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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. 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.
2. Sustainability: Governance

Sustainability is a key element in Robeco’s corporate strategic plan 2017-2021. 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 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.

2.1.5 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.

2.1.6 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 Sustainability 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 people: their knowledge, skills, experience, commitment and engagement are our most valuable assets. Therefore, we aim to empower them to reach their full potential in an inspiring, engaging and respectful work environment, in which teamwork is fundamental to outperformance.

3.1.1 Performance Management Cycle
Our Performance Management Cycle, supported by our Learning and Development program, offers our people the opportunity to continuously improve themselves. The year-end appraisal meeting is, in our view, not only a moment to assess performance but 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 well-qualified people. This policy enables us to differentiate our people according to performance and reward excellence; it also stimulates them to exhibit desired behavior and discourage undesirable conduct.

3.1.3 Remuneration
We reward our people in a way that encourages them to act in the best interests of our clients and avoid taking unnecessary risks. Our remuneration policy does not discriminate based on gender. Differences in terms of salary range are based on professional experience and education. The women-to-men remuneration ratio calculation only reflects Robeco in the Netherlands, due to insufficient comparable data from offices abroad. Averages have been calculated for the applicable salary ranges in each category. These do not consider such factors as work experience and relevant education. ‘Broadbanding’ is used for the senior/middle management category, where jobs of different levels are placed in the same ’band’. Collective bargaining agreements are only applicable to employees in France, Spain and Italy. The policy, amendments to it and actual compliance of remuneration practice are audited internally each year. Remuneration levels for all employees are benchmarked annually against the standards of market data provider McLagan. For specific teams or functions, we occasionally request tailor-made assessments from McLagan. Any changes made by the regulators to applicable legislation or guidelines that lead to the amendment of a remuneration policy, approach or practice are reviewed by independent external parties. Each individual employee’s fixed salary is determined on the basis of their role and experience according to the salary ranges, and with reference to the benchmarks of the investment management industry in the relevant region. 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 provided.

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 objectives.

How we work on our diversity, inclusion and non-discrimination
We recognize that a company’s ability to retain talent is an important driver in promoting diversity, and an overall contributor to its sustainability performance. We aim to have a diverse global workforce in terms of gender, age, cultural background and education to ensure diverse opinions. This leads to much richer debates and helps us arrive at better decisions, come up with better ideas, and ultimately, achieve better results for our clients. More details with regards to these topics are shared in subsequent chapters.

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. Three of the 17 goals are related to this issue: an end to poverty (SDG 1), 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. Therefore, 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
Sustainability requirements are integrated in our purchasing criteria and our Request-for-Proposal (RfP) processes, and our purchasing team applies these consistently. In vendor selection, if competing suppliers score equally on all criteria, we select the most sustainable offer. We expect our suppliers to respect the principles of sustainable procurement. 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 limit the environmental effects of our business operations as much as possible. Our head office in Rotterdam has a four-star (excellent) BREEAM-NL new-building certificate from the Dutch Green Building Council, and receives all its energy from Dutch windmills. We reduce the number of travel movements with our flexible workplace concept, and by providing employees with a smartphone and laptop so they can work at home or elsewhere, reducing commuting. Company cars in the Netherlands are low emission-certified or lie within low-emission ranges.

We use the latest technology for video conferencing and thereby limit traveling between our offices and clients as much as possible. In February, we selected AFS Energy to achieve CarbonNeutral® certification by reducing CO2 emissions to net zero. All our business flights from and to the Netherlands are compensated via AFS Energy. 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 target renewable energy sources for 80% of the electricity used in our offices. For waste management, we use separated waste processing and recycling. 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.

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 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:

- 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
- 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

Sustainability research philosophy

All of our investment strategies are based on extensive research. Sustainability research ensures that this long-term view is incorporated into our investment strategies. Robeco uses the SI research team as a basis for this. The starting point for Robeco is the financial materiality framework, which draws upon more than 20 years of experience in integrating sustainability into the investment process. For 60 industries Robeco’s Sustainable investing analysts (SI analysts) conduct a financial materiality analysis to identify those sustainability factors that drive business value and that have the greatest impact on the long-term valuation assumptions used in financial analysis. It leverages Robeco’s quantitative research, which identifies which intangible factors have demonstrated the clearest correlations to past financial performance.

Most importantly however, the materiality analysis draws upon the experience of the SI industry analysts, who determine which long-term economic, social or environmental factors are likely to have the most significant impact on a company’s business value drivers of growth, cost or risk, and ultimately, future financial performance. This research is taken into account in Robeco’s investment processes wherever it is applicable.

Sustainability policy framework

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 policy as well as our Stewardship policy.

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

- 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.
- 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.
- Impact strategies invest in companies helping 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.

