



# ROBECO'S SDG FRAMEWORK

How we assess company contributions to the SDGs  
for integration into investment portfolios

# Preface

In 2015 United Nations member states unanimously adopted 17 Sustainable Development Goals (SDGs) marking an historic milestone for sustainable development and investing. For the first time in history, the world has a shared plan for promoting sustainable economic growth, advancing social inclusion and safeguarding the natural environment. In short, the SDGs provide a measurable and actionable blueprint for creating a better world for both current and future generations.

But achieving a sustainable future requires more than clear visions and action plans. It also requires the mobilization of public and private financing. Fortunately, financial markets around the globe are witnessing a momentous shift towards investment strategies that integrate sustainability metrics. This rise in sustainable investing is crucial for achieving the SDGs.

There are ample reasons for investors to invest in companies that advance the SDGs. Companies that provide solutions to tackling sustainability challenges create significant future value and growth, increasing their potential to be market winners. In contrast, companies with adverse impacts on SDGs are expected to face increasingly strong headwinds due to stricter regulations and/or dwindling consumer demand. Moreover, aligning capital with the ambitions of the SDGs helps create sustainable investing strategies that contribute to making the planet and its inhabitants, healthier, safer, and more productive.

‘SDG scores are used to construct portfolios that pursue positive impact, avoid negative impact, and support sustainable progress in the economy, society and the natural environment’

The financial and societal value of investing towards the SDGs is clear. But how might investors integrate the SDGs into traditional equity or credit investment strategies?

Robeco was one of the first asset managers to develop a framework focused on measuring SDG impact for investment portfolios. Our 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. The resulting scores are used to help construct portfolios that pursue positive impact, avoid negative impact, and support sustainable progress in the economy, society and the natural environment.

# ESG and SDG are acronyms not synonyms

## Targeting SDG impacts while avoiding ESG risks

Investors are critical to the success of the SDGs. They channel financing towards companies that provide solutions for the goals and away from companies that undermine progress. Moreover, as part owners of the companies in which they are invested, investors can engage with directors and vote at annual meetings in order to promote sustainable policies and practice.

Sustainable investing has been a key driver in moving management to think and operate more sustainably. According to the Global Sustainable Investment Alliance's latest report, global sustainable investments reached over USD 35 trillion (or more than a third of invested assets) in major financial markets worldwide. And with more than USD 25 trillion (over 70% of sustainable investing assets), ESG integration has emerged as the dominant strategy employed by investors.

However, ESG integration is insufficient for achieving the SDGs.

### Going beyond ESG to target SDG impact

ESG assessments are typically designed to gauge if companies face financially material risks from environmental, social, and governance factors, not a company's actual impact on specific sustainability challenges. The distinction is clearly illustrated in sustainability ratings where companies, such as tobacco and soft drink producers which have negative impacts on SDGs, still receive excellent ESG scores.

Since they were not designed to measure companies' sustainability impact, ESG integration is insufficient for aligning investments with positive impacts on the SDGs.

In order to support the goals, investors need a deeper understanding of the negative and positive effects on the SDGs caused by the companies in their investment portfolios.

To address this need, Robeco has developed a methodology that measures the contributions of firms to the SDGs. Robeco's SDG Framework is based on rigorously researched and sector specific indicators. This framework enables us to establish SDG scores for firms within the investment universes of SDG-focused strategies.

With Robeco's SDG scores, investment teams can create investment portfolios that not only reduce ESG risks but also optimize SDG impact.

'With the launch of the RobecoSAM Global SDG Equities in 2017 and the RobecoSAM Global SDG Credits in 2018, we were among the first to develop and bring to the market SDG-aligned financial products'

### A pioneering tradition

The Robeco SDG Framework and SDG scores build on a pioneering tradition, and further extend Robeco's decades-long lead in sustainable investing research and product development. In fact, with the launch of the RobecoSAM Global SDG Equities in 2017 and the RobecoSAM Global SDG Credits in 2018, we were among the first to develop and bring to the market SDG-aligned financial products.

