, we must use our resources much, much more efficiently and slash harmful emissions. Investors are key agents in propelling this paradigm shift.

Recognizing that capital flows serve as powerful incentives for change, Robeco has designed a suite of fixed income solutions that reward countries, organizations and companies whose actions have a measurable and positive impact on the planet.

Robeco's climate fixed income solutions take investors on the pathway to net zero. They follow a disciplined course of decarbonization that mirrors the trajectory set out by the Intergovernmental Panel on Climate Change. These strategies are therefore aligned with the commitment to invest and behave in a way that strives to keep the temperature rise well below 2°C above pre-industrial levels, and pursues efforts to limit the temperature increase even further to 1.5°C.

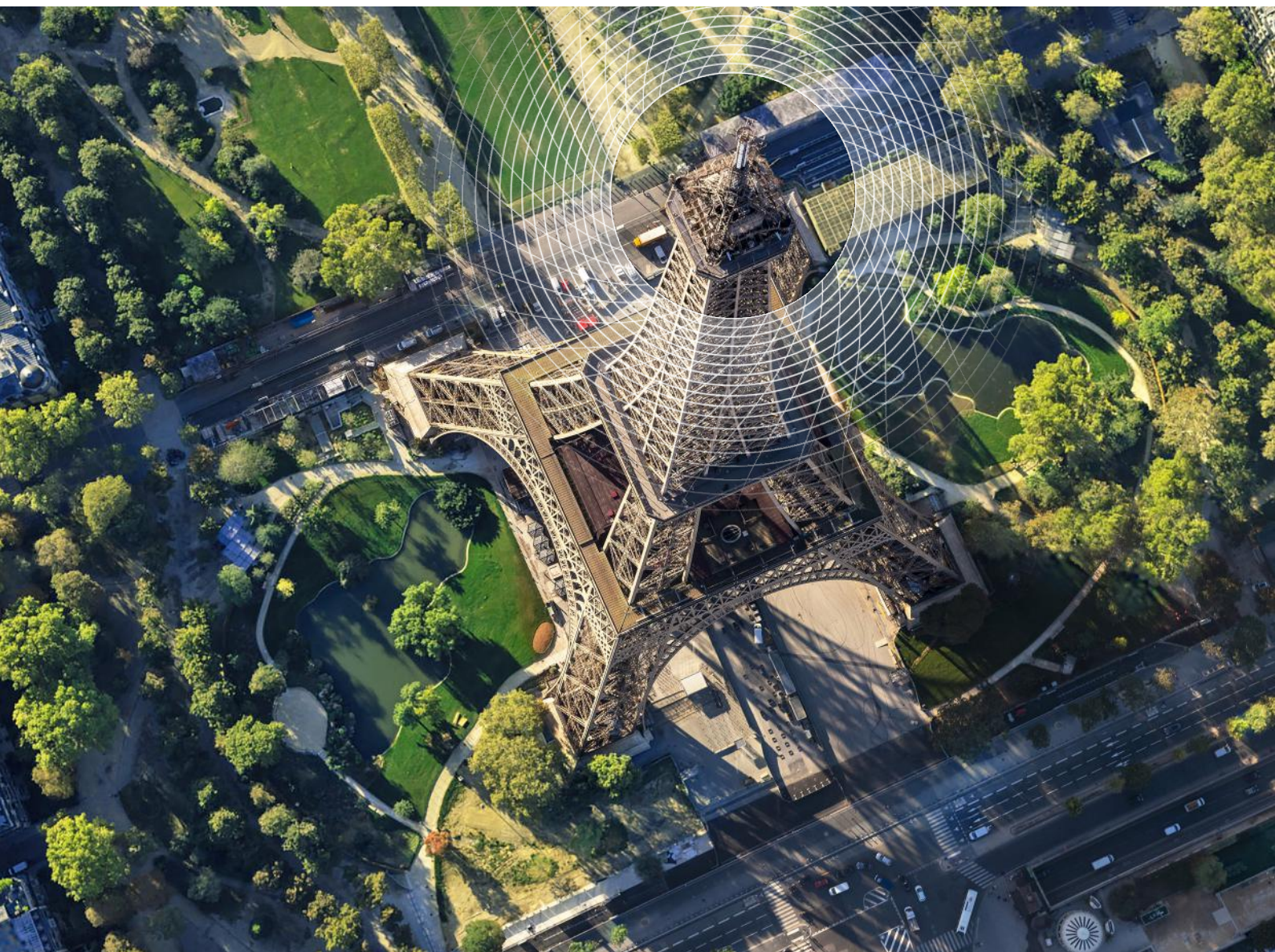
These strategies give fixed income investors a consequential role in mitigating climate change, while targeting healthy financial returns.







# **RobecoSAM Climate Global Bonds**



**Be at the forefront of the transition to a  
low-carbon economy, by investing in line  
with global decarbonization commitments**



# RobecoSAM Climate Global Bonds

## **This is the first global fixed income strategy to be fully aligned with the Paris Agreement.**

With many countries and companies having committed to net zero, the question is: how will this radically ambitious objective be achieved? How will we succeed in decoupling economic growth from carbon emissions? And how will we finance it?

To accomplish our global climate goals, it is vital that institutions and organizations have the capital needed to make this critical transition. Innovation, new technology, infrastructure and equipment must be funded. It is also important that investors reward those entities willing to challenge the norm and develop new, sustainable ways of operating.

RobecoSAM Climate Global Bonds provides a leading-edge solution for these conundrums. It invests in countries and companies that are committed to decarbonizing their economies and activities. It also enables investors to put their money to work to achieve our global climate ambitions.

This means scrutinizing the carbon footprint of governments and companies, verifying that they are effective in reducing their carbon emissions, and determining whether they have a viable decarbonization strategy in place.

