

# Sustainable Investment Approach Funds in scope for Towards Sustainability Label

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January 2026

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## 1. Scope

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This document applies to the following funds and strategies:

**Equity funds**

Robeco Circular Economy  
Robeco Global SDG Equities  
Robeco Biodiversity Equities  
Robeco Fashion Engagement  
Robeco Smart Energy  
Robeco Smart Materials  
Robeco Smart Mobility  
Robeco Healthy Living  
Robeco Sustainable Water  
Robeco QI Global SDG & Climate Conservative Equities  
Robeco Chinese A-share Equities  
Robeco Global Multi-Thematic  
Robeco Sustainable Emerging Stars Equities  
Robeco Sustainable Property Equities  
Robeco New World Financials

**Fixed Income Funds**

Robeco Euro SDG Credits  
Robeco Global Green Bonds  
Robeco High Income Green Bonds  
Robeco Euro Government Bonds  
Robeco Climate Euro Government Bond UCITS ETF

## 2. Policies and ESG approaches that apply to the funds

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In this document we outline the Sustainability related policies and ESG approaches used by the Robeco funds that have the Towards Sustainability label and/or apply for the label. We also address the areas of concern for sustainable investors and how these funds take these issues into account. Robeco sees sustainability as a long-term driver for structural change in countries, companies and markets. And companies with sustainable business practices are more successful.

### 2.1 Policies and Frameworks

Robeco has many policies, frameworks and reports that underpin our sustainable investment approach. These range from sustainability and engagement reports to policies regarding our frameworks for the SDGs, green bonds, and thematic funds.

An overview of our policies and reports is available on our webpage:

<https://www.robeco.com/en-int/sustainable-investing/sustainability-policies-and-positions>

Below an overview is provided of the most relevant Robeco policies and Frameworks for the funds in scope and reference to the key topics as addressed in the Towards Sustainability Quality Standard ('Quality Standard').

Robeco Sustainability Integration Approach and Guidelines:

<https://www.robeco.com/files//docm/docu-sustainability-integration.pdf>

Robeco Stewardship Approach and Guidelines:

<https://www.robeco.com/files//docm/docu-stewardship-approach-and-guidelines.pdf>

Robeco Sustainability Risk Policy:

<https://www.robeco.com/files/docm/docu-robeco-sustainability-risk-policy.pdf>

Robeco Exclusion policy:

<https://www.robeco.com/files/docm/docu-exclusion-policy.pdf>

Robeco Principal Adverse Impact Statement:

<https://www.robeco.com/files/docm/docu-principal-adverse-impact-statement-summary-entity-level.pdf>

Robeco's Roadmap to Net Zero Emissions by 2050:

[https://www.robeco.com/files/docm/docu-robeco-roadmap-to-netzero.pdf](https://www.robeco.com/files/docm/docu-robeco-roadmap-to-net-zero.pdf)

Robeco's Approach to Tax:

<https://www.robeco.com/files/docm/docu-approach-to-tax.pdf>

Robeco SDG Framework:

<https://www.robeco.com/files/docm/docu-brochure-robeco-sdg-framework.pdf>

Robeco ESG Bond Frameworks:

<https://www.robeco.com/files/docm/docu-robeco-esg-bond-frameworks.pdf>

The **Robeco Sustainability Integration Approach and Guidelines** include policies with respect to:

- Climate Change (includes how climate change and Paris alignment is taken into account)
- Human Rights
- Biodiversity

The **Robeco Stewardship policy** also cover the following topics:

- Water use
- Taxation

The **Robeco Exclusion policy** includes details on normative exclusions (norm-based screening), activity based exclusions (sector related exclusions) and country based exclusions (sovereigns, oppressive regimes).

The **Principal Adverse Impact Statement** and the **Robeco Sustainability Risk Policy** includes details on many topics, including pollution & waste.

## 2.2 Overview applied sustainability strategies per fund

Robeco has implemented a variety of Sustainability Strategies in its funds. Details of the applied sustainability strategies are provided in the **prospectus** and the **SFDR document** for every fund, and available on our website: <https://www.robeco.com/en/funds/#!#documents>

The funds in scope for the Towards Sustainability label adhere to the Towards Sustainability Quality Standard. All funds in scope apply ESG integration, Norms-based screening and Exclusionary screening. In addition to that, the funds do apply various additional Sustainability Strategies as also defined in the Quality Standard, such as Best-in-class/universe selection, Sustainability themed investing, beating a benchmark (on ESG and/or footprint characteristics) and other sustainability strategies. In addition to the sustainability strategies, Robeco has in place for all the funds in scope a corporate engagement and shareholder action process, which is an integral part of Robeco's SI approach.

