

ROBECO

# Sustainability integration

Approach and Guidelines

December 2023



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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.

As one of the early pioneers in sustainable investing, 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. Therefore, we integrate sustainability in our investment processes, our own operations, and the governance of our organization.

## 1.1 Integrating sustainability in investments

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.

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 Center of Expertise. Our core values - Client-centered, Innovative, Sustainable and Connecting - 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.

In the majority of our asset under management we integrate financially material ESG issues to make *better informed* investment decisions. In a growing part of assets under management we also invest making use of impact material issues. This makes us and our clients *better prepared*. We have defined the key impact material issues for Robeco as being Climate Change, Biodiversity, Human Rights and the Sustainable Development Goals in general.

## 1.2 Purpose and outline of this document

In this document we describe how Robeco integrates financially material ESG issues into its investments across asset classes. And also how we approach our key impact material topics climate change, human rights, biodiversity and the SDGs. We also explain the scope and how we incorporate key material impact topics into our investments.

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. This information is contained in the ESG Integration chapter of this policy.

Furthermore we elaborate on the governance around integrating sustainability in our investments, the scope to which it applies, and how we are transparent on the research methodologies and the outcomes in our portfolios.

## 2. Every investment decision should be research driven

One of the key investment beliefs of Robeco is that every investment decision should be research driven. We focus on fundamental, quantitative and sustainability research.

Robeco invests a lot in developing and maintaining the research capabilities in all of these areas. When it comes to sustainability research and implementation our investment teams are supported by the Sustainable Investing Center of Expertise. This center consists of four teams: SI Research, Active Ownership, Thought Leadership and the SI Client Portfolio Management team.

The research that is used in integrating sustainability in investments has traditionally been focused on financial materiality. However, in recent years, more impact research has become available for the investment teams. All in-house proprietary as well as external research is available in the company dashboard accessible by all our investment teams. Sustainability data is integrated into our data- and front office systems.

### 2.1 Sustainability research

Our investment teams have access to the following information, which is mostly in-house developed (not exhaustive).

ESG integration research, which is used by all fundamental equity and credits teams:

- Financial Materiality research: identification of most financially material ESG issues for more than 60 industries delivered by the SI research team of Robeco.
- Company profiles: written by our SI research sector experts, they reflect the material ESG issues, the ability of a company to manage these issues and the expected impact on the business model and the value drivers.
- Industry-specific research projects: industry-specific research projects are conducted on sustainability issues that have a large impact on a specific business sector. Examples are health and safety in the clothing sector, the supply chain of electronics and the risk culture in the financial sector.
- Active Ownership profiles (AOPs) : These profiles reflect the opinion of the engagement and voting team and gives insight into the conversations that have been had with the companies.
- The ESG company survey: used to identify red and green flags at a company level by collecting all publicly available relevant ESG information on a specific company including the Principle Adverse Impact indicators.

Impact research:

- The Climate score: is intended to measure the impact of a company on climate change. Specifically, it measures a company's current contribution to climate change and future contribution to climate change mitigation based on their targets

and weighs these two contributions up to determine net impact. This metric is primarily used by climate strategies to steer portfolios on, but it is also used as input to the climate paragraph for fundamental equity and credits research.

- Company SDG Framework: is a robust tool that systematically assesses individual companies on key SDG targets and sector-specific indicators which help analysts determine a company's SDG contributions. These contributions aggregate into an overall SDG company score. This metric is used to define an investable universe by a variety of strategies that seek to align with the SDGs. Furthermore, for the majority of our article 8 and 9 products the SDG scores are used as definition of a Sustainable Investment in the context of SFDR (see section 5.3.1).

External research:

- The following sources of external research are available for investments: Sustainalytics (ESG risk scores, Global Standards Screening, Product involvement), Glass Lewis (corporate governance), RepRisk (ESG news), MSCI (ESG scores, climate value at risk, carbon data), S&P (ESG scores, carbon data, water and waste data). This research is used in different ways by different investment teams. Most widely used are the Sustainalytics risk scores and the carbon data.

Specifically for sovereign investments our relevant teams (e.g. Global Macro and Quant Fixed Income) have access to the following sovereign sustainability metrics that are developed in-house:

- Country Sustainability Ranking: a framework that evaluates 150 countries on a broad range of ESG factors that are considered to be key risk and return drivers relevant for investors. This research is incorporated in all country investment reports.
- Country SDG Framework: framework that assesses the credentials of nations in being able to make further progress on one or more of the 17 Sustainable Development goals.

### 2.2 Open Access

Robeco has opened up some of its sustainability scores to the general public. On our website the SDG scores and the Country Sustainability Ranking are available. Our aim is to contribute to developing new standards in sustainable investing and to improve the quality of sustainable investing data by applying the principle of the "wisdom of the crowd". Furthermore we explain the methodologies behind the scores that we use to measure our products' performance on sustainability issues on the sustainable investing section of our website.

### 3. Integrating financially material issues into our investment processes

It is our firm belief that integrating ESG will also lead to better-informed investment decisions. Trends such as climate change, resource scarcity and greater regulation affect companies more than ever, but they also provide opportunities for new markets in areas such as renewable energy or cybersecurity. For Robeco, this means that we systematically integrate financially material ESG issues into our investment processes. This is the case for the vast majority (>95%) of assets under management. For investment strategies that are implemented for almost 100% by derivatives, we do not integrate ESG.<sup>1</sup>

#### 3.1 ESG integration into fundamental strategies

The ESG integration process in fundamental investment strategies (equities, credits and sovereigns) follows a three-step approach as depicted in Figure 1.

