

# Robeco Institutional Asset Management B.V.



Annual Report

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## General information

### Supervisory Board

J.J.M. (Jeroen) Kremers (since 13 May 2016, Chairman)  
G. (Gihan) Ismail (since 13 May 2016)  
M. (Masaaki) Kawano (since 26 May 2016)  
J.J. (Jan) Nooitgedagt (since 13 May 2016)

### Executive Committee ("ExCo")

G.O.J.M. (Gilbert) Van Hassel <sup>1</sup>  
L.M.T. (Leni) Boeren <sup>2</sup>  
I. (Ingo) Ahrens  
K. (Karin) van Baardwijk <sup>3</sup>  
H.W.D.G. (Hester) Borrie <sup>4</sup>  
P.J.J. (Peter) Ferket <sup>3</sup>  
H.A.A. (Hans) Rademaker <sup>4</sup>  
R. (Roland) Toppen <sup>5</sup>

<sup>1</sup> CEO, member of the ExCo and statutory director, since 19 September 2016

<sup>2</sup> CEO, member of the ExCo and statutory director, until 19 September 2016

<sup>3</sup> Since 8 November 2016 also statutory director

<sup>4</sup> Member of the ExCo and statutory director, until 1 May 2016

<sup>5</sup> CFO, since 7 March 2016 also statutory director

More information on the ExCo and the Supervisory Board can be found on the website [www.robeco.com](http://www.robeco.com).

### Independent Auditor

KPMG Accountants N.V.  
Laan van Langerhuize 1  
1186 DS Amstelveen

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Rotterdam Chamber of Commerce number 24123167

# Report of the Executive Committee

## General

We herewith present Robeco Institutional Asset Management B.V.'s (also referred to as "RIAM" or "the Company") financial statements for the financial year 2016 together with the report of the Executive Committee.

RIAM is part of the Robeco Group, established in Rotterdam in 1929. RIAM offers investment management and advisory services to institutional and private investors, and manages UCITS and alternative investment funds. As such, RIAM acts as the manager and director of Robeco's investment funds in the form of a legal entity in the Netherlands, and also operates as the direct distribution channel in the Dutch retail market for all of the Robeco funds.

RIAM has both an AIFMD license as referred to in article 2:65 of the Dutch Financial Supervision Act ('Wft') and a license to act as manager of UCITS as referred to in article 2:69b of the Wft and to offer the additional services within the meaning of article 2:97 under 3. Total assets directly under management of the Company amount to around EUR 85 billion as at 31 December 2016 (EUR 82 billion as at 31 December 2015).

## Corporate structure

Robeco Holding B.V. (until 13 May 2016 named: Robeco Europe Holding B.V.) holds 100% of the shares of the Company. ORIX Corporation ("ORIX") holds all the shares in Robeco Groep N.V., the domestic parent company of Robeco Holding B.V. The Company is established in the Netherlands. Robeco Holding B.V. also holds 100% of the shares in Robeco Nederland B.V., the Dutch central service company of RIAM. Robeco Nederland B.V. is the formal employer of all of RIAM's staff active in The Netherlands and such staff is provided by Robeco Nederland B.V. to RIAM by way of an inter-company Service Agreement.

## Corporate governance

In May 2016, Robeco Groep N.V. announced its intention to separate the activities of the subsidiaries Boston Partners, Harbor Capital Advisors, Transtrend, RobecoSAM, Canara-Robeco (joint venture) and RIAM (including Corestone) from those of Robeco Groep N.V. To this end, Robeco Groep N.V. was changed into a financial holding company. This new governance structure ensures that the activities at holding company level are clearly separated from the asset management activities of its subsidiaries. In a transitional period, the details of the new governance structure were finalized under the leadership of Leni Boeren, who was at that time chairman of the management board of Robeco Groep N.V. and RIAM. This transition period ended at the end of October 2016. The changes to the formal governance structure of RIAM and Robeco Groep N.V. were finalized at the end of October 2016. Further operational transition is still ongoing. Tasks and responsibilities are disentangled and staff is allocated between RIAM and Robeco Groep N.V.

The Company is managed by an Executive Committee (also referred to as "ExCo") of which some members are also statutory directors. Robeco Nederland B.V. and RIAM have the same statutory directors. At 31 December 2016, the ExCo consists of Gilbert Van Hassel (chairman, CEO), Ingo Ahrens, Karin van Baardwijk (COO), Peter Ferket (CIO) and Roland Toppen (CFO).

Since the changes to the Company's corporate governance were made in May 2016, the so-called moderate version of the 'Large Company Scheme' (*structuurregime*, article 2:155 of the Dutch Civil Code) has applied. This means – among others – that a Supervisory Board has to be in function at RIAM, which has the power to approve certain resolutions of the ExCo, in addition to its general duties and powers of advice and supervision.

The general meeting of shareholders as well as the works council may recommend to the Supervisory Board persons to be nominated as supervisory director. With regard to one-third of the number of supervisory directors, the Works Council has an enhanced right of recommendation. This means that the Works Council-candidate can only be refused as a candidate in exceptional cases. Given the total number of members, one member of the Supervisory Board was appointed the Works Council's recommendation.

## Product development

Within the strategic framework, RIAM product development focuses on:

- building new strategies to invest in future growth opportunities for RIAM's clients;
- growing existing strategies, to optimally leverage RIAM's current strengths for its clients and prospects;
- enhancing the global appeal of RIAM's investment strategies for investors by exploring new fund structures or domiciles, and professionally catering to specific client preferences;
- bringing institutional clients on board via single client mandates or funds;
- key maintenance of products and fund processes, including product quality procedures.

Sustainability investing is an integral part of RIAM's investment strategies, and is an important component of the product development responsibilities. RIAM collaborates with RobecoSAM intensively on the development of the ESG tilted strategies and solutions, thus leveraging on the combined sustainability expertise of RIAM and RobecoSAM for the benefit of investors.

## Staff

All staff of RIAM active in The Netherlands is provided by Robeco Nederland B.V. by way of an inter-company Service Agreement. Thus, the staff that carry out the Company's activities in the Netherlands are legally employed by Robeco Nederland B.V. The number of staff active for RIAM in the Netherlands was 698 on average in 2016. Next to this, RIAM also directly employs a number of staff that are active outside of the Netherlands in RIAM's international branch offices. In 2016, the average number of employees that were formally directly employed at the international branch offices of the Company was 47 (2015: 38).

The Company can only be successful if its employees are empowered and committed to its ambitions and core values. Living the core values – client-centered, innovative, sustainable and connecting – forms a fundamental part of the assessment of individual performance.

As its employees are a key element in the Company's ability to realize its goals, their vitality and sustainable employability are also of great importance. In order to reflect this, a global vitality program 'Flow' was launched in which a large part of Robeco staff has participated.

The leading theme of the annual Senior Management Conference (30 November – 1 December 2016) was input for the strategy for the years 2017-2021.

Furthermore, the first Robeco Development Experience was held: a three-day program in which 25 talented professionals focused on developing their leadership competences and joined Senior Management to discuss RIAM's strategy and everyone's contribution to achieving long term organizational goals.

## Financial results

The Company's gross margin over the reporting year was EUR 300.8 million, EUR 15.7 million (6%) higher than in 2015. The increase was mainly due to a higher average level of assets under management and lower distribution and sub-advisory costs paid to other Robeco Group companies.

The operating result decreased from EUR 81.5 million to EUR 70.2 million, mainly due an increase in administrative expenses from EUR 176.9 million in 2015 to EUR 197.9 million in 2016, as a result of higher one-off employee benefits and an increase in information technology costs.

The tax expense in 2016 was EUR 17.0 million (2015: EUR 20.4 million). The result for the year 2016 after tax was EUR 59.9 million, a decrease of EUR 7.3 million (-11%) compared to the previous year.

Management considers the financial position of the Company to be sound. During the financial year, a EUR 50 million dividend was distributed to the shareholder and, in anticipation of the approval of the proposed profit appropriation by the General Meeting of Shareholders, the 2016 net result of EUR 59.9 million is presented as shareholders' equity, which amounted to EUR 181.2 million as at 31 December 2016 (2015: EUR 171.3 million).

The Company reports to the DNB on a quarterly basis the FINREP and COREP reports as required by CRD IV rules, most recently per 31 December 2016. Furthermore the Company reports to the AFM on a semi-annual basis the information required by the Alternative Investment Fund Managers Directive. The most recent reporting was also done as of 31 December 2016. All capital requirements were met as per these reporting dates and are continuously met.

## Financial markets environment

The financial markets have a significant influence on the business of RIAM in terms of assets under management. The year 2016 has shown us many faces. The year started on a downbeat note, with financial markets troubled by acute fears of an imminent US recession and sentiment further aggravated by dismal Q1 US GDP figures. However, recession fears receded in the second half of the year, paving the way for outright optimism on the US economy after the surprising Trump election victory on 8 November. But this surge in investor optimism and the acceleration in producer confidence did not hinge entirely on the prospect of fiscal stimulus under the Trump presidency.

US wage growth had also been improving well before the US election, contributing to improved consumer sentiment. Elsewhere, inflation and growth numbers seemed to reach an inflection point in the second half of 2016, helped by rebalancing in the oil market. Large emerging markets like Russia and Brazil started to recover from deep recessions, China's industrial sector momentum improved after strong monetary stimulus and European economic growth accelerated despite regional political turmoil.

The UK's vote to leave the EU in the 22 June referendum was just as surprising as Trump's election, both in terms of the outcome and economic impact. So far the short-term impact has been benign with a steep drop in the British pound cushioning the increased uncertainty for investors in the UK. However, the timetable for implementation and the UK government's aims regarding the Brexit procedure are still unclear.