The SFDR disclosure of the fund provide an overview of the strategies that are used per fund. See in the overview below the match with the classification system as described by the Towards Sustainability Quality Standard.

### “ESG Integration”

Financially material ESG (i.e. Environmental, Social and corporate Governance) factors are integrated into the investment process. This means ESG issues affect target prices, the fundamental assessment of a company or country and/or the portfolio construction methodology.

The ESG integration approach is described in the Robeco Sustainability Integration Approach and Guidelines. Please find a link to this document here: <https://www.robeco.com/files//docm/docu-sustainability-integration.pdf>

### “Norms-based screening”

Robeco acts in accordance with the International Labor Organization (ILO) standards, United Nations Guiding Principles (UNGPs), United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and is guided by these international treaties to assess the behavior of companies. See for details the paragraph “Normative Exclusions” in the Robeco Exclusion Policy.

### **“Exclusionary screening”**

The funds apply multiple areas of exclusions. In the next chapter the exclusion areas and thresholds are elaborated upon.

### **“Sustainability-themed investing”**

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

### **“Beating a benchmark”**

Funds applying this strategy have the objective to do better than a benchmark on one or more ESG indicators. All the funds that apply this strategy (except for Robeco Climate Euro Government Bond UCITS ETF) have the objective to have a superior weighted carbon footprint score, compared to the benchmark. For the fund(s) with a Paris Aligned Benchmark (*Robeco QI Global SDG & Climate Conservative Equities*), the objective is to have a better weighted carbon footprint than the benchmark. For the fund that apply a different benchmark, the objective is to have a carbon footprint which is at least 20% better than that of their benchmark.

Robeco Climate Euro Government Bond UCITS ETF has the objective to have 1) an equal or better weighted average Country Transition Score than the Benchmark and 2) an equal or better allocation to Green Bonds compared to the Benchmark.

### **“Other Sustainability Strategy”**

Although not used as a primary sustainability strategy, a few fund apply another sustainability strategy, next to their primary/other sustainability strategies. See the relevant footnotes in the overview below for more details.

### **“Active Ownership”**

In addition to the strategies mentioned in the overview below, Robeco also applies an active engagement and shareholder action (proxy voting) process. As a signatory to the UN Principles for Responsible Investments, Robeco’s dedicated Active Ownership team conducts engagement activities based on clearly stated objectives. More details are available in the our Stewardship Approach and Guidelines: <https://www.robeco.com/files/docm/docu-stewardship-approach-and-guidelines.pdf>

Please find the latest Stewardship report on:

<https://www.robeco.com/files/docm/docu-202404-robeco-stewardship-report-2023.pdf>

Overview of the approaches applied to each fund under this policy in the table below.

Fund	ESG integration	Norms-based screening	Exclusionary screening	Best-in-class/universe	Sustainability themed investing	Impact investing	Beating a benchmark	Other Sustainability Strategy
Robeco Chinese A-share Equities	✓	✓	✓				✓	
Robeco Fashion Engagement	✓	✓	✓				✓	✓ 1)
Robeco Global Multi-Thematic	✓	✓	✓				✓	
Robeco New World Financials	✓	✓	✓				✓	
Robeco Sustainable Emerging Stars Equities	✓	✓	✓				✓	
Robeco Sustainable Property Equities	✓	✓	✓				✓	
Robeco Global SDG Equities	✓	✓	✓			✓		
Robeco Biodiversity Equities	✓	✓	✓			✓		
Robeco Circular Economy Equities	✓	✓	✓			✓		
Robeco Smart Energy Equities	✓	✓	✓			✓		
Robeco Smart Materials Equities	✓	✓	✓			✓		
Robeco Smart Mobility Equities	✓	✓	✓			✓		
Robeco Healthy Living Equities	✓	✓	✓			✓		
Robeco Sustainable Water Equities	✓	✓	✓			✓		
Robeco QI Global SDG & Climate Conservative Eq.	✓	✓	✓				✓	✓ 2)
Robeco Euro Government Bonds	✓	✓	✓				✓ 3)	✓ 4)
Robeco Euro SDG Credits	✓	✓	✓			✓		✓ 5)
Robeco Global Green Bonds	✓	✓	✓			✓		
Robeco High Income Green Bonds	✓	✓	✓			✓		
Robeco Climate Euro Government Bond UCITS ETF	✓	✓	✓				✓ 6)	

1) Robeco Fashion Engagement Equities actively engages with invested companies over a period of three to five years. The portfolio is built on the basis of an eligible investment universe and internally developed framework for engagement. The fund aims to achieve engagement with all companies in portfolio.