**Step 1: What are the relevant key ESG factors?** | In the first step, the relevant key ESG factors are identified. These factors differ per industry and are based on the materiality research delivered by the SI research team. Additionally as a standard, corporate governance, climate change and product impact (SDG rating) are analyzed. For the sovereign research the Country Sustainability Ranking and its underlying factors are used as a starting point.

**Step 2: How is the firm exposed to key ESG factor?** | In the second step, the analyst investigates how the firm or the country is exposed to the key factors. There are several sources to form an opinion on how different companies and countries are positioned on ESG factors. They are mentioned in paragraph 2.1 The financial analyst uses these sources to assess the impact of the material ESG factors on the business model and value drivers of the company. For sovereign bonds, the analyst

determines how the elements of the Country Sustainability Ranking and particularly the change in the ranking influences the countries' financial prospects and stability. The financial analysts also have access to the SI research analyst to discuss the analysis and share views.

**Step 3: Impact ESG factors on fundamental rating or value drivers** | In the final step, for credits, a conclusion is made on the impact of the ESG factors on the business model and cash flow expectations. This ranges from "Very weak" to "Very strong". The ESG factors analysis is an integrated part of the credit analysis. The end conclusion (F-score) determines the fundamental attractiveness of the issuer compared to its credit rating. For equity, the third step is to quantify the impact on the business drivers sales growth, margins, risk, capex and competitive advantage period. As such, the ESG analysis is incorporated in the valuation model. Lastly for sovereigns, the ESG analysis is part of country report which looks into ESG, macroeconomic prospects and indebtedness. As with credits the end conclusion on ESG can influence the overall attractiveness of a country.

Figure 1: Three step approach to incorporate the impact of ESG factors



1. This is a very small part of our assets under management.

### 3.2 ESG integration into quantitative strategies

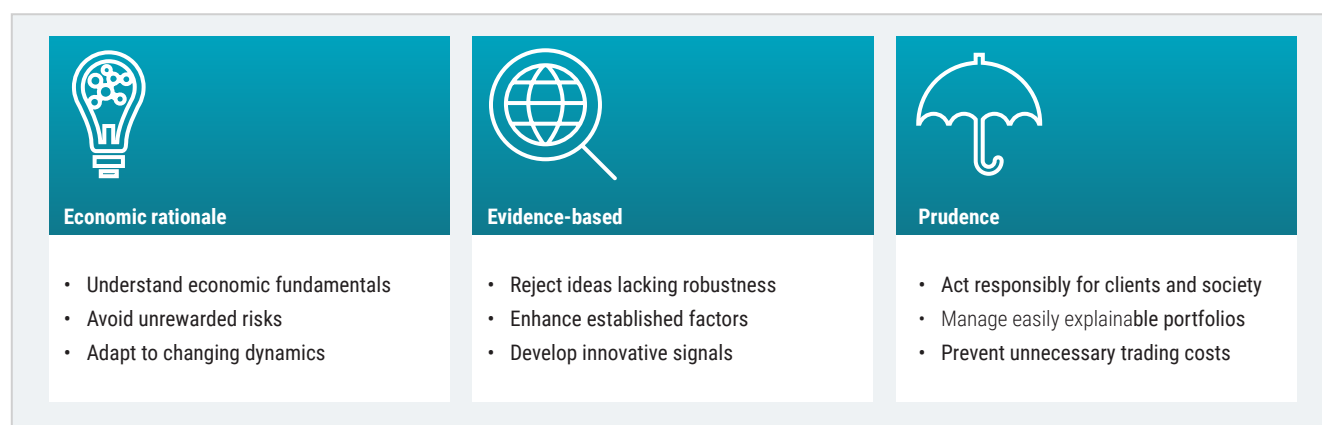
In our quantitative strategies (equities and fixed income) we integrate material ESG issues in two ways, linked to our quantitative investment beliefs (Figure 2)

The first approach is linked to our investment belief on prudent investing. Financially material ESG factors are integrated in the portfolio construction to ensure the ESG score of the portfolio is better than that of the index. In addition, the environmental footprints of the fund are made lower than that of the benchmark by restricting the GHG emissions, water use and waste generation. With these portfolio construction rules,

stocks issued by companies with better ESG scores or environmental footprints are more likely to be included in the portfolio while stocks issued by companies with worse ESG scores or environmental footprints are more likely to be divested from the portfolio.

Secondly, where we find robust evidence that ESG factors improve our alpha signals, we add these to our factor model. Currently for our equity portfolios the value factor is decarbonized and the quality factor includes human capital, resource efficiency and corporate governance indicators.

**Figure 2: Investment beliefs Robeco's quantitative investment strategies**



### 3.3 Quality control and continuous improvement

All investment teams undergo a quality control on their ESG integration work annually. The Head of Sustainability Integration uses a quality control framework that is applied on randomly selected investment cases for fundamental strategies and the overarching approach for quantitative and multi-asset investments and our sub-advised assets.

In addition, the sustainability risk framework is used to monitor the sustainability performance of the key investment strategies of these teams. Results are discussed with the CIO and with the SISC and areas for improvement are implemented via the performance KPIs for the investment teams.

