2024 ANNUAL IMPACT REPORT

Robeco Fashion Engagement Equities

ROBECO
The Investment Engineers

1. Foreword

The fashion industry is a major and influential sector, poised for volume growth in the coming decades, driven by population increases, rising disposable incomes, and a culture of conspicuous consumption. While fashion undeniably provides joy and serves as a form of self-expression for millions worldwide, the industry faces significant societal and environmental challenges. These issues often stem from supply chains, which involve the extraction of raw materials, polluting and energy-intensive manufacturing processes, and poor working conditions.

Many fashion brands recognize these problems within their supply chains and, alongside their suppliers, are taking steps to address them. These efforts aim to repair the damage, improve practices, and preserve the value derived from responsible social and environmental stewardship. However, for many companies, navigating upcoming regulatory requirements presents considerable operational and business challenges. With population growth and increased disposable income driving fashion demand for years to come, there is a growing and urgent need for companies to take responsibility, transition to responsible sourcing practices, and strengthen the resilience of their supply chains.

The Robeco Fashion Engagement Equities Fund is designed to invest in the future of fashion. This means not only directing capital toward companies with strong, long-term return potential but also supporting the industry in its shift toward sustainability. By leveraging Robeco's expertise in thematic investing and active ownership, the fund invests in companies across the fashion value chain and actively engages with them to foster positive change on key issues, including fair wage systems, responsible sourcing, and circular business models.

> *"Building resilient supply chains and promoting the widespread adoption of responsible business practices are essential for surviving in an ever-changing world—both in terms of climate and business dynamics — as temperatures rise and governments implement increasingly stringent transparency and traceability regulations.*

Dora Buckulčíková,
Portfolio Manager of
Fashion Engagement Equities fund

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3. Vision & strategy

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Summary

Unique thematic exposure: a pioneering, fashion-focused fund spanning the entire fashion value chain – from sourcing and production to consumption and end-of-life management.

Active management and active ownership: The fund combines active management and engagement with portfolio holdings, combining long-term financial returns with real-world impact.

Impact in listed equity: The fund aims to support the industry's transition towards responsible sourcing and fair working conditions through tailored, company-specific engagement.

A dynamic duo: active management and stewardship

As a responsible asset manager, Robeco is dedicated to contribute to our clients' goals of return, risk and sustainability through research-driven investment solutions. The Fashion Engagement Equities fund is one of those solutions.

Robeco's Fashion Engagement Equities is an actively managed fund with a twist – it directly incorporates our active ownership expertise to support investment decisions. The fund is uniquely designed to find and capture the companies that not only have potential for compelling growth and attractive investment returns, but also a willingness to actively engage and address material sustainability issues in their supply chains. This second aspect – using engagement as a mechanism to generate positive change – is the fund's central mode of impact.

What makes the fund unique and innovative is the seamless integration of investment, engagement and SI capabilities to make timely, informed investment decisions.

Long-term vision and collaboration

With a three- to five-year engagement horizon and a long-term investment approach, the fund focuses on addressing key material issues for the fashion industry such as responsible sourcing and manufacturing, human rights and good governance. We hope that, over time, this approach will result in better outcomes not only for brands, but also their supply chain workers and the environment.

Dora Bucklucikova, CFA
Lead Portfolio Manager
Portfolio Manager for Fashion Engagement and Megatrends, 10 years of investment experience at Robeco and Baillie Gifford. In-depth knowledge of the fashion industry and its sustainability challenges.

Alyssa Cornuz, CFA
Deputy Portfolio Manager
Deputy PM for Fashion Engagement and Co-PM of the Healthy Living fund. Expertise in sportswear, cosmetics and consumer chemical companies.

Sam Brasser, CFA
Equity Analyst
Analyst for Fashion Engagement and Global Consumer Trends with expertise in luxury, mass-market and cosmetics companies.

Danae Motta
Engagement Specialist
Dedicated engagement specialist with Sustainability Investing (SI) expertise in apparel, footwear, accessories and luxury goods.

4. Portfolio characteristics

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Robeco Fashion Engagement is a high-conviction, fundamental investment fund. Its objective is to generate attractive investment returns over three to five years while engaging on material sustainability topics, such as fair wages and material sourcing in the garment sector.

