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1. Introduction

Safeguarding economic, environmental and social assets is a prerequisite for a healthy economy and the generation of attractive returns in the future. The focus in the investment industry is, therefore, shifting from creating wealth to creating wealth and well-being. We are the leading sustainable asset manager and will continue to improve and innovate.

Our corporate mission is to enable our clients to achieve their financial objectives through superior returns and solutions. Sustainability is key in fulfilling that fiduciary duty and a key pillar of Robeco’s corporate strategy. We are convinced that investee companies with sustainable business practices have a competitive advantage and are more successful in the long-term. We also believe sustainability has the power to bring about positive economic, environmental and social change. Therefore, we integrate sustainability in our investment processes, our own operations, and the governance of our organization.

1.1 Sustainable Investing

We see sustainability as a long-term force for change in markets, countries and companies. We are convinced that considering ESG factors results in better informed investment decisions and therefore leads to better results for our clients. Since our establishment in 1929, we have maintained a long-term view on investing. By exercising our voting rights and engaging with the companies in which we invest we aim to have a positive impact on both our investment results and on society. Exclusions are applied to controversial products and severe breaches of the UN Global Compact and/or OECD Guidelines for Multinational Enterprises when a dialogue does not yield the required change. For topics like climate change and human rights specific policies and approaches have been developed. Carrying out stewardship responsibilities is an integral part of Robeco’s Sustainable Investing approach.

Our commitment to Sustainable Investing is reflected in our endorsement of independent and broadly accepted codes of conduct and principles. All Robeco’s investing activities are in line with the Principles for Responsible Investing (PRI). Robeco contributes to the Sustainable Development Goals (SDGs) by integrating ESG factors into the investment decision making process and encourages companies to take action on the SDGs through constructive engagement. The responsibility for implementing SI is allocated to the Chief Investment Officer Fixed income and Sustainability, who is part of Robeco’s Executive Committee.

Sustainability is a key element in Robeco’s corporate strategy. This top-level commitment of our Executive Committee is further embedded in our organization via the Sustainable Investing activities and the work of our Sustainability Committee and Sustainability and Impact Strategy Committee. Our core values embody the essence of Robeco and serve as a touchstone for our day-to-day work. They forge a clear, shared identity for all executives and employees, which helps us execute our strategies in the best interests of our clients at all times. Those core values require us to be Client-centered, Innovative, Sustainable and Connecting. Robeco has a Code of Conduct in place that supports a culture of honesty and accountability. Robeco monitors the development of client portfolios and provides clients with transparent information on relevant developments directly related to their portfolio and other relevant Robeco services while ensuring privacy of customer data. We continuously optimize the effectiveness of our internal controls in the interest of our clients.

1.2 Outline of this document

In this document we describe relevant matters in relation to how Robeco manages Sustainability in its investments and operations. More specifically, this document intends to provide insights into governance and reporting, ESG integration policy, and a diverse set of policies on some of the most salient sustainability topics, including climate change, diversity and palm oil.

As part of the EU Shareholder Rights Directive II (SRD II) disclosure requirements, we have published information on how we make decisions based on our assessments about medium to long-term (non-)financial performances and risks of the underlying investee companies and how we engage with them. This information is contained in the ESG Integration chapter of this policy.
Sustainability Policy

2. Sustainability: Governance

Sustainability is a key element in Robeco’s corporate strategy. As an asset manager, we see sustainability as a long-term force for change in markets, countries, and companies. We are convinced that considering ESG factors results in better informed investment decisions and therefore leads to better results for our clients.

2.1 Governance of Sustainable Investing
Robeco’s Sustainable Investing Center of Expertise acts as the focal point for our sustainable investment activities and delivers expertise and insights to the investment teams, who are then responsible for the integration of ESG into their individual investment capabilities.

The responsibility for sustainable investing is allocated to the most senior level within the Investment department at Robeco. The CIO Fixed Income and Sustainability is ultimately responsible for sustainable investing. Each investment team is responsible for ESG Integration within their own investment strategy. Robeco’s Head of ESG Integration provides oversight and ensures consistency between teams in the overall quality and robustness of their approach.

Additionally, five committees oversee the individual core components of Robeco’s sustainable investing activities. Each committee is composed of senior members of the organization, including senior sustainability experts and members of our investment teams.

2.1.1 Sustainability & Impact Strategy Committee (SISC)
The most senior governance body for sustainable investing at Robeco is the Sustainability & Impact Strategy Committee (SISC), composed of 12 people, including members of Robeco’s Executive Committee, as well as senior managers and sustainability specialists who oversee and drive sustainable investing across the company. This allows Robeco to coordinate sustainability matters from a company-wide perspective. The SISC has the authority to approve policies and set practical guidelines for the implementation of Robeco’s sustainable investing strategy. The Committee is chaired by Robeco’s Head of Sustainable Investing.

2.1.2 Climate Change Committee
Robeco’s Climate Change Committee is responsible for the oversight of climate change-related topics, adapting existing investment strategies, risk management, and active ownership activities, as well as developing new products. The Committee is chaired by Robeco’s Climate Strategist.

2.1.3 SDG Committee
The responsibility of the SDG Committee is to maintain and upgrade the SDG mapping framework used in many of our investment processes, and to ensure that the systems and processes in place are of the highest quality, including the assessment of proposed amendments to the framework. The committee is chaired by Robeco’s SDG Strategist.