Central banks maintained their constructive role as the year unfolded, although there was more evidence to suggest that their efforts to lift global aggregate demand through the mechanism of asset price inflation are showing diminishing returns. This development shifted economists' focus back to fiscal stimulus to substitute monetary policy as a tool to sustain the economic recovery. Official institutions like the IMF and European Commission advocated that those countries with fiscal room to spend more should do so – a game changer as the post-financial crisis stance of these institutions has actually been one of fiscal belt tightening.

The Federal Reserve (Fed) administered one additional rate hike in December, which was widely expected given the strength of the US labor market, now showing an unemployment rate of 4.7%. The European Central Bank (ECB) increased the scope of its bond buying activity in the course of 2016 in terms of the volume and range of eligible issues, but in December announced that they would reduce the monthly purchase total by EUR 20 billion to EUR 60 billion, starting in March 2017. The Bank of Japan (BoJ) deployed a new instrument from the toolkit as it targeted a Japanese 10-year government bond yield of 0%. This will create more leeway for the Japanese government to undertake fiscal stimulus. China's central bank seems more comfortable with the current pace of managed yuan depreciation, as the domestic investment environment has improved since last year, reducing the pressures on capital outflows.

Around the start of 2016, as the oil market rout deepened, investors plunged into risk-off mode. A flattening yield curve and widening credit spreads, both historically reliable indicators of an upcoming recession, implied worsening economic momentum, aggravated by the local authorities' muddled handling of market disruptions in China. The proverbial 'as January goes, so goes the year' did not apply in 2016. The MSCI World All Countries Index posted total returns of 10.7% in euro terms over the year, which is above the historical average for equity markets. Emerging markets, however, outperformed developed markets in euro terms, generating a total return of 14.5% and reversing a multiple year trend. The main contributors were Brazil and Russia.

### *Outlook for the equity markets*

The outlook for equities remains relatively attractive. First, the current reflation process bodes well for equities as they have historically been a better inflation hedge than sovereign bonds. Second, the US earnings recession is likely to come to an end, with headline growth improving as consumer spending increases and profit margins stabilizing (especially in the energy sector) due to a revival in corporate pricing power. Tax cuts proposed by the Trump administration could further spur earnings per share growth, as could share buybacks. A rebound in profitability would validate US equity valuations that are above the historical average. Third, in a valuation context, global equities are still less expensive than government bonds as from a historical perspective investors still receive a relatively high compensation for taking equity.

Nonetheless we expect below-average returns for equities in 2017. After years of double-digit returns on the back of central bank easy money policy, the benign phase of unbridled multiple expansion is ending. As central banks are starting to react to rising inflationary pressures, the onus for equity returns has returned to corporate earnings capacity. The rise in populism is creating significant uncertainty at a geopolitical level and the very busy election agenda in 2017 is making this trend a potential catalyst for turmoil. Heading into 2017, markets have priced in Trump policy announcements somewhat asymmetrically, predominantly discounting those measures deemed to be business friendly. But as neither we nor the markets really know how the Trump presidency will unfold, there is downside risk for equity markets from current levels against a backdrop of stretched price-

earnings ratios. Rising protectionism and an overshoot in bond yields could pose a setback for the global economy and hit corporate earnings.

#### *Bond markets outlook*

The first six months of 2016 saw positive gains across all bond markets. This was the result of steadily falling yields all over the world. The all-time low was finally reached in early July, after which yields tended to rise, with the result of the elections in the US rapidly pushing up US bond yields in particular. Expectations regarding future tax reductions and fiscal stimulus measures gave a major boost to confidence in US growth prospects. In December, the Fed raised its official short-term interest rate by 0.25% to 0.75%. Subsequent interest rate hikes are likely to follow and these could also push yields higher. The European and the Japanese central banks have both announced that they will continue their bond purchasing programs for the time being. This is expected to keep yields under pressure in these markets, but here too, yields may rise if markets start anticipating the end of these programs. As in 2016, with elections taking place in several European countries, political risk could result in unexpected developments.

Corporate bonds benefited from a tail wind. The oil price recovery was an important stimulus for US (high yield) bonds in particular. The European corporate bond market benefited from the ECB's decision to extend its purchasing program to include corporate bonds. Improved economic growth in the US may turn out to be positive in the short term. Higher corporate profits and less chance of defaults can provide further support for this asset class for the time being. However, in the longer term, steadily increasing corporate debt levels give cause for concern. A climate of rising bond yields and steeper yield curves is good news for the profitability of banks and insurance companies. We remain positive on the returns outlook for (subordinated) loans issued by financial institutions.

Emerging market bonds had a good year too. From a valuation perspective, loans issued in local currency still have plenty to offer. Yields are considerably higher than those in developed markets and many exchange rates are still far removed from their early 2013 levels. However, this category looks vulnerable in light of higher official short-term interest rates in the US, and a US dollar that might appreciate further. Moreover, the underlying economic and political developments in many of these countries give little cause for optimism.

#### **Investment results**

Of all portfolios managed or sub-advised by the Company, 81%<sup>1</sup> (2015: 82%) outperformed compared to the relevant benchmark over a three-year period. Over a one-year period this figure is 54% (2015: 74%). For detailed information, please refer to the annual reports of the respective investment funds.

In the year 2016, the equity markets of the developed and emerging economies posted positive returns, with 55% of the equity portfolios outperforming their benchmark. The percentage of outperforming equity portfolios over the past three years was 81% (81% over 2015).

For Fixed Income, the year 2016 was a positive year in absolute terms and with mixed results in relative terms. At Company level, 84% of fixed-income portfolios outperformed the benchmark over a three-year period (2015: 82%). Over a one-year period this figure is 47%.

In the table below, the returns and relative performance of the most relevant Equity and Fixed Income funds are shown, as examples of the statistics mentioned above. The outperformance (+) or underperformance (–) compared to the relevant benchmark is mentioned between brackets.

<i>Fund</i>	<i>Performance</i>	<i>Compared to relevant benchmark</i>
<i>Equities</i>		
Robeco	7.5%	(– 3.3%)
Robeco Active Quant Emerging Markets Equities	19.9%	(+ 5.4%)
Robeco Asia-Pacific Equities	12.5%	(+ 4.5%)
Robeco Chinese Equities	3.2%	(– 0.8%)
Robeco Emerging Conservative Equities	12.0%	(Sharpe ratio +1.3) <sup>2</sup>
Robeco Emerging Markets Equities	15.8%	(+ 1.3%)
Robeco Emerging Stars Equities	16.2%	(+ 1.7%)

<sup>1</sup> All returns are gross of fees

<sup>2</sup> Sharpe ratio is a measure of the risk-adjusted return. It is calculated by the annualized return minus the annualized return of the risk free rate divided by the annualized volatility of the portfolio.

<i>Fund</i>	<i>Performance</i>	<i>Compared to relevant benchmark</i>
Robeco European Conservative Equities	-1.8%	(Sharpe ratio -0.2)
Robeco Factor Solution Fund	13.5%	(+ 2.4%)
Robeco Global Consumer Trends Equities	1.3%	(- 9.8%)
Robeco Hollands Bezit	11.5%	(+ 4.3%)
Robeco Institutional Conservative Equity Fund	8.9%	(Sharpe ratio +1.3)
Robeco Institutional Emerging Markets Fund	17.2%	(+2.7%)
Robeco Institutional Emerging Markets Quant Fund	16.1%	(+1.6%)
Rolingo	7.8%	(- 3.3%)
<i>Fixed income</i>		
Robeco All Strategy Euro Bonds	3.4%	(0.0%)
Robeco Euro Credit Bonds	5.4%	(+ 0.7%)
Robeco Euro Government Bonds	3.2%	(0.0%)
Robeco Financial Institutions Bonds	6.3%	(+ 0.9%)
Robeco Global Total Return Bond Fund	1.4%	(- 1.6%)
Robeco High Yield Bonds	15.1%	(+ 0.1%)
Robeco Investment Grade Corporate Bonds	5.6%	(+ 0.2%)
Robeco Lux-o-rente	1.7%	(- 0.6%)

## Remuneration policy

### *Introduction and scope*

This is a summary of the Remuneration policy of RIAM. This policy applies to all employees who work for the Company.

### *Goals of the Remuneration Policy*

The Company's Remuneration Policy has the following objectives:

- to stimulate employees to act in the best interest of clients and avoid taking undesirable risks;
- to stimulate a healthy corporate culture, focused on achieving sustainable results in accordance with the long-term objectives of the Company and its stakeholders;
- to attract and retain good employees, and to reward talent and performance fairly.

### *Responsibility for and application of the policy*

The Company's Remuneration Policy is determined and applied by and on behalf of the Company with the approval, where applicable, of the Supervisory Board.

### *Fixed remuneration*

Each individual employee's fixed salary is determined on the basis of function and experience according to the Company's salary ranges and in reference to the benchmarks of the investment management industry in the relevant region. The fixed salary is deemed adequate remuneration for the employee to properly execute his or her responsibilities, regardless of whether or not variable remuneration is received.

Besides the fixed salary, a temporary allowance may be granted for a maximum of three to five years. The purpose of such an allowance is to attract and retain employees, for example, in a tight labor market (market-driven scarcity allowance), to set up business activities in new countries or markets (new business market allowance) or to secure key staff of a strategic investment capability. The temporary allowance is solely role-based and will not be related to the performance of the employee or the Company.

### *Variable remuneration*

The total available variable remuneration pool is established annually by and on behalf of the Company and approved by the Supervisory Board. The pool is, in principle, determined as a certain percentage of the operational profit. To ensure that the total variable remuneration is an accurate representation of performance and does not adversely affect the Company's financial situation, the total amount of variable remuneration is determined taking the following factors into account:

- the financial result compared to the budgeted result and long-term objectives;
- the required risk-minimization measures and the measurable risks.

To the extent that the variable remuneration pool allows this, each employee's variable remuneration will be determined at the reasonable discretion of the Company, taking into account individual and team and/or department performance, assessed on the basis of pre-agreed financial and non-financial performance factors



(Key Performance Indicators, or “KPIs”). Negative performance will reduce individual awards or will even lead to no variable remuneration being awarded.