Investment philosophy

The fund's investment philosophy is built on three key beliefs:

1. profit and positive change can go hand-in- hand
2. without considering the entire value chain, the industry cannot address its current challenges
3. engagement and active ownership from investors is necessary to propel positive change

Investment process

The fund's investment process is fundamental, focused and consistent involving four steps:

1. **Universe construction** – We begin with >200 companies across the fashion value chain, from material sourcing and manufacturing to consumption and end of life management.

2) **In-depth fundamental analysis** – We identify stocks with good growth prospects, competitive moats, and appealing forward-looking return characteristics.

3) **Portfolio construction** – We ultimately select 40-50 stocks based on risk features and position sizing in order to provide the aggregate portfolio with a balanced risk-return profile.

4) **Tailored engagement** – We intend to engage with each investee company and, after a fundamental SI assessment, create a customized progress plan which we use to track and benchmark sustainability performance over the holding period.

Investment performance

In 2024, the Fashion Engagement fund generated a positive return of 10.9% but underperformed its global benchmark (MSCI ACWI). The fund is purely focused on the fashion value chain and has not benefited from the explosive growth of the AI boom. Underperformance against the benchmark was partially driven by outsized exposure to the Consumer Discretionary sector, which makes up 64% of the fund versus 9.9% of the MSCI ACWI. In consequence, the perceived financial health of the middle and upper-income consumer cohorts across the world was an important macroeconomic valuation driver for portfolio holdings in 2024.

The Automation and digitalization cluster (11% of the portfolio), which consists primarily of software-based or inventory management system companies, stood out as the strongest performer, with a 31% absolute return, contributing 3.7% to the fund's performance in 2024. Zebra Technologies, a company providing retail inventory management and warehouse automation solutions through barcode scanners and RFID readers, was the largest positive contributor.

The Casualization and value cluster (33% of the portfolio), made up of companies active in sportswear, mass-market cosmetics and jewelry, as well as off-price retail, contributed 3.3% to the fund's performance, delivering an absolute return of 11%. Athletic footwear manufacturers, On Running and Deckers Outdoor (owner of Hoka), were the top performers in the cluster, with absolute returns exceeding 90% in 2024.

The Sustainability and circularity cluster (15% of the portfolio), was the second-strongest absolute performer, with a return of 14%, contributing 1.9% to the fund's performance. Cintas, active in uniform rentals, and Bureau Veritas, active in testing, inspection and certification, were the best performers in the cluster.

Though high-end luxury has remained strong, spending on more accessible luxury segments, which make up a large share of the fund's Premiumization cluster (37% of the portfolio) have weakened. The cluster delivered 5% absolute return, contributing 1.8% to the fund's performance. Prada, owner of the brand MiuMiu, which escaped the luxury slowdown thanks to its popularity among young, fashion-forward consumers, was the largest positive contributor.

> *We are convinced that the companies that are committed to and investing towards improving sustainability within their organizations are not only building resilience and creating a competitive business edge but also generating long-term value for workers and the environment.*
>
> Dora Buckulcikova,
> Lead Portfolio Manager

Table 1 | Period performance comparison – December 2024

	YTD	Last month	Last 3 months	Last 6 months	Last 12 months	Last 2 years p.a.	Last 3 years p.a.	Last 5 years p.a.	Since first performance date p.a.*
Robeco Fashion Engagement (gross of fee, EUR)	10.88%	3.00%	3.39%	7.45%	10.88%	-	-	-	20.48%
MSCI AC World Index TRN	25.33%	-0.42%	6.71%	9.25%	25.33%	-	-	-	31.21%
Excess return	-14.46%	3.41%	-3.33%	-1.81%	-14.46%	-	-	-	-10.73%
Robeco Fashion Engagement (gross of fee, USD)	3.94%	0.98%	-4.08%	3.81%	3.94%	-	-	-	18.37%
MSCI AC World Index TRN	17.49%	-2.37%	-0.99%	5.56%	17.49%	-	-	-	28.92%
Excess return	-13.55%	3.35%	-3.09%	-1.75%	-13.55%	-	-	-	-10.55%

Past performance is no guarantee of future results. The value of your investments may fluctuate.
Source, Robeco. Data as of 31.12.2024. Portfolio: Robeco Fashion Engagement Equities. All figures in EUR. Data as of December 2024. Returns gross of fees, based on gross asset value. If the currency in which the past performance is displayed differs from the currency of the country in which you reside, then you should be aware that due to exchange rate fluctuations the performance shown may increase or decrease if converted into your local currency. Performance since inception is as of the first full month. Periods shorter than one year are not annualized. Values and returns indicated here are before cost; the performance data does not take account of the commissions and costs incurred on the issue and redemption of units. These have a negative effect on the returns shown.
*25.10.2023

5. Engagement

5. Engagement

5.1 Engagement Framework

The fund seeks clear and measurable improvement from companies on five key engagement objectives: Decent work, Natural resource stewardship, Circular business models, Stakeholder management, and Governance and policies. By supporting a company's ability to address key societal challenges, the fund creates value for both investors and society at large.