These ground-breaking launches have been followed by a suite of SDG-focused investment strategies uniquely designed to offer attractive financial returns via companies that are helping achieve SDG targets and advance sustainable development goals.

### In brief

The SDG Framework helps investors:

- Align invested capital with their impact interests and personal values
- Ensure holdings within their portfolios are contributing to the UN SDGs
- Reduce downside risks by focusing on companies with long-term vision
- Position portfolios to capture the gains of economies in sustainable transition

1. Responsible-Investor (2021). <https://www.responsible-investor.com/articles/refinitiv-s-inclusion-of-tobacco-pharma-and-mining-in-esg-top-five-divides-opinio>

# The Robeco SDG Framework

## An overview of the assessment and scoring process

Robeco's SDG Framework provides a clear, consistent and replicable approach for assessing a company's contributions to the SDGs.

It consists of a three-step sequence (shown in Figure

1) that starts with an assessment of the impact of a company's products on broader society, followed by an investigation of the company's operations, and culminating with a final screening of controversies that could negatively influence SDGs.

Figure 1 | Robeco's SDG Framework – a three-step process

### Step 1 Products



What do companies produce?

Positive contribution examples:  
medicine, water, healthcare

Negative contribution examples:  
shale gas, fast food, gambling

### Step 2 Procedure



How do companies produce?

Governance factors:  
Pattern of questionable conduct?  
Differentiate between firms with highest  
SDG impact

### Step 3 Controversies



Are controversies known?

Examples of controversies:  
spills, bribery and fraud, mis-selling

Source: Robeco

### Step 1 What do companies produce?

We take a rigorous approach to consistently assess the SDG impact of all companies within a particular industry.

The process starts with a sector analysis in order to create a baseline against which companies within that sector can be measured. The sector baseline is a broad measure that indicates the extent to which the companies operating within a sector's value chain collectively contribute to, or detract from, relevant SDGs. Initial sector baseline assessments are verified against academic research. With sector baselines established, the contributions of specific companies within those sectors are assessed based on their performance across sector-specific sustainability indicators.

In addition to being sector specific, key performance indicators (KPIs) have been constructed to be SDG specific, meaning they correspond to the targets

that underpin each of the SDG goals. Moreover, the impact stemming from a company's core activities is measured, not just the beneficial effects that may arise from peripheral activities.

Some KPIs gauge positive impacts. Should a company meet a KPI threshold, it will receive a higher SDG score. Conversely, other KPIs measure negative impacts, such that the standing of a company that crosses such KPI thresholds will be negative. To make this assessment, Robeco's sustainability analysts use more than 200 unique KPIs that span more than 60 industries. All KPIs are summarized in a rule book that is consistently applied by specialized sector analysts.

Please see the insert box entitled 'Assessing the banking sector' for an overview of KPIs and their application in the banking sector. For further KPIs applied in Step 1's sector assessment, please see the 'Annex' of this report.

## Assessing the banking sector

Banks are important intermediaries that facilitate trade and commerce, financing and economic growth. Accordingly, we expect the financial sector to contribute most strongly to SDGs 8 (Decent Work and Economic Growth) and 9 (Industry, Innovation and Infrastructure). This is confirmed by looking at the sub-targets of these SDGs which actively call for the participation of the financial sector (SDG Targets 8.3, 8.10 and 9.3). However, banks are not created equal and each must be evaluated separately to establish whether their business strategies and outcomes add to or detract from these respective SDGs.

For instance, one financial sector KPI evaluates the proportion of a bank's loans to small and medium-sized enterprises (SMEs) compared to the value of its total loan book. If the ratio exceeds 15%, then the bank's status is upgraded to positive medium (from a positive low) for SDGs 8 and 9.