The KPIs for investment professionals are mainly non-financial and based on the risk-adjusted excess returns over one, three and five years. For sales professionals, the financial KPIs are related to the net run rate revenue, whereas non-financial KPIs are mainly related to client relationship management. The KPIs for support professionals are mainly non-financial and function-specific. For all employees, at least 50% of their KPIs are non-financial.

The variable remuneration of all staff at the Company is appropriately balanced against fixed remuneration.

*Payment and deferral of variable remuneration and conversion into instruments*

Unless stated otherwise in this paragraph, variable remuneration up to EUR 50,000 is paid in cash immediately after it is awarded. If an employee’s variable remuneration exceeds EUR 50,000, 60% will be paid in cash immediately and the remaining 40% will be deferred and converted into instruments, as shown in the table below. These instruments are ‘cash appreciation rights’ (CARs), the value of which reflects the financial results of RIAM as part of the Robeco Group over a rolling eight-quarter period.

	Year 1	Year 2	Year 3	Year 4
Cash payment	60%			
CARs redemption		13.34%	13.33%	13.33%

As a separate variable remuneration component, the Company may award ‘long-term incentives’ (LTI) to staff that are key in achieving the group’s strategic goals. LTI awards are converted fully into CARs and are redeemed four years after the date on which they were granted. Specific conditions apply relating their redemption, including continuous employment.

*Additional rules for Identified Staff and Monitoring Staff*

The rules below apply to Monitoring Staff and Identified Staff. These rules are in addition to the existing rules as set out above and will prevail in the event of inconsistencies.

Monitoring Staff are the senior employees of the control functions (HR, Compliance, Risk Management, Business Control, Group Internal Audit and Legal).

Identified Staff are employees who can have a material impact on the risk profile of the Company and/or the funds it manages. Identified Staff include:

- members of the governing body, senior management, (senior) portfolio management staff and the heads of the control functions;
- other risk takers as defined in the AIFMD and UCITS V whose total remuneration takes them into the same remuneration bracket as the group described above.

*Monitoring Staff*

The following rules apply to the fixed and variable remuneration for Monitoring Staff:

- the fixed remuneration is sufficient to guarantee that the Company can attract qualified and experienced staff;
- the KPIs of Monitoring Staff are predominantly function-specific and non-financial;
- financial KPIs are not based on the financial results of the part of the business that the employee covers in his or her own monitoring function;
- for Monitoring Staff who are also Identified Staff, the above rules apply in addition to the rules which apply for the Identified Staff.

*Identified Staff*

The following rules apply to the fixed and variable remuneration for Identified Staff:

- the fixed remuneration is sufficient to guarantee that the Company can attract qualified and experienced staff;
- part of the variable remuneration is paid in cash and part is deferred and converted into instruments, as per the payment/redemption table below. The threshold of EUR 50,000 does not apply. In rare cases where variable remuneration is more than double the fixed remuneration, the percentages between brackets in the table below will apply;
- individual variable remuneration is approved by the Supervisory Board

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash payment	30% (20%)	6.67% (10%)	6.66% (10%)	6.66% (10%)	
CARs redemption		30% (20%)	6.67% (10%)	6.66% (10%)	6.66% (10%)

#### *Risk control measures*

The Company has identified the following risks to be taken into account in applying its remuneration policy:

- misconduct or serious mistakes by employees (such as the taking of non-permitted risks, violations of compliance guidelines or behavior that contradicts the core values) in order to meet KPIs or other objectives;
- a considerable deterioration in the Company's financial result becomes apparent;
- a serious violation of the risk management system;
- evidence of fraudulent actions by employees;
- behavior that results in considerable losses.

The following risk control measures apply, all of which require the approval of the Supervisory Board.

#### *Clawback – for all employees*

The Company may reclaim all or part of the variable remuneration paid if (i) this payment was made on the basis of incorrect information, (ii) in the event of fraud by the employee, (iii) in the event of serious improper behavior by the employee or serious negligence in the performance of his tasks, or (iv) in the event of behavior that has resulted in considerable losses for the institution.

#### *Ex-post malus – for Identified Staff*

Before paying any part of deferred remuneration, the Company may decide, as a form of ex-post risk adjustment, to apply a *malus* on the following grounds:

- Misconduct or a serious mistake by the employee, such as a serious violation of the internal code of conduct, the taking of non-permitted risks, violation of the compliance guidelines or behavior that contradicts the core values;
- A considerable deterioration in the Company's financial results that changes the circumstances as assessed at the time the relevant variable remuneration was awarded;
- A serious violation of the risk management system which changes the circumstances as assessed at the time the relevant variable remuneration was awarded;
- Fraud by the relevant employee as a result of which the award of variable remuneration was based on incorrect and misleading information

#### *Ex-ante test at individual level – for Identified Staff*

Individual variable remuneration for Identified Staff requires the approval of the Supervisory Board.

#### *Annual audit*

Annually, Group Internal Audit audits the Company's Remuneration Policy, the implementation of possible amendments to this policy and whether remuneration practice has been in compliance with the policy. The outcome was "acceptable".

### **Remuneration figures**

	FTE	Headcount	Fixed remuneration in EUR million	Variable remuneration in EUR million	Total in EUR million
Board of Directors	7	7	2.8	2.6	5.4
Other employees	775	811	67.8	31.0	98.8
<b>Total</b>	<b>782</b>	<b>818</b>	<b>70.6</b>	<b>33.6</b>	<b>104.2</b>

In 2016 in total for 1 employee the remuneration was above EUR 1 million.

The above figures are disclosed on the basis of Article 1:120 of the Dutch Financial Supervision Act. Furthermore, the table above includes the remuneration of the FTEs that perform services for RIAM, either on a full time basis or part of their time. For the Board of Directors the FTEs of former and current FTEs are presented to align with the amount allocated to the Company. In the table the total full time remuneration paid to these FTEs is included, which therefore includes for several FTEs the remuneration for the services performed for mutual funds managed by RIAM or legal entities other than Robeco Institutional Asset Management B.V.

## **Risk management**

The following section presents an overview of the Company's approach to risk management and contains a description of the nature of the risks involved. The main risks currently known to the Company are highlighted, but this overview does not include all the potential risks that may ultimately affect the Company.

### Governance

As a consequence of the changes in the structure of the Robeco Groep N.V., the scope of the existing risk governance has been adjusted. Departments and committees that previously had a role in the risk governance of Robeco Groep N.V. now focus on RIAM exclusively. Furthermore the company has established its own supervisory board in May 2016. Before that date the Supervisory Board of Robeco Groep N.V., and specifically the Audit and Risk Committee thereof, was overseeing the Robeco Group's (including RIAM) risk management.

### *Three lines of defense*

The Company's risk management is built on a model incorporating three lines of defense. This starts with a primary risk management responsibility for line management in their day-to-day decision-making process. At RIAM, risk management is embedded throughout the entire process and risk awareness is deeply embedded within the Company. The second line functions are fulfilled by Compliance and Risk Management (RM), which develop and maintain risk policies and frameworks to enable line management to effectively handle their risk-management responsibilities. The Internal Audit function (IA) acts as the third line of defense and provides independent assurance on internal control by means of various audits and reviews. Both the second-and third-line activities are independent, with no link to commercial functions. There are also several cross-functional committees that have specific decision-making power.

### *Audit & Risk Committee*

The Supervisory Board of the Company established the Audit & Risk Committee (ARC) to supervise the financial reporting process, the control environment, the system of internal controls, risk management and internal audit. The ARC also reviews the process used to monitor compliance with legislative and regulatory requirements and its own internal policies. The ARC relies on reporting from RM, Compliance, IA, Finance and on updates from management. The ARC furthermore receives reports from the external auditor.

### *Enterprise Risk Management Committee*

There are several risk-management committees to ensure comprehensive and consistent risk oversight throughout the Company. The Enterprise Risk Management Committee (ERMC) is the highest body within the Company that focuses on risk. It consists of the members of the RIAM ExCo and relevant staff departments. The ERMC is chaired by the CFO of RIAM and is responsible for evaluating and approving company-wide policies relating to risk-management topics. The ERMC also assesses whether the risks relating to RIAM's activities remain within the defined risk-tolerance levels. If risks exceed these levels, the ERMC can take steps to remedy this. Prior to the changes to Robeco's governance, the Group Risk Management Committee of Robeco Groep N.V. served as the highest body with decisions being endorsed by Robeco Groep N.V.'s Supervisory Board.

### *Risk Management Committee RIAM*

The Risk Management Committee (RMC) of RIAM is the body within the Company that is responsible for setting risk policy and for monitoring risk levels in client portfolios. It is chaired by a member of the RIAM ExCo and consists of representatives of the relevant staff and investment departments. The RMC reports to the ERMC. The objective of the RMC is to ensure completeness and adequacy of risk oversight for client portfolios. The financial risks in client portfolios (funds and mandates) are managed and controlled via the Company's financial risk management policies for client portfolios. For all portfolios, Limit and Control Structures (LCS) and investment restrictions have been established that reflect the clients' risk appetite. LCS and investment restrictions are monitored through the risk management and compliance functions and reported to portfolio managers and the RMC. If risks exceed the pre-defined limits, the RMC can take steps to remedy this.

### *Other committees*

In addition to the RMC, the Company has established committees focusing on specific types of risk. The Security Board oversees effective governance of all (IT) security topics and decides on information security consistent with the overall risk framework. The Crisis Management team is part of the approach to Business Continuity Management and convenes in situations that involve operational crises regarding facilities, IT and staff. The Product Approval Committee (PAC) formally decides on the development and implementation of new products as well as significant changes to existing products. The PAC is formed by the members of the RIAM ExCo, and representatives of Product Management, Risk Management and Compliance.