Table 2 | Five engagement objectives

Engagement objective	Engagement expectations over three to five years	Milestone example
Decent work	Companies should uphold human and labor rights by implementing strong social policies and monitoring systems and enable living wage standards across their supply chains.	Perform a living wage gap assessment for key Tier 1 suppliers by 2027.
Natural resource stewardship	Companies should have clear, scientific and time-bound climate and biodiversity strategies to address their environmental impact.	Perform a biodiversity risk assessment and identify impacts and dependencies for key raw materials.
Circular business models	Companies should scale adoption of circular strategies and use of preferred materials, shifting away from take-make-waste models.	Scale repair services across EU stores by 2026.
Stakeholder management	Companies should engage with key stakeholders such as supply chain partners, local NGOs and multi-stakeholder organizations, to incorporate insights into decision-making process and collaboratively improve sustainability practices.	Disclose a list of all collaborative initiatives in which they are involved and the outcomes achieved.
Governance and policies	Companies should show integrated sustainability into the core business and governance, showing oversight and accountability of sustainability strategy across all company functions.	Link sustainability strategy and existing targets to executive compensation (Long Term Incentives or LTI).

Our engagement agenda is tailored to each company, taking into account the type of business, a company's relative position in the fashion value chain, its geographic exposure, and its current degree of sustainability. For this reason, we have developed an industry-specific sustainability framework to assess and categorize companies according to their baseline degree of sustainability integration, with the objective of moving towards "advanced" status over the engagement period (see Figure 1).

We believe that these five engagement objectives are key to delivering measurable, positive impact over the coming years. These objectives are developed in line with the concepts pioneered by the Global Fashion Agenda (GFA) in conjunction with prominent NGOs, and multi-stakeholder organizations in the fashion sector.

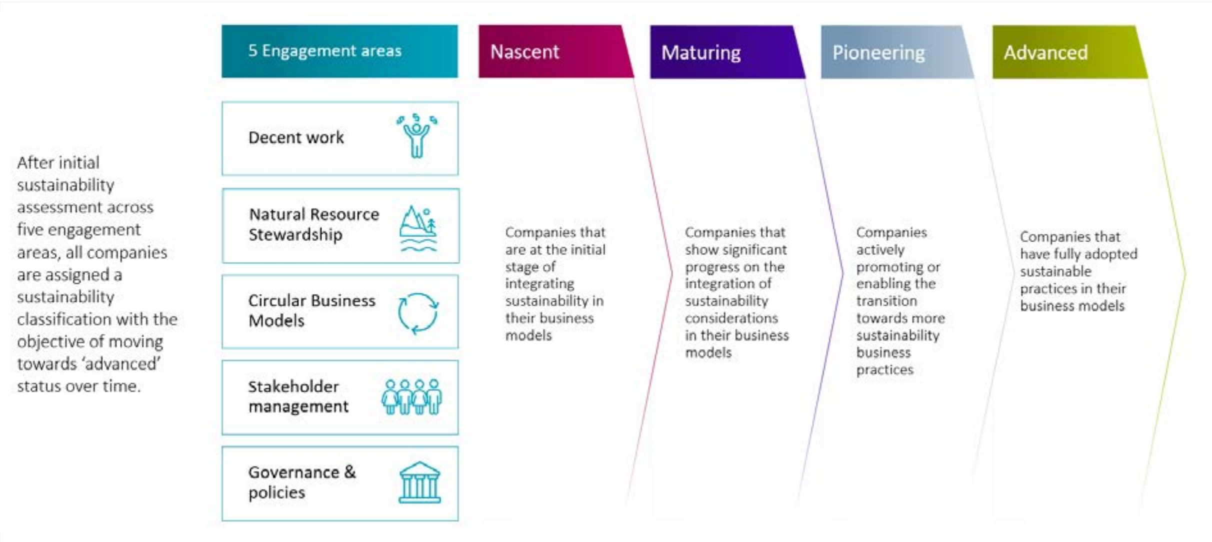
5.2 Building an engagement case

A key differentiator of the fund's strategy is the collaboration between the investment team and the fund's dedicated Engagement Specialist.