2.1.4 Controversial Behavior Committee
The Controversial Behavior Committee is responsible for the oversight and decision-making over Robeco’s assessments of companies that are involved in a breach of internationally accepted codes of conduct, such as the UN Global Compact and OECD Guidelines for Multinational Enterprises. The committee provides oversight on engagement activities with the concerned companies and potential exclusions if desired changes regarding the breach were not achieved as a result of the engagement. The Committee is chaired by Robeco’s Controversies Engagement Specialist.

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

2.1.6 Sustainable Regulation Taskforce
The Sustainable Regulation Taskforce is responsible for providing oversight of all new regulatory indicative on sustainable finance, including meeting the requirements of the EU Sustainable Finance Action Plan and other relevant initiatives. It is chaired by a dedicated project manager.

2.1.7 Biodiversity Taskforce
The Biodiversity Taskforce is responsible for developing Robeco’s biodiversity policy and targets, and for developing our approach to integration of biodiversity metrics in the investment processes. The Taskforce is chaired by Robeco’s Climate Strategist.

2.2 Managing Robeco’s internal sustainability
Robeco also integrates sustainability in its own business operations. In addition to the investment focused committees outlined above, Robeco’s Sustainability Committee drives the sustainability initiatives of our business operations, supported by a network of internal Sus-tainability Ambassadors from every department. The Sustainability Committee is headed by the Global Head of HR and member of the Executive Committee. We actively promote diversity, equal opportunity and human capital development to ensure a positive working environment for our employees.

2.3 Reporting on Sustainability
Robeco regularly reports on its Sustainability activities. This includes
regular articles on our sustainable investing approach ('Sustainability insights'), updates on our stewardship activities and the annual publication of the corporate sustainability report. These articles and reports are available via the following links:

sustainability-reports-policies.html
3. Managing Robeco’s own operations

3.1 People
Our success depends almost entirely on the performance of our employees; they are our most valuable asset. Their knowledge, skills, experience, commitment and engagement are key elements in all that we do at Robeco. That is why we are committed to fostering a diverse, equitable and inclusive workplace that attracts and retains talent. Through ongoing employee development, market-aligned compensation and benefits, and a focus on health and safety and well-being, we help our employees thrive and succeed in life and business.

3.1.1 Performance Management Cycle
Our Performance Management Cycle, supported by our Learning and Development programs, offers our people the opportunity to continuously grow and develop their qualities and skills. The year-end appraisal meeting is not only a moment to assess performance against the goals agreed at the start of the year, but also an opportunity to enhance motivation, commitment and growth potential by truly recognizing an individual’s strengths and development areas.

3.1.2 Reward vision
As part of our reward vision, a well thought out, balanced and sustainable remuneration policy is vital in order to attract, retain and motivate people. We reward our people in a way that encourages them to act in the best interests of our clients and avoid taking unnecessary risks. The policy enables us to differentiate pay for our people in line with performance and to reward excellence; it also discourages undesirable conduct. Our remuneration policy does not discriminate based on gender.

3.1.3 Remuneration
The remuneration policy and its implementation are audited internally each year. Remuneration levels for all employees are compared annually with external AON McLagan benchmark data to ensure that we pay our employees in line with rates in the wider market, to retain and attract talent. Any relevant changes made by regulators are reflected in our remuneration policies and guidelines. An independent external party reviews our policy every year, approach and practice to ensure full compliance with local regulations and legislation.

Each individual employee’s fixed salary is determined on the basis of their role and experience and is linked to a salary range. These ranges are determined with reference to the benchmarks of the investment management industry in the relevant region, among other factors. The fixed salary is deemed to be adequate remuneration for the employee to properly execute their responsibilities, regardless of whether or not variable remuneration is also provided.

The total available variable remuneration pool is determined as a certain percentage of operational profit. Each employee’s variable remuneration is awarded according to their behavior, their individual and team performance and the success of the company, and is assessed on the basis of pre-agreed business objectives.

3.1.4 Nomination and Remuneration Committee
Our Nomination and Remuneration Committee is a delegated committee from our Supervisory Board. The total available variable remuneration pool is determined as a certain percentage of operational profit. Each employee’s variable remuneration is determined according to their behavior, individual and team performance, and assessed based on pre-agreed business and sustainability objectives.

3.1.5 Diversity, inclusion and non-discrimination
We strive to create a workplace that reflects our diverse communities, and where everyone feels seen, heard, valued, and empowered to succeed – regardless of gender, race, ethnicity, religion, disability, family responsibility, sexual orientation, social origin, age or experience. Having diversity, equality and inclusion embedded as core values in our organization is critical to our strength as an asset manager and our ability to deliver quality returns for our clients. Our continued leadership in the field of sustainable investing is dependent on our ability to further promote these core values within Robeco. An elaborate description of our approach towards Diversity, Equity and Inclusion can be found in chapter 7. Thematic: Human Rights & Diversity.

3.2 Giving back to the communities where we have a presence
We value initiatives by our employees to support societal projects and have programs in place for financial support and/or active participation.

3.2.1 Robeco Foundation
Launched in 2018, the Robeco Foundation aims to create equal opportunities for disadvantaged children by investing in talent development through education in the communities where we have a presence. Next to its overall aim, the Foundation aims to contribute directly to the SDGs. Especially two of the 17 goals are related to this issue: access to a quality education (SDG 4), and the reduction of inequalities (SDG 10).