### Risk and control

The Company uses the Robeco Control Framework (RCF) to set the standard for managing risks within the Company. The objective of the RCF is to maintain integrated control of the Company's operations and ensure compliance with laws and regulations. The RCF consists of several building blocks that combine to create a continuous process in which all significant risks are identified, measured, monitored and controlled. Robeco's defined risk appetite plays a central role in the RCF as it defines the scope of the framework and provides high-level guidance for determining significant risks and defining and implementing controls.

The categories of risk described below are regarded as most relevant in terms of their potential impact. Risks that could affect the Company's ability to execute its strategy and could directly affect its business activities, financial condition, the results of its operations and its prospects are outlined below.

### *Strategic risk*

Strategic risk can be external or internal. External developments such as macroeconomic developments or increasing fee pressure or competition may negatively affect the profitability of the Company. Continuous monitoring of these developments and a diversification in clients, assets and products mitigates the potential impact. Underperformance of the Company's products or dependence on a limited number of key products can pose a strategic risk. The Company is sufficiently able to address this risk through its formal review and approval procedure for new products and business initiatives and by maintaining a sufficiently diversified product range.

### *Operational risk*

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company manages a large range of services and products for different client types in various regions in the world. This means it is an organization which is exposed to risks linked to high operational costs and operational errors. In order to mitigate these risks and achieve excellence in its operations, the Company continuously searches for possibilities to simplify processes and reduce complexity. The RCF is constantly assessed to determine that the identified risks are mitigated by the controls in place and that controls are operating effectively.

Furthermore, the number of regulations and supervisory-body policies in the asset-management industry<sup>3</sup> has been increasing since the financial crisis. The quantity and impact of these are not the only challenges the Company has to contend with. Dealing with the uncertainty resulting from new and not fully clarified regulations with often blurred timescales for implementation is also demanding. Hence, part of the Company's operational risk stems from the regulatory environment. To manage these risks, the Company is actively involved in the regulatory development process at an early stage, both directly and through representative associations (e.g. EFAMA, DUFAS). Monitoring activities and impact analyses of planned regulations and policies are conducted at an early stage. Relevant staff departments initiate and/or monitor the subsequent implementation of new or revised laws and regulations.

### *Financial risk*

The company is exposed to counterparty credit risk on its cash balances and receivables. To mitigate this risk the Company's policies prescribe careful selection and monitoring of financial counterparties.

The company has limited exposure to market risk due to fluctuations in foreign currency rates on its financial positions and cash flows, (primarily related to revenue to be received and expenses to be paid), and to interest rate risk on its current account balances.

The liquidity risk that the Company is exposed to is limited due the fact that it has no long term liabilities and a large part of the current assets and liabilities relate to affiliated companies that are part of the Robeco Group. To mitigate liquidity risk, cash positions are closely monitored by the Finance department.

The Company furthermore applies various indicators for assessing financial performance, which entails the use of models for individual risk types. Those models express risk in terms of risk capital. Risk capital relates to the total size of the capital buffer that is necessary to absorb unexpected losses from business activities of the entities. It addresses the key volatilities that could impact financial performance.

Total risk capital is calculated as the sum of the capital requirements for counterparty credit risk, operational risk and business risk. Conservatively, no diversification effects are taken into account.

### Management review

Ongoing monitoring of risk management and internal control systems is embedded in RIAM's risk governance. This provides an insight into the significant risks that are applicable to the Company. In the ERM, these risks are

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<sup>3</sup> e.g. Financial Markets Amendment Act 2016 (*Wijzigingswet financiële markten 2016*), UCITS V, MAR, SFTR, EMIR, MiFID II

discussed with the ExCo by relevant staff. In addition, regular reports are submitted to and discussed with the ExCo and Supervisory Board of the Company.

It is important to note that the proper design and implementation of internal risk-management and control systems significantly reduces, but cannot fully eliminate, the possibility of poor judgment in decision-making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and the occurrence of unforeseen circumstances.

Another limitation is the need to consider the relative costs and benefits of risk responses. Properly designed and implemented internal risk-management and control systems will provide reasonable, but not absolute assurance that a company will not be hindered in achieving its business objectives, or in conducting its business in an orderly and legitimate way. In this context, reasonable assurance refers to a degree of certainty that would be satisfactory for prudent managers in the management of their affairs in the given circumstances. Projections or any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies, procedures and instructions may deteriorate.

Based on the monitoring of risk-management and internal-control systems, and awareness of their inherent limitations as described above, we have concluded that there is reasonable assurance that the Company has sufficient insight into the extent to which its objectives will be realized and the reliability of its internal and external (financial) reporting.

### **Sustainability investing and Corporate responsibility**

RIAM advocates sustainability investing because we believe that good corporate governance and sound environmental and social practices at our investee companies enhance the long-term risk-return profiles of our investment portfolios. We incorporate ESG (environmental, social and governance) factors into our investment process and act as an active owner. This means we establish engagement processes and exercise voting rights for the shares of companies the funds hold in their portfolios. RIAM has implemented an exclusion policy for those companies that are involved in the production of, or trade in, controversial weapons such as cluster munitions and anti-personnel mines and for companies that structurally and severely breach the UN Global Compact.

#### ***Sustainability investing in figures (year end 2016)***

Assets in sustainability theme funds	EUR 2.6 billion
Assets for which ESG integration has been implemented	EUR 79.4 billion
Assets 'under dialogue' <sup>4</sup>	EUR 231.2 billion
Assets 'under voting' <sup>5</sup>	EUR 55.5 billion

#### ***ESG integration into the investment process***

RIAM considers the integration of ESG factors into investment-analysis and decision-making processes to be one of the most important elements of sustainability investing. We apply ESG integration in our investment process for equity, credit and sovereign-bond portfolios because we believe that this leads to better informed investment decisions.

At the end of 2016, ESG integration was applied to EUR 79.4 billion of RIAM's assets under management. Our preferred supplier for ESG data is group company RobecoSAM, which has used ESG assessments to compile one of the world's largest sustainability databases. RobecoSAM's proprietary research and sustainability data are also integrated into the range of investment products it offers and power the Dow Jones Sustainability Indices (DJSI).

#### ***Engagement and enhanced engagement***

RIAM's engagement activities cover companies worldwide, in both equity and credit portfolios. Our engagement program is focused on financially material ESG issues and executed in collaboration with analysts and portfolio managers. RobecoSAM's knowledge and expertise on ESG factors is used to determine the most material issues so that we can then address these with the companies concerned. One part of RIAM's active ownership strategy focuses on companies that structurally and severely breach the UN Global Compact, this engagement approach is called enhanced engagement. If an enhanced engagement dialogue does not lead to the desired result, the

<sup>4</sup> A total of 210 engagement cases covering 18 different themes were conducted in 2016.

<sup>5</sup> In 2016, Robeco voted at 4,799 shareholder meetings

RIAM ExCo member responsible for Investments can decide to implement the exclusion policy<sup>6</sup>. The process for enhanced engagement is a formal part of RIAM's exclusion policy.

#### *Corporate responsibility*

RIAM's corporate responsibility policy describes our attitude and approach towards stakeholders, the environment and society as a whole. In this policy, we address environmental and social issues, responsible purchasing, and social commitment and donations. We aim to take various measures with regard to the environment, one of which is to reduce our environmental footprint and make our operations carbon neutral. Our responsible purchasing approach includes measures and guidelines to ensure that the best value products and services are purchased in a responsible manner. RIAM's Social Commitment Committee approved numerous requests for social commitment and donations in 2016. We support the active involvement of employees in social projects and provide financial support for these. Our approach towards corporate responsibility is described in a separate Corporate Responsibility Report.

#### **Outlook**

The year 2016 was a year of changes: in the governance, in the composition of the ExCo and Supervisory Board and in the structure of the Robeco Group. As mentioned before, the activities of Robeco Groep N.V. were separated from those of its subsidiaries and Robeco Groep N.V. was changed into a financial holding company. This, and the fact that we are running towards the end of the current strategy period, means that a new strategy will be defined in the next year. At this moment, there are no plans to change the current business.

For the year 2017 we anticipate a revenue - and a limited expense increase resulting in a further improvement of the profitability of the Company. This revenue increase assumes an ambitious net cash inflow of new client assets and positive equity markets. In 2017 we plan the start of a US office for the distribution of our Robeco investment products and the start of a Swiss sales office.

The ExCo faces the coming years with confidence and thanks all staff for their contribution and their efforts in 2016.

Rotterdam, 15 March 2017

The Executive Committee:

Gilbert Van Hassel

Ingo Ahrens

Karin van Baardwijk

Peter Ferket

Roland Toppen

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<sup>6</sup> <http://www.robeco.com/images/exclusion-policy-and-list.pdf>

## Report of the Supervisory Board

As part of the changes in the governance that took place in 2016, a Supervisory Board of RIAM was installed on 13 May 2016. The Supervisory Board of RIAM is composed of Jeroen Kremers (chairman), Gihan Ismail, Masaaki Kawano and Jan Nooitgedagt. During the period of the transition to the new governance, the Supervisory Board was mainly involved in the set-up of the new governance structure. We refer to the text on this subject in the Report of the Executive Committee.

Because the mitigated structure regime is applicable, the General Meeting of Shareholders as well as the Works Council may recommend to the Supervisory Board persons to be nominated as supervisory director. With regard to one-third of the members, the Works Council has an enhanced right of recommendation. Mr Nooitgedagt is recommended by RIAM's Works Council pursuant to article 2:158-6 of the Dutch Civil Code.

### Meetings of the Supervisory Board

In 2016 the Supervisory Board met in person, as well as by conference call. The meetings in person were all held in Rotterdam and were attended by most of the Supervisory Board members and members of the Executive Committee (ExCo). A member who had not been able to attend a meeting was briefly updated after the meeting. The Supervisory Board also met in a closed session, without the members of the ExCo. The scope of the Supervisory Board comprises the activities of RIAM as well the activities of other companies that are within the management scope of RIAM. This means the business conducted by RIAM itself and by other subsidiary legal entities owned directly or indirectly by RIAM, the business conducted by Robeco Nederland B.V. and the part of the business of legal entities owned and controlled by Robeco Holding B.V. or Robeco Asia Holding B.V., but excluding RobecoSAM AG and Canara Robeco.