The equity analysts develop an investment case, outlining their financial priorities and providing an understanding of the traditional business challenges and opportunities each company is facing. These cases are crucial to understanding where businesses are headed and inform the feasibility of the directions we seek to encourage the company to take. Investment cases are discussed within the team during weekly meetings, where the Engagement Specialist provides an outlook on sustainability integration, engagement potential and financially material topics on which to engage company management.

An investment case is then built using in-depth fundamental analysis, which also informs the construction of an engagement case. These cases leverage our internal quantitative, fundamental and SI research capabilities to determine which long-term economic, social or environmental factors are likely to have a significant impact on a company's business value drivers, and what actions should be taken to address them. Within the engagement case, a company is classified according to the fund's sustainability framework (Nascent to Advanced), and engagement expectations are drafted to guide our investments. While the engagement milestones are company-specific, they are structured around the five over-arching engagement objectives described in Figure 1. These milestones outline best practices to follow and a trajectory for the company to significantly improve its sustainability integration by the end of the engagement period (three to five years).

Figure 1 | Phases of companies' sustainability journey



Use of the United Nations Sustainable Development Goals (SDG) logos, including the colour wheel, and icons shall only serve explanatory and illustrative purposes and may not be interpreted as an endorsement by the Unit-ed Nations of this entity, or the product(s) or service(s) mentioned in this document. The opinions or interpretations shown in this document hence do not reflect the opinion or interpretations of the United Nations.

5.3 Engagement overview

Since the launch of the fund in October 2023, the Active Ownership team has initiated engagement with 49 companies across the globe. Below you can find a breakdown of our engagement activities since launch.

Table 3 | Active ownership activities

	Q4	Q1	Q2	Q3	Q4	Total
Analysis	38	4	6	4	21	73
Conference call	15	12	12	12	15	66
E-mail	9	0	10	0	2	21
Meeting	1	2	7	3	1	14
(Open) letter	0	0	0	0	1	1
Total	63	18	35	19	40	175

Source: Robeco, data as of 31-12-2024.

Case study 1 • Human Rights in Luxury Supply Chains

In 2024, the team took due diligence out of traditional conference rooms and onto the factory floor. In the summer, the team visited the headquarters of our luxury holdings in France and Italy and probed the production facilities of subsidiaries and suppliers to witness on-the-ground realities oftentimes missing from glossy reports.

The Italian authorities' investigation of LVMH's sourcing practices, made the news on the first day of our due diligence trip in Italy, and highlighted the structurally poor labor conditions within the industry's supply chain. This ultimately confirmed our conviction to start our engagement activities with a focus on social justice.