3.2.2 Social commitment
Earning the trust of the communities in which we operate is essential to maintain our (social) license to operate. We support projects that benefit these communities by providing donations and enabling employees to perform voluntary work. Our Social Commitment Committee assesses projects submitted by employees based on our Policy on Social Commitment and Donations.

3.3 Integration of sustainability in procurement
Robeco expects its suppliers to carry out their business in a responsible and sustainable manner. We have defined seven principles of sustainable...
procurement, which we share with existing and new suppliers. In addition, our way of working is reflected in several policies (know your vendor, due diligence, and Robeco Responsible Purchasing, among others) which are continuously monitored, further developed and updated.

3.4 Limiting our environmental footprint
We strive to limit the environmental effects of our business operations as much as possible. As part of our commitment to achieve net zero greenhouse gas emissions by 2050, we have set targets to reduce our operational emissions. We aim to achieve a 50% absolute reduction of our operational emissions by 2030 compared to 2019. Our interim target is a 35% reduction by 2025. We have set a specific target to reduce our emissions from business travel (air transport and public transport), which accounts for a significant portion of our operational carbon footprint. We target a 7% annual reduction per FTE, from 2021 to 2025, compared to 2019. This translates into a 30% reduction by 2025. Robeco employees travel to meet clients and participate in research and engagement activities. We will set and track carbon budgets for teams and promote the use of digital meeting solutions.

Robeco offsets is operational carbon footprint on an annual basis by investing in carbon offsetting projects. We perform due diligence to ensure the integrity and quality of the carbon credits.

We reduce the number of travel movements with our flexible workplace concept, by providing employees with a smartphone and laptop, and using the latest technology for video conferencing, so they can work at home or elsewhere, reducing commuting and travel. Lease cars in the Netherlands are low emission-certified or lie within low-emission ranges.

Our head office in Rotterdam has a four-star (excellent) BREEAM-NL new-building certificate from the Dutch Green Building Council, and uses renewable energy. At our head office, we encourage affiliated cleaning companies to use environmentally safe cleaning products as far as possible. Service level agreements for catering and cleaning include an incentive for sustainable innovation.

We always strive to further reduce energy and water utilization, and to promote the use of sustainable energy. Total water usage is measured and monitored. We also aim to minimize waste and recycle waste.

More information on actions taken and goals set in relation to our operations, can be found in the Sustainability Report.
4. ESG Integration

With a history of investing since 1929, Robeco's vision reflects a long-term investment perspective. Safeguarding economic, environmental and social assets is a prerequisite for a healthy economy and the generation of attractive returns in the future. The focus in the investment industry is, therefore, shifting from creating wealth to creating wealth and well-being. We are the leading sustainable asset manager and will continue to improve and innovate.

Our mission and investment beliefs reflect our integrated approach
We have been managing sustainable funds since 1999, apply voting and engagement since 2005 and integrate ESG into all investment processes it can be applied to since 2010. This integrated approach is also reflected in our mission and our investment beliefs.

Our mission is to enable our clients to achieve their financial and sustainability goals by providing superior investment returns and solutions.

Our investment beliefs also reflect the fact that we are long term investors:
1. As an active asset manager with a long-term investment view, we create added value for our clients
   - Our investment strategies are research-driven and executed in a disciplined, risk-controlled way
   - Our key research pillars are fundamental research, quantitative research and sustainability research
   - We can create socioeconomic benefits in addition to competitive financial returns
2. ESG integration leads to better-informed investment decisions and better risk-adjusted returns throughout an economic cycle
   - Sustainability is a driver of structural change in countries, companies and markets
   - Companies with sustainable business practices are more successful
   - Active ownership contributes to both investment results and society

Every investment decision should be research driven
Sustainability research helps to ensure that a long-term investment view is incorporated into Robeco's investment strategies. The Sustainable Investment (SI) research team play a key role in this area. The team’s SI analysts are responsible for conducting a financial materiality analysis for a wide range of industries and countries, with the aim to identify environmental, social and governance (ESG) factors that drive business value and that have the greatest impact on long-term value creation for a given industry. In addition, SI analysts contribute to the fundamental investment analysis of individual companies by determining how the long-term ESG factors are likely to have a significant impact on a company’s business value drivers of growth, costs, risk, and ultimately, future financial performance. Last but not least the SI team performs an analysis on a company’s product impact, the Paris alignment and corporate governance, to help assess the impact they have on sustainable development. Besides the use in financial company analysis, the research output of the SI team is used in our proprietary SDG framework and engagement activities.

Important input for analyzing companies' corporate sustainability are also external sustainability resources, like Sustainalytics or the S&P Corporate Sustainability Assessment (CSA), and the proprietary Country Sustainability Ranking methodology, next to a range of other sources like company disclosures, industry reports and meetings with management. Active Ownership activities feed back into our investment research as the engagement team writes active ownership profiles on their results in engagement after each meeting. Our portfolio managers and analysts have access to several tools like the company dashboard summarizing all SI research that is available on a company level and several tools on portfolio level. Our trading systems also incorporate all available ESG data.