As this approach is ground-breaking, there were no existing benchmarks which could appropriately reflect both the financial and decarbonization objectives of this strategy. We therefore helped create a new index that ties in with the Paris Agreement, referred to as a 'Paris-aware benchmark'.<sup>1</sup>

RobecoSAM Climate Global Bonds invests in a global aggregate portfolio of fixed income assets, which aims to outperform this Paris-aware benchmark. It is the first global fixed income strategy to be fully aligned with the Paris Agreement.

1. The EU benchmark regulation defines Paris-aligned indices with reference only to assets issued by companies – and not by sovereigns. Strictly speaking, then, a benchmark which includes government bonds should not be described as being Paris aligned, hence the term 'Paris-aware benchmark'.

## **Investment objective and benchmark**

### **OBJECTIVE**

The strategy invests in a global aggregate fixed income assets. It aims to generate market-beating performance throughout the credit cycle, while following an annual decarbonization trajectory of 7% per year.

### **APPROACH**

The strategy assesses the carbon footprint of all issuers included in the portfolio, to ensure that the targeted emissions reduction is achieved for the overall portfolio. It combines this with other aspects of detailed fundamental research, to find the best investment opportunities that reflect the aims of the Paris Agreement.

### **BENCHMARK**

The strategy is managed against a newly created index that ties in with the Paris Agreement, referred to as a 'Paris-aware benchmark'.

### **ARTICLE 9**

This strategy is classified as Article 9 of the EU's Sustainable Finance Disclosure Regulation (SFDR).





# **RobecoSAM Climate Global Credits**



**Investing in companies that are serious about future-proofing their business and which are making the transition to a low-carbon economy**





# RobecoSAM Climate Global Credits

## **This credit-focused solution invests in line with the decarbonization scenarios calculated by the Intergovernmental Panel on Climate Change.**

There is an intensifying sense of urgency around the climate. Many countries and a growing share of companies and investors have committed to a disciplined process of decarbonization, to mitigate climate change. Now what? To ensure we make the move from principles to action and results, it is essential that we have access to suitable investment solutions that lead us along the right carbon-reduction trajectory – and at the pace needed to reach net zero by 2050.

RobecoSAM Climate Global Credits is such a solution. It invests in global credits in line with the decarbonization scenarios calculated by the Intergovernmental Panel on Climate Change. This means investing in the bonds issued by companies that demonstrate their ability and willingness to reimagine and shift their business models. Among other factors, these businesses can show that they are efficient in reducing their carbon emissions and have convincing decarbonization strategies in place.

The strategy excludes fossil fuel assets and invests in such a way that the overall carbon footprint of the portfolio declines by 7% per year. It goes even further by starting off with an emissions intensity that is half that of the investment universe. Moreover, climate change considerations are fully integrated in the investment and portfolio construction processes.

The RobecoSAM Climate Global Credits strategy represents a clear understanding of what is needed in the here and now to get onto and stay on a pathway towards net zero. It does so while maintaining a suitably diversified portfolio and aiming for healthy financial returns.

## **Investment objective and benchmark**

### **OBJECTIVE**

The strategy invests globally in corporate bonds. It aims to generate market-beating performance throughout the credit cycle, while following an annual decarbonization trajectory of 7% per year.

### **APPROACH**

It selects holdings by factoring in the CO<sub>2</sub> emissions intensity of sectors and issuers. The approach is to invest in companies that allocate capital towards activities that are in line with the EU taxonomy for sustainable activities, and that are efficient in reducing their carbon emissions.

### **BENCHMARK**

The strategy is measured against a Paris-aligned Benchmark.

### **ARTICLE 9**

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# 4. THEMATIC EQUITY SOLUTIONS

Although limiting the rise in global temperatures to within 1.5-2°C of pre-industrial levels is urgently necessary, saving the planet will take more than decarbonizing the atmosphere. To nurse a planet back to health requires conserving natural resources, nurturing biodiversity, preserving ecosystems, and promoting healthy human populations. In addition to reducing emissions that pollute the atmosphere, Robeco's suite of sustainable thematic investment strategies aims to preserve and protect the Earth's other vital assets.

Wasteful processes and unsustainable practices across countries, sectors and supply chains are damaging natural assets, upsetting ecological equilibriums and crippling the Earth's ability to regenerate itself.

Strengthening the Earth's vital assets and natural defenses not only mitigates the damaging effects of global warming, but also reduces the threat of other existential risks. Scarce and/or polluted water threatens animal and human health. Disappearing plant and wildlife species creates ecological

imbalances in the food chain as well as increases the risk for more species-jumping viral outbreaks. Failing to reduce, reuse and recycle increases the possibility of complete resource exhaustion.

Robeco's thematic equity strategies address these challenges with a specific focus on investable themes, sustainable solutions and addressable growth markets. Alongside replacing dirty fossil fuels with renewable energy, Earth-focused themes include:

- reducing water scarcity and preserving clean water supplies
- improving resource-efficiency in manufacturing
- combatting pollution and solid waste through recycling and circular systems
- electrifying transportation, logistics, and passenger mobility

Thematic strategies give investors exposure to companies creating positive impact on not only the Earth's upper atmosphere but also its ground-based resources.





# **RobecoSAM** **Smart Energy Equities**



**Powering the transition to a low-carbon,  
energy-efficient economy**





# RobecoSAM Smart Energy Equities

**The strategy invests in companies enabling the transition of the energy sector to a low-carbon future via investments in renewables and clean energy supplies, smart infrastructure and energy-efficient usage.**

Global carbon and other greenhouse gas emissions have reached unprecedented levels. As accumulating gases thicken in the atmosphere, global temperatures are rising, wreaking havoc on global weather systems and increasing the volatility, duration, severity, and costs of extreme weather events. The cost of inaction could total as much as 18% of GDP for the world's major economies by 2050. According to climate models, the devastation is only just beginning and scientists warn that with current policies the world is still off track for avoiding catastrophic impacts in the coming decades.