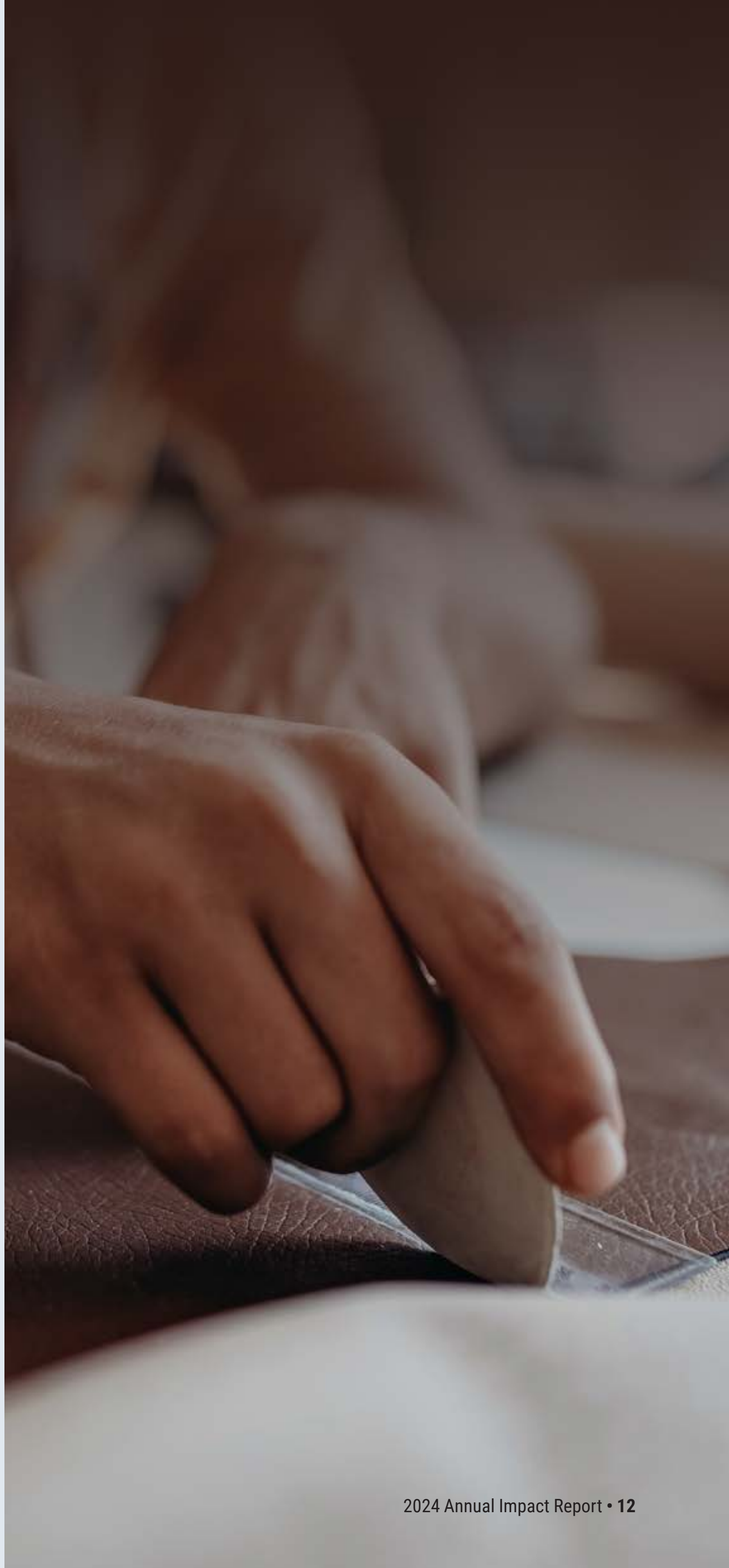
Following investor, media and consumer pressure, LVMH set up an action plan. The plan includes a) engagement with all its Italian suppliers, b) a revision of their Supplier Code of Conduct, which now mandates contractors to seek approval for sub-contractors, and c) an increase in risk assessments and targeted audits across their Tier 1 and 2 suppliers. LVMH is improving its approach, re-qualifying its auditors, mandating supplier certifications, reviewing audit methodologies as well as implementing a payment control mechanism for direct suppliers and indirect sub-contracting workers. It has also improved internal collaboration, launching a common platform (Allegro) where all brand companies must upload factory audit documentation.

LVMH wasn't an isolated case. The controversy sent shock waves across the entire industry. Luxury brands have a greater appreciation of the importance of sustainability disclosures and are more open to engage with investors on sustainability topics. For example, we doubled our engagement activities with Hermès after the scandal in the second half of 2024. Moreover, Camera della Moda, a non-profit organization which coordinates and promotes the Italian fashion industry, has set-up a cross-brand working group. The group includes some of our investee companies such as Kering, Ermenegildo Zegna, and Prada, and aims to develop a common audit protocol and protect the 'Made in Italy' trademark.

Due diligence trip

Our due diligence trip was a reminder that fashion supply chains continue to be highly fragmented, with brands often employing multiple layers of underlying sub-contractors in response to rapidly growing demand. The core problem lies in the ever-increasing volume of products being manufactured and shrinking lead times, which creates conflicting goals between companies' internal sustainability and purchasing teams. Additionally, the opacity of supply chains, a lack of sustainability standards and human rights training among auditors exacerbate the situation. Moreover, there are conflicts of interest between auditors and companies, and historically there has been limited collaboration among brands to improve responsible sourcing practices.

Over the past year, we have been in dialogue with industry service providers, such as auditing firm Bureau Veritas, to raise the bar on auditing standards and training on human rights. We also emphasized the responsibility companies must have regarding their purchasing practices.



Case study 2 • Addressing Living Wages with PLWF

To further amplify our demands and intensify industry pressure for responsible supply chain management, we partnered with the investor coalition, Platform Living Wage Financials (PLWF). Together with the PLWF, we engaged with 33 global apparel companies on topics such as living wages, responsible purchasing, freedom of association and remedy practices.[1]

PLWF's work highlights a slow but gradual improvement across the industry. In 2024, a third of assessed companies made progress within their category placement, but only two moved to the next level. Given the methodology revision in 2023, the limited scale of improvement is not fully reflective of companies' efforts, particularly as disclosures improved considerably for a number of brands. For example, Tier 1 suppliers are largely disclosed for 24 of 33 companies (73%), there is evidence of responsible sourcing policies for 18 of 33 companies (55%), and grievance mechanisms are in place for 20 of 33 (61%).