## 4. Integrating impact material issues into our investment processes

To fulfill our mission of enabling our clients to achieve their financial objectives through superior investment returns and solutions, we offer our clients a broad range of investment solutions. As described in chapter 3 we integrate financially material issues in almost all of our investment strategies. Integration of impact materiality in our investment strategies is done in different degrees on different topics and can be implemented tailor-made for clients. The clients sustainability and financial preferences are taken into account. In this chapter we outline our guidelines on the identified key impact material issues, climate change, biodiversity, human rights and SDGs and how we implement them into our investment strategies.

### 4.1 Climate change

#### 4.1.1 Introduction

There is robust scientific evidence that the global climate has been changing due to human activity, primarily through the usage of fossil fuels and land-use changes. Climate change, if unmitigated, will have unacceptable long-term impacts on society and the global economy. Science has made clear that society has to act now. The costs and impact of inaction increase by the year.

Robeco acknowledges the responsibility of the asset management industry to manage climate change risks, opportunities and impacts. We believe that climate change poses material risks and opportunities for our clients' investment portfolios, and that it is our fiduciary duty to identify and manage these. Working in partnership with our clients, Robeco aspires to take a leading role in contributing towards a net zero economy. We firmly believe this will create opportunities to enhance long-term risk-adjusted returns.

Robeco aims to contribute to the goals of the Paris Agreement to keep global warming well below 2°C above pre-industrial levels and to pursue efforts to limit this to 1.5°C. We recognize that climate change mitigation and adaptation are essential for achieving the UN's Sustainable Development Goals (SDGs) and the goals of the Global Biodiversity Framework. We are committed to reach net zero greenhouse gas emissions by 2050.

Our role as an investor is to help finance the net zero transition and to use our leverage as shareholder and bondholder to accelerate it. But we cannot solve big problems such as climate change on our own. What we can do is set a clear example, work together, and encourage others to follow suit. Our commitment to net zero by 2050 is made with the expectation that governments will follow through on their own commitments to the Paris Agreement.

#### 4.1.2 Our commitment

Robeco is a founding signatory of Net Zero Asset Manager Initiative, committing to align our portfolios with achieving net zero by 2050 or sooner. To this end we have in place a net zero roadmap outlining our decarbonization initiatives, our active ownership approach and our commitment to working with our clients and industry initiatives to drive change.

##### Decarbonization

Our ambition is to reach net zero emissions by 2050 for all of our assets under management, both Robeco funds as well as client-specific mandates and client-specific funds. As interim target for 2025, we aim to reduce the carbon footprint of our funds by 30% (equivalent to approximately 43% of AuM). Segregated client accounts are out of scope initially, because our clients set their own decarbonization goals. We are committed to working with our clients on such decarbonization goals.

Our decarbonization strategy is based on the guidance of the Net Zero Investment Framework, and our carbon targets are based on the climate scenarios of the UN's climate science panel, the IPCC. Methodologies for translating climate science into investment decisions are still immature. We therefore apply an evolutionary approach, revising our targets at least once every five years in line with the ratchet mechanism of the Paris Agreement.

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

For more information on the implementation of our net zero commitment we refer to our net zero roadmap and our sustainability report in which we show our progress.

##### Working with clients

We work with clients to accelerate climate investing and

support them in meeting their own climate ambitions. This means, working on expanding our offering of climate-related investment solutions, and partnering with clients in segregated solutions aligned with their own decarbonization goals. We proactively provide our clients with information and analytics on net zero investing, climate risk and the opportunities arising from a lower-carbon global economy. We also share our own experience and expertise to enable clients to implement a stewardship and engagement philosophy that is consistent with the broader economy to achieve net zero emissions by 2050 or sooner.

### Industry collaboration

Achieving a net zero economy implies that global markets price carbon emissions and other climate impacts into the value of goods, services and assets. To help develop such a conducive environment for climate investing, Robeco works in partnership with asset owners, peers, standard setters, policy makers and academics to create conducive market standards and policies. At the Institutional Investor Group on Climate Change (IIGCC) we are part of the climate action and climate banking engagement group and we are co-chairing the implementation working group of the IIGCC Paris-Aligned Investment Initiative. We are a member of core team and of the working group on sovereigns bonds of the Platform for Carbon Accounting for Financials (PCAF). We are a signatory of the Net Zero Asset Manager Initiative (NZAM) where we commit to set targets on decarbonization and report annually on progress. And we are a member of the Just Transition and Data Working group of the Glasgow Finance Alliance for Net Zero (GFANZ). Collaboration is essential to achieve our engagement goals. To this end, we play an active role in several climate change collaboration platforms, most notably the Climate Action 100+ initiative, where we lead the engagement with several companies.

#### 4.1.3 Climate research, data and analytics

We acquire various climate-related data sets to help us identify and measure the risks, opportunities and impacts from climate change. This includes carbon emissions data but also forward-looking climate data. Our analysts take this data and convert it into scores, emission reports and research insights that are integrated across our range of products and services. For example:

- We have developed an operational carbon accounting data system across all portfolios to calculate carbon emissions across a variety of metrics, including scope 1, 2 and 3.
- We develop sector pathway research to assess the transition readiness of investee companies in a forward-looking way. We benchmark how companies are performing in terms of carbon emissions, climate targets, technologies and capex. We develop scores to assess companies' impact on climate

change and their alignment with the goals of the Paris Agreement. We analyze the capex plans of companies and their exposure to transition risks for usage in investment cases and valuations.