2) This is not the primary ESG strategy for the Towards Sustainability label, but it considers a secondary ESG strategy. See also binding element in SFDR document: The Sub-fund excludes all negative SDG scores (-3, -2 or -1).

3) Please note that under the Quality Standard the "exemption sovereign-issued instruments" applies to the sovereign bonds, and only ESG integration is required as a strategy. As the fund invests predominantly in euro-denominated government issued by Eurozone countries or entities related to these countries, these are subject to the exemption. In case of investments in government-

related bonds (agencies and local authorities), the fund will overweight investments in use-of-proceed bonds with at least 15% compared to the benchmark.

4) This is not the primary (QS aligned) ESG strategy, but it considers a secondary ESG strategy. See also binding element in SFDR document: The Sub-fund's portfolio has a minimum weighted average score of at least 6.5 on Robeco's Country Sustainability Ranking.

5) This is not the primary (QS aligned) ESG strategy, but it considers a secondary ESG strategy. See also binding element in SFDR document: The Sub-fund invests a minimum of 10% in green, social, sustainability, and/or sustainability-linked bonds.

6) Please note that under the Quality Standard the "exemption sovereign-issued instruments" applies to the sovereign bonds, and only ESG integration is required as a strategy. As the sub-fund invests only in euro-denominated government bonds issued by European countries, these are subject to the exemption. Although a 4<sup>th</sup> sustainability strategy is not required, the Sub-fund does apply a better than benchmark strategy, in which the sub-fund has 1) an equal or better weighted average Country Transition Score than the Benchmark and 2) an equal or better allocation to Green Bonds compared to the Benchmark.

### 3. Exclusions

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In this chapter we lay out the areas of concern for sustainable investors and how the funds take these issues into account, including the thresholds used.

#### 3.1 Controversial behaviour

Robeco acts in accordance with the following international standards on responsible conduct:

- A. International Labor Organization (ILO) standards
- B. United Nations Guiding Principles (UNGPs)
- C. United Nations Global Compact (UNGC) Principles
- D. the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises

These international treaties guide us in assessing controversial behavior of companies. If Robeco deems a company to severely breach these standards and deem engagement possible, the company will be in scope of our dedicated enhanced engagement program focusing on controversial international business behavior. Companies under engagement in this program remain eligible under the Level 1 criteria, but are excluded under Level 2. If the engagement is closed successfully, the company also becomes eligible under Level 2, otherwise it is additionally excluded under Level 1. This category is aligned with Robeco's approach to the SFDR PAI indicators on violations and lack of compliance monitoring of UNGC Principles and OECD Guidelines for Multinational Enterprises.

Please find our Human Rights statement as part of our Sustainability policy:

<https://www.robeco.com/docm/docu-robeco-sustainability-policy.pdf>

#### 3.2 Weapons

##### Controversial weapons

For all strategies Robeco deems anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons that are tailor made and essential, to be controversial weapons. Exclusion is applied to companies that are manufacturers of certain products that do not comply with the following treaties or legal bans on controversial weapons:

1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines.
2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions.
3. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons.
4. Biological Weapons Convention (1972) which prohibits the use, stockpiling, production and transfer of biological weapons.
5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (USA, Russia, UK, France and China).
6. The Dutch act on Financial Supervision 'Besluit marktmisbruik' art. 21 a.
7. The Belgian Loi Mahoux, the ban on uranium weapons.
8. Council Regulation (EU) 2018/1542 of 15 October 2018 concerning restrictive measures against the proliferation and use of chemical weapons.

This category is aligned with Robeco's approach to the SFDR PAI indicator on controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons).

In addition to applicable rules and regulations in this respect, the funds will not invest in securities of listed companies that are producers of such controversial weapons or strategic parts thereof, or that gain revenues out of selling or transporting them. This restriction applies to companies "involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon."