In addition to SDGs 8 and 9, banking contributes to SDG 1 (Eradicating Poverty) and SDG 11 (Building Sustainable Cities and Communities). To capture contributions to these goals, we measure the share of consumer loans issued to clients in emerging markets versus total loans. If a bank scores above a 33% threshold for this indicator, its SDG score increases by a point. Moreover, the value of retail mortgage loans issued helps contribute to community growth and development, SDG Target 11.1. If an assessed bank's share of retail to total meets a 25% threshold, their SDG score is +1. If its ratio of retail mortgage loans is at least half of all loans, its SDG score is boosted by another point (+2).

The table below contains an overview of the KPIs for the banking sector.

No.	KPI	Threshold	Score	SDGs
<b>Sector Baseline</b>			<b>+1</b>	<b>8, 9</b>
1	% SME loans / total loans	≥15%	+2	8, 9
2	% retail mortgage loans / total loans	≥ 25%	+1	11
		≥ 50%	+2	
3	% financial inclusion microcredit revenue	≥ 15%	+2	1
4	% emerging market loans / total loans	≥ 33%	+2	1, 8, 9
		≥ 66%	+3	
5	% consumer loans in developed markets /total loans	≥ 25%	0	1, 8, 9, 11
6	% PPI from market income/IB	≥ 25%	0	1, 8, 9, 11
7	%PPI from (U)HNW	≥25%	0	1, 8, 9, 11
8	% revenues from predatory lending operations	≥10%	-1	1
		≥ 33%	-2	
		≥ 66%	-3	

Source: Robeco

'The impact stemming from a company's core activities is measured, not just the beneficial effects that may arise from peripheral activities'

**Step 2**  
**How do companies operate?**

Whereas Step 1 assesses the impact of the products companies deliver, Step 2 assesses the processes with which companies create these products. Here, analysts check if the way the firm operates is compatible with the SDGs.

More specifically, how do companies produce their goods and services? Do they cause pollution, do they respect labor rights and is the board diverse? Analyses rely on evaluations of a company’s governance, internal policies and historical track record on sustainability issues. Data inputs include primary research and corporate sustainability performance data from third-party data sources to provide a comprehensive overview of a company’s sustainability impact.

To make this assessment, the SDG Framework offers detailed guidance. To continue with the example of banking, the SDG Framework guides analysts to investigate dimensions such as: 1) selling aggressiveness, 2) lending policies towards sectors with adverse impacts on the SDGs (e.g., coal mining and arms manufacturing), 3) climate change policies and/or 4) positive impacts (e.g., micro-financing endeavors).

**Step 3**  
**Is the company involved in controversial issues or litigation?**

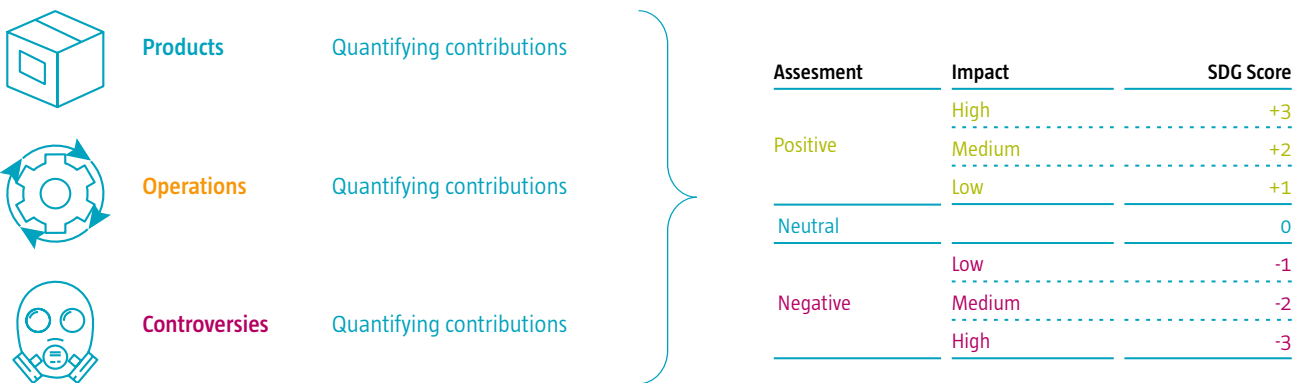
A company can make the right products and operate in the right manner but still be subject to controversies and scandals that negatively impact the SDGs. Examples include oil spills, fraud, bribery and human rights abuses. For this reason, a final round of monitoring is conducted whereby analysts examine whether companies are involved in controversies or legal disputes. Key factors scrutinized include whether a controversy has had an adverse impact on the SDGs, whether management has taken appropriate remediation action, and whether the company has taken decisive steps to ensure such issues do not arise in the future.