In this chapter we describe how we apply the sustainability research in our investment strategies to make sure we identify and manage long-term risks and opportunities.

4.1 Quantitative equity

4.1.1 Conservative and Factor Investing

Environmental, Social and Governance (ESG) factors are systematically
integrated in the highly disciplined investment process, by using the ESG scores from the S&P Corporate Sustainability Assessment. The ESG integration aims for a total ESG score of the portfolio higher than the index.

This ensures that stocks with higher ESG scores are more likely to be included in the portfolio while stocks of companies that have very poor ESG scores are more likely to be divested from the portfolio. With these portfolio construction rules we aim for an ESG profile of the fund that is above average compared to its peers. In addition, stocks with corporate governance issues or stocks that have major litigation or regulatory risk may be excluded from the investable universe. Next to ESG integration, Robeco has an exclusion policy and conducts proxy voting and engagement activities.

4.1.2 Core Quant equities
Environmental, Social and Governance (ESG) factors are systematically integrated in every step of the investment process, by using the ESG scores from the S&P Corporate Sustainability Assessment. First, the strategy adheres to Robeco’s general exclusion policy and stocks with corporate governance issues or major litigation or regulatory risks may be excluded from the investable universe as well. Second, ESG factors are part of the stock selection model as companies that are transparent on sustainability possess quality characteristics. Third, ESG factors are integrated in the portfolio construction process as we want to have a positive exposure towards sustainable companies reflected in an aggregate ESG score of the portfolio that aims to be higher than the score of the index. The result: stocks with higher ESG scores are more likely to be overweighted in the portfolio, while stocks of companies that have poor ESG scores are more likely to be underweighted in the portfolio. In addition to these dimensions of sustainability integration, Robeco conducts proxy voting and engagement activities which may be reflected in portfolio positioning as well.

4.1.3 Sustainable Conservative & Factor Investing
Environmental, Social and Governance (ESG) factors are systematically integrated in the highly disciplined investment process, by using the ESG scores from the S&P Corporate Sustainability Assessment. The ESG integration aims for a total ESG score of the portfolio that is at least 20% higher than the index. Moreover, the scores on the Environmental, Social and Governance dimensions should also be at least 10% higher than the index, to ensure that the ESG enhancement is reached across all three dimensions. This ensures that stocks with higher ESG scores are more likely to be included in the portfolio while stocks of companies that have very poor ESG scores are more likely to be divested from the portfolio. In addition, the environmental footprint of the fund is improved by restricting the GHG emissions, energy consumption, water use and waste generation, aiming for minimal 20% stricter levels than the index. As a result, stocks with relatively low footprints have a higher probability of being selected in the portfolio compared to stocks with poor environmental footprints. Thirdly, the fund will not invest in companies exposed to the following controversial sectors or business practices: military contracting, controversial weapons, gun manufacturing, tobacco, gambling, adult entertainment, palm oil, thermal coal, and alcohol, according to strict revenue thresholds.

4.1.4 Quantitative Sustainable Global Enhanced Indexing Equity
Environmental, Social and Governance (ESG) factors are systematically integrated in the highly disciplined investment process, by using the ESG scores from the S&P Corporate Sustainability Assessment. The ESG integration aims for a total ESG score of the portfolio that is at least 30% higher than the index. This ensures that stocks with higher ESG scores are more likely to be overweighted in the portfolio while stocks of companies that have very poor ESG scores are more likely to be underweighted in the portfolio. In addition, the environmental footprint of the fund is improved by restricting the GHG emissions, energy consumption, water use and waste generation, aiming for minimal 20% stricter levels than the index. As a result, stocks with relatively low footprints have a higher probability of being selected in the portfolio compared to stocks with poor environmental footprints. Thirdly, the fund will not invest in companies exposed to the following controversial sectors or business practices: military contracting, controversial weapons, firearms, UN Global Compact breaches, tobacco, palm oil and thermal coal, according to strict revenue thresholds.

4.1.5 Core Quant Sustainable Emerging Markets
Environmental, Social and Governance (ESG) factors are systematically integrated in the highly disciplined investment process, by using the ESG scores from the S&P Corporate Sustainability Assessment. The ESG integration aims for a total ESG score of the portfolio that is at least 20% higher than the index. Moreover, the scores on the Environmental, Social and Governance dimensions should also be at least 10% higher than the index, to ensure that the ESG enhancement is reached across all three dimensions. This ensures that stocks with higher ESG scores are more likely to be overweighted in the portfolio while stocks of companies that have very poor ESG scores are more likely to be underweighted from the portfolio. In addition, the environmental footprint of the fund is improved by restricting the GHG emissions, energy consumption, water use and waste generation, aiming for minimal 20% stricter levels than the index. As a result, stocks with relatively low footprints have a higher probability of being selected in the portfolio compared to stocks with poor environmental footprints. Thirdly, the fund will not invest in companies exposed to the following controversial sectors or business practices: military contracting, controversial weapons, fire arms, UN Global Compact breaches, tobacco, gambling, adult entertainment, palm oil, thermal coal and alcohol, according to strict revenue thresholds.
4.2 Fundamental Equity