At the meetings of the Supervisory Board and also at those of its respective committees, due attention was paid to developments in the financial markets, the performance of products, the position of clients and the financial results.

Before the Audit & Risk Committee was started, also risk management and internal control subjects were discussed by the Supervisory Board.

With regard to changes to rules and regulations, the Supervisory Board understands and endorses the emphasis on regulatory control and ensures that this matter receives sufficient attention. The interests of clients are considered to be a key issue and consequently an important focus item. The developments in the financial markets are another subject that comes up on a regular basis in the Supervisory Board's discussions. As for the human resources aspect, we acknowledge the importance of retaining, training, developing and recruiting talent as a key element in successfully running an asset-management company. This means giving appropriate opportunities to professionals, while applying a remuneration policy that conforms with market standards as well as complies with the applicable laws and regulations. HR developments are also regularly monitored and discussed in Supervisory Board meetings.

On the basis of periodic reports, the Supervisory Board has discussed the company's results with the ExCo. It has focused on the realization of the budgetary targets, the investment results, changes in assets under management as a result of market movements and net new money flows, cost/income ratio, overall profitability and operational matters.

### Supervisory Board Committees

There are two Supervisory Board committees: the Audit & Risk Committee ("ARC") and the Nomination & Remuneration Committee ("NRC").

#### *Audit & Risk Committee*

This committee exists since 6 September 2016, and the members of this committee are Jan Nooitgedagt (chairman), Jeroen Kremers, Gihan Ismail and Masaaki Kawano. Audit and risk matters were discussed a number of times in 2016, in the meetings of the committee and also in the Supervisory Board. The meetings were attended by the members of the ExCo as well as by the heads of Internal Audit, Compliance, Risk Management, Legal and Human Resources and the independent auditor KPMG. The regular items on the agenda were the interim financial reports, as well as the independent auditor's reports.

Other subjects discussed included fund governance, various risk management related issues, incident management, the cash management policy, the tax position and cyber security.

On the basis of quarterly reports from the respective departments, the ARC discussed various internal audit, compliance and risk management related issues.

#### *Nomination & Remuneration Committee*

Members of this committee are Gihan Ismail (chairman), Jeroen Kremers and Masaaki Kawano, and it exists since 20 December 2016. Nomination and remuneration matters were discussed several times in 2016, prior to the foundation of this committee these were discussed in the Supervisory Board. Some of the meetings were held in the presence of the members of the ExCo and the Head of Human Resources. Regular remuneration issues on the agenda included discussions regarding the variable remuneration for 2016 and the long-term incentive allocation. The results of the Employee Engagement Survey 2016 were also reported and discussed.

#### **Composition of the ExCo**

The changes in the legal and governance structure of the Robeco Group also had an impact on the composition of the ExCo. Hester Borrie and Hans Rademaker stepped down as per 1 May 2016. The Supervisory Board thanks them both for their important contribution to the company's development and their strong commitment.

After completion of a transition period, following the decision to change the governance structure of the Robeco Group, Leni Boeren stepped down and was succeeded by Gilbert Van Hassel as CEO on 19 September 2016. Leni Boeren had been member and chairman of the ExCo for five years, and the Supervisory Board is very grateful for her dedication, enthusiasm and craftsmanship during her Robeco years as well as for successfully conducting and completing the transition. The other members of the ExCo as per 31 December 2016 are Ingo Ahrens, Karin van Baardwijk, Peter Ferket and Roland Toppen.

#### **Recommendation to adopt the annual financial statements**

The Supervisory Board has taken notice of the contents of the report presented by KPMG, who have issued an independent auditor's report on the annual financial statement as presented, and recommends its approval by the Annual General Meeting of shareholders.

We concur with the ExCo's proposal to distribute the 2016 result of EUR 59.9 million as dividend to the shareholder, which proposal will be submitted to the Annual General Meeting of Shareholders. Apart from this, it is proposed to distribute EUR 15.1 million, which will be retrieved from the other reserves. In total EUR 75.0 million (2015: 50.0 Million) will be distributed as dividend.

Rotterdam, 15 March 2017  
On behalf of the Supervisory Board  
Jeroen Kremers, Chairman



## Financial Statements 2016

## ***Income Statement***

for the year ended 31 December

EUR x million	Notes	2016	2015
Net revenues	1	482.2	492.2
Distribution and subadvisory costs	2	-181.4	-207.1
<b>Gross margin</b>		<b>300.8</b>	<b>285.1</b>
Administrative expenses	3	197.9	176.9
Employee benefits expense	4	12.9	11.3
Depreciation and amortization	7	0.9	0.7
Other expenses	5	18.9	14.7
<b>Total operating expenses</b>		<b>230.6</b>	<b>203.6</b>
<b>Operating result</b>		<b>70.2</b>	<b>81.5</b>
Finance income		0.4	-
Finance expense		-0.2	-0.3
<b>Result before tax</b>		<b>70.4</b>	<b>81.2</b>
Income tax expense	6	17.0	20.4
Result from investments in group and associated companies after tax	8	6.5	6.4
<b>Result for the year</b>		<b>59.9</b>	<b>67.2</b>

## Balance Sheet as at 31 December

before profit appropriation

EUR x million	Notes	2016	2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	7	0.7	1.4
Tangible fixed assets		0.5	0.8
Investment in group and associated companies	8	8.3	6.6
Loans	9	1.5	1.6
Deferred tax assets	10	4.3	6.4
<b>Total fixed assets</b>		<b>15.3</b>	<b>16.8</b>
<b>Current assets</b>			
Trade receivables	11	19.6	18.8
Receivables from group companies	12	133.0	152.4
Other receivables	13	40.1	37.3
Cash and cash equivalents	14	74.1	49.1
<b>Total current assets</b>		<b>266.8</b>	<b>257.6</b>
<b>Total assets</b>		<b>282.1</b>	<b>274.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	15		
Issued capital		0.1	0.1
Share premium		31.5	31.5
Other reserves		89.7	72.5
Result financial year		59.9	67.2
<b>Total equity</b>		<b>181.2</b>	<b>171.3</b>
<b>Provisions</b>			
	16	1.6	-
<b>Non-current liabilities</b>			
Deferred tax liabilities	10	1.5	3.6
<b>Total non-current liabilities</b>		<b>1.5</b>	<b>3.6</b>
<b>Current liabilities</b>			
Liabilities to group companies	17	44.3	49.8
Other liabilities	18	53.5	49.7
<b>Total current liabilities</b>		<b>97.8</b>	<b>99.5</b>
<b>Total equity and liabilities</b>		<b>282.1</b>	<b>274.4</b>

## ***Accounting principles for valuation and determination of the result***

### **General information**

Robeco Institutional Asset Management B.V. (also referred to as “RIAM” or “the Company”) is established in the Netherlands, having its legal seat in Rotterdam. The main activities of the Company are regular investment management activities on behalf of clients, including investment funds. The Company receives management fees and other fees for these activities. Both securities lending and offering alternative investments, including private equity and structured investment products, can also be considered as main activities of the Company. The Company also offers investment products to retail clients directly. The product range encompasses equity and fixed-income investments and also facilitates saving products through Rabobank (Coöperatieve Rabobank U.A).

All shares of the Company are held by Robeco Holding B.V. The domestic ultimate parent of the Company is Robeco Groep N.V.

At 31 December 2016, ORIX Corporation (ORIX), with registered office in Tokyo, Japan, holds a 100% stake in Robeco Groep N.V.

The Company has both an AIFMD license as referred to in article 2:65 of the Dutch Financial Supervision Act ('Wft') and a license to act as manager of UCITS as referred to in article 2:69b of the Wft and to offer the additional services within the meaning of article 2:97 under 3.

The financial statements of the Company are prepared in accordance with Dutch law (section 2:9 of the Dutch Civil Code), the Dutch accounting standards issued by the Dutch Accounting Standards Board and the Financial Supervision Act (Wet op het financieel toezicht).

The financial statements cover the year 2016, which ended at the balance sheet date of 31 December 2016.

To provide more insight in the specification of the Net revenues, the categories have been adjusted in comparison to the 2015 financial statements. The total amount of management and other fees remains unchanged.

The comparative figures have been restated regarding outstanding fees from funds in the amount of EUR 13.5 million. As from 2016 these fees are included in Trade receivables, in 2015 this was included in Other receivables. There is no effect on the total amount of Current assets.

### **Accounting policies**

#### **Consolidation**

For the annual financial statements of Robeco Institutional Asset Management B.V. a company balance sheet and income statement will suffice. In accordance with the provisions in article 2:408 of the Dutch Civil Code consolidated financial statements are not part of the financial statements of the Company. Consolidation of the financial information of Robeco Institutional Asset Management B.V. and its participating interests in group companies takes place in the financial statements 2016 of Robeco Groep N.V., statutory established in Rotterdam.

#### **Basis of preparation**

These accounting policies describe the valuation methods used. If no explicit accounting policy is given for an individual item on the balance sheet, the item is accounted for at its nominal value.

The financial statements are presented in euros since this is the functional currency of Robeco Institutional Asset Management B.V. Numbers are rounded to the nearest tenth of a million and all amounts disclosed in the notes to the income statement and the balance sheet are in millions, except when explicitly stated otherwise. The financial statements have been prepared on basis of historical cost less accumulated depreciation and amortization and any accumulated impairment losses.

The financial statements have been prepared on the basis of the going concern assumption.

#### **Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires the use of judgment and estimates. This affects the recognition and valuation of assets and liabilities, the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these

estimates are based on management's best knowledge of current events and actions, the actual results may differ ultimately from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

#### **Foreign currencies**

Monetary assets and liabilities denominated in other currencies are translated into euros at the spot rates prevailing at the balance sheet date. Non-monetary items measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value are converted using the exchange rates at the date when the fair value was determined. The assets and liabilities of foreign operations, including goodwill, are translated into euros at exchange rates prevailing at the balance sheet date.