Drastically reducing emissions and transitioning economic sectors towards low to no-carbon production is the only way forward. Given their massive carbon footprints, energy and transportation, which together account for two-thirds of global emissions are critical starting points in the world's path to net-zero.

The RobecoSAM Smart Energy Equities strategy invests in companies developing cleaner solutions across the energy value chain. This means investing upstream in renewable energy production as well as mid-stream within smart grids and decentralized energy networks that optimize renewable electricity production, transmission and distribution. Downstream, the strategy is strongly focused on the efficient management and use of energy furthering the decarbonization of transportation and other heavy emitting industries through investments in electric vehicles, batteries, big data, and other technologies that are enabling economy-wide electrification.

The world's electricity demand is destined to grow with the expansion of electrification and the digital economy. To avoid reverting to fossil fuels to fill a widening gap between peak energy demands and clean energy supplies, energy-efficient end-use consumption must increase. Through investments in semiconductors and next-generation data processing technologies, the strategy is helping make consumption among power-hungry and data-crunching applications more energy-efficient.

## **Trend selection and investment scope**

### **RENEWABLE ENERGY**

Companies that provide critical equipment, supplies and services to supporting the generation and distribution of renewable energy including solar cells, on and offshore wind turbines and pure-play renewable operators.

### **ENERGY DISTRIBUTION**

Companies providing infrastructure, equipment, software solutions that enable digitization and decentralization of the energy grid (smart grids) so that energy supplies and demand can be efficiently matched.

### **ENERGY MANAGEMENT**

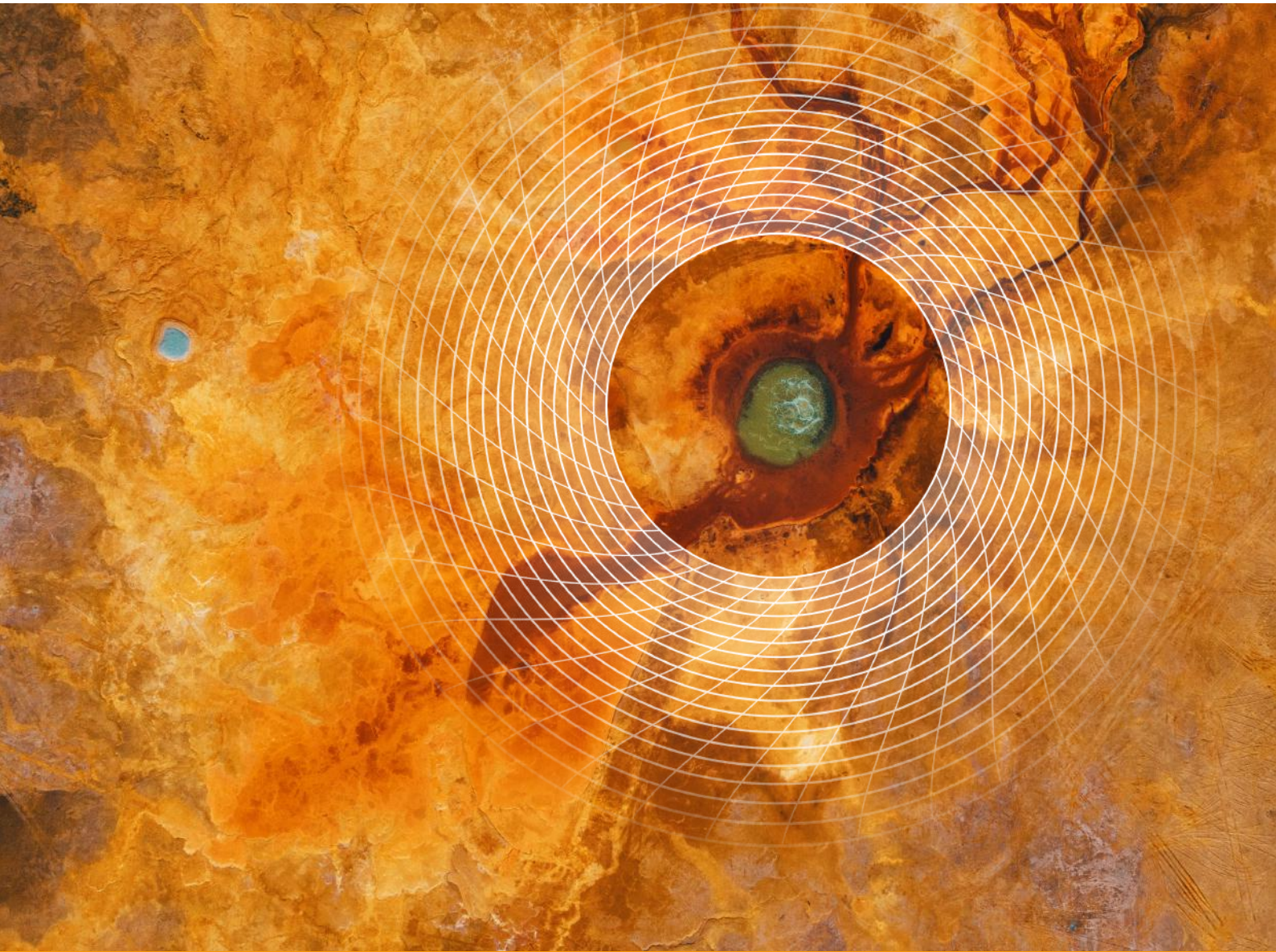
Companies providing semiconducting technologies that enable the safe capture, conversion, distribution of energy to and between digital devices (solar panels to grid electricity, high to low voltage environments, etc) and energy storage capacity via batteries.