4.2.1 Fundamental equity strategies
All fundamental equity strategies integrate ESG factors into the investment process by analyzing the impact of financially material ESG factors to a company’s competitive position and value drivers. We believe that this enhances our ability to understand existing and potential (long-term) risks and opportunities of a company. The impact of material ESG factors can be positive or negative, reflecting risks or opportunities, that ensue from a company’s ESG analysis. If ESG risks and opportunities are significant, the ESG analysis could impact a stock’s fair value and the portfolio allocation decision. In addition to ESG integration, Robeco also has an exclusion policy and conducts proxy voting and engagement activities focused on specific themes, such as climate change, aiming to improve a company’s sustainability profile.

4.2.2 Sustainable fundamental equities strategies
All sustainable fundamental equity strategies integrate ESG at different stages of the investment process. We use sustainability performance rankings to focus our fundamental analysis on companies that have demonstrated superior sustainability performance compared to their peers. We then analyze the impact of financially material ESG factors to a company’s competitive position and value drivers. We believe that this enhances our ability to understand existing and potential risks and opportunities of a company. If ESG risks and opportunities are significant, the ESG analysis could impact a stock’s fair value and the portfolio allocation decision. Throughout the investment process, we strive for a low environmental impact, as measured by GHG emissions, energy consumption, water use and waste generation, with the aim of realizing 20% better levels than the index. In addition to ESG integration, Robeco conducts proxy voting and engagement activities focused on specific themes, such as climate change, aiming to improve a company’s sustainability profile. Furthermore, the fund will not invest in companies exposed to the following controversial sectors or business practices: military contracting, controversial weapons, firearms, UN Global Compact breaches, tobacco, unsustainable palm oil production, military contracting, firearms, thermal coal, nuclear power, alcohol, gambling, and adult entertainment. There are certain thresholds like 0% tolerance for controversial weapons while other criteria have thresholds like 5, 10% or sometimes 20%. In addition, some theme specific exclusions are applied.

4.2.3 RobecoSAM Impact and Thematic strategies
All the RobecoSAM thematic impact investing strategies are designed to make a measurable environmental or societal impact. The strategies employ systematic, bottom-up stock selection that combines proprietary Environmental, Social & Governance (ESG) data and research throughout the investment process. An in-house Sustainable Investing (SI) research team integrates financially-material sector and company-specific sustainability analysis into investment cases. A dedicated thematic equity team incorporate SI research within fundamental analysis and stock valuations. Impact assessments of controversial incidences affecting portfolio holdings provide additional risk management. An active ownership and engagement team interacts directly with company management of fund holdings, offering additional channels for sustainable impact. All the funds contribute to the UN Sustainable Development Goals. Our investment universe excludes companies that are involved in any of the following activities: Global Compact breaches, controversial weapons, tobacco, unsustainable palm oil production, military contracting, firearms, thermal coal, nuclear power, alcohol, gambling, and adult entertainment. There are certain thresholds like 0% tolerance for controversial weapons while other criteria have thresholds like 5, 10% or sometimes 20%. In addition, some theme specific exclusions are applied.

4.3 Fixed Income strategies

4.3.1 Fundamental Credits and High Yield
Our analysis of issuers goes beyond the traditional financial factors and includes the issuers’ performance on ESG factors. We deem it essential for a well-informed investment decision to consider those ESG factors that have the potential to materially impact the financial performance of the issuer. This perfectly matches the basic need to avoid the losers in credit management, as many credit events in the past can be attributed to issues such as poorly designed governance frameworks, environmental issues, or weak health & safety standards.

The aim of ESG integration is to improve the risk/return profile of the investments and does not have an impact goal. ESG analysis is fully integrated in the bottom-up security analysis. We have defined key ESG factors per industry, and for every company we analyze how the firm is positioned versus these key ESG factors, and how this impacts the fundamental credit quality.

4.3.2 Quantitative credits, Factor Credits and Conservative credits
ESG analysis is systematically incorporated in the highly disciplined investment process. This ensures that companies with higher ESG scores are more likely to be included in the portfolio, and vice versa. With these portfolio construction rules we aim for an ESG profile of the fund that is above that of the reference index. In addition, our credit analysts use external sources to identify additional ESG risks, e.g. corporate governance issues or companies that have major litigation or regulatory risks. If these ESG risks may result in a material financial impact, we will not invest in these companies.