- We research the climate performance of sovereigns based on a combination of carbon emission, policy and economic data. This research is used for the development of the Country Sustainability Ranking that is used in our investment processes. The research is also used to determine priorities for our policy dialogue with sovereign issuers.

#### 4.1.4 Integration in investment processes

To enable better informed investment decisions on behalf of our clients, we systematically integrate financially material ESG issues, including climate change in our investment approach as explained in chapter 3. Next to this we apply climate related exclusions, active ownership and climate related risk management to our investments. We also have in place specific Paris Aligned and Climate Transition investment strategies.

### Climate-related exclusions

For all our investment products we set minimum climate standards. Our exclusion policy defines thresholds for exclusion of thermal coal, oil sands, arctic drilling and coal power expansion. Beyond product involvement we also set minimum standards based on alignment with the Paris Agreement. For most investment strategies we engage with companies in high impact sectors that are not meeting our minimum standards and as an escalation step this can lead to exclusion from the investment universe. This exclusion approach is reviewed periodically. The exclusions apply to all our investment products, but not automatically for all mandate clients. For more information about climate-related exclusions, please refer to our exclusion policy.

### Climate risk management

Robeco has a comprehensive Sustainability Risk Management Framework in place for the management of material climate-related financial risks for funds and mandates. The Financial Risk Management department assesses climate risks to identify, measure and monitor the impact on equity, fixed income and multi-asset portfolios. The assessment is performed through a stress-test approach based on different climate models. They include scenarios from the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS"), an internal model based on scenarios developed by the Dutch Central Bank, and externally acquired stress-test scenarios provided by MSCI that cover both physical and transition risks based on the Task Force on climate-related Financial Disclosures (TCFD) recommendations. The results from the various climate stress-tests are documented in the



monthly risk reports that are shared for review and discussion with the risk management committees and the investment teams.

This applies to all of our products and mandates.

#### Active ownership on climate change

We expect companies to align their business strategies with the goals of the Paris Agreement and concomitantly show effective and supportive climate governance, disclosure and policy advocacy. In our climate engagement, we focus on industries with higher emissions that are most prone to climate change risks, such as energy, utilities, and steel manufacturers. We systematically monitor the climate performance of the top emitters in our investment universe, assessing their emissions, climate targets, business strategy, capex, and governance, amongst others. These data points feed into a climate traffic light assessment ranging from green (Aligned) to light-green (Aligning), amber (Partially aligning) and red (Misaligned). This analysis helps determine the focus of our climate engagement program. In our climate voting policy, we assess companies against our expectations, based amongst others on our climate traffic light, and we define escalation steps, such as voting against management resolutions, if companies do not meet our expectations.

As an investor in sovereign bonds, Robeco calls on governments to fulfill their important roles in the transition towards net zero. Governments are in the unique position of being able to steer the behavior of companies and consumers through their legislative power. Governments also have a duty to protect their citizens from the adverse effects of climate change. Jointly with other investors, we have focused dialogues with priority countries on these matters.

The Active ownership approach applies to all of our investments. The percentage of companies under engagement for climate in different portfolios ranges from 0% to an estimated 20% of the portfolio.

#### Our approach to fossil fuels

The transition towards net zero implies a steep increase of investment in renewable energy and a progressive phasing-down of investment in unabated fossil fuels. But even in a 1.5°C scenario, the fossil fuel sector requires continued investment, in order to avoid supply-demand misalignment and risks of energy insecurity. In their net zero scenarios, the International Energy Agency and the UN Climate Science Panel IPCC estimate required investments in fossil fuels in the order of US\$11-17 trillion until 2030 and US\$23-47 trillion until 2050.

Investors play an important role in driving the energy transition. Robeco supports the phase-down of unabated fossil fuels in accordance with science-based climate transition scenarios, in the understanding that the realization of this is contingent on effective global action across all sectors of the economy, spearheaded by ambitious public policy and regulation. On thermal coal specifically, we support the timelines of the Powering Past Coal Alliance of which we are a member.

Robeco actively contributes to the energy transition through the actions described above, including: portfolio decarbonization, company engagement, voting policy, and exclusions. The ultimate result of our actions should be visible in our investments. That is, our investments in renewable energy and fossil fuels should be commensurate with our ambition to actively contribute to the energy transition and the phase-down of unabated fossil fuels. To be accountable on this, we annually disclose the energy-mix exposure of our portfolios in comparison to the benchmark in our sustainability report.

#### Climate Change investment solutions

Robeco offers its clients investment strategies in equities and fixed income and indices that follow the Paris Aligned benchmark or the Climate Transition benchmark as defined by the EU. We also have a thematic equity offering that focuses on solution providers playing among others into renewable energy, electrification, energy savings and e-mobility. Next to these standard strategies, we also offer our clients tailor-made decarbonized portfolios. Currently the assets under management in the climate and thematic strategies is below 10% of our total assets.

## 4.2 Biodiversity

### 4.2.1 Introduction

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

Robeco addresses biodiversity issues through active ownership activities and integration of material biodiversity risks in our investments. While the data and models for steering on biodiversity are still immature, our goal is that latest by 2024 we implement targets on biodiversity risks and impacts. To build this capability, we are partnering with academics and peers, including collaborations with the University of Cambridge

(CISL), the Finance for Biodiversity Foundation (FFBF) and the Taskforce for Nature-related Financial Disclosure (TNFD).