When it comes to specific company examples, notable progress was identified for Puma, Adidas and Kering, which have each demonstrated a strong commitment to ensuring living wages in their supply chains through various best practices.

Puma, which scored the highest, conducts fair wage assessments at core suppliers, ensures a significant portion of production volume is covered by living wage payments, maintains comprehensive grievance mechanisms, and engages in remediation programs with suppliers to improve wage systems.

Adidas follows closely on its heels. They report on several initiatives including: conducting wage assessments, instituting targets for progressive wage improvements, and engaging with local unions and NGOs to evaluate responsible sourcing practices.

Kering is also a forerunner. It not only has a living wage policy, it also conducts extensive living wage assessments on hundreds of its strategic suppliers, focusing on local contexts and piloting projects in regions like India to close the living wage gap.

These companies also participate in multi-stakeholder initiatives, such as the Fair Wage Network and are highly responsive to PLWF initiatives to drive industry-wide progress and improve supply chain transparency.

Overall, the weakest link in living wage strategies remains an ongoing lack of metrics to track and assess the effectiveness of implementation. Industry leaders are struggling to understand local differences and realities on the ground when it comes to living wages. In addition, it was clear from our conversations with brands that their sustainability teams are prioritizing supply chain transparency and due diligence in order to prepare for upcoming regulatory requirements mandated by the EU CSRD and EU CSDDD.

We will continue our work with PLWF in 2025, where we will focus on moving 'from policy to action.' That means continuing to push companies to establish clear indicators for living wage gaps and implementation.

1. Freedom of Association refers to the right of workers to form trade unions and collectively bargain for better working terms without company interference. The concept of Remedy is closely related and refers to having formal mechanism to address and resolve worker concerns.

PLWF

The PLWF is a coalition of 24 financial institutions leveraging their influence to support the payment of living wages in global supply chains through engagement with their investee companies in the garment footwear, food, agriculture and retail sectors. Representing over EUR 7 trillion of assets under management, the alliance aims to honor the commitment to the United Nations Guiding Principles and OECD Guidelines for Multinational Enterprises, wherein financials are asked to act with due diligence and to identify and mitigate salient human rights risks.

The members analyze companies according to the PLWF methodology, resulting in companies scoring from 'Embryonic (in an early stage of development) to Leading (mature and at the forefront of change)', similar to our own sustainability framework. In 2023, the PLWF updated its assessment methodology to reflect the importance of responsible purchasing practices. With new tools and guiding legislation, the PLWF's assessments and engagements have raised expectations for companies' supply chain due diligence practices and stressed more action in implementing and monitoring the effectiveness of living wage commitments.

5.4 Measuring progress

Engagement Progress

After each company dialogue, the Engagement Specialist reflects on the progress that the company has made against the set of initially defined milestones, which in turn will drive the progress for the engagement objectives of the strategy. In order to formally recognize positive progress on an objective, a majority rule applies, meaning that the majority of milestones under each objective need to have been achieved or have seen positive progress.

As shown in Table 3, our Decent Work and Stakeholder Management objectives show the most company progress, given that the focus of our dialogues has been heavily skewed towards these two topics.

Table 3 | Companies for which we recorded positive progress on engagement objectives

Decent work	Natural resource stewardship	Circularity	Stakeholder management	Governance
6 of 49	4 of 49	3 of 49	5 of 49	4 of 49

Source: Robeco, 2025.

While the progress might appear limited at a first look, this was the first year of engagement, meaning that a lot of time has been spent in building strong relationship with companies and their sustainability teams. In addition, many more of the companies engaged in 2024 are moving in a positive direction across a range of milestones, but following the rule mentioned above, it is not enough to form a "majority" for specific objectives. Hence, these cases are not reflected in the statistics above.

These results are also a reflection that the change we are asking companies – and the industry as a whole – is highly complex, requiring participation from all actors in the fashion value chain. Transitioning towards responsible sourcing practices, transparent supply chains, and living wages for fashion workers around the globe is no easy task: Structural change takes time. This is the reason behind our commitment to a minimum of three to five years of engagement. Our team is committed to walk with manufacturers, suppliers and service providers and we continue to believe that only through collective action we can create a more sustainable and equitable future for the fashion industry.