4.3.3 SDG Credit strategies
In the SDG credit strategies, we look for investments with a positive societal impact, whilst generating healthy financial returns. We define impact as an alignment with the UN Sustainable Development Goals (SDGs). We identify and evaluate the impact that specific credits have on the SDGs and score all the issuers under coverage of the analysts’ team. These scores categorize credits as having either a Positive, Neutral, or Negative impact on the SDGs. The scores are then used in a screening
process, to define the investable universe that exclude credits with a Negative impact on the SDGs. In addition to the universe screening, our credit analysts integrate ESG factors in their analysis of the companies’ fundamental credit quality to strengthen our ability to assess the downside risk of our credit investments. Furthermore, the portfolio’s environmental footprint is actively reduced, and a part of the portfolio is allocated to green bonds.

4.3.4 Climate strategies
Climate change considerations are fully integrated in the research process, from an impact and risk perspective. The greenhouse gas emission intensity of issuers is a starting point for determining the impact on climate change, and in our research process we add a forward-looking element by assessing the decarbonization potential, strategy and targets. This is to ensure the strategy follows the desired decarbonization trajectory. This may include issuers whose emissions are currently high and that are making an effort to reduce these. Our approach is to invest in sovereign and corporate issuers that allocate capital towards sustainable economic activities.

Our analysis of issuers goes beyond the traditional financial factors and includes the issuers’ performance on ESG factors. ESG factors play an important role in the investment process, including climate related risks, both in country analysis and credit analysis. We deem it essential for a well-informed investment decision to take into account those ESG factors that have the potential to materially impact the financial performance of the issuer, including risks stemming from climate change. This perfectly matches the basic need to avoid the losers in credit management, as many credit events in the past can be attributed to issues such as poorly designed governance frameworks, environmental issues, or weak health & safety standards. ESG analysis is fully integrated in the bottom-up security analysis. For investments in sovereigns, Country Sustainability Ranking and underlying research is used as input for assessment of the structural outlook for a country. For credits, the ESG analysis is part of the fundamental scoring by the sector analyst.

4.3.5 Fundamental Government Bonds
In our government bond portfolios, the active country allocation is based on a combination of top-down and bottom-up analysis. In the bottom-up analysis, besides financial health and economic cycle, ESG criteria are an integral part of our analysis. For our top-down analysis, our in-house developed RobecoSAM Country Sustainability Ranking (CSR) is used in our country allocation decisions. The CSR acts as an early-warning system which helps us to identify problems as well as opportunities in countries well before they are reflected in spreads or are picked up by the rating agencies.

4.3.6 Emerging debt
For Robeco Emerging Debt, ESG factors play an important role in the investment process, both in country analysis and credit analysis. For sovereigns, the Country Sustainability Ranking and underlying research is used as input for assessment of the structural outlook for a country. For credits, the ESG analysis is part of the structural outlook for a country. For credits, the ESG analysis is part of the fundamental scoring by the sector analyst. Analysts include Robeco’s sustainability data and use external sources to make an ESG assessment as part of the fundamental analysis.

4.3.7 Quantitative Government Bonds
In line with Robeco’s Exclusion Policy, we exclude government bonds issued by controversial countries from the investable universe of this fund.

4.3.8 Aggregate Fixed Income
For Robeco Global Total Return Bond Fund, ESG factors play an important role in the investment process, both in country analysis and credit analysis. For investments in sovereigns, the Country Sustainability Ranking and underlying research is used as input for assessment of the fundamental outlook for a country. For credits, the ESG analysis is a fixed part of the fundamental analysis by the credit analyst.

4.3.9 Loans Capability
BLF lends to - in general – relatively small companies (e.g. companies that generate revenues between EUR 50-250mln per annum). As such, most companies in the portfolio are not covered by any (external) ESG data provider. However, our relevant sector analysts do have deep industry knowledge on potential ESG-factors that we integrate in every loan analysis and discuss during all credit committees. We also use input from conversations with the borrower and the participating bank. We focus on ESG-risks which could materially and financially alter the investment case. The factors discussed are diverse from Corporate Governance issues, supplier risks, exposure to bribery to reputational issues. The loan documentation also often contains specific clauses regarding environmental issues. Please note that all our partner banks also check ESG-factors in their credit process. Nevertheless, Robeco’s ESG policy is leading in all cases.