#### 4.2.2 Our commitments

In September 2020, Robeco signed the Finance for Biodiversity Pledge, through which we commit to collaborate, assess biodiversity impacts, set targets, and report on these by 2024. In November 2021, we signed on to the Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation, through which we commit to work toward eliminating agricultural deforestation risks in investment portfolios by 2025. We are supportive of the TNFD framework, as released in September 2023, and we expect companies to use it in their disclosures, as we will do ourselves.

#### 4.2.3 Biodiversity research, data and analytics

Our sustainable investment research includes the analysis of material nature-related impacts and dependencies and how these affect business fundamentals. Nature-related risks and opportunities are assessed as follows:

- **Climate Change:** As one of the key drivers of biodiversity loss, climate change is always assessed. This includes the analysis of climate related risks, opportunities and company transition plans.
- **Product Impact:** We assess direct operations as well as the impact of products and services on the environment across the value chain. For a number of sectors, such as fast-moving consumer goods, these impacts are closely linked to nature and biodiversity. Negative externalities of products may be(come) subject to regulation, which affects issuers' cash flows and performance.
- **Other key ESG Factors:** Based on the financial materiality of nature and biodiversity risks to an industry, we select additional factors for analysis. For example, supply chain management and raw material sourcing are considered for over 40 sub-industries. This includes the assessment of sustainability certifications such as the Roundtable for Sustainable Palm Oil and the Marine Stewardship Council. Operational eco-efficiency – for instance water and energy management – is assessed for over 40 sub-industries. Product stewardship is included for over 20 industries and covers whether a company is measuring environmental impacts across product life cycles.
- **Our Country Sustainability Ranking** includes a 30% weight to environmental factors which includes biodiversity and climate change.

Furthermore for our total portfolio in equities and credits, we have assessed our sector-level exposure to biodiversity impacts and dependencies. Our findings are in line with those of financial supervisors: about one-third of our AUM is in sectors

with high impact on nature loss, and about one-fourth of AUM in sector with high dependency on nature. We also found that our highest biodiversity footprint exposures are in consumer staples, materials, financials and apparel.

Currently we are developing a biodiversity investment framework for assessing how well issuers are mitigating their contribution to nature loss. We expect to implement this framework in the course of 2024. We are also looking into using geospatial data to gain more insight into the exposure of companies to biodiversity loss like water scarcity.

#### 4.2.4 Integration in Investments

To enable better informed investment decisions on behalf of our clients, we systematically integrate financially material ESG issues, including biodiversity in our investment approach as explained in chapter 3. Next to this we apply biodiversity related exclusions and active ownership to our investments. We are also developing biodiversity investment solutions.

##### Biodiversity-related exclusions

For all our investment products we set minimum standards. Our exclusion policy defines thresholds for deforestation, a topic that is linked to both biodiversity and climate change. We exclude companies that do not meet our threshold for RSPO certified palm oil. Beyond product involvement we also screen for environmental controversies. For most investment strategies we engage with companies in high impact sectors that have big controversies and as an escalation step this can lead to exclusion from the investment universe. This exclusion approach is reviewed periodically. It applies to all of our investment products, but not automatically for all mandate clients. For more information, please refer to our exclusion policy.

##### Active ownership

We leverage our position as shareholder and bondholder to influence how investee companies mitigate their impacts on biodiversity loss. We are engaging with various stakeholders, ranging from governments and companies to NGOs and data providers, and we amplify our stewardship efforts through collaborative engagement and by escalating through proxy voting. We are actively involved in joint initiatives such as Nature Action 100 and Finance Sector Action on Deforestation (FSDA).

In our biodiversity engagement with corporates, we prioritize sectors with high impacts on the drivers of biodiversity loss. Through the engagements, we expect companies to assess their biodiversity impacts and dependencies and set a biodiversity strategy with quantifiable and timebound

commitments. Companies should prevent negative biodiversity impacts especially in areas of biodiversity importance such as IUCN Protected Areas and Key Biodiversity Areas. We also expect companies to report key indicators following recognized reporting frameworks such as the Taskforce for Nature-Related Financial Disclosures.

The Active ownership approach applies to all of our investments. The percentage of companies under engagement for biodiversity in different portfolios ranges from 0% to 25% of the portfolio.

#### Biodiversity investment solutions

Robeco currently offers a biodiversity investment product, which invests in stocks of companies in countries globally which support the sustainable use of natural resources and ecosystem services to help reduce biodiversity loss. In addition, our Circular Economy equities strategy is an actively managed product that invests globally in companies aligned with circular economy principles, which means that designs that phase out waste and pollution, and keeps products and materials in use for longer, reducing drivers for biodiversity loss and climate change. The assets under management in biodiversity related strategies is currently below 5% of total asset under management.

### 4.3 Human Rights

#### 4.3.1 Introduction

Human rights are universal and should be applied equally to everyone, everywhere, at all times. Companies have a responsibility to respect human rights within their operations and supply chains. That responsibility also extends to investors and their portfolios. The concept of human rights encompasses a broad range of topics which vary in terms of priority and implementation throughout the world. The Universal Declaration of Human Rights (UDHR), adopted by the UN General Assembly in 1948, provides the principles and building blocks of current and future human rights conventions, treaties and other legal instruments.