Income and expenses are converted at the average exchange rate of the relevant month. The exchange rate differences are taken to the income statement and are recorded in the other expenses. Changes in the valuation of investments in foreign entities are recorded in equity. Changes in the valuation of derivative financial instruments, which are designated as a hedge against the foreign operations currency risk, are also recorded in equity.

#### **Cash flow statement**

According to Dutch law, a cash flow statement is not required in the financial statements of the Company since the cash flows are included in the consolidated statements of cash flows of Robeco Groep N.V., the domestic ultimate parent of the Company.

#### **Net revenues**

Net revenues include management fees, service fees, subadvisory fees performance fees, securities lending fees, administration fees and other fees. Fees are recognized when the services have been performed. Management and service fees are primarily based on predetermined percentages of the market values of the assets under management and are affected by changes in assets under management, including investment performance, net subscriptions or redemptions and fluctuations in exchange rates. Performance fees are calculated as a percentage of the performance of the relevant assets under management and recorded when earned. Securities lending commissions, administration fees and other fees are recognized in the period in which the services are rendered.

#### **Distribution and subadvisory costs**

Distribution and subadvisory costs include trailer fees and subadvisory costs payable to third- and related parties. Trailer fees and subadvisory costs are recognized when the services have been provided. Trailer fees are primarily based on predetermined percentages of the market values of the average assets under management of the investments, including investment performance and net subscriptions or redemptions. Subadvisory costs are paid to third party asset managers. These costs are mainly based on predetermined percentages of the market values of the average assets under management of the investments.

#### **Employee benefits expense**

Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognized as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

#### **Finance income and expense**

Finance income and expense are recognized as earned or incurred. Finance income comprises of income related to cash and short-term loans. Finance expense comprises of interest payable on interest-bearing loans.

#### **Taxes**

Robeco Institutional Asset Management B.V. is part of a fiscal unity for Dutch corporate income tax purposes headed by Robeco Groep N.V. within the meaning of the Dutch Corporate Income Tax Act 1969. The Company is jointly and severally responsible for the resulting tax liability, as are the other companies that are part of the tax group. Some foreign offices of the Company are considered to be permanent establishments. These offices are therefore subject to corporate income tax in the country they operate and file their own corporate income tax returns. The profits made by these foreign offices will not be taxable in the Netherlands due to the existing double income tax treaties.

Tax losses incurred by foreign permanent establishments are not deductible for the Dutch corporate income tax. To prevent double taxation, Robeco Institutional Asset Management B.V. receives a deduction of corporate income tax to the extent that the profits of the Company are part of its Dutch corporate income tax base and to the extent that the accumulated profits of the foreign permanent establishments exceed accumulated losses deducted before 2012.

The calculation of corporate income tax is made as if the Company is an independent taxpayer. Payable corporate income taxes have been settled with Robeco Groep N.V. via the current account under the heading Group companies. The taxes are calculated on the basis of the applicable rate for tax, taking into account tax-exempt profit constituents and deductible items.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement.

The current tax is included in the current account with Robeco Groep N.V. and settled monthly. The tax rates and laws used to compute taxable amounts are those enacted or substantially enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, at the tax rates that are expected to apply in the year when the asset is realized and the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for tax benefits relating to the carry forward of unused tax losses when it is probable that estimated future taxable profits will be available to offset these losses.

The carrying amount of deferred income tax assets is reviewed annually and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be realized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

A deferred tax liability is provided for the recognized taxable temporary differences between the tax base and the carrying amount for financial reporting purposes at the reporting date. Deferred tax liability is also provided in respect of loss recapture due to double tax relief regulations. The deferred tax liability is recorded at nominal value.

#### **Result from investments in group and associated companies after tax**

Income from investments in group and associated companies after tax is the Company's share in the net result of the investments in associated companies determined in accordance with the accounting policies applied in these financial statements.

#### **Recognition of assets**

An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

#### **Intangible assets**

Intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses determined individually for each asset.

Intangible assets consist of customer relations acquired in business combinations. Intangible assets which have been acquired in business combinations are recognized at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial fair value less accumulated amortization and any accumulated impairment losses. The useful lives of customer relations are finite and such assets are amortized on a straight-line basis over their estimated useful lives, with amortization being charged to the income statement.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of the annual reporting period. Amortization is effected on a straight-line basis. The amortization period is 3 years.

**Impairment testing of non-financial assets**

In accordance with RJ 121, Impairment of Assets, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment, at each reporting date. If such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Tangible fixed assets**

Tangible fixed assets are valued at the acquisition price less accumulated depreciation and impairment losses. Tangible assets are depreciated over their estimated useful lives, on a straight-line basis.

**Investment in group and associated companies**

Investment in group and associated companies are valued at the Company's share in the net asset value determined in accordance with the accounting policies applied in these financial statements.

**Financial instruments**

The following financial instruments are recognized: investments in group and associated companies, loans, cash and cash equivalents and current liabilities. Financial instruments are recognized initially at fair value, including discounts/premium and any directly attributable transaction costs. If instruments are not subsequently measured at fair value with value changes recognized in the profit and loss account, any directly attributable transaction costs are included to the initial measurement.

After initial recognition, financial instruments are valued in the manner described below. Loans are valued at amortized cost less impairment losses. Current liabilities are stated after their initial recognition at amortized cost on the basis of the effective interest rate method. Current liabilities are stated after their initial recognition at amortized cost on the basis of the effective interest rate method.

**Current assets**

Current assets are stated at face value, less any allowances for uncollectible accounts. Unless stated otherwise, receivables have a remaining term of less than one year. Trade receivables relate to outstanding invoices.

**Cash and cash equivalents**

Cash and cash equivalents are valued against nominal value.

**Recognition of liabilities**

A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

**Provisions**

A provision is recognized when the Company has a legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Provisions are stated at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses.

A provision for claims, disputes and lawsuits is established when it is expected that the Company will be sentenced in legal proceedings. The provision represents the best estimate of the amount for which the claim can be settled, including the costs of litigation.

**Carried interest**

The Company, acting directly or through subsidiaries as the General Partner of some Robeco Private Equity vehicles, is entitled to receive a share of the realized profits of the Investee Funds (carried interest). Carried interest is calculated based on a share of profits taking into account the cash already distributed by the Investee Funds and the amount of divestment proceeds receivable or to be received upon disposal as estimated by the General Partner. Proceeds are distributed by the Investee Funds in such a manner that the General Partner will not receive a distribution of carried interest before the Partners have received their Contributed Capital and an agreed upon return on their investments.

Since only the carried interest amounts received in cash are to be regarded as reasonably assured, carried interest is recognized as revenue in the Income Statement as from the actual distribution by the Investee Funds. The paid out carried interest amounts are to be regarded as advances on the final amount calculated upon liquidation of the Investee Funds, since they are subject to claw back until a point in time toward the end of life of the Investee Funds.



## Notes to the income statement

### 1 Net revenues

The net revenues can be specified as follows:

EUR x million	2016	2015
Management fees received from other Robeco Group companies	271.4	279.0
Management fees	118.1	126.7
Service fees received from other Robeco Group companies	30.1	24.5
Administration fees	12.0	12.5
Fees from clients	11.8	12.4
Securities lending fees	8.3	8.2
Subadvisory fees received from other Robeco Group companies	6.7	5.1
Service fees	6.5	6.1
Performance fees	5.1	3.4
Other fees	0.1	1.4
Other income	12.1	12.9
<b>Total management and other fees</b>	<b>482.2</b>	<b>492.2</b>

To provide more insight in the specification of the Net revenues, the categories have been adjusted in comparison to the 2015 financial statements. The total amount of management and other fees remains unchanged.

Management fees are collected from funds and mandates directly by the Company and indirectly from Robeco Luxembourg S.A., also a Robeco Group company. Robeco Luxembourg S.A. receives service fee from the Luxembourg funds for service activities performed for these funds. As RIAM actually performs these activities, RIAM is compensated for this by Robeco Luxembourg S.A. Other income includes revenues from third parties for marketing and sales activities.

### Segment information

The following information about revenues is included to comply with Section 380 of Book 2 of the Dutch Civil Code. The revenues are allocated based on the legal entities where the revenues are produced.

EUR x million		2016		2015
<b>Total revenue by region</b>				
Netherlands	35%	168.1	36%	178.9
Luxembourg	62%	302.1	62%	303.5
Rest of Europe	1%	3.7	1%	2.7
Outside Europe	2%	8.3	1%	7.1
<b>Total management and other fees</b>	<b>100%</b>	<b>482.2</b>	<b>100%</b>	<b>492.2</b>

To provide more insight in the Segment information, the regions have been adjusted in comparison to the 2015 financial statements. The total amount of management and other fees remains unchanged.

### 2 Distribution and subadvisory costs

The costs can be broken down as follows:

EUR x million	2016	2015
Subadvisory costs paid to other Robeco Group companies	74.8	88.8
Distribution costs paid to third parties	64.3	70.1
Distribution costs paid to other Robeco Group companies	42.2	48.1
Subadvisory costs paid to third parties	0.1	0.1
<b>Total distribution and subadvisory costs</b>	<b>181.4</b>	<b>207.1</b>

### 3 Administrative expenses

Robeco Nederland B.V. charges operating costs in the amount of EUR 197.9 million (2015: EUR 176.9 million), relating to the management of investment funds and mandates and related financial services. The cost allocation includes indirect organizational costs and direct business related costs, which, amongst others, includes costs for staff, information technology, marketing and housing. Part of the operating costs charged by Robeco Nederland B.V. is disbursed to other group companies. The increase in expenses compared to the previous year relates to higher one-off employee benefits related to the organizational changes in 2016 and an increase in the costs of information technology.