### **ENERGY EFFICIENCY**

Companies enabling the decarbonization of heavy-emitting industries like transportation via EVs and connective technologies (5G, embedded sensors), buildings/construction via energy-saving insulation and the electrification of heating and ventilation, as well as more energy-efficient data-processing across the digital economy.



# **RobecoSAM Sustainable Water Equities**



**Protecting the quality and quantity of the  
world's water supplies**





# RobecoSAM Sustainable Water Equities

## **The strategy focuses on enhancing water infrastructure and distribution systems, ensuring water quality and wastewater management.**

Climate change will negatively impact the agricultural sector at both extremes. Droughts and heatwaves cause water shortages while excessive rains and flooding drown crops and threaten harvests. Urban centers that lack the infrastructure to handle are also under threat. In addition, cities worldwide are expanding, straining the capacity of municipal utilities that are frequently leaky and ill-equipped for filtering pollutants from drinking water or industry effluent before it is released into the natural environment.

Prolonged droughts caused by global warming also put community health and regional economic development at risk. The World Bank concluded climate-related shortages could cost some regions as much as 6% of GDP. Not only is less water available for households but also for energy generation and industrial processes (which account for more than 20% of water consumption).

To combat these issues the RobecoSAM Sustainable Water strategy invests in companies providing solutions to maximize water resources across the water extraction and reuse cycle. It invests in large-scale infrastructure such as irrigation systems, transmission pipelines, and metering networks that efficiently conserve and distribute water to croplands, municipalities, and industries. Portfolio companies are also focused on purification, filtration, and waste treatment systems that eliminate harmful contaminants so that wastewater can be safely reused to counter water shortages for residents and industries or safely discarded back into the environment. Finally, the strategy also includes companies involved in monitoring water quality monitoring and purification analytics that keep supplies clean and further reduce water waste.

## **Trend selection and investment scope**

### **CAPITAL GOODS AND CHEMICALS**

Companies focused on pipes, valves, pumps and other equipment for water extraction, transmission, distribution, irrigation, chemical treatment and reuse.

### **UTILITIES**

Companies focused on water infrastructure and supply for commercial, residential and industrial customers; waste management facilities.

### **CONSTRUCTION AND MATERIALS**

Companies focused on equipment for engineering, construction materials, indoor plumbing fixtures as well as water metering services.

### **QUALITY AND ANALYTICS**

Companies focused on point-of-use treatment, water-quality testing and maintenance to reduce water use.

### **ARTICLE 9**

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# **RobecoSAM** **Circular Economy Equities**



**Saving virgin resources via virtuous loops  
of recycled waste and shared assets**





# RobecoSAM Circular Economy Equities

## **The strategy invests in circular economy solutions where value in materials is rescued and redeployed rather than destroyed.**

The linearity of the modern global economy is becoming hard to escape — excess waste piled in landfills, scattered along coastlines, and trapped in polluted air are all hallmarks of a “take, make, dispose” paradigm fueled by business and devoured by consumers.

Billions of metric tons of plastic have been created in the last few decades, nine-tenths of which has been briefly used before being permanently discarded. Each year, millions of tons of waste is burned in waste plants or dumped in landfill or oceans, contributing to greenhouse gas emissions, damaging natural habitats and threatening biodiversity. But excess pollution is only part of the problem. Excess extraction of finite natural resources for production inputs is also damaging the planet faster than it can naturally replenish itself. While use of global raw materials continues to increase, presently only 9% of primary resources are captured and recycled.

The RobecoSAM Circular Economy Equities strategy invests in companies that bend and extend finite linear models by looping discarded output back into the production cycle. Instead of extracting more resources, circular solutions focus on recycling, repairing, and reusing existing materials. Circular principles are also being applied to product design so that waste is minimized or eliminated completely pre-production. For example, modular-designed products are easily disassembled such that worn-out parts can be replaced or refurbished. Circularity is also at play in product-as-a-service business (PaaS) models where fixed cost purchase of physical goods are replaced with a renewable service.

## **Trend selection and investment scope**

### **RE-DESIGN INPUTS**

Companies focused on shifting fossil fuels to renewable inputs for consumer packaging, product feedstock and fibers, building materials, and precision farming.

### **ENABLING TECHNOLOGIES**

Companies focused on capitalizing on the build-out of big data, digitalization, e-commerce, products-as-a-service (PaaS) business models, and the reduction of fixed physical assets.

### **CIRCULAR USE**

Companies focused on reusability, parts recycling, sustainably sourced food and apparel and shared service platforms in transportation, travel, leisure and lifestyle.

### **LOOP RESOURCES**

Companies focused on extending product lifecycles through repair and refurbishing services as well as recycling and recovering embedded value from disposed products.

### **ARTICLE 9**

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# **RobecoSAM Smart Mobility Equities**



**Enabling a future of clean, safe and  
efficient transport**





# RobecoSAM Smart Mobility Equities

## **The strategy invests in the electrification of transportation and infrastructure for clean, safe, and connected mobility.**

The transportation sector accounts for a fifth of thickening greenhouse gases and nearly a quarter of CO<sub>2</sub> emissions, which is why electric vehicles (EVs) have become a central pillar in government plans to decarbonize economies and reduce global warming. But the shift to electrify transportation brings bigger benefits that extend beyond carbon-free travel.

Air pollution claims over eight million lives annually, and deaths from traffic smash-ups and pedestrian collisions adds another million to the total. EVs are exhaust-free which drastically reduces noxious gases and toxic particulates caused by petrol-powered combustion. EVs equipped with advanced safety technologies like object detection and emergency braking save lives and reduce accidents. As EV technologies mature to fully autonomous vehicles (AVs), shared mobility solutions will further enhance road safety, increase commuter capacity, ease traffic congestion and improve freight transport.