Impact Attribution Survey

Engaging companies on sustainability issues – which is at the heart of this fund's impact strategy - is a powerful tool through which investors can generate positive impact. By maintaining an active dialogue, investors can encourage change and advise the company on how to get there. Yet, measuring the effectiveness of engagement remains a complicated endeavor. How do we know whether the steps companies are making as part of their transition are in fact caused by our engagement efforts, or are driven by other factors?

While there are numerous ways to assess whether progress can be attributed to our engagement, all things considered, the investee will always be the best source for verification. Every year we conduct an engagement survey requesting companies for feedback on the effectiveness of our engagement efforts. More specifically, we ask them to indicate their level of agreement with statements that gauge if and where our engagement is driving change.

In Q4 2024 we sent surveys to 30 companies from which we received 11 responses (37%). The sample is not considered to be highly meaningful given it covers less than half of engaged companies, but it gives the team an indication of our strengths and areas for improvement.

Firstly, investee companies believe our engagement requests are relatively clear in terms of what we expect them, and quite feasible to obtain (average score of 4.6 of a maximum of 7). Our milestones seem to be relatively helpful for companies to set relevant KPIs (4.8 of 7). Given that our objectives mirror leading industry practices and are set out to be achieved within the next five years, we consider this a reflection of the ambitiousness of our engagement asks. At the same time, these feedbacks highlighted potential for improvement, and at the end of 2024 we reviewed all milestones and adjusted our requests following what we have learned during the first year of engagement, in terms of industry positioning and leading practices, but also to support the set-up of specific KPIs.

We were also looking to generate insights into which companies' internal processes are most influenced by our engagement activities. The results (see Figure 2) show we are most influential in raising awareness on sustainability issues (6 of 7), followed by helping companies to address the issue through, for example, sharing best practices (5.5 of 7). We see the latter as a clear and tangible way in which we can add value to companies' sustainable transitions. Furthermore, engagements helped improve the reporting of relevant disclosures (5.4 of 7). Conversely, engagement was somewhat less effective in raising issues to Boards (5 of 7).

We also included several open questions. One company cited that our feedback has led them to expand the scope of their traceability and supplier assessment programs, while another voiced their appreciation for Robeco's expertise around matters pertaining to the fashion and textile industries. Another company welcomed regular feedback given on their own progress as well as on best practice across broader sustainability issues. All feedback is appreciated and will be constructively used in future, including that of a company which shared that increasing reporting regulations for things like, the CSRD,[2] are draining resources that could be spent on more impact-generating sustainability initiatives.

Figure 2 | Driving change through engagement

Source: Robeco, 2024.

2. Corporate Sustainability Reporting Directive is an EU directive that requires all listed companies (meeting certain size and asset criteria) to report on sustainability risks and impacts.

6. A year in review and future outlook

6. A year in review and future outlook

Danae Motta,
Engagement Specialist

6.1. Reflecting on 2024

In this Q&A, Danae Motta reflects on the past year and the results of the team's engagement activities.

How did the first year of engagement go?

It was an intensive but rewarding year. We have spent a good portion of 2024 building trust with investee companies, getting to know internal structures, having open conversations about the challenges they are facing, and ultimately gaining a deeper understanding of where the industry stands and the gaps that need to be addressed. By engaging with the entire portfolio – from textile manufacturers and fashion brands, to direct-to-consumer retailers and their service providers (e.g., certification companies, online marketplaces, technology providers) – we were able to gain a comprehensive overview of the industry, its challenges and its opportunities. These conversations ultimately helped us prioritize and organize our engagement activities around Decent Work and Living Wages.

Why did you choose to focus on Decent Work and Living Wages?

We began our conversations by exploring key material topics such as governance practices, circularity initiatives, decarbonization pathways, resource stewardship, and human rights. Through discussions with sustainability teams, civil society, and multi-stakeholder organizations, it became evident that while the environmental pillar of ESG was relatively well understood and addressed by investors, the industry had failed to significantly progress on social issues. That's a double tragedy given it's been more than a decade since the Rana Plaza disaster which killed or injured thousands of Bangladeshi garment workers in 2013.