4.4 Quantitative Multi-asset and other strategies

4.4.1 Quantitative multi-asset strategies
Environment, Social and Governance (ESG) aspects are systematically integrated in our highly disciplined investment process in several ways. Firstly, the portfolio’s ESG score is substantially better than the market. Also, the environmental footprint on greenhouse gas emissions, energy consumption, water use and waste generation is expected to be substantially lower than the market. Furthermore, we apply an extensive exclusion list covering various controversial sectors or business practices and we continuously monitor our universe for companies with corporate governance issues, major litigations or regulatory risk. Finally, we conduct proxy voting and engagement activities to improve companies’ behavior on ESG themes. Our enhanced form of ESG integration ensures we avoid the risk of being overexposed to less sustainable companies and results in an ESG profile of the fund that is, on average, substantially better than that of its peers.
4.4.2 Global Diversified Carry
Robeco is dedicated to Sustainable investing and we integrate sustainability aspects into our investment processes wherever possible. As the Global Diversified Carry fund takes positions at the market-level via liquid derivatives, sustainability integration at the company-level is not applicable to this fund. However, in Global Diversified Carry sustainability integration is materialized in the exclusion of countries that Robeco deems to be unsustainable, for example due to serious violations of human rights.

4.4.3 LDI and matching strategies
Robeco is dedicated to Sustainable investing and we integrate sustainability aspects into our investment processes wherever we find this has added value and wherever this is possible. Next to ESG integration, Robeco has an exclusion policy, were we exclude government bonds issued by controversial countries from the investable universe. The scope of issuers of bonds within these strategies are very limited. The strategies only hold positions in Core Euro government bonds for reasons of liquidity and creditworthiness. Therefore, the investment universe and the type of investments of the fund are such that it is not feasible to integrate ESG factors into the investment processes. In some strategies there is a limited position in credit funds of Robeco. Within this allocation ESG integration is an integral part of the investment process.

We offer one LDI strategy for which Sustainability is an important factor within the investment process. Environment, Social and Governance (ESG) aspects are systematically integrated in our highly disciplined investment process in several ways. We apply an extensive exclusion list covering various controversial countries, sectors or business practices and we continuously monitor our universe for companies with governance issues, major litigations or regulatory risk. For investments in sovereigns, the Country Sustainability Ranking and underlying research is used as input for assessment of the structural outlook for a country. Furthermore, the strategy holds a substantial position in green bonds, and we take into account sustainability scores of brokers we select for executing transactions.

4.5 Robeco ONE and lifecycle funds

4.5.1 Robeco ONE, Robeco Multi Asset and the Life Cycle funds
Robeco ONE primarily invests in funds of the Robeco Group. Robeco is dedicated to Sustainable investing and we integrate sustainability aspects into our investment processes wherever possible. The equity funds in the portfolio use the Smart ESG score framework that finds companies with better management of risks and opportunities. Besides that, the Robeco exclusions policy applies in areas of controversial products or business practices. The bond funds in the portfolio also apply to the ESG integration standards, as well as to the exclusions policy, were government bonds issued by controversial countries from the investable universe are excluded. Capabilities from other asset managers might be selected if no comparable Robeco product is available. Such funds are currently out of the scope of the sustainability screening.

4.5.2 Robeco Multi Asset Sustainable and Robeco ONE Duurzaam
Robeco Multi Asset Sustainable primarily invests in funds of the Robeco Group. The thematic impact funds in the portfolio intentionally seek measurable social and environmental benefits alongside a financial return. The funds in the portfolio apply the Smart ESG score framework that finds companies with better management of risks and opportunities. Besides that, the Robeco exclusions policy applies in areas of controversial products or business practices. The bond funds in the portfolio also apply to the ESG integration standards, as well as to the exclusions policy, were government bonds issued by controversial countries from the investable universe are excluded. To avoid conflicts with the Robeco ESG standards, capabilities from other asset managers aren’t selected.
5. 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.

For these reasons Robeco commits to work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management. In addition, we have 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.

5.1 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 Sustainability Research, Active Ownership, Risk Management 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.

5.2 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 well below 2°C. This applies to those assets 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

**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 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.

**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.

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.

**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.

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.
5.3 Climate data and carbon accounting

5.3.1 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.
5.3.2 Carbon accounting
We are developing an operational carbon accounting data infrastructure: a prototype that 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 all our equity and corporate debt investments.

5.4 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-economic 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.

5.5 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. Collaboration is important to achieve our engagement goals. We play an active role in several climate change collaboration platforms, most notably the Climate Action 100+ initiative.

5.6 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. 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.

5.6.1 Climate-related exclusions
All Sustainability Focused funds and thematic and SDG funds are divested from mining companies which derive more than 10% of their revenue from thermal coal, and from power producers with more than 10% of thermal coal-related revenue.

Thermal coal is predominantly used in power generation and is more carbon intensive than other sources of energy such as oil and gas. We focus on thermal coal because we consider that power generators have a choice of technologies and we expect them to move towards lower carbon alternatives.

5.7 Decarbonization of portfolios
Our ambition is to decarbonize assets under management. This ambition applies to those assets where we have discretion over the investment approach, and so excludes client-specific mandates and client-specific funds.