The build-up of digitalization and build-out of data networks and battery storage capacity will further expand the benefits of smart mobility for urban centers. Advanced sensors and data transmission networks allow vehicles to communicate with their surroundings, opening up new technological possibilities on which to build future business models. EV infrastructure connected to local power grids means energy for transportation no longer requires long-distance hauls from tankers and trucks. It also means EV owners can contribute surplus charges from car batteries, helping municipalities balance electricity demand.

The RobecoSAM Smart Mobility strategy invests across a range of technologies and sectors that are enabling the transformation of transportation to make it cleaner, safer, faster and more resource efficient.

## **Trend selection and investment scope**

### **EV COMPONENT SUPPLIERS**

Companies focused on batteries, electric powertrain, and high-lightweight composite materials that house, connect, insulate and support EV systems.

### **EV MANUFACTURERS AND SUBSYSTEM SUPPLIERS**

Vehicle manufacturers, vehicles suppliers, processing equipment and software that optimize vehicle architecture and operations.

### **EV INFRASTRUCTURE**

Companies focused on charging solutions, energy storage systems, smart grid technologies and hydrogen infrastructure.

### **AUTONOMOUS DRIVING AND SHARED MOBILITY**

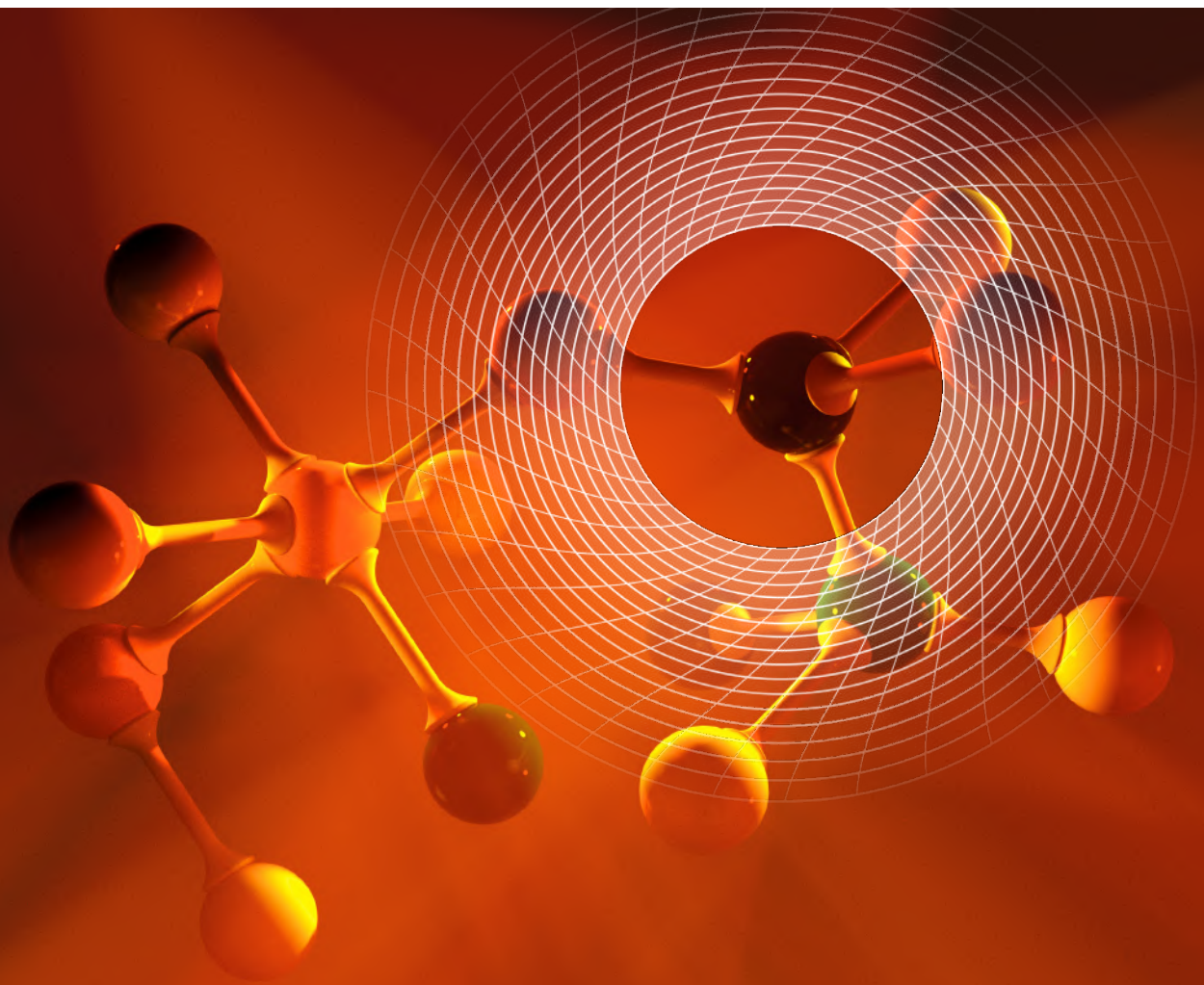
Companies focused on artificial intelligence, connectivity, and shared mobility.

### **ARTICLE 9**

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# **RobecoSAM Smart Materials Equities**



**Making manufacturing cleaner, greener  
and leaner**





# RobecoSAM Smart Materials Equities

## **The strategy focuses on innovative materials and processing technologies that reduce the use of natural resources within manufacturing.**

Population and income growth have stoked an unprecedented increase in consumer demand. But keeping up with accelerating output is straining natural resources. Demand may be limitless but resources are not. In addition, more goods mean more waste. Product life cycles are shortening as consumers discard old goods for newer versions at faster rates. Moreover, the volume of negative byproducts – carbon emissions, excess waste volumes, and toxic pollution – generated across the manufacturing supply chain has also risen precipitously.

But technological innovation is providing solutions. Material engineers are designing substitutes for scarce raw materials that provide equal or superior performance. In addition, bio-based materials such as bio-concrete have emerged that are renewable, less energy intensive to produce and easier on the environment when discarded.