**Quantifying a company’s SDG contribution**

Following the three-step assessment of the SDG framework, we score companies’ impacts on each of the SDGs. The scores range from highly positive (+3) to highly negative (-3) (see Figure 2). A company may thus impact multiple SDGs, whereby each of these impacts may be positive or negative at various impact levels. Once a company’s impacts on the 17 SDGs has been scored, its overall SDG score is calculated. This is done according to what we call the ‘min-max’ rule: a company without any negative scores on individual SDGs is assigned the highest (max) score as its overall SDG score. But if a company has a negative score on any of the SDGs, it will receive the lowest (min) score as its overall SDG score. The resulting company SDG scores can then be applied to investment screening and portfolio analysis within Robeco’s SDG-focused investment products.

‘Sustainability analysts use more than 200 unique KPIs that span more than 60 industries’

**Figure 2 | KPI assessments are summed to determine a final SDG score**



Source: Robeco

# SDG scores in the broader market

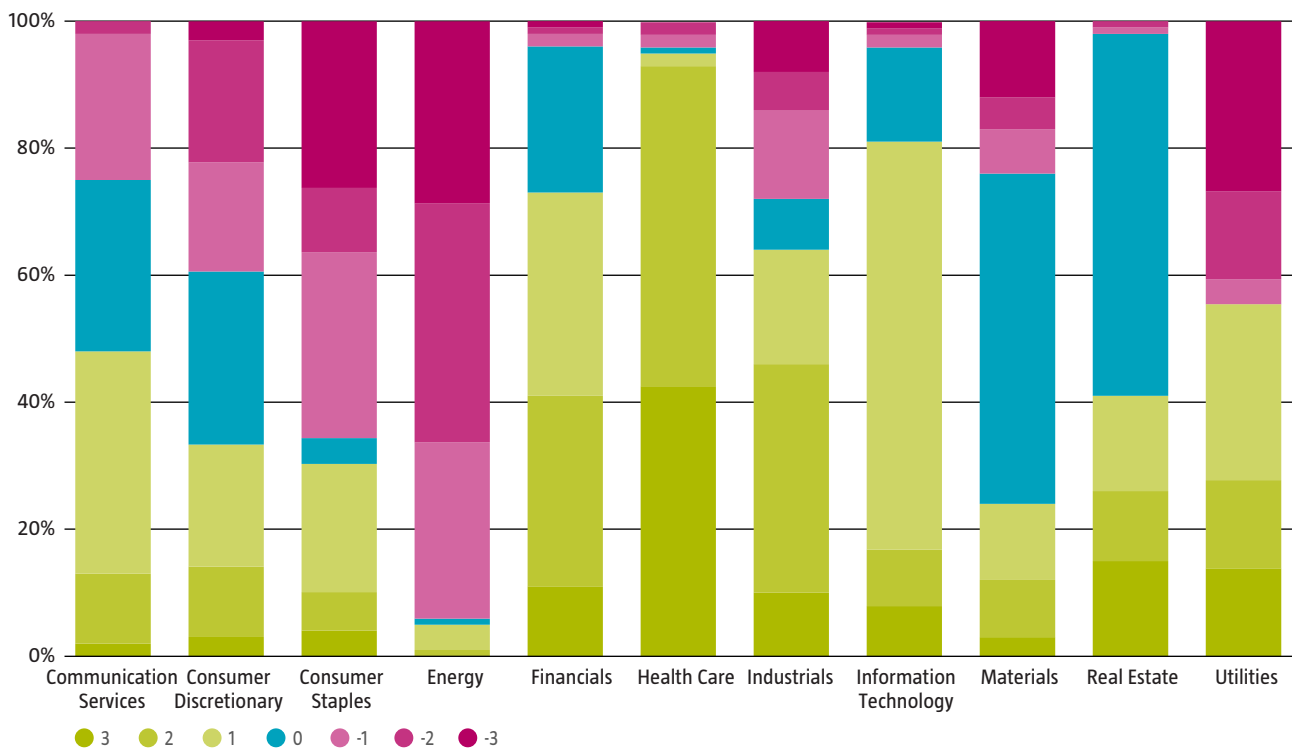
## Sector distributions and exposure to individual goals