#### 4.3.2 Our commitments

Robeco embraces the responsibility to respect human rights and believes that we can play a role in advancing human rights by engaging our holdings on human rights issues. Robeco has signed the UN Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises and lives by these principles and guidelines. Robeco's human rights approach is furthermore aligned with the International Labor Organization's (ILO) labor standards and the UN Guiding Principles for Business and Human Rights (UNGPs). The UNGPs are the

leading framework to help companies understand and implement human rights into business practice. Robeco regularly reviews its policy and procedures on human rights, considering feedback from both internal and external stakeholders.

#### 4.3.3 Human rights research, data and analytics

As part of our fundamental investment processes, our sustainable investment researchers assess Environmental, Social and Governance (ESG) risks and opportunities of investee companies. This includes the evaluation of companies' human rights risks. The metrics are taken from a range of data providers, and include topics like Diversity, Equal Remuneration, Human Rights Commitment and Human Rights Due Diligence Process.

In addition, Robeco's SDG Framework assesses whether companies are respecting international guidelines for responsible behavior, including the UNGC Principles, UNGPs and OECD Guidelines for Multinational Enterprises. Companies violating such guidelines and principles, or companies for which there is serious concern that they lack policies to ensure compliance with them, can be assigned a negative SDG score and will therefore not qualify as a sustainable investment.

Human rights are also part of our Country Sustainability and Country SDG frameworks. We use more than 10 social indicators, among which the Global Rights Index from the International Trade Union Confederation for measuring human development, the Gender Inequality Index from the UNDP Human Development Data Center, the GINI Coefficient from Our World in Data to measure income inequality and the Freedom in the World index from Freedom House to measure personal freedom.

We are currently strengthening our human rights framework further with a key focus on the following areas:

1. Workplace practice
2. Community Impact
3. Product Responsibility
4. Social supply chain management

We also aim to emphasize the importance of implementing the UN Guiding Principles on Business and Human Rights (UNGPs) by giving companies credit for showing their implementation of the UNGPs based on their public commitment, reporting and due diligence, stakeholder engagement and remedy mechanisms. These KPIs can be assessed across sectors.

#### 4.3.4 Integration in investments

To enable better informed investment decisions on behalf of our

clients, we systematically integrate financially material ESG issues, including human rights in our investment approach as explained in chapter 3. Next to this we apply human rights related exclusions and active ownership to our investments. We also offer several human rights-related investment solutions.

#### Human rights-related exclusions

Robeco's exclusion policy includes both product-related (e.g. controversial weapons, tobacco) and normative exclusions for companies based on Human Rights. We assess the behavior of companies according to the ILO standards, UNGPs, UNGC Principles and the OECD Guidelines for Multinational Enterprises. In addition to our own internal research and assessment to identify companies that breach these international guidelines, Robeco utilizes Sustainalytics' Global Standards Screening (GSS) methodology. GSS analyses norms and standards that are enshrined in the UNGC, the OECD Guidelines for Multinational Enterprises and the UNGPs, as well as their underlying conventions and treaties. Screening of the investment universe occurs on an ongoing basis. Through enhanced engagements we engage with investee companies that systematically and severely breach human rights, with the ultimate escalation of exclusion from the investment universe. Another component of Robeco's exclusion policy is its country-based exclusions. This exclusion approach is reviewed periodically. It applies to all of our investment products, but not automatically for all mandate clients. For more information, please refer to our exclusion policy.

#### Active Ownership

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

Furthermore, we address human rights risks through our ongoing engagement programs. We engage with companies on topics such as human rights risks and labor practices. For instance, we engage with companies active in conflict-affected and high-risk areas on their human rights due diligence. We also engage on the topics of Modern Slavery and the Just Transition. Moreover, we seek collaborative action to increase our leverage. We are an active member of the Investor Alliance for Human Rights and the PRI Advance Stewardship initiative on human rights and social issues.

The Active ownership approach applies to all of our investments. The percentage of companies under engagement for human rights related issues in different portfolios ranges from 0% to 100% of the portfolio.

#### Human Rights-related investment solutions

We offer several Human Rights related investment solutions:

- RobecoSAM Global Gender Equality Equities is an actively managed fund that invests globally in companies that advance gender diversity and gender equality.
- RobecoSAM Sustainable Healthy Living Equities is an actively managed fund that invests globally in companies that promote good health and well-being and contribute to an efficient healthcare system.
- Robeco Fashion Engagement Equities contains focused investments and tailored engagement, with the aim to drive sustainability in fashion while capturing its growth potential.



# 5. Measuring sustainable investment via the SDG framework

## 5.1 Introduction

The Sustainable Development Goals (SDGs) serve as Robeco's blueprint for sustainable investing. These 17 goals were unanimously adopted by all United Nations member states in 2015, marking a historic milestone for sustainable development and investing. The SDGs provide a measurable and actionable blueprint to help us create a better world for current and future generations.

## 5.2 SDG research, data and analytics

Our SDG framework intends to measure our investment portfolios' contributions to the SDGs. Through the SDG framework we systematically assesses individual companies' impacts on key targets for individual SDGs through three distinct steps: products, procedures, and controversies. For a detailed outline of the SDG Framework methodology please refer to the document on our website.

## 5.3 Integration in investments

The SDG framework is integrated in our investment strategies in several ways. First of all we use the framework to determine whether companies are considered to be a sustainable investment in the light of SFDR. Secondly we use the framework for our engagement approach and lastly we manage investment solutions based on the SDGs.