Domestic staff is made available to the Company through an intercompany service agreement. Robeco Nederland B.V. is legally the employer of personnel, recharging related expenses to the Company. On average, the charge concerns 698 FTE's (2015: 701 FTE's) direct and indirect personnel. These expenses also include disbursements by other entities within Robeco Group. Robeco Nederland B.V. is a wholly-owned subsidiary of Robeco Groep N.V., the domestic ultimate parent company of Robeco Institutional Asset Management B.V.

### 4 Employee benefits expense

The staff of Robeco Institutional Asset Management B.V is employed in two different ways. Domestic staff is located in the Netherlands and is legally employed by Robeco Nederland B.V., the group's domestic service company. See note 3 for the recharge of the domestic staff expenses. International staff is formally employed by the Company and is located in the Company's international offices. Staff costs can be specified as follows:

EUR x million	2016	2015
Wages and salaries	10.8	10.2
Social security and pension costs	0.9	0.6
Other employee benefits expenses	1.2	0.5
<b>Total employee benefits expense</b>	<b>12.9</b>	<b>11.3</b>

During 2016, on average 47 FTE's (2015: 38 FTE's) international staff was executing operational activities on behalf of the Company. The pensions of legally employed staff are based on defined contribution plans. These plans are provided by external insurance companies. The pension costs concern the paid insurance premiums by the Company. The distribution of the average international staff by country is as follows:

Average FTE's	2016	2015
Germany	15	14
United Kingdom	10	4
Spain	8	8
Dubai	7	7
Shanghai	3	3
Korea	2	2
Italy	2	-
<b>Total average number of employees</b>	<b>47</b>	<b>38</b>

During 2016, the activities of the branch office in Shanghai were continued in a new entity, Robeco Investment Management Advisory (Shanghai) Limited Company, which is a wholly-owned subsidiary of Robeco Groep N.V., the domestic ultimate parent company of Robeco Institutional Asset Management B.V. As a consequence, the personnel involved is no longer employed by the Company.

The Company has opened the branch office in Italy in November 2015.

## 5 Other expenses

Other expenses can be specified as follows:

EUR x million	2016	2015
Fund and client related costs	10.8	6.5
Marketing	1.3	1.1
Housing and furniture	1.2	1.0
Travel and accommodation	0.9	0.7
Operational claims	0.9	1.5
Advice Costs	0.8	0.6
Information technology	0.3	0.3
Charged and other personnel costs	0.1	1.3
Other	2.6	1.7
<b>Total other expenses</b>	<b>18.9</b>	<b>14.7</b>

Fund and client related costs include fund administration costs of Private Equity funds. Other mainly relates to exchange rate differences, consultancy costs and accountancy costs.

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG (and its network of offices) to the Company.

EUR x million	2016	2015
Financial statements audit	0.2	0.2
Other audit engagements	1.1	0.8
<b>Total</b>	<b>1.3</b>	<b>1.0</b>

Other audit engagements mainly comprises of audits of funds and services related to assurance reports on controls at the Company (ISAE 3402).

## 6 Income tax expense

The Dutch statutory tax rate in 2016 was 25% (2015: 25%). The current tax is included in the current account with Robeco Groep N.V., the head of the Dutch fiscal unity (see note 19), and settled monthly.

The income tax expense in 2016 was EUR 17.0 million (2015: EUR 20.4 million). The 2016 effective tax rate was 24% (2015: 25%). The effective tax rate is lower in 2016 due to use of tax incentives in the Netherlands.

## Notes to the balance sheet

### 7 Intangible assets

Movements in intangible assets were as follows.

EUR x million	2016	2015
<b>Cost at 1 January, net of accumulated amortization and impairment</b>	<b>1.4</b>	<b>-</b>
Additions	-	2.1
Amortization	-0.7	-0.7
<b>Net carrying amount at 31 December</b>	<b>0.7</b>	<b>1.4</b>
<b>At 31 December</b>		
Cost	2.1	2.1
Accumulated amortization and impairment	-1.4	-0.7
	<b>0.7</b>	<b>1.4</b>

The intangibles represent the Italian client relationships transferred from RobecoSAM to RIAM as per January 1, 2015.

### 8 Investment in group and associated companies

The following subsidiaries are included in the financial statement caption Investment in group and associated companies of Robeco Institutional Asset Management B.V.:

		2016	2015
Robeco Bestuurder Bewaarder B.V.	Netherlands	100%	100%
Robeco General Partner European II B.V.	Netherlands	100%	100%
Robeco General Partner Funds B.V. <sup>1</sup>	Netherlands	100%	100%
Robeco General Partner Global II B.V.	Netherlands	100%	100%
Robeco General Partner Sustainable B.V.	Netherlands	100%	100%
Robeco Manager BSR B.V.	Netherlands	100%	100%
Robeco Manager Clean Tech II B.V.	Netherlands	100%	100%
Robeco Manager European III B.V.	Netherlands	100%	100%
Robeco Manager Global III B.V.	Netherlands	100%	100%
Robeco Manager Responsible II B.V.	Netherlands	100%	100%
RobecoSAM Private Equity European Mid Market IV General Partner B.V.	Netherlands	100%	100%

<sup>1</sup> Robeco General Partner Funds B.V. holds a 26.7% membership interest in RGS Capital LLC, 100% of RobecoSAM Clean Tech III General Partner LLC and 100% of RobecoSAM Private Equity IV European General Partner LLC.

Investments in associated companies also includes a 27.5% interest in SET Venture Partners, powered by Chrysalix and Robeco B.V., the Netherlands.

The book value of the investments in group and associated companies developed as follows during the year:

EUR x million	2016	2015
<b>Book value of investments in group and associated companies at 1 January</b>	<b>6.6</b>	<b>7.2</b>
Dividend distribution	-4.8	-6.6
Result current year	6.5	6.4
Demerger of share in Robeco Miami B.V.	-	-0.4
<b>Book value of investments in group and associated companies at end of period</b>	<b>8.3</b>	<b>6.6</b>

## 9 Loans

The Company has granted a loan to Stichting Robeco Funds for cash management purposes of EUR 0.4 million (2015: EUR 1.6 million). During 2016, the Company also granted a loan to Stichting Effectengiro RAM for cash management purposes of EUR 1.0 million. Both loans are non-interest-bearing. The Company also provided loans to personnel in the amount of EUR 0.1 million as per 31 December 2016 (2015: nil).

## 10 Deferred tax assets and liabilities

The deferred tax asset mainly relates to the offset of future taxable profits with remaining cumulative tax losses of EUR 12.0 million brought forward in branch office Robeco Germany. Recognition of the deferred tax asset was possible due to the rapidly improving profits of Robeco Germany. This as a result of a strong increase in assets under management invested through Robeco Germany by German clients over the recent years. The deferred tax asset is expected to decrease with EUR 1.9 million in 2017 (utilized 2016: EUR 1.9 million).

The deferred tax asset also relates to temporary differences that are deductible in determining taxable profit of future periods of in total EUR 0.5 million (2015: EUR 0.6 million).

The deferred tax liability relates to the future profits in Germany which will be taxable in the Netherlands at a different tax rate than the recognized deferred tax asset. The deferred tax liability is expected to decrease, based on remaining cumulative tax losses of EUR 6.1 million, with EUR 1.5 million in 2017 (utilized 2016: EUR 2.1 million).

## 11 Trade receivables

Trade receivables relate to outstanding invoices and fees from funds, which are collected without invoicing. Since all amounts are expected to be received within 12 months, no provision is deemed necessary.

## 12 Receivables from group companies

This item relates to current accounts and current account loans with Robeco Group entities. The current accounts are settled periodically. The Company has granted current account loans on a monthly basis to Robeco Holding B.V. (till June 2016, these loans were granted to Robeco Groep N.V.). These loans are receivable on demand in order to meet the liquidity requirements of the regulator. The balance was EUR 95.0 million at 31 December 2016 (2015: EUR 110.0 million). The loan is granted for cash management purposes and the interest rate is based on Euribor and a risk premium. The effective interest rate in 2016 was 0.4% (2015: - 0.1%).

## 13 Other receivables

Other receivables mainly consist of accruals for management fees, performance fees and other fees. All outstanding amounts are expected to be received within 12 months.

## 14 Cash and cash equivalents

Cash and cash equivalents consist of immediately available credit balances at banks.

## 15 Equity

At 31 December 2016, the Company's authorized share capital amounted to EUR 91 thousand (200 shares), of which EUR 41 thousand is placed and paid in full.

	Issued capital	Share premium	Other reserves	Result financial year	Total
EUR x million					
<b>At 1 January 2016</b>	<b>0.1</b>	<b>31.5</b>	<b>72.5</b>	<b>67.2</b>	<b>171.3</b>
Results 2015	-	-	67.2	-67.2	-
Dividend distribution	-	-	-50.0	-	-50.0
Add: results 2016	-	-	-	59.9	59.9
<b>At 31 December 2016</b>	<b>0.1</b>	<b>31.5</b>	<b>89.7</b>	<b>59.9</b>	<b>181.2</b>

	Issued capital	Share premium	Other reserves	Result financial year	Total
EUR x million					
<b>At 1 January 2015</b>	<b>0.1</b>	<b>31.5</b>	<b>78.5</b>	<b>44.4</b>	<b>154.5</b>
Results 2014	-	-	44.4	-44.4	0
Dividend distribution	-	-	-50.0	-	-50.0
Add: results 2015	-	-	-	67.2	67.2
Demerger Robeco Miami B.V.*	-	-	-0.4	-	-0.4
<b>At 31 December 2015</b>	<b>0.1</b>	<b>31.5</b>	<b>72.5</b>	<b>67.2</b>	<b>171.3</b>

\* In January 2015, Robeco Miami B.V. has been demerged from the Company and transferred to another Robeco Group company.

The Company reports to the DNB on a quarterly basis the FINREP and COREP reports as required by CRD IV rules. The most recent reporting was done as of 31 December 2016. All capital requirements were met.