Using the SDG Framework, we have assessed the SDG impacts of over 2,900 constituents within the MSCI All Country World Index (ACWI), a common market benchmark which spans developed and emerging markets. Approximately 25% of assessed companies have negative impacts on the SDGs (scores of -1 to -3), 20% make no significant contribution (score of 0), while 55% contribute positively (+1 to +3). Of the net positive contributing companies, most generate low (+1) contributions. Only 11% of companies have high positive (+3) impact.

The starting point of each company assessment is the baseline score for the sector in which it operates. Therefore, sectors play a significant influence in SDG scores. For example, the energy sector tends to have negative-scoring companies, while healthcare companies are generally characterized as positive contributors (See Figure 3 for a distribution of scores across sectors). Because Robeco's SDG Framework focuses on a company's core production activities, sector-effects that stem from companies operating in multiple sectors are minimized. As a result, a company's true SDG contributions are more accurately reflected in their SDG scores.

'Only 11% of companies have high positive (+3) impact'

**Figure 3 | Distribution of SDG scores per sector, MSCI ACWI (n = 2,896)**

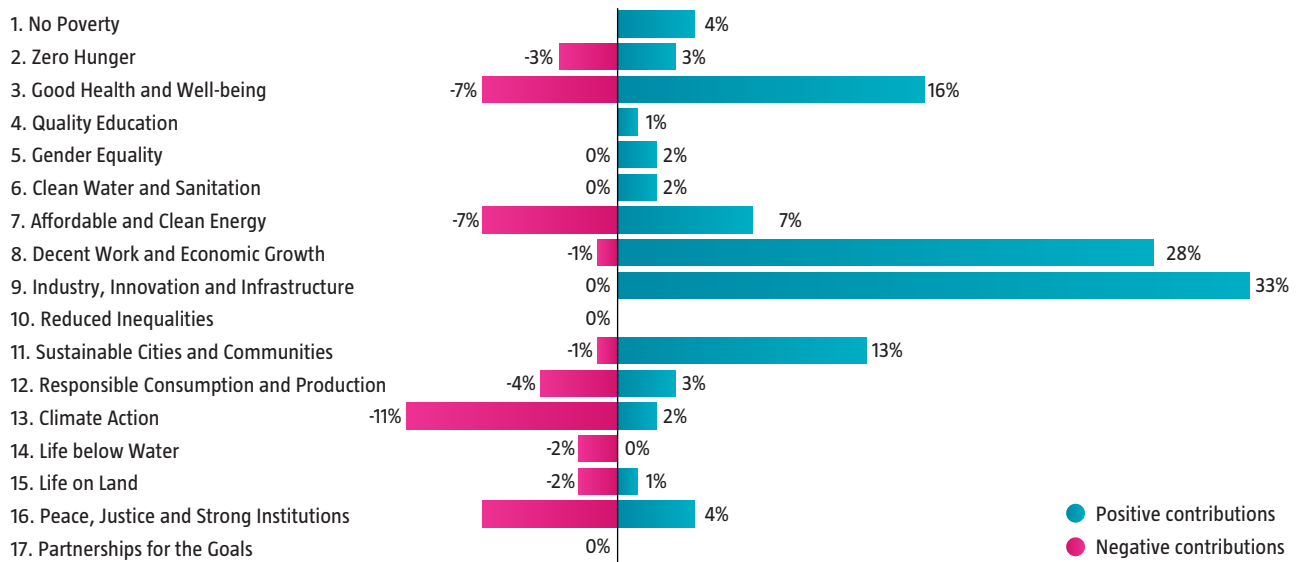


Data as of: 30.06.2022  
Source: Robeco

It is also instructive to understand how index constituents contribute positively or negatively to individual SDGs (See Figure 4 for a summary across all SDGs). Companies contribute most positively to SDGs 9 and 8 (with a combined total of 61%) followed by SDGs 3 (16%) and 11 (13%). Negative impacts are most often associated with climate change; 11% of index companies

negatively affect SDG 13, Climate Action. Public health (SDG 3) is also often adversely impacted, as is SDG 16, which sees negative contributions, for instance, due to cases of corruption, bribery, human rights issues, and the manufacturing of (controversial) weapons.

**Figure 4 | Proportion of companies with positive and negative impacts on the SDGs, MSCI ACWI (n=2,896)**



Data as of: 30.06.2022  
Source: Robeco



# Applying the SDG scores

## SDG scores applied to investment portfolios

Robeco was among the first asset managers to provide clients with SDG-focused equity and credit products and has since developed a suite of SDG-aligned equity, fixed income and index products (for our most recent product overview, see Figure 5).