ESG integration frameworks fit the different investment processes
It is our firm belief that integrating ESG will lead to better-informed investment decisions and reduce the overall risk of a portfolio. Trends such as climate change, resource scarcity and greater regulation affect companies more than ever before, but they also provide opportunities for new markets in areas such as renewable energy or cybersecurity. For Robeco, this means that we systematically integrate financially material ESG issues into our investment processes.

In our fundamental equity and fixed income strategies we explicitly integrate material ESG issues in the investment cases of corporates and countries, with a clear outcome on both the financial metrics and the ESG impact. In our quantitative investment strategies, we integrate ESG information in our quantitative stock selection model and in our portfolio construction. The focus is both on risk and opportunities.

Annual quality control leads to continuous improvement
All investment teams undergo a quality control on their ESG integration work annually. The Head of Sustainability Integration has built a quality control framework that is applied on randomly selected investment cases. Results are discussed with the CIO and with the SISC and areas for improvement are implemented. In 2021 the product impact via the SDG...
framework and an explicit climate risk paragraph were added to the ESG integration framework for fundamental equity and credit strategies and a minimum level of quality was established. For 2022 we will be raising the bar further on the level of quality that is assessed in the control framework. We will implement the concept of double materiality in ESG integration. This means that for corporates with elevated ESG risk, the explanation of why we are invested will not only focus on financial materiality but also analyze environmental and social impact. Lastly, we will further standardize our approach to analyzing climate risk via our sector decarbonization pathway research.
5. Sustainable Investing product offering

Even though assets are managed with different strategies and investment objectives to fit clients’ needs, there is a companywide philosophy that companies (and countries) that act in a sustainable way towards the environment, society and all its stakeholders are likely to be more able to deal with a variety of issues in the future of their business or endeavors. As an asset manager we give shape to this philosophy via a set of policies outlined in this chapter as well as our Stewardship policy.

Altogether, Robeco distinguishes three kinds of ESG strategies: sustainability inside strategies, sustainability focused strategies and impact strategies.

1. Sustainability inside strategies use ESG information to improve investment decisions. It is focused on the integration of risks and opportunities in the selection process and active ownership (voting & engagement), with the goal of improving corporate behavior and long-term investment returns. The standard Robeco exclusion policy is applied.

2. Sustainability focused strategies build from the same basis as the ESG-integrated strategies but add an ex-ante focus on stocks that score better on ESG and environmental footprints than the benchmark. Their exclusion policy is also broader. These funds are meant for investors that either believe that good ESG performance and a lower environmental footprint will lead to better performance (in the long run) or want to apply a reputational or values perspective in their investment portfolios.

3. Impact strategies invest in companies that help solve problems related to specific sustainability themes, or to the achievement of one or more of the SDGs. They differ from sustainability focused strategies in that they contain biases towards certain sectors or industries that have more exposure to sustainable development. These strategies are meant for investors wanting to make a positive impact on society, and/or those who want to have a clear exposure to certain sustainable development areas, and who believe that in doing so they can generate appropriate investment returns. More information on how Robeco integrates the SDGs in its investment strategy can be found here.
6. Thematic: Climate Change

Robeco acknowledges the responsibility of the asset management industry towards climate change risks through the investment decisions that we make and the contact we have with investee companies and other institutions. We aim to make our contribution to the Paris Agreement ambition to keep temperature rise well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. We also recognize the part that climate change risks play in contributing to the UN’s Sustainable Development Goals (SDGs), in particular SDGs 7, 12 and 13. Furthermore, we believe that climate change poses both risks and opportunities for our clients’ investment portfolios. We aim to identify and manage those risks.

We have committed to reach net zero greenhouse gas emissions by 2050, as a founding signatory of the Net Zero Asset Manager Initiative. In addition, we have committed to the Dutch Climate Accord and the Powering Past Coal Alliance. We are a member of the Platform Carbon Accounting for Financials (PCAF) and we signed the statement of support for the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD). In this climate change policy document, we describe our approach to measuring, monitoring and managing climate change in our investments.

6.1 Governance of climate risks
At Robeco, the Executive Committee is responsible for determining the company’s approach to sustainability. This includes defining company-wide values, policies, initiatives and actions related to climate change. The Sustainability and Impact Strategy Committee (SISC) decides and advises the Executive Committee on climate-related actions.

The SISC has commissioned a Climate Change Committee (CCC) to enable further progress on this important issue. The task force consists of senior experts from Robeco’s Thought Leadership, Data Science, Sustainability Research, Active Ownership, Risk Management, Sales and Distribution, and Investment teams. It acts as the central group of competence on climate change-related topics, adapting existing investment strategies, risk management, and active ownership activities.

The CCC’s progress is reported to the SISC on a bi-monthly basis, while the Executive Committee is updated by the SISC once a month on relevant sustainability matters.