We will decarbonize the portfolios for two reasons:
- Risk-adjusted return perspective: in the mid-term, we see transition and physical climate change issues as a risk to investment returns. We believe that carbon-intensive sectors and companies will be more affected by these risks.
- Systemic perspective: in the long term, climate change needs to
be solved in order to keep our societies and economies afloat. We believe the Paris Climate Accord is setting the right path for this. We are therefore committed to reaching the goals of the Paris Agreement and the Dutch climate accord. We acknowledge that decarbonizing portfolios does not directly decarbonize the companies we invest in, nor the economy. However, we do believe that active asset allocation decisions can make a difference in society. We understand that the direct impact that can be made in secondary markets shorter term might be low. This is where fixed income and equity markets inherently differ, and were engagement versus denying financing might have different roles to play in different asset classes. That is why we apply both instruments for this purpose and use them effectively.

This means that we plan to decarbonize portfolios. As explained in this climate change policy we are taking action towards having the appropriate data and tooling in place, so that we can assess the expected consequences on our investment strategies. To this end we use a number of different metrics and targets to assess and control relevant risks and opportunities.

5.7.1 Metrics
Different industry standards recommend different metrics. Each metric has its advantages and disadvantages. We measure carbon exposure using two main metrics.

5.7.2 Weighted average carbon intensity
In line with the TCFD disclosure suggestion, we have measured the carbon intensity of our investments using the weighted average carbon intensity (WACI) approach, which makes emissions comparable across companies by dividing carbon emissions by revenues in a given year for each company we invest in.

The WACI approach is often used with the purpose of assessing carbon risks.

5.7.3 Carbon footprint
In line with the EU taxonomy disclosure requirements for climate benchmarks and the Partnership for Carbon Accounting Financials (PCAF), we have also measured the carbon footprint of our investments by attributing carbon emissions to their share of enterprise value, broadly defined as the combined value of equity and net debt.

This metric is aligned with ownership of carbon emissions and therefore often used to decarbonize portfolios with the systemic perspective in mind (normative).

5.7.4 Setting targets
In line with the International Panel on Climate Change’s recommendation to halve global greenhouse gas emissions by 2030 and reduce them to net zero by 2050, we have adopted the following approach: data, research and tooling are necessary.

We are increasing investment in resources in this area to ensure that our subsequent decisions and commitments are well researched. So far, we have performed an initial analysis to understand our carbon exposures. In the course of 2021, before the UN Climate Summit COP-26, we will announce our net zero roadmap and interim targets for 2025.

5.8 Footprint and impact reporting
Robeco offers its clients full reporting on GHG emissions for all portfolios managed, using both intensity and ownership metrics. For our Sustainability Focused fund range the GHG footprint is also part of the public reporting in the monthly Portfolio Manager’s Update.

Impact reporting is also available for the thematic funds with a focus on investing in companies that contribute to sustainable development. An example is shown in the figure below.
effective way by 2030. Our contribution could comprise a combination of approaches, including CO2 reduction targets for portfolios where possible, engagement, and financing CO2-reducing projects. However, targets have not been officially set, as further

5.9 Scope of the climate change strategy
The different elements of the climate change strategy and how they are applied to our fund range is depicted below:

<table>
<thead>
<tr>
<th>Scope of the Climate Change Strategy</th>
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<th>2</th>
<th>3</th>
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6. Thematic: Human Rights

6.1 Introduction
Part of Robeco’s corporate responsibility is its duty to respect and uphold human rights, as outlined in the 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. Robeco has signed the United Nations Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises and lives by these principles and guidelines. Robeco’s human rights approach is thus aligned with the UNGC and OECD Guidelines, as well as the United Nations Universal Declaration of Human Rights, the International Labor Organization’s (ILO) labor standards and the United Nations Guiding Principles for Business and Human Rights (UNGPs). Robeco regularly reviews its policy and procedures on human rights, taking into account feedback from both internal and external stakeholders.

6.2 Internal Human Rights 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.

6.3 Human rights in our organization

6.3.1 Employees
Robeco can only be successful if its employees are empowered and committed to the ambitions and core values of the company. 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 for its employees. Robeco is committed to complying with all applicable laws and to respect internationally recognized human rights wherever the company operates including the Universal Declaration of Human Rights. This is embedded in Robeco’s Code of Conduct for employees. Employees can anonymously report problems such as unethical behavior through Robeco’s whistle blower channel.

6.3.2 Purchasing
Sustainability requirements are integrated in our purchasing criteria and our Request-for-Proposal (RFP) processes, and our purchasing team applies these consistently. In vendor selection, if competing suppliers score equally on all criteria, we select the most sustainable offer. We expect our suppliers to respect the principles of sustainable procurement. In addition, our way of working is reflected in several internal policies (know your vendor, due diligence, and Robeco Responsible Purchasing, among others) which are continuously monitored, further developed and updated.