The SDG Framework and resulting SDG scores form the backbone of Robeco's suite of SDG product solutions designed to align with positive SDG impact while also generating attractive financial returns. These SDG-focused strategies are diversified in their respective investment approach and risk-return profile but unified by the same goal of building high-quality portfolios of attractively valued companies that advance the SDGs.

### Screen and capture SDG impact

Once companies have been distinguished by their SDG scores, investment teams conduct rigorous top-down macro and bottom-up fundamental analysis. Company valuations also include ESG integration to avoid financial risks from sustainability factors.

Our research supports the view that avoiding companies with negative SDG scores does not reduce alpha opportunities<sup>2</sup> nor compromise performance capacity<sup>3</sup>. Moreover, excluding companies with negative SDG scores from the investable universe is not expected to affect factor premiums for quantitative models<sup>4</sup>.

### Engagement impact

Furthermore, SDG-focused strategies are supported by globally recognized engagement expertise. Robeco's Active Ownership Team (AO Team) provide investment portfolios with an additional sustainability and impact overlay. The AO Team votes and submits proposals on behalf of our shareholders to encourage good governance and sustainable corporate practices. In addition, the AO Team actively engages over a three-year period with company management on targeted sustainability themes so that companies understand both the risks and competitive advantages of behaving sustainably and creating positive SDG impact. Our engagement efforts are grounded in our belief that helping corporate leaders understand the benefits of sustainability will lead to improved behavior, more resilient strategy and ultimately better risk-adjusted returns over the long run. Current engagement themes include mining, biodiversity, labor rights, compensation, and governance in emerging markets.

Building on our engagement expertise, we have designed a product with a unique twist. In addition to products designed to identify and invest in high SDG performers (+2 and +3), we have also created an investment product designed specifically to identify, invest and engage with companies with mediocre scores but with potential to improve (-1 to +1). By actively engaging with lower performers, we hope to move the average, elevating SDG scores and ultimately SDG contributions across the entire economy.