Furthermore the Company reports to the AFM on a semi-annual basis the information required by the Alternative Investment Fund Managers Directive. The most recent reporting was done as of 31 December 2016. All capital requirements were met.

## 16 Provisions

In 2016 the Company has recorded a provision of EUR 1.6 million for an estimated loss of income. The provision relates to the Company's estimate of the potential reimbursement of a particular group of clients for loss of income. Whether the Company will have to pay this reimbursement, and the amount thereof, is dependent on the outcome of certain legal proceeding to which the Company is not directly a party. It is expected that the period of uncertainty is between one to five years. As per 31 December 2016 no amounts were used.

## 17 Liabilities to group companies

This item relates to current accounts with Robeco Group entities, which are settled periodically.

## 18 Other liabilities

Other liabilities can be specified as follows:

EUR x million	2016	2015
Distribution costs, subadvisory costs, and other accrued liabilities	42.6	38.0
Employee benefits	7.6	7.1
Other liabilities	1.9	2.7
Current tax liabilities	1.3	1.8
Social security cost, wage tax and sales tax payable	0.1	0.1
<b>Total other liabilities</b>	<b>53.5</b>	<b>49.7</b>

All outstanding liabilities are expected to be paid within 12 months. Other liabilities include employee benefits obligations.

#### **19 Contingent assets and liabilities**

The paid out carried interest amounts are to be regarded as advances on the final amount calculated upon liquidation of the Investee Funds, since they are subject to claw back until a point in time toward the end of life of the Investee Funds. The amount of accrued carried interest, which is not yet distributed by the Investee Funds, is to be marked as a contingent asset (EUR 5.8 million as per 31 December 2016. As per 31 December 2015: EUR 7.9 million). The final amount of the carried interest to be distributed by the Investee Funds may be significantly different from the amount earlier marked as contingent assets.

The Company acts as guarantor for fulfilling the obligations of Stichting Effectengiro RAM (SER) relating to the obligations to account holders regarding Dutch funds. At 31 December 2016, SER has an obligation to clients of EUR 0.8 billion (2015: EUR 0.9 billion). In the same amount SER has receivables on the funds composed of deposited securities.

The Company has issued a guarantee in which the Company commits itself to fulfill the obligations of Stichting Robeco Funds towards their clients. As per 31 December 2016, Stichting Robeco Funds has cash in the amount of EUR 1.8 million (2015: EUR 8.2 million) that relate to items to be settled in the short term.

In consideration of the Monetary Authority of Singapore granting a license to Robeco Singapore Private Limited, the Company has confirmed that it accepts full responsibility for all operations of Robeco Singapore and ensures that Robeco Singapore maintains sound liquidity and a sound financial position at all times.

The Company has entered into commercial leases of EUR 0.1 million (2015: EUR 0.1 million) regarding the car fleet. The term of these leases is between 1 and 4 years. The Company has rental commitments regarding buildings of EUR 1.8 million (2015: EUR 2.5 million). These rental commitments have remaining terms of between 1 and 5 years. The Company has commitments regarding IT-related contracts of EUR 0.1 million (2015: EUR 0.1 million). These rental commitments have remaining terms of between 1 and 4 years. The Company has irrevocable credit facilities related to guarantees of EUR 0.1 million (2015: EUR 0.1 million).

The Company is part of a tax group headed by Robeco Groep N.V. and is jointly and severally responsible for the resulting tax liability, as are the other companies that are part of the tax group.

#### **20 Financial risk management objectives and policies**

As a consequence of the changes in the structure of the Robeco Groep N.V., the scope of the existing risk governance has been adjusted. Departments and committees that previously had a role in the risk governance of Robeco Groep N.V. now focus on RIAM exclusively. Furthermore the company has established its own Supervisory Board in May 2016. Before that date the Supervisory Board of Robeco Groep N.V., and specifically the Audit and Risk Committee thereof, was overseeing the Robeco group's (including RIAM) risk management.

The Company distinguishes between several financial risk types which are elaborated upon in this paragraph. For these risk types policies and, where relevant, limits are in place which are subject to approval by the Enterprise Risk Management Committee and endorsed by the Audit & Risk Committee. The financial risk types are discussed below.

The Company is not directly exposed to financial risks in client portfolios.

##### **Credit risk**

Credit risk is defined as the risk that counterparties cannot fulfil their contractual obligations. A policy is in place prescribing counterparty exposure limits and the careful selection and monitoring of financial counterparties.

As the Company manages assets on behalf of clients and funds and management fees are typically charged to and paid from the underlying funds managed by the Company, there is a very low credit risk of default on management fees.

##### **Liquidity risk**

Liquidity risk is defined as the risk to the Company's earnings or capital arising from its inability to meet its financial obligations as they fall due, without incurring significant costs or losses. Liquidity risk arises from the general funding of the Company's activities and in the management of its assets and liabilities. The Company maintains sufficient liquidity to fund its day-to-day operations. Hence, liquidity is managed in a manner that addresses known as well as unanticipated cash funding needs.

The liquidity of the Company is monitored by the Finance department on a regular basis, so that cash positions can be optimized when necessary. Cash and cash equivalents balances are reported to the CFO, to the ExCo and to ERMC on a regular basis.

#### Market risk

Market risk is defined as the potential change in the market value of its financial position due to adverse movements in financial market variables. The Company is exposed to the impact of fluctuations in the prevailing foreign currency rates on its financial positions and cash flows. The Company's exposure relates primarily to the revenue to be received and expenses to be paid denominated in foreign currency. Next to currency risk the Company is exposed to interest rate risk on its cash position and on the current account loan granted to Robeco Holding B.V. The interests received on the bank accounts and the current account loans are based on market rates.

#### 21 Related parties

ORIX Corporation and entities under the common control of Robeco Groep N.V. form a related party. During 2016 there were no operational transactions with ORIX Corporation, outside Robeco Group.

Robeco Group companies are identified as related parties. All transactions and balances with Robeco Group Companies are included in the notes to the income statement and the notes to the balance sheet. Transactions are performed at arms' length.

Stichting Robeco Pensioenfond also is a related party. The client relationship consists of mandate investments and/or direct investments in retail and institutional funds. The fees for these activities are in line with market rates.

In addition to the mentioned companies, the statutory directors can be identified as related parties. The remuneration of the managing and supervisory directors is included in note 22.

Besides the services of other market parties, the Company also uses the services of several related parties to treasury and custody. Transactions are executed at market rates.

The Company has granted current account loans to its domestic ultimate parent, Robeco Groep N.V. and a non-current loan to Stichting Robeco Funds.

The Company has not created a provision for doubtful debts relating to amounts owed by related parties (2015: EUR nil), because the risks involved are not considered to be material.

Robeco Groep N.V. has a 37.5% interest in Asia Climate Partners General Partner Ltd. (ACP) which acts as the general partner for the Asia Climate Partners L.P. Asia Climate Partners L.P. provides global strategic and financial investors an opportunity to participate in the clean energy, resource efficiency and environmental industry sectors in Asia. In 2016, RIAM did generate fee income of EUR 3.7 million (2015: EUR 5.0 million) from transactions with ACP. As per 30 June 2016, the services provided by the Company ended. Since the provided services were sub advised by another Robeco Group company the net operating income is marginal.

#### 22 Remuneration of key management personnel

The members of the Board of Directors are not entitled to salaries and benefits from the Company, as the members are employed by Robeco Nederland B.V., which is indirect part of Robeco Groep N.V. The remuneration of the members of the Board of Directors during 2016, which was recharged by Robeco Nederland B.V and recognized as an expense during the reporting period, was as follows:

(EUR x thousand)	2016
Base salary 1)	1,546
Variable remuneration (short- and long-term components)	665
Pension costs	308
Other costs 2)	178
<b>Total</b>	<b>2,697</b>

1) Includes vacation allowance.

2) Includes social-security costs, social allowance, mortgage suppletion and lease (allowance) cars.



### **23 Remuneration of members of the Supervisory Board**

The total remuneration for the members of the Supervisory board amounted EUR 0.3 million. The remuneration costs are included in Administrative expenses.

### ***Proposed profit appropriation***

It is proposed to distribute the Result financial year of EUR 59.9 million as dividend. It is also proposed to distribute EUR 15.1 million. This part will be retrieved from the other reserves. In total EUR 75.0 million (2015: 50.0 million) will be distributed as dividend.

Rotterdam, 15 March 2017

The Executive Committee:

Gilbert Van Hassel

Ingo Ahrens

Karin van Baardwijk

Peter Ferket

Roland Toppen

## Other information

### ***Articles of Association rules regarding profit appropriation***

According to article 14 of the Articles of Association, the profit shown in the financial statements will be at the disposal of the General Meeting of Shareholders.

## Independent auditor's report

To: the General Meeting and Supervisory Board of Robeco Institutional Asset Management B.V.

### Report on the accompanying financial statements

#### *Our opinion*

We have audited the financial statements 2016 of Robeco Institutional Asset Management B.V., based in Rotterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Robeco Institutional Asset Management B.V. as at 31 December 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2016;
2. the income statement for 2016; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

#### *Basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Robeco Institutional Asset Management B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Report of the Executive Committee;
- the Report of the Supervisory Board;
- Other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Netherlands Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Committee is responsible for the preparation of the other information, including the Executive Committee's report in accordance with Part 9 of Book 2 of the Netherlands Civil Code and other information pursuant to Part 9 of Book 2 of the Netherlands Civil Code.

## Description of the responsibilities for the financial statements

### ***Responsibilities of the Executive Committee and the Supervisory Board for the financial statements***

The Executive Committee is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Executive Committee is responsible for such internal control as the Executive Committee determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Committee is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Committee should prepare the financial statements using the going concern basis of accounting unless the Executive Committee either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Committee should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Executive Committee;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 15 March 2017

KPMG Accountants N.V.

N.C. Paping RA