### 5.3.1 Definition of sustainable investment

For the majority of our article 8 and 9 products, we use the SDG framework to determine what constitutes a sustainable investment. The regulatory definition of sustainable investment within the SFDR means that the product and its underlying assets should contribute to an environmental or social objective, they must not do significant harm to any other environmental or social objective and the investee companies must follow good governance practices. These notions are all incorporated in our SDG framework. Companies that score positively on the framework are considered a sustainable investment. The majority of our article 8 and 9 investment products have defined a minimum percentage of sustainable investment in their prospectus.

### 5.3.2 Active Ownership

For selected strategies, we use our SDG scores as inputs in our engagements to understand how companies make a positive or negative impact on sustainable development. These strategies invest in companies that are not yet making a very positive impact or sometimes even a low negative impact. These large group of companies that are neither very sustainable nor very unsustainable often make good candidates for engagement to improve their practices. We engage with each firm the strategy invests in with the aim to increase their positive impact on the SDGs over time.

### 5.3.3 SDG investment solutions

Robeco manages SDG aligned strategies in fundamental credits and equities and in quantitative strategies and indices. Such investment strategies (or indices) construct portfolios using the SDG scores. For instance, a strategy may wish to avoid significant negative impact by excluding companies with a negative overall SDG score. Alternatively, they can align with positive impact by only investing in companies with a positive SDG score. Strategies may also tilt towards specific SDGs they wish to align with. We also manage an SDG engagement strategy as explained above, this strategy specifically invests and engages for alignment and improvement on the SDGs. The assets under management in SDG strategies is currently roughly 10%.

2. For products with a climate benchmark or green bond strategies we use the benchmark definition/green bond framework definition.

## 6. Scope, governance, implementation and reporting

### 6.1 Scope

This document outlines our approach towards integrating sustainability in our investments and guidelines that apply to Robeco Holding B.V. and all its direct and indirect subsidiaries and group companies. As such, they apply to all investment funds managed by Robeco that have direct investments in companies, meaning equity or credit investments, and/or selected sovereign holding. For segregated accounts with a specific investment mandate, the extent and nature of the sustainability integration are tailor made and depend on the beneficial owner's needs.

### 6.2 Sustainable Investing Governance

The end responsibility for sustainability integration in investments ("SI") lies with the Executive Committee ("ExCo") of Robeco Institutional Asset Management B.V. and/or Robeco Holding B.V. (together "Robeco"), specifically with the Chief Investment Officer. The supervisory board makes sure the right checks and balances are in place.

The Sustainability and Impact Strategy Committee ("SISC"), is a sub-committee delegated by the ExCo of Robeco to advise and assist in the performance of the duties of the ExCo. The SISC advises and prepares decisions on topics like the SI mission and vision, SI strategy and targets, material changes to the exclusion policy and projects with material FTE impact. The committee is mandated to take decisions on matters like the SI approach and guidelines framework on Sustainability Integration and Stewardship, SI memberships and codes and changes in the exclusion list. The Committee is chaired by the Head of Sustainable Investing and consists of the CIO and Head of marketing and sales (ExCo members) and senior executives from investments (including the SI Center of Expertise) and the COO and CFRO domains.

Additionally, seven committees oversee the individual core components of Robeco's sustainable investing activities (Climate, Biodiversity, Human rights, SDGs, SI Research, Controversial Behavior, Country Sustainability). Each committee is composed of senior members of the organization, including senior sustainability experts and members of our investment teams

### 6.3 Implementation

Robeco's investment teams are responsible for implementing our sustainability integration into our investment products and mandates. The investment teams are supported on this topic by the SI Center of Expertise:

- The SI research team generates sustainability research (company, industry and materiality research).
- Our stewardship activities (voting and engagement) are carried out by the Active Ownership team.
- The Thought Leadership team is responsible for innovation and developing new research frameworks and tools.
- The SI Client Portfolio Management team represents our sustainability approach to clients and shares knowledge and expertise on this topic.

Both departments are part of the investment domain headed by the CIO. Sustainability is fully integrated in our value chain from raw data to front- and back office systems, restrictions monitoring as well as reporting.

### 6.4 Reporting

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. In May 2024, Robeco will publish its first Integrated Report over full year 2023. These articles and reports are available via the following links:

<https://www.robeco.com/en/key-strengths/sustainable-investing/sustainability-reports-policies.html>

<https://www.robeco.com/en/about-us/sustainability-report.html>

## 7. Appendix:

# Sustainability integration in our own operations

In terms of materiality, the way we integrate sustainability into our investments is the focus. However, we do want to be implement the same guidelines for our own operations as much as possible.

### 7.1 People

Above all else, Robeco's continued success depends on the performance of our employees; they are our most valuable asset. Their knowledge, skills, experience, commitment and engagement are key elements in all that we do at Robeco. Therefore, Robeco works to attract and retain our employees by fostering a diverse, equitable and inclusive workplace. Through ongoing employee development, market-aligned compensation and benefits, and a focus on health, safety, and well-being, we help our employees thrive and succeed in life and business.

#### 7.1.1 Performance Management Cycle

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

##### 7.1.1.1 Reward vision

A well thought out, balanced and sustainable remuneration policy is vital in order to attract, retain and motivate people. We reward our people in a way that encourages them to act in the best interests of our clients and avoid taking undesirable risks.