'Robeco was among the first to provide clients with SDG-focused equity and credit products'

### In brief

The respective investment teams of SDG-focused funds use SDG scores as a critical tool to:

- Create an eligible investment universe of companies that are contributing to SDG impact
- Exclude companies with negative scores that are obstructing progress
- Identify and actively engage with low performers with high SDG performance potential

2. Huij, J. & Lansdorp, S. (2022). Indices Insights: Does integrating sustainability reduce opportunities for active investors?

3. Huij, J. & Lansdorp, S. (2022). Indices Insights: Can passive investors integrate sustainability without sacrificing returns or diversification?

4. Van Zanten, J.A., Lansdorp, S., Huij, J. (2022). Indices insights: Does sustainability integration affect factor premiums?

**Figure 5 | Overview of Robeco's SDG-focused solutions**

	Investment objective	Universe	Investment approach	SDG approach	
RobecoSAM Global SDG Credits	Actively managed portfolios that provide long-term capital growth and align with and/or contribute to the UN Sustainable Development Goals	Investment grade high yield emerging market corporate bonds	Top-down macroeconomic analysis  Bottom-up fundamental issuer analysis	Investing in companies with a 0, +1, +2, or +3 SDG score	
RobecoSAM Euro SDG Credits		Euro-denominated investment grade corporate bonds			
RobecoSAM SDG Credit Income		Flexible exposure to HY, IG, EM corporate bonds			
RobecoSAM SDG High Yield Bonds		High yield global corporate bonds with sub-investment grade rating			
RobecoSAM QI Global SDG & Climate Multi-Factor Credits		Global corporate bonds	Quantitative bond selection model		Investing in companies with a 0, +1, +2, or +3 SDG score
RobecoSAM Global SDG Equities		Concentrated portfolio of global equities (all cap)	Bottom-up fundamental issuer analysis		Investing in companies with a +2, or +3 SDG score
RobecoSAM Global SDG Engagement Equities					Investing in companies with -1, 0, or +1 SDG scores and engage with each firm to improve their impacts on the SDGs
RobecoSAM QI Global SDG and Climate Conservative Equities					Diversified global equity portfolio
RobecoSAM QI Global SDG and Climate Beta Equities					
Robeco SDG Low Carbon Index Solutions		Actively managed indices that provide long-term capital growth and align with the UN Sustainable Development Goals	Regional indices available for Global AC, DM, EM, US, Europe, Asia-Pacific and Japan		Combination of fundamental and quantitative research

Source: Robeco

# SDG reporting

## Measuring SDG exposure

The SDGs are an increasingly accepted standard for companies to help clarify, prioritize and maximize the value their products and services have on society. Consequently, measuring and reporting the SDG contributions of listed companies provides a powerful means of demonstrating the overall impact of the players that dominate business and the global economy. Moreover, it shows clients how their investments align with their sustainability commitments.

More specifically, tracking the SDG contributions of companies and reporting aggregate contributions for investment portfolios shows investors the extent of their diversified exposure across all 17 SDGs as well as the degree of portfolio SDG contributions compared to the overall market.

To illustrate the impact exposure of our SDG-focused products, we provide examples of reporting results for representative SDG credits and equity strategies.

RobecoSAM's SDG-focused strategies seek to not only beat the market's financial returns but also its SDG impact exposure. Figures 7 and 8 illustrate how the RobecoSAM Global SDG Equities Strategy outperforms its respective benchmark in terms of measured impact on individual SDGs (Figure 7) as well as aggregate SDG impact across the entire portfolio (Figure 8).