More recently, a controversy regarding underpaid and unprotected workers in Italian factories supplying European fashion houses, erupted at the onset of our due diligence trip in Italy. Once more, this underscored the difficulty of tracking fashion's complex, fragmented, and opaque supply chains. Moreover, continued growth in clothing demand will only perpetuate these issues, convincing us of the urgent need for more investor attention and action to address worker rights and wages.

What is the state of the industry when it comes to working conditions?

The World Benchmarking Alliance's (WBA) 2024 Social Benchmark shows that only 4% of the world's 2,000 most influential companies commit to living wages, with the apparel sector leading with 22% in supply chains and 11% in its owned operations. From our discussions, it is clear that progress has been made in improving supply chain transparency, providing better working conditions, and addressing wage disparities. However, major challenges remain, and while almost all companies have responsible sourcing and human rights policies in place, evidence of real impact is provided by only a few.

One of the most disruptive gaps in the industry, is access to quality supply chain data, particularly for suppliers further down the chain. In Tier 2 segments and beyond, supply chains become more opaque and brands' influence decreases. A lot of work has been done by several of our investee companies, including Kering, L'Oréal and Hugo Boss, to engage and educate suppliers on the importance of collecting the right data as well as the importance of living wages, grievance mechanisms and freedom of association.

An additional hurdle is the current lack of metrics to assess and measure social impact, and caution around public disclosures amid public scrutiny and a shifting geopolitical landscape. When speaking with sustainability teams, a common discussion topic has been upcoming legislation and international standards. These are seen by the industry as key drivers for better transparency and human rights due diligence. Traceability and due diligence are clearly the top priorities of sustainability teams.

What is the focus for 2025?

We will continue to spend the majority of our time on driving our Decent Work engagement objective, summarized as follows:

- Foundational work: promote good governance practices and board oversight of key sustainability topics
- Collaborative focus: promote industry collaboration to advance solutions and better manage supply chain risks; leverage our membership with PLWF to amplify our demands of companies
- Focus on best-practices: promote transparency and traceability of supply chains; transfer best-practice knowledge, particularly around rigorous due diligence and risk assessments; push for education/training on living wages and responsible buying practices

At the same time, we also recognize the importance of addressing other industry challenges. In 2024, we joined FABRIC (Fostering Action for Biodiversity through Responsible Investment in Clothing), a new collaborative engagement initiative launched by the Finance for Biodiversity, which aims to reduce the environmental impact of the textile and apparel industries. We will also incorporate discussions on decarbonization, particularly in the context of a 'Just Transition', so that the shift to a low-carbon economy is inclusive, fair and beneficial for all stakeholders.

7. Conclusion

The Robeco Fashion Engagement Equities Fund is an innovative investment strategy that combines active management and active ownership. Its goal is capturing attractive long-term investment returns, while also promoting a responsible transition towards better sourcing and overall business practices.

With a little over a year of engagement behind us, there's been a promising uptick in cross-company collaborations. Companies are conducting joint supplier audits and forming partnerships with groups like the Fair Labor Association and the Living Wage Coalition to improve ethical wages across the value chain.

The team is also stepping up its own collaborations with the Platform Living Wage Financials which will be essential for addressing new legislation, meeting transparency demands, and raising industry-wide sustainability standards.

The fund's unique perspective as both investor and engagement intermediary is helping amplify progress within companies and across the fashion industry. Looking ahead, the team is keen to weave responsible sourcing, transparency, and fair wages into every stage of the supply chain to position the fund's holdings among the leaders of style and sustainability.

It's a work in progress; transitioning such a large industry requires a combination of regulations, consumer pressure, industry collaboration, and long-term investments in sustainability. This includes prioritizing several sustainability issues across the entire fashion value chain including: the direct and indirect workforce, responsible sourcing practices, and sustainable manufacturing processes. Strengthening these areas will enhance supply chain resilience, improve business fundamentals, and reduce risks associated with climate change and operational disruptions.

Important information

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The Fund may not be offered or sold to the public in Brazil. Accordingly, the Fund has not been nor will be registered with the Brazilian Securities Commission (CVM), nor has it been submitted to the foregoing agency for approval. Documents relating to the Fund, as well as the information contained therein, may not be supplied to the public in Brazil, as the offering of the Fund is not a public offering of securities in Brazil, nor may they be used in connection with any offer for subscription or sale of securities to the public in Brazil.

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Information Documents (PRIIP), the articles of association, the annual and semi-annual reports of the Fund(s), as well as the list of the purchases and sales which the Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, at the office of the Swiss representative ACOLIN Fund Services AG. The prospectuses are also available via the website.

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