Processing is also getting a technological boost. Computer-aided design (CAD) and 3D printing means that prototyping, testing and enhancing products can be done in the lab well before resources are wasted on the factory floor. Precision lasers, robotics and automation are improving manufacturing efficiency, quality, speed so that better products reach clients faster. And enabling resource-efficient manufacturing doesn't end with product delivery. It also extends to end-of-life product management. Advances in recycling are re-capturing and re-processing material from complex waste streams for reuse in the manufacturing cycle. The RobecoSAM Smart Materials strategy invests in companies providing innovative solutions that reduce resource extraction, enhance material processing, and improve waste recycling across the manufacturing supply chain.

## **Trend selection and investment scope**

### **ADVANCED MATERIALS**

Companies focused on functional materials, strategic and specialty metals for technological, industrial and manufacturing sectors.

### **TRANSFORMATIONAL MATERIALS**

Companies focused on bio-based, enhanced composites and nanostructures used for energy storage, efficient lighting and LED displays.

### **SMART MANUFACTURING**

Companies focused on automation and process control, robotics, laser and software applications.

### **PROCESS TECHNOLOGIES**

Companies focused on recycling and circular solutions, analytical instruments, and cleaner industrial processes.

### **ARTICLE 9**

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# 5. ACTIVE OWNERSHIP

## as a key to magnifying the impact of our climate investing

We believe that being active owners of the companies in which we and our clients invest contributes to investment results and to society. Robeco's active ownership program is an integral feature of our climate investment approach.

With over 20 years of experience in engagement and voting, Robeco's approach to active ownership is widely recognized as representing best practice in the asset management industry.

### **Exerting influence to achieve sustainable outcomes**

Active ownership simply means working with companies to improve their sustainability strategy and exercising your voting rights as an investor. The Active Ownership team enables investors to achieve this by engaging with senior leadership and sustainability experts at companies. Ultimately, we conduct active ownership with the aim of maximizing the long-term value of the investments that we oversee on behalf of clients.





Our view is that, as climate change represents a significant threat to investments, investors should align their portfolios with the goals of the Paris Agreement. Robeco's Active Ownership team is working to accelerate our climate change approach by expanding the number of companies under engagement for our clients from 25 to 55. This is part of Robeco's pledge to achieve net zero greenhouse gas emissions across all its assets under management by 2050.

Robeco's global focus on collaborative engagement on climate change began in 2018, when we joined other members of the Climate Action 100+ initiative to target the world's largest corporate greenhouse gas emitters.

### **Net zero carbon**

We launched our net zero carbon theme in 2020 with 15 companies under engagement, to support companies in the oil & gas, utilities, steel and mining industries to achieve the transition to net zero carbon emissions by 2050. In 2021 we selected another 15 companies to be added to the program, thereby increasing the coverage of our overall carbon footprint for Robeco's portfolios under engagement on the net zero engagement objectives.

### **Targeting high emitters**

We are also targeting the high-carbon emitters with our 'Acceleration to Paris' program. This novel engagement program is aimed at companies that are falling behind in the transition. In the past, the team engaged with a large number of companies on the need to transition to lower-carbon business models, but some are still not making sufficient progress. This program focuses on the 'worst of the worst' – those companies that won't be pushed with a little nudge, but who need fundamental change to transition towards lower-carbon business models. We developed a traffic light system and companies that remain in red ultimately risk exclusion on the ground of not aligning with the Paris Agreement and our net zero commitments. Fifteen companies are in scope for this program.

### **Financing the transition**

Finally, we don't focus only on high-carbon emitters but also take the finance industry in scope for engagement. Regulators are increasingly looking at the financing of climate change and how the financial sector can support rather than undermine the low-carbon transition. An example of this is to make sure that banks align their lending policies with the carbon-reduction targets being set by governments to meet the Paris Agreement. We know that many banks are still lending to high-carbon emitters without gaining any commitment from them to change to lower-carbon business models. We selected 10 banks for this program.





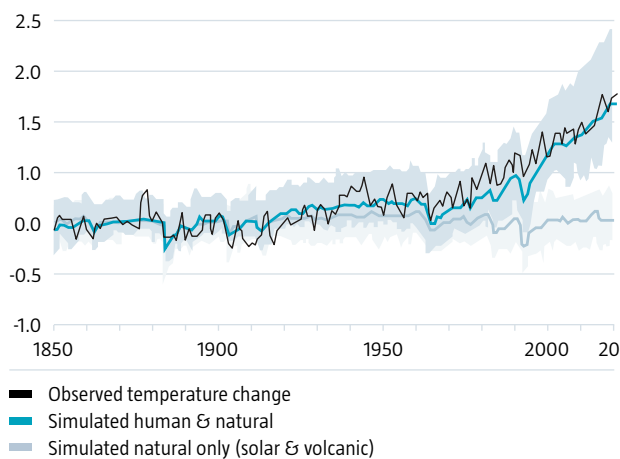
# How to climate-proof your portfolio

**Investors are now taking on the challenge to combat climate change and put their money to work. But how? There are different steps you can take. Please check out our roadmap to becoming an impactful climate investor.**

## The urgency is clear

Climate change is the biggest challenge facing humanity. Rising sea levels will displace millions of people, and the economic consequences will be catastrophic unless something is done.