6.2 Our climate strategy
The empirical evidence that the global climate has been changing due to human activity, primarily through the consumption of fossil fuels and land-use changes, is overwhelming. We acknowledge that climate change, if unmitigated, will have an unacceptable long-term impact on society and the global economy. In view of this, we acknowledge the responsibility of the asset management industry in addressing climate change risks through its investment decisions and its contact with investee companies and other institutions. Given the high relevance of climate change for the global society and the investment community overall, we are working on adopting the following strategy:

1. Analyzing climate-related investment risks relating to our clients’ investment portfolios
2. Raising awareness about climate change risks; engaging through dialogue with clients and the public; and engaging for change with the companies we invest in.
3. Integrating financially material climate change-related issues into our regular investment processes, where relevant for the business model.
4. Decarbonizing assets under management and aligning investments with an emissions reduction pathway that would limit global warming to 1.5°C. This applies to those all our assets under management where we have discretion over the investment approach, and so excludes client-specific mandates and client-specific funds.
5. External reporting on the portfolio’s environmental footprint and environmental impact for selected strategies

In this policy, we elaborate on each element of our climate change strategy.
How climate-related risks affect our investment portfolios and how we prepare

**Assessment**

- **Regulatory developments and market standards:** Evolving climate-related standards may affect the way asset managers and clients need to integrate ESG considerations into their investment decisions.
  - We expect related standards to strengthen in the next one to five years.

- **Climate and ESG-related factor integration is becoming mainstream:** The development of climate standards and disclosure requirements will help advance the integration of ESG. Our ESG-integration approach goes beyond simple exclusion and screening methodologies, focusing on factors in investments in general, turning ESG integration into a mainstream activity for asset managers.
  - We expect related developments over the next five years.

- **Investment risks and opportunities:** Transition risks posed by climate change are highly likely to affect the value of our investments. Climate policy actions, technological innovation and market demand may shift (suddenly), leading to stranded assets in investment portfolios, or the gradual depreciation of fossil fuel-related or dependent sectors. These developments will be considered in our risk management and investment processes.
  - Risks are likely to accelerate during the next 10 years.
  - The physical risks of climate change are likely to affect the value of our investments. Assets (often uninsured) and supply chains will be affected by climate change-related severe weather events and rising sea levels. Property losses, infrastructure disruption, workforce issues and loss of food production are only a few examples. These developments will be considered in our risk management and investment processes.
  - Risks may occur anywhere between today and the next 30 years.

**Impact**

- We monitor the development of standards and methods at regulators, standard-setting bodies, NGOs and so on.
  - Developing capabilities to identify and assess climate risks (e.g., scenario and stress test approaches) will be of growing importance to meet this soft compliance pressure, which will likely turn into hard regulation.

- **Our ESG-integration approach goes beyond simple exclusion and screening methodologies, focusing on outcomes (financial and non-financial) and active ownership. To remain leading, we will invest further in climate research, active ownership specialists and technology. A critical factor for the coming years is to demonstrate the impact of ESG integration and active ownership in investment decisions and outcomes, and ensure all of our strategies are prepared for climate impacts.**

- The CCC is developing new approaches to climate risk assessment to safeguard our investment strategies, capitalize on climate opportunities, and expand our product offering. This coincides with the increased demand from our clients for climate-resilient investment solutions.
  - We partner with our clients to help them achieve their financial and sustainability objectives, and increasingly those related to climate change.
  - Our fundamental and quantitative research already addresses certain aspects of transition and physical risk, but the quality of climate-related data available continues to improve, as more companies report and data providers improve their offerings. We continually improve the insights we gain from such data.
  - The risk management department has developed climate stress testing to assess climate risks across specific portfolios and to our business model, and will also benefit from these new data sources.
6.3 Climate data and carbon accounting

6.3.1 Climate data
We acquire and generate various climate-related data that helps us understand the risks and opportunities that arise from climate change, as described above. Our analysts take this data and convert it into scores, footprint reports, impact reports and insights that are integrated across our range of asset management products and services.

6.3.2 Carbon accounting
We have developed an operational carbon accounting data infrastructure: it calculates carbon intensities and footprints across a variety of metrics (see metrics section for more details). The calculations are based on emissions data for scope 1, 2 and, to some extent, scope 3. These calculations have allowed us to assess and quantify the carbon emissions embedded in our investments across our equity and debt investments.
6.4 Climate change risk management
Robeco has in place a comprehensive Enterprise Risk Management Framework for the management of all relevant financial and non-financial risks. In this context, the Financial Risk Management department focuses on transition risk by visualizing carbon emissions and designing climate change scenarios in order to monitor the impact on client portfolios, both in equities and fixed income.

We assessed climate-related transition risks affecting investments by adapting a stress-test approach based on four different scenarios developed by the Dutch central bank. Each scenario is translated into an impact (shock on key macroeconomic variables) and then disaggregated to a meso level – one that falls between individuals and governments, such as an industry or community – using a multi-country macro-ecometric model. The stress test discriminates between exposures to 56 industries based on each industry’s relative vulnerability to energy transition risks. As not all companies within a sector will be impacted in the same way, we have complemented this approach with company-specific climate scores based on comprehensive emissions data. Internally developed climate transition risk scenarios and sensitivity analysis are based on these scores. This allows us to calculate global industry shocks affecting our investments. The next step is to include physical risk scores.

6.5 Active ownership on climate change
We have a long track record of engaging with companies on their environmental, social and governance practices, and using our voting rights to support shareholder proposals that help address climate change risks. We encourage the implementation of proactive and ambitious environmental strategies, the pursuit of operational excellence, the creation of asset portfolio resilience, the innovation of business models, and responsible participation in the public policy debate. In our climate engagement program, we focus on industries most prone to climate change risks. Such as energy, utilities, car manufacturers and real estate. We monitor the climate performance of the top-200 emitters in our investment universe, assessing issues such as emissions, climate targets, business strategy, capex, and governance. These data points feed into a traffic light model ranging from green (fully aligned with Paris) to red (not aligning). In our voting policy we define escalation steps if companies do not meet our expectations. In the same way, we have complemented this approach with company-specific climate scores based on comprehensive emissions data. Internally developed climate transition risk scenarios and sensitivity analysis are based on these scores. This allows us to calculate global industry shocks affecting our investments. The next step is to include physical risk scores.