### **Weapons**

The funds excludes companies that generate 5% or more of their revenues from involvement in the production of (key components of) assault and non-assault firearms or small arms, for civilian, military, and law enforcement customers. Companies that generate 5% or more of their revenues from sales of firearms or small arms are also excluded.

## **3.3 Tobacco**

Tobacco is an unhealthy and socially disadvantageous product. Robeco deems investing in tobacco companies an unsustainable investment. Exclusion is applied to companies that are involved in the production of tobacco, tobacco products or e-cigarettes. In addition, exclusion is applied to suppliers that generate 25% or more of their revenues from the from bespoke products, equipment or services dedicated to enabling production of tobacco related products and/or services. Last, companies that generate 5% or more of their revenues from retail/wholesale sales from tobacco products are also excluded.

## **3.4 Fossil fuels**

Robeco has a climate change policy explaining the general approach with respect to climate. This policy is part of our Sustainability policy and can be found here: <https://www.robeco.com/files/docm/docu-robeco-sustainability-policy.pdf>

In addition, the following rules are applicable for the funds in scope for the Towards Sustainability label:

### **3.4.1 Thermal Coal**

The funds excludes companies that generate 5% or more of their revenues from thermal coal<sup>1</sup> or have an annual thermal coal production of 10Mt<sup>2</sup> or higher. Some exceptions may apply as mentioned in the Quality Standard (i.e. if the company has more than 50% of CapEx dedicated to contributing activities, the company has a SBTi target set well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment, or the company has less than 10% of the CapEx dedicated to thermal coal related activities and not with the objective of increasing revenue). In line with Robeco's net zero ambition, Robeco also excludes companies that are structurally increasing coal-based power generation capacity. We expect companies to reduce their dependence on thermal coal in the future and will engage with companies to encourage the cessation of such activities.

In addition, companies that derive more than 25% of its revenues from bespoke products, equipment or services dedicated to coal related activities are excluded as well.

<sup>1</sup> We make use of Sustainalytics as primary data source for this element. The revenues threshold for transportation of thermal coal is maximum 10%.

<sup>2</sup> We make use of the Urgewald Coal Exit List as primary data source for this element.

### 3.4.2 Unconventional oil & gas

The funds exclude oil & gas companies that are active in unconventional oil and gas extraction.

Types of unconventional considered: arctic drilling, shale oil/gas and oil sands.

Thresholds:

- a. revenue share <5%<sup>3</sup>
- b. no expansion plans / structural increase of the production<sup>4</sup>

For item a, some exceptions may apply as mentioned in the Quality Standard (i.e. if the company has more than 50% of CapEx dedicated to contributing activities, the company has a SBTi target set well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment, or the unconventional oil and gas production of the company is less than 5% of total oil and gas production).

### 3.4.3 Conventional oil & gas

For the funds in scope for the Towards Sustainability label, Robeco in principle excludes companies involved in conventional oil&gas activities, if companies generate 5% or more of their revenues<sup>5</sup> from these activities. Some exceptions may apply as mentioned in the Quality Standard (i.e. if the company has more than 15% of CapEx dedicated to contributing activities, if the company has less than 15% of CapEx dedicated to oil&gas activities and not with the objective of increasing revenue, if the company has a SBTi target set well-below 2°C or 1.5°C or have a SBTi 'Business Ambition for 1.5°C' commitment, or if the company has an emissions intensity aligned with 1.5°C target). Furthermore, the company should not be involved in the and exploitation of new oil or gas fields<sup>6</sup>.

Robeco takes principal adverse impacts into account in its due diligence procedures for investment selection and ongoing monitoring. Principal adverse impact is also taken into account through various methods such as exclusions, reduction of emissions thresholds, and voting and engagement. In addition, as an organization, Robeco has made several commitments related to climate change and biodiversity, amongst other topics, which are relevant to mitigating potential adverse impact as a company. These approaches are explained in further detail in the Robeco Principal Adverse Impact Statement.

In addition, companies that derive more than 25% of its revenues from bespoke products, equipment or services dedicated to oil & gas related activities are excluded as well.

### 3.4.4 Power production

The funds are allowed to invest in companies involved in the generation of power when the company meet at least one of the following criteria:

- derive more than 50% of its revenues from contributing activities,
- have more than 50% of CapEx dedicated to contributing activities,
- have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment,
- have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO2e/MWh in 2023, or other science-based alignment assessment),
- derive less than 5% of its revenues from power generation from non-renewable energy sources.