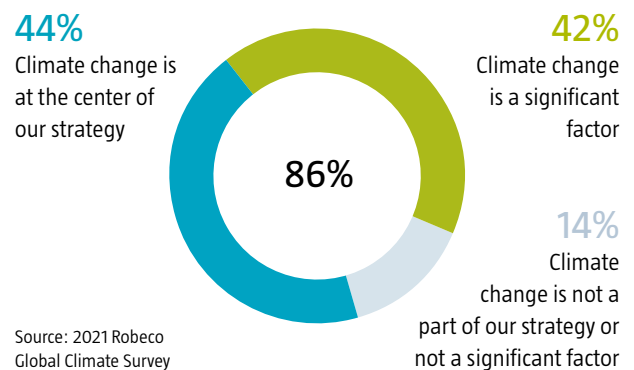
**Change in global surface temperature** (annual average in °C)



Source: IPCC 2021

## Investors are taking action

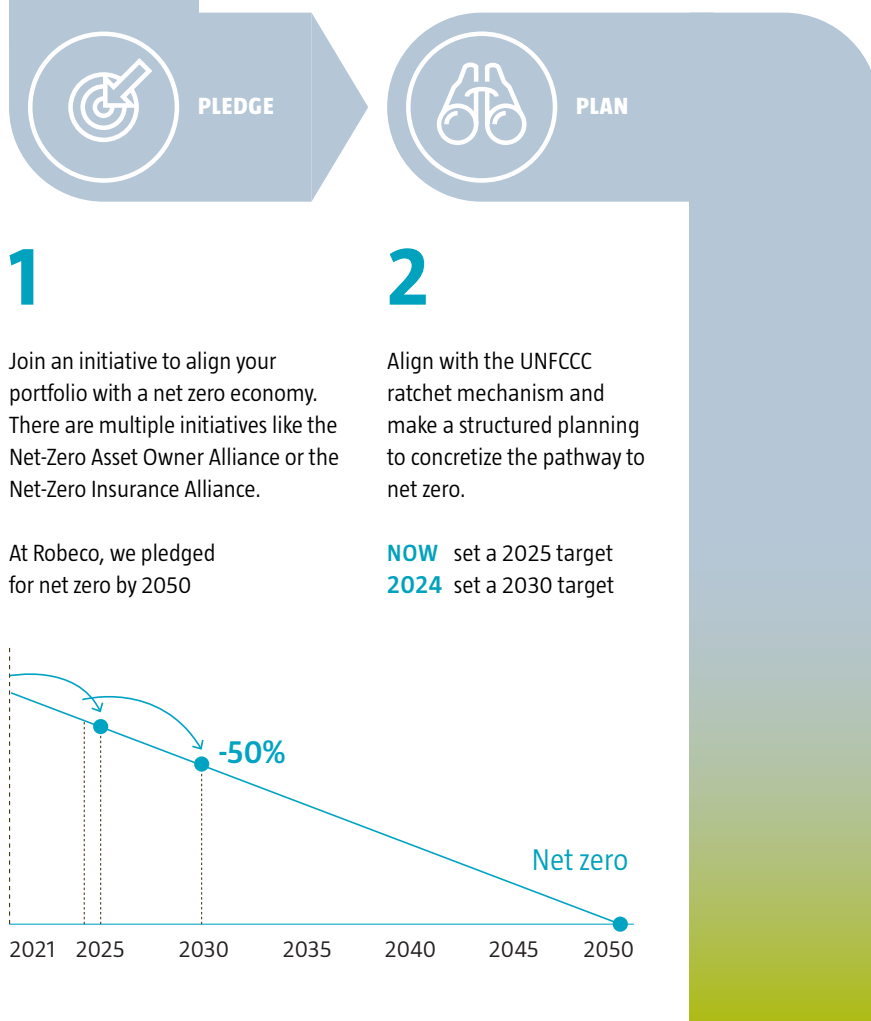
86% of investors see climate change as a key theme in their portfolios by 2023.





## Where to start?

The best way is with formal commitment from the top. These high-level pledges will provide guidance in making concrete portfolio decisions later.