6.6 Climate change research and integration in investment processes
Material ESG issues are systematically integrated in all our investment processes. The country and company research is done by the SI Research team and used by investment teams across the company. We have a systematic way of assessing the climate strategy and adaptive capacity of a company via the dedicated climate strategy questions in S&P’s Corporate Sustainability Assessment. These questions are aligned with the Carbon Disclosure Project (CDP). We also have access to forward-looking data in sectors where climate change poses material risks and opportunities (utilities, oil and gas, etc.).

We address climate change issues through the evaluation of business models, corporate climate change strategies and products and services.

Materiality research determines for which sectors and industries climate change is a relevant topic. When relevant, the climate change strategy of a company is analyzed and compared to its peers. For carbon-intensive sectors such as steel and cement, we assess companies against the required decarbonization pathway of their sector. Based on this analysis our sustainability and financial analysts work together to assess the impact on the company’s business model. By including the analysis on climate change in the investment process, our fundamental analysts have a better view of the risks (and opportunities) that companies are exposed to. We believe that systematically considering climate change issues is essential to the success of our investing strategies.

6.6.1 Climate-related exclusions
Carbon-intensive sectors are essential to achieving a net zero economy. Our role as investors is to invest and accelerate the transition of these sectors. For this reason, we prefer engagement over exclusion. But in cases where we see no positive outlook for engagement, we do exclude. Our exclusion policy defines revenue thresholds for exclusion of thermal coal, oil sands and Artic drilling. In addition, we have a policy of no new coal power plants.

6.7 Decarbonization of portfolios
Our ambition is to reach net zero emissions by 2050 for all of our assets under management, both Robeco funds as well as client-specific mandates and client-specific funds.

As interim target for 2025, we aim to reduce the carbon footprint of our investments by 30%. This target applies to our own funds, for which we have discretion and for which carbon footprint methodologies are available (~40% of AuM). Segregated client accounts are out of scope initially, because our clients set their own decarbonization goals. We are committed to working with our asset owner clients on such decarbonization goals. Whilst we will not initially set targets on carbon reduction in our managed accounts, we will review these every five years at least, with a view to ratcheting up the proportion of segregated solutions in line with attainment of net zero emissions by 2050 or sooner.

Our decarbonization strategy is based on the guidance of the Net Zero
Investment Framework of the Paris-Aligned Investment Initiative and the 2025 Target-Setting Protocol of the UN-Convened Net Zero Asset Owner Alliance. Our carbon targets are based on the climate scenarios of the UN’s climate science panel, the IPCC. But methodologies for translating climate science into investment decisions are still immature. We therefore apply an evolutionary approach. We will revise our targets at least once every five years in line with the ratchet mechanism of the Paris Agreement. Our targets are initially at entity level and will evolve into fund-level targets over time as standards and data quality improve.

Our aim to be net zero by 2050 also applies to Robeco’s own operations. We believe we should live up to the same standards to which we hold others. For 2025 we want to reduce our operational emissions by 35%.

6.8 Final reflection

Robeco is committed to address climate change and achieve net zero by 2050, because it’s part of our responsible stewardship and because we are convinced it’s in the long-term interest of our clients and our investment performance. Our vision is that safeguarding economic, environmental and social assets is a prerequisite for a healthy economy and the generation of attractive returns in the future.

Climate science has made clear that society has to act now. The costs and impact of inaction increase by the year. The global economy is best served by a steadfast transition to net zero. But we cannot solve big problems such as climate change on our own. What we can do is set a clear example, work together, and encourage others to follow suit. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement. Our role as investors is to finance the transition and to use our leverage as shareholders and bondholders to accelerate it. Working in partnership with our clients, Robeco aspires to taking a leading role in contributing towards a net zero economy. We firmly believe this will also create opportunities to enhance long-term risk-adjusted returns. The low-carbon transition is not only a moral imperative, but also the prime investment opportunity of our generation.
7. Thematic: Human Rights & Diversity

7.1 Approach towards Human Rights
Part of Robeco’s corporate responsibility is its duty to respect and uphold human rights, as outlined in the United Nations (UN) Universal Declaration of Human Rights, and to integrate human rights considerations into its daily business operations. Robeco’s commitment towards human rights outlines the expectation that our employees, suppliers, business partners and portfolio companies will respect human rights in their business activities.

7.1.1 Our commitments
Robeco has signed the UN Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises and lives by these principles and guidelines. Robeco’s human rights approach is furthermore aligned with the International Labor Organization’s (ILO) labor standards and the UN Guiding Principles for Business and Human Rights (UNGPs). Robeco regularly reviews its policy and procedures on human rights, considering feedback from both internal and external stakeholders.

7.1.2 Governance
Day to day responsibility of the human rights policy commitment is assigned to the Active Ownership team, that works in close collaboration with the SI Research team, Investments and the Sustainability Committee. Ultimate responsibility is with the Chief Human Resource Officer and Chief Investment Officer Fixed Income and Sustainability. On a yearly basis, or more frequent, if necessary, the Executive Committee and Supervisory Board receive training on relevant human right developments.