#### 7.1.2 Remuneration

Our Nomination and Remuneration Committee oversees the remuneration processes, which are audited internally each year. Remuneration levels for all employees are compared annually with external benchmark data to ensure that we pay our employees in line with the external market. This to enable us to retain and attract talent. Any relevant changes made by regulators are incorporated in our remuneration policies and guidelines. On an annual basis, an independent external party reviews our RIAM Remuneration Policy to ensure full compliance with regulations and legislation.

Each individual employee's fixed salary is based on their role and experience and is linked to a salary range. These ranges are determined with reference to the benchmarks of the investment management industry in the relevant region, among other factors. The fixed salary is deemed to be adequate remuneration for the employee to properly execute their responsibilities, regardless of variable remuneration being

awarded. The total available variable remuneration pool is determined as a percentage of operational profit. Each employee's variable remuneration assessment is based on pre-agreed business objectives in line with their behavior, individual and team performance, and the success of the company.

#### 7.1.3 Diversity, inclusion and non-discrimination

We strive to create a workplace that reflects our diverse communities, and where everyone feels seen, heard, valued, and empowered to succeed – regardless of gender, race, ethnicity, religion, disability, family responsibility, sexual orientation, social origin, age or experience. Having diversity, equality and inclusion embedded as core values in our organization is critical to our strength as an asset manager and our ability to deliver quality returns for our clients. Our continued leadership in the field of sustainable investing is dependent on our ability to further promote these core values within Robeco.

#### 7.1.4 Learning & development

Robeco's Learning & Development aims to develop talented leaders and experts, and to inspire and guide our employees so that they can achieve their best potential and perform to their best ability in realizing our business strategy. We develop and offer a diverse range of trainings, from leadership for managers to coaching and mentoring for everyone to make sure that colleagues will be able to meet today's and future demands in terms of skillset and learning mentality. We facilitate our colleagues to develop new skillsets and gain relevant knowledge to excel in their roles and connect with Robeco as a company. For example, we developed an unconscious bias training called Blindspot to encourage a work environment where people our colleagues feel included and involved.

#### 7.1.5 Whistleblowing

Robeco supports an open and honest culture in which it is possible to address each other on the subject of potential violations of the Code or other malpractice. Circumstances may make it problematic for employees to discuss malpractices within their immediate work environment. Our Whistleblowing policy is intended to ensure that malpractices in the above situations can be addressed and serves to protect the person that is reporting (suspected) abuse.

## 7.2 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.

### 7.2.1 Robeco Foundation

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

### 7.2.2 Social commitment

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

### 7.2.3 Integration of sustainability in procurement

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

1. We expect suppliers to support and respect the UN's Universal Declaration of Human Rights and to ensure that they are not complicit in any form of abuse (i.e. all parts of their supply chain must be managed in an ethical way).
2. Suppliers are encouraged to promote diversity and inclusion by not discriminating on the grounds of race, religion, gender, sexual orientation, age, physical ability, health condition, political opinion, nationality, social or ethnic origin and union membership or marital status while hiring and employing.
3. All forms of forced, compulsory and child labor must be eliminated.
4. Suppliers should act responsibly in the field of the health and safety of employees.
5. We expect suppliers to support and promote environmental protection, and to comply with local environmental laws and regulations.

6. Suppliers are expected to promote greater environmental responsibility and to support us in the use of goods and services that help mitigate our environmental impact, for example by better managing and utilizing resources such as energy, paper, water and waste.
7. We expect our suppliers to behave ethically and to respect local laws. Bribery and corruption in any form is strictly prohibited. Any potential conflicts of interest by suppliers must be declared, and engaging in any activity which might reasonably be interpreted as an attempt to affect the impartiality of employees must be avoided.

### 7.2.4 Limiting our environmental footprint.

We strive to limit the negative environmental impacts of our business operations as much as possible. As part of our commitment to achieve net zero greenhouse gas emissions by 2050, we have set targets to reduce our operational emissions. We aim to achieve a 50% absolute reduction of our operational emissions by 2030 compared to 2019. Our interim target is a 35% reduction by 2025.

We have set a specific target to reduce our emissions from business travel (air transport and public transport), which accounts for a significant portion of our operational carbon footprint. We target a 7% annual reduction per FTE, from 2021 to 2025, compared to 2019. This translates into a 30% reduction by 2025. Robeco employees travel to meet clients and participate in research and engagement activities. We set and track carbon budgets for teams and promote the use of digital meeting solutions.

We reduce the number of travel movements with our flexible workplace concept, by providing employees with a smartphone and laptop, and using the latest technology for video conferencing, so they can work at home or elsewhere. In general, employees have the flexibility to work two days per week from home.

Lease cars in the Netherlands are low emission-certified or lie within low-emission ranges, and new lease cars are electric.

Our head office in Rotterdam has a four-star (excellent) BREEAM-NL new-building certificate from the Dutch Green Building Council, and uses renewable energy.

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



At our head office, we encourage affiliated cleaning companies to use environmentally safe cleaning products as far as possible. Service level agreements for catering and cleaning include an incentive for sustainable innovation. We always strive to further reduce energy and water utilization, and to promote the use of sustainable energy. Total water usage is measured and monitored. We also aim to minimize waste and recycle waste. More information on actions taken and goals set in relation to our operations, can be found on the Robeco website.



Please visit the Robeco website for  
more information