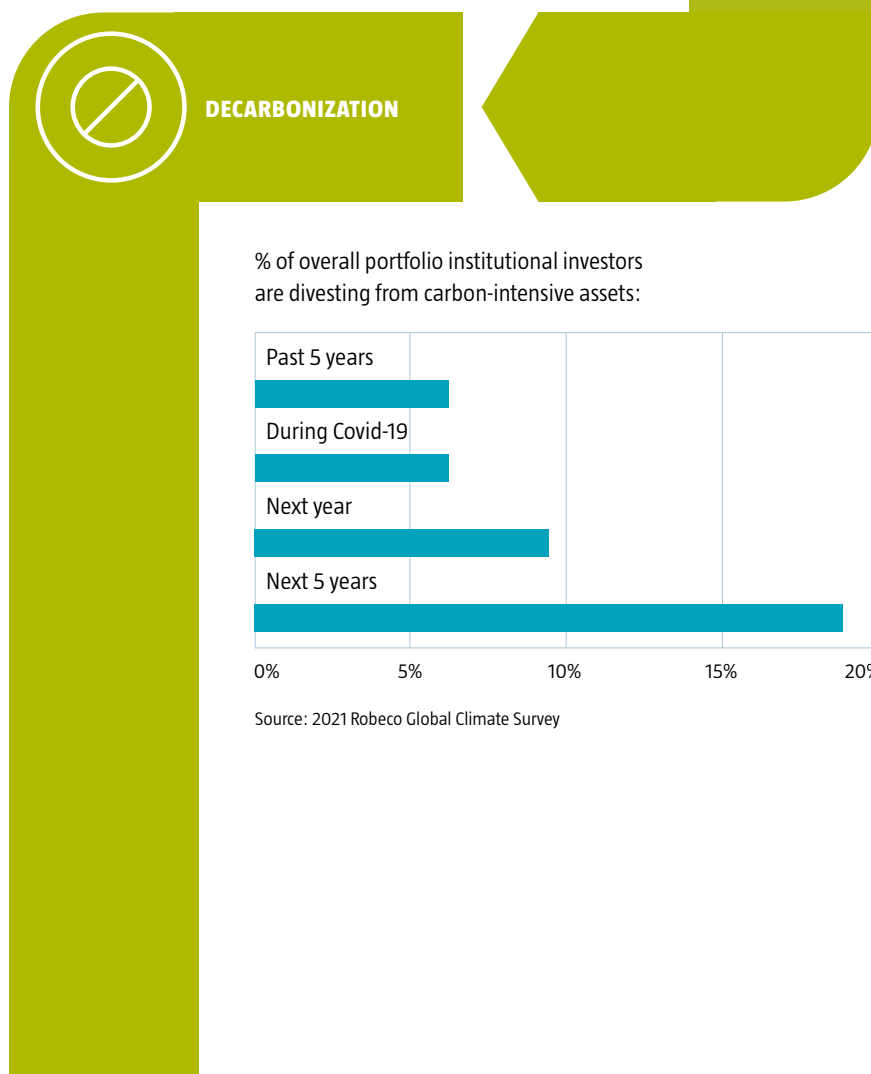


## 3A

### Exclude carbon-related investments

Exclusion is barring a company's securities from a portfolio due to activities that are unethical, harmful to society, or in breach of laws or regulations. Decarbonizing is a more backward-looking approach.

At Robeco, we exclude companies that derive 25% or more of their revenues from thermal coal or oil sands, or 10% from Arctic drilling, from our Sustainability Inside portfolios.



## 3B

### Reduce carbon across your portfolio

This is a complex step and not a quick fix. It requires data and standards, and calculating current emissions and benchmarks with which you want to compare your portfolio.

**RobecoSAM strategies that invest in line with the Paris Agreement:**

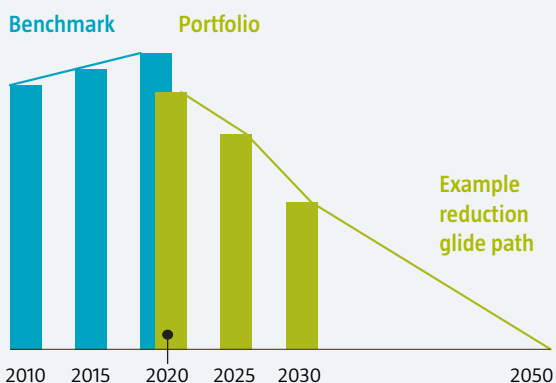
Climate Global Credits

Climate Global Bonds



#### ADVANCED APPROACH: DECARBONIZATION

A projected glide path for the footprint reduction will serve as a straw man for discussion. To get to net zero by 2050, we can advise you on how to reduce carbon emissions across your portfolio.



If you take 2010 as a baseline, you already need to compensate for 2010-2020 emissions.

#### ADVANCED APPROACH

## 4

### Assessing transition readiness

In order to reach net zero, you need to grasp the transition readiness of companies and countries, and the financial consequences thereof. Think of how much carbon reduction and associated technologies and investments are needed. This 'carbon risk impact' information can then be integrated in investment cases, company engagement and voting.



#### ADVANCED APPROACH: SECTORIAL PATHWAYS

While decarbonizing is more backward looking, this is a more forward-looking approach.



1. Sector decarbonization

2. Benchmark companies against sector decarbonization



3. Calculate a company's cost of decarbonization



4. Assess the impact of decarbonization on company's stocks and bonds

#### ADVANCED APPROACH



## 5

### Invest directly in the climate transition

Sustainability-themed investments is a popular way to contribute directly to addressing social or climate challenges, by investing in companies offering solutions to these issues.

**RobecoSAM strategies that directly invest in climate-related themes:**

Smart Energy

Sustainable Water

Smart Materials

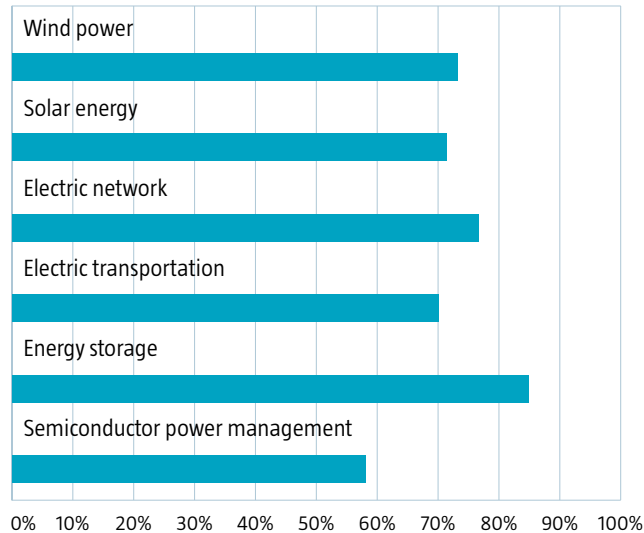
Smart Mobility

Circular Economy



#### CLIMATE THEMES

The majority of investors show interest in these climate-related trends:



Source: 2021 Robeco Global Climate Survey

## 6

### Engage on climate change

Active managers are the most committed to having long-term and impactful dialogue with companies on ESG factors and climate. There are a number of major collaborative investor initiatives around climate change, such as IIGCC and Climate Action 100+.

**Integrated voting and engagement services:**

Voting & engagement



#### ENGAGEMENT

Robeco has over 15 years of experience in engaging with companies and aims to play a leading role in this area. In 2021, Robeco engaged in these climate-related themes:



Net zero carbon emissions



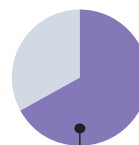
Acceleration to Paris Agreement



Climate action



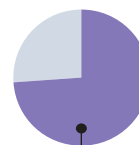
Climate transition of financials



67%  
cases closed successfully

246

engagement cases



74%  
in favor of environmental shareholder resolutions

7,802

shareholder meetings voted

Source: Robeco Sustainability Report 2020



## Want to know more?

Visit our online climate content hub or  
contact your Robeco sales manager.





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