7.1.3 Across the organization
Robeco recognizes that its people are key to achieving its goals, and actively promotes diversity, equal opportunity, human capital development and a positive working environment. Robeco is committed to complying with all applicable laws and to respect internationally recognized human rights wherever the company operates. This is embedded in Robeco’s Code of Conduct for employees, and its expectations towards suppliers and business partners. Employees can anonymously report problems such as unethical behavior through Robeco’s whistleblower channel. More information on Robeco’s responsible business conduct can be found in Section 3. Robeco’s Own Operations.

7.1.4 Integration in investments
As part of our fundamental investment processes, our sustainable investment researchers assess Environmental, Social and Governance (ESG) risks and opportunities of investee companies. This includes an annual evaluation of companies’ human rights risks, which is taken into account by financial analysts and portfolio managers in valuations and portfolio construction. The metrics are taken from the S&P Corporate Sustainability Assessment, which is aligned with the UN Guiding Principles on Business and Human Rights, and include Diversity, Equal Remuneration, Freedom of Association, Human Rights Commitment, Human Rights Due Diligence Process, Assessment, Disclosure, Multi Stakeholder Assessment, Human Capital Development, Talent Attraction & Retention, Corporate Citizenship and Philanthropy, Occupational Health & Safety. Metrics are subject to change and improvement. More information on how ESG risks are integrated in our investment process can be found in Robeco’s Sustainability Risk Policy.

7.1.5 Active Ownership
Robeco believes that a large impact can be made on advancing human rights by actively engaging investee companies and encouraging them to adopt robust human rights policies and practices. As such, we integrate minimum human rights standards in both our engagement and voting asks.

We address human rights risks through our ongoing thematic and enhanced engagement programs. Through the enhanced engagements we engage with investee companies that systematically and severely breach the human rights components of the UNGC principles or of the OECD Guidelines for Multinational Enterprises.

Moreover, seeking collaborative action, we have for instance become an active member of the IMVB covenant on behalf of our clients, an investor collaboration between the Dutch government, NGO’s, companies, trade unions and pension funds, through which we jointly engage on human and labor rights.

Additional information on Robeco’s voting policy, enhanced engagement and collaborative engagement approach can be found in our Stewardship Policy.

7.2 Approach towards Diversity, Equity, and Inclusion

7.2.1 Across the organization
Equal opportunity and no discrimination are key components of the UN Universal Declaration of Human Rights. As described in Section 2: Robeco’s Own Operations, Robeco considers gender, age, ethnic, educational, or other diversity as a key strength when it comes to servicing our clients and growing our company.

Robeco’s Diversity, Equity and Inclusion (DEEi) policy, developed and monitored by our DEEi Committee and Robeco’s Chief Human Resource Officer, lays out the company’s stance and commitment to promoting a diverse and inclusive work environment.

Our long-term ambition is to have a 50% gender balance in Robeco because we want to reflect the diversity of the world in which we work. Thus, we started by setting diversity targets to reach 30% gender diversity in our Executive Committee, 30% gender diversity at the...
senior professional and managerial level, and 50% gender diversity at the professional level. We further strive for pay equity at all levels in the organization. The Human Resource team reviews pay equity data (including male and female turnover and promotions per level) on an annual basis and advises the DE&I Committee on potential issues and actions to be taken. Reporting on our progress, and any potential incidents can be found in Robeco’s Annual Sustainability Report.

7.2.2 Integration in investments
Diversity forms part of the social element of our ESG integration process, particularly where it pertains to human capital, and governance regarding female empowerment at investee companies. As such, we integrate workforce and executive diversity and equality in our company assessments conducted by Robeco’s SI Research team. These assessments, which are taken into account by financial analysts and portfolio managers in valuations and portfolio construction, consider metrics such as Diversity Policy, Gender Diversity, Board Characteristics, Pay Details and Diversity Minority Breakdown.

7.2.3 Active Ownership
Robeco exercises its ownership rights, both voting and engagement, to effect change on company boards and within senior management teams. By integrating gender metrics in our voting policies, as is explained in Robeco’s Stewardship Policy, and by incorporating diversity and inclusion in many of our ongoing engagement themes, we constantly seek to influence companies to improve their policies, practices and transparency around DE&I.

Recognizing the importance of collaborative action, Robeco has become an active member of the 30% Club Investor Group (UK and Brazil Chapters), a collaborative investor group which aims to coordinate the investment community’s approach to diversity. The goal of the 30% Club is to have at least 30% representation of all women on all boards and C-suites globally.

Robeco is also an active participant of stakeholder collaborations that strive to advance human rights and promote corporate diversity. More information on these initiatives can be found in the document Relevant Codes and Memberships.
8. Thematic: Biodiversity & Palm Oil

8.1 Approach towards Biodiversity
Biodiversity is declining faster than at any time in human history, and the pressures driving this decline are still increasing. Over half of the global economy is dependent on well-functioning ecosystems. Further loss of biodiversity could pose risks to financial markets. Nature conservation and restoration is therefore in the direct long-term interest of Robeco’s clients and our investments.