6.3.3 Clients
Robeco requires its employees to conduct business in a way which respects human rights. We consistently think and act in the best interest of our clients. We want to enable our clients to achieve their financial and sustainability objectives through superior investment returns and solutions. A good match between our products or services and our client’s profile is key in our approach. 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.

6.4 Human rights in our Investments
As outlined in Chapter 4: ESG Integration, Robeco utilizes a variety of tools to integrate human rights information into its investment process.

We believe most material human and labour rights risks relate to salient human rights issues, the human rights at risk of the most severe negative impact through the company’s activities and business relationships. Human rights violations affect a companies’ license to operate. We are an active member of the IMVB covenant, a collaboration on responsible investment between the Dutch government, NGO’s, companies, trade unions and pension funds, on behalf of we clients. In this covenant, we jointly engage in the deep track on human rights issues and labour rights. Amongst others, we identify material risks via the S&P Corporate Sustainability Assessment (CSA) in an annual evaluation of companies’ sustainability practices, including human rights metrics. These metrics are aligned with the UN Guiding Principles on Business and Human Rights and were developed in consultation with SHIFT. Indicators for Labor Practices and Human Rights include Diversity, Equal Renumeration, 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.

In addition, Robeco believes that a large impact can be made on advancing human rights by actively engaging investee companies on human rights. Through active ownership Robeco encourages its investee companies to adopt robust human rights policies in line with the UNGC and other human rights principles. Since 2005 Robeco has motivated investee companies to improve their practices related to environmental, social and corporate governance (ESG) issues.

Robeco’s engagement activities cover its equity and fixed income (both
credits and government bonds) portfolios and includes companies worldwide. An important part of Robeco’s active ownership program, called enhanced engagement, concentrates on companies that systematically and severely breach the UNGC principles and/or OECD Guidelines for Multinational Enterprises. These frameworks make reference to the minimum responsibilities that business have to meet in order to respect human rights and is part of our due diligence process. If an enhanced engagement dialogue does not lead to the desired result, Robeco’s Sustainability and Impact Strategy Committee may decide to exclude the company in question for investments. The process of enhanced engagement is a formal part of Robeco’s exclusion policy. More information on this program and broader human rights expectations can be found in the Stewardship Policy.

Robeco is also an active participant of stakeholder collaborations that strive to advance human rights. More information on these initiatives can be found in the document Sustainable Investing Memberships, Statements, and Principles.
7. Thematic: Diversity

7.1 Introduction
A diversified workforce helps ensure the different points of view that are necessary for Robeco to stay at the forefront of the rapidly changing world of asset management. Diversity also allows us to continue to engage with our growing global client base and gives us the out-of-the-box ideas that make us better investment engineers — well-prepared for today’s challenges and ready to shape our future. A diverse and inclusive workforce is also crucial for us if we are to attract and retain the top talent we want and need.

7.2 Internal Diversity Governance
Responsibility for the Diversity policy is with Robeco’s Chief Human Resource Officer. Developments are discussed in a formal Diversity Committee.

7.3 Diversity in our organization
We aim to have a diverse global workforce in terms of gender, age, cultural background and education to ensure diverse opinions. This leads to much richer debates and helps us arrive at better decisions, come up with better ideas, and ultimately, achieve better results for our clients.

7.3.1 Gender
Research has shown that the benefits of gender diversity are most effective around the peak point of about 30%. We aim for all our teams to reach at least a 30% gender-diversity level.

7.3.2 Age
We aim to have the optimal combination of all generations X, Y, Z within our company. We want at least 10% of our staff to be aged below 30 and at least 20% of our workforce to be over 50, as this will provide us with the age diversification we need.

7.3.3 Cultural background
Different research sources have encouraged us to also look at cultural and ethnical diversity as factors that support long-term success in terms of productivity and financial returns. For all our teams we aim to have a cultural diversity level of at least 30%, as measured by the number of people that were not born in the country in which they work.

7.3.4 Education
Of course, we are an asset manager, so it is logical to expect us to employ many financial and economic experts. However, we strive to incorporate a full range of points of view in every decision we take, so we need to diversify in terms of educational background as well. An optimally diversified team at Robeco should therefore contain people from at least four different educational backgrounds.

In addition to the above-mentioned points, discrimination of any type will not be tolerated. The principle of equal opportunity applies to all employees and is an explicit component of application procedures. All vacancies are widely advertised, and no groups are excluded. All qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, sexual orientation, gender identity, disability or any other characteristic. Temporary or part-time employees are proportionally entitled to the same benefit packages provided to full-time employees with a permanent contract. A procedure for reporting cases of discrimination is in place. On an annual basis, an online survey measures overall engagement and satisfaction among our employees.

Reporting on progress on targets, and any potential incidents can be found in Robeco’s Annual Sustainability Report.