In addition to that, the company shall have a strategy to reduce the adverse impact of its activities and to increase its contributing activities, if applicable, and an non-expansion of adverse impact should be applicable: the company shall currently not be involved in building new coal-fired power stations and the

<sup>3</sup> We make use of Sustainalytics as primary data source for this element.

<sup>4</sup> We make use of the Urgewald Global Oil & Gas Exit List as primary data source for this element.

<sup>5</sup> We make use of Sustainalytics as primary data source for this element.

<sup>6</sup> We make use of the Urgewald Global Oil & Gas Exit List as primary data source for this element (IAE NZE Expansion overshoot or any 3-years average Exploration CapEx).

absolute production of or capacity for coal-based power shall not be structurally increasing and be less than 5 GW.

Until 2025, the funds are also allowed to invest in utilities that are not structurally increasing coal- or nuclear-based power generation capacity and have carbon intensity  $\leq 335 \text{ gCO}_2/\text{kWh}$  (in 2024), or  $\leq 315 \text{ gCO}_2/\text{kWh}$  (in 2025).

Please note that some funds (such as the Robeco Green Bonds and Robeco High Income Green Bonds) apply stricter thresholds on one or more items listed in paragraph 3.4.1 - 3.4.4, and as consequence comply also with the above stated limits.

### 3.5 Sovereign Bonds

Robeco deems investing in government bonds (federal or local) of countries where serious violations of human rights or a collapse of the governance structure take place as unsustainable. In addition, Robeco will follow applicable sanctions of the UN, EU or US to which it is subject and follows any mandatory (investment) restrictions deriving therefrom.

To identify these countries, we use data from:

1. World Bank: World Governance Index (WGI) on Political Stability and Absence of Violence/Terrorism.
2. Freedom House: Freedom in the World (FIW) index on Political rights and civil liberties.
3. Fund for Peace: Fragile States Index (FSI).
4. International sanctions.

In addition to this, Robeco applies for the funds in scope for the Toward Sustainability label the principles for investing in Sovereign Bonds as defined in the Quality Standard, and exclude (non-use-of-proceeds) sovereign bonds from countries that are not on the eligible states list as published by Towards Sustainability.

Use-of-proceeds instruments issued by States can be eligible, if these instruments comply with the QS for use-of-proceeds bonds (see also paragraph 4.1). Funds can invest for reasons of diversification or (currency risk) hedging, in public debt instruments issued by core reserve (non-EURO) currency issuers (i.e. the US and Japan) that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio. In line with the guidance given on the TS Eligible States List, New Zealand and South Korea could potentially be considered as eligible through equivalent national legislation implementing ILO conventions and/or Human Rights Treaties (QS 2.1 c) 1st bullet).

## 4. Supplementary Guidelines

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### 4.1 Use-of-proceeds Instruments

Various funds invests also in use-of-proceeds instruments, such as Green Bonds, Social Bonds and Sustainable Bonds. For funds that promote investments in use-of-proceeds bonds as a strategy (i.e. the Green Bond Fund(s)), at least the minimum required portion in use-of-proceeds bonds comply with the QS criteria for use-of-proceeds instruments.

Robeco utilizes the Robeco ESG bond framework to assess use-of-proceeds bonds. This framework not only meets all QS requirements for use-of-proceeds instruments but also encompasses additional criteria to ensure comprehensive evaluation and alignment with broader ESG standards.

In addition to the funds that promote investments in use-of-proceeds bonds as a strategy, various other funds invest in use-of-proceeds bonds. Based on the QS, use-of-proceeds instruments issued by companies that fail the QS eligibility criteria with respect to Coal, (un)conventional Oil&Gas or Power Generation, or sovereigns that fail the QS criteria regarding sovereign bonds, can be eligible when it concerns a use-of-proceeds instrument that meet the QS criteria for use-of-proceeds instruments. Consequently, Robeco funds may hold such use-of-proceeds investments when they are applying the Robeco ESG framework.

### 4.2 Derivatives

Robeco funds will adhere to the QS requirements with respect to derivatives, ensuring that the use of derivatives aligns with the sustainable character of the portfolio. The prospectus and sustainability-related disclosures contain more information about the derivatives use per fund. In general, most of the funds can make use of derivatives for hedging and/or efficient portfolio management purposes. If used as a source of return, the issuer of the underlying assets should be QS compliant. In case of an index, it is allowed on a temporary basis up to 10%. The funds do not make use of derivatives on agricultural commodities (for speculative reasons).