Since a number of years, Robeco has been addressing biodiversity issues through active ownership activities and integration of material biodiversity risks in our investments. Our goal is that latest by 2024, we implement systematic steering on biodiversity risks and impacts throughout our portfolios. To build this capability, we are partnering with academics and peers to develop methods and data. This includes collaborations with the University of Cambridge (CISL), the Platform Biodiversity Accounting Financials (PBAF) and the Taskforce for Nature-related Financial Disclosure (TNFD).

8.1.1 Our commitments
In September 2020, Robeco signed the Finance for Biodiversity Pledge. As a signatory we commit to collaborate, assess biodiversity impacts in our portfolios, and set targets and report on biodiversity matters by 2024 at the latest.

In November 2021, during COP26, we signed on to the Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation. Signatory financial institutions commit to work toward eliminating agricultural deforestation risks in investment portfolios by 2025.

8.1.2 Governance
The governance body for sustainable investing at Robeco is the Sustainability & Impact Strategy Committee (SISC). To deliver on our biodiversity-related commitments, the SISC established a Biodiversity Taskforce (BTF) in 2020, with the purpose of coordinating and driving Robeco’s approach to biodiversity in an overarching and leading strategy. The BTF consists of representatives from the investment teams and SI Center of Expertise. Decision-making topics related to biodiversity are reported by the BTF to the SISC when appropriate.

8.1.3 Integration in Investments
As part of our fundamental investment processes, our sustainable investment researchers assess Environmental, Social and Governance (ESG) risks and opportunities of investee companies. This includes the analysis of material nature-related impacts and dependencies and how these affect business fundamentals. The SI research views are expressed in an SI rating, which is taken into account by financial analysts and portfolio managers in valuations and portfolio construction.

Nature-related risks and opportunities are assessed as follows:

- Climate Change: As one of the key drivers of biodiversity loss, climate change is always assessed. This includes the analysis of climate related risks, opportunities and company transition plans.

- Product Impact: We assess direct operations as well as the impact of products and services on the environment across the value chain. For a number of sectors, such as fast-moving consumer goods, these impacts are closely linked to nature and biodiversity. Negative externalities of products may be (come) subject to regulation, which affects issuers’ cash flows and performance.

- Other key ESG Factors: Based on the financial materiality of nature and biodiversity risks to an industry, we select additional biodiversity-related factors for analysis. For example, supply chain management and raw material sourcing are considered for over 40 sub-industries. This analysis includes the assessment of sustainability certifications such as the Roundtable for Sustainable Palm Oil and the Marine Stewardship Council, among other supply chain criteria. Operational eco-efficiency is also assessed for over 40 sub-industries. More energy and water efficient operations generally have lower impacts on biodiversity. Product stewardship is included for over 20 industries and covers whether a company is measuring environmental impacts across product life cycles. Seven sub-industries, primarily related to mining, have biodiversity stated as a separate material ESG factor that requires assessment.

8.1.4 Active ownership
We leverage our position as shareholder and bondholder to influence how companies and governments mitigate their impacts on society and environment. Environmental issues in the agricultural sector, such as deforestation and the use of agrochemicals in crop production, are recurrent topics in our engagement with companies. We launched a dedicated engagement program focused on biodiversity in the soft commodity sector in 2019.

While engaging with companies is important, the role of governments is key. Early 2020 Robeco helped found the Investor Policy Dialogue on Deforestation (IPDD) through which investors jointly engage with governments (or related organizations) to underlie the value of preserving natural assets and discourage unsustainable land use. The first sovereign engagements were in June 2020 with Brazil and in October with Indonesia.

8.2 Approach towards Palm Oil
In 2019 Robeco beefed up its approach to the palm oil industry by introducing exclusion thresholds for palm oil producers or traders. Our SI Inside funds exclude palm oil companies with less than 50% RSPO certification, and SI Focus and SI Impact fund exclude palm oil companies with less than 80% RSPO certification. In January 2025 the 80% threshold will apply to the entire Robeco fund range. Until that time,
we are conducting enhanced engagements with all investable palm oil companies that do not yet meet the 80% certification thresholds. Key features of the palm oil policy are as follows:

- **Exclusion**: This is monitored by the Exclusions Working Group. We conduct an annual sector screen to benchmark companies according to their share of RSPO-certified land for palm oil cultivation. Data sources include Sustainalytics, RSPO and ZSL-SPOTT. Shortlisted companies with less than 50% of land RSPO-certified are excluded from Robeco’s investable universe from 1 January 2022 onwards. Excluded producers are eligible for re-inclusion and enhanced engagement upon attainment of the 50% RSPO certification threshold.

- **Enhanced engagement**: This focuses on those companies in the investable universe that can benefit most from it, i.e., palm oil producers that have 50-80% of land RSPO-certified. Upon completion of the enhanced engagement program in December 2024, Robeco expects the selected palm oil producers to reach at least 80% of land to be RSPO-certified. Producers who do not reach this threshold will be excluded.

RSPO membership: To support growth of RSPO certification, Robeco joined the RSPO in January 2019 and its Financial Institutions Consultative Group (FICG). The multi-faceted sustainability issues facing the palm oil industry cannot be completely resolved by certification schemes alone. However, leading schemes such as the RSPO play an important role in leveraging the uptake of best practices, increasing transparency, and facilitating monitoring processes. Therefore, Robeco decided to include RSPO certification as the main focus for its palm oil policy.
9. Important information

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