7.4 Diversity and Investments
As outlined in Chapter 4: ESG Integration, Robeco utilizes a variety of tools to integrate diversity metrics information into its investment process.

Amongst others, we identify material risks via the S&P Corporate Sustainability Assessment (CSA) in an annual evaluation of companies’ sustainability practices, including diversity metrics. These metrics are aligned with the UN Guiding Principles on Business and Human Rights and were developed in consultation with SHIFT. Indicators for Diversity relate to amongst others Diversity Policy, Gender Diversity, Board Characteristics, Pay Details and Diversity Minority Breakdown. Metrics are subject to change and improvement.

In addition, Robeco believes that a large impact can be made on advancing diversity by actively engaging investee companies on this topic. Since 2005 Robeco has encouraged investee companies to improve their practices related to environmental, social and corporate governance (ESG) issues. In the Stewardship Policy, more information can be found on what we expect from investee companies, and how we perform proxy voting and engagement to drive progress on diversity.

Robeco is also an active participant of stakeholder collaborations that strive to promote corporate diversity. More information on these initiatives can be found in the document Sustainable Investing Memberships, Statements, and Principles.
8. Thematic: Palm Oil

8.1 Introduction
Robeco decided to take the next step in its engagement with the palm oil industry. Robeco's new approach is a combination of enhanced engagement and Sustainable investing methodology. With enhanced engagement, we formulate minimum standards that companies need to meet after three years of engagement, to ensure eligibility in our investment universe. Currently, the enhanced engagement program is based on the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises.

For this addition to our enhanced engagement program, Robeco conducts a sector screen that benchmarks companies according to their share of RSPO-certified land for palm oil cultivation. The screen aggregates information from RSPO and ZSL-SPOTT and is primarily based on two key sources - the Annual Communication on Progress (ACOP), which all RSPO members are required to submit, and the latest available results of the ZSL-SPOTT benchmark. The sector screen is complemented with a company-specific assessment of relevant policies, key ESG risks and controversies. With this new approach to palm oil, Robeco reinforces their commitment to contribute to the transition to a more sustainable industry.

8.2 Governance of Palm Oil approach
The implementation of the palm oil policy is monitored by the Exclusions Working Group. This working group is advised by dedicated specialists from our Active Ownership and SI Research team. In addition, the Biodiversity Taskforce monitors developments, and sets targets with regards to broader the biodiversity theme.

8.3 RSPO membership
Robeco joined the RSPO in January 2019 to support the growth of RSPO certification. Furthermore, Robeco became a member of the RSPO Financial Institutions Technical Forum (FITF). The FITF enables conversations with peers to exchange best-practice examples and align efforts.

The multi-faceted sustainability issues facing the industry can’t 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 the new engagement program. For companies directly involved in palm oil production, three main categories based on the percentage of RSPO certified land for palm oil cultivation are used: under 20%; 20%-80%; and over 80%.

8.4 Exclusion of laggards
Robeco has identified palm oil producing companies in its investment universe for whom less than 20% of land is RSPO certified. Robeco has engaged with the affected companies in previous programs, but this dialogue has not led to the required improvements. Therefore, the shortlisted companies will be excluded from Robeco’s investable universe from 1 March 2019. The excluded producers are eligible for re-inclusion and enhanced engagement upon attainment of the 20% RSPO certification threshold.

8.4.1 RSPO certification breakdown
0-20% Exclusion
20-80% Enhanced engagement
80-100% SI Focus range

8.5 Enhanced engagement
Robeco focuses the enhanced engagement program on those companies in the investable universe that can benefit most from it; namely palm oil producers that have 20%-80% of land RSPO certified. The main goal of the three-year enhanced engagement program is to support companies in improving material sustainability issues. Upon completion of the enhanced engagement program in December 2021, Robeco expects the selected palm oil producers to reach at least 50% of land that is RSPO certified. Producers that have not reached this threshold at the end of the engagement program will be excluded. We believe that these companies which currently have a lower percentage RSPO certification are able to meet the 50% threshold within three years, bringing them to a substantially better sustainability performance from today’s low base.

8.6 Investing in sustainable palm oil
In Robeco’s Sustainable investing Focus and Impact strategies, we apply a minimum threshold of at least 80% RSPO-certified plantations for palm oil-producing companies. These companies are further screened for controversies, and whether they have general corporate sustainability programs and policies. This robust approach ensures that only those producers that have a solid track record in responsible production are eligible for investment.
9. Important information

This report has been carefully prepared and presented by Robeco Institutional Asset Management B.V. (Robeco), which is incorporated in the Netherlands. It is solely intended to provide the reader with information on corporate responsibility within Robeco. It does not constitute an offer to sell or solicitation of an offer to buy any investment product or program offered by Robeco and is not intended to be used as the basis for an investment decision.

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