**Figure 7 | RobecoSAM Global SDG Equities<sup>5</sup>**

### More measurable SDG impact on individual SDGs than global markets

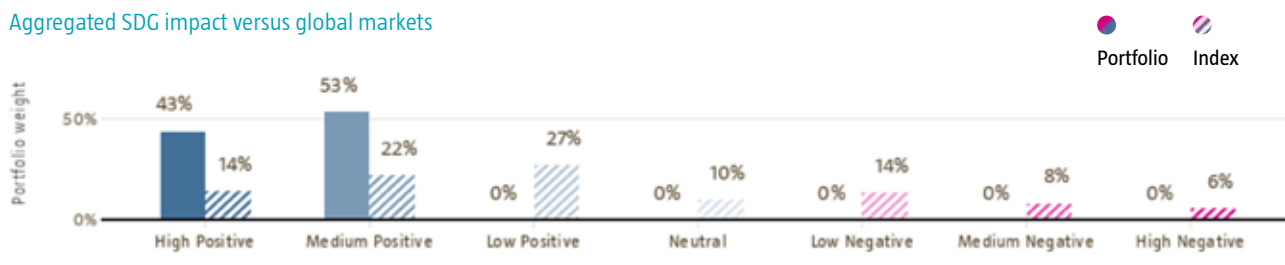


Data as of 30 June 2022. Reference index: MSCI World Index  
 Source: Robeco Switzerland Ltd. Certain underlying data is sourced from third parties.

5. This report shows the portfolio's impact on specific Sustainable Development Goals, both individually and grouped by impact area. The graphs depict the portfolio weight allocated to companies contributing to (or detracting from) each individual SDG. As a company can have an impact on several SDGs (or none), the values shown in the report do not sum to 100%. When grouped by impact area, double-counting of an individual company's impact is avoided by only counting a company's highest positive (and negative) impacts once. Please note that charts of SDGs grouped by impact area are aimed for internal use only.

**Figure 8 | RobecoSAM Global SDG Equities<sup>6</sup>**

Aggregated SDG impact versus global markets



Data as of 30 June 2022. Reference index: MSCI World Index  
 Source: Robeco Switzerland Ltd. Certain underlying data is sourced from third parties.

**Translating SDG impact into the units of people and planet**

Measuring SDG impact is more than generating a score and making benchmark comparisons. So that clients can appreciate the real-world outcomes associated with their investments, we calculate investment impact using the units and metrics of people and planet: for instance, the number of people receiving clean drinking water,

the volume of wastewater treated, millions of EUR extended to small businesses, and tons of municipal waste recycled. Figure 9 provides an overview of the SDG impacts over a one-year period that are associated with a EUR 100 million investment in the RobecoSAM Global SDG Credits strategy.

**Figure 9 | RobecoSAM Global SDG Credits<sup>7</sup>**

SDG impact associated with a EUR 100 million investment in the portfolio over a 1-year period

<p><b>SDG 1 No poverty</b> Reaching ~250 people with microfinance (1.4.1)</p> <p><b>SDG 2 Zero hunger</b> Providing ~4 agricultural machines (2.3.1) Providing ~5 people with a healthy diet (2.1.1)</p> <p><b>SDG 3 Good health and well-being</b> Treating ~4,000 patients (3.8.1) Providing ~10,000 people with health insurance coverage (3.8.1)</p> <p><b>SDG 4 Quality education</b> Supporting ~13 students (4.2.2 / 4.3.1)</p>	<p><b>SDG 6 Clean water and sanitation</b> Distributing ~100,000 m3 of drinking water to ~1,150 people (6.1.1) Treating ~65,000 m3 of wastewater (6.3.1) Providing ~2,300 people with hygiene products (6.2.1)</p> <p><b>SDG 7 Affordable and clean energy</b> Installing ~5 MW of renewable energy capacity (7.2.1)</p> <p><b>SDG 8 Decent work and economic growth</b> Extending ~3 million EUR of financing to SMEs (8.3)</p> <p><b>SDG 9 Industry, innovation and infrastructure</b> Providing ~8,300 tons of industrial inputs (9.1) Providing ~25 construction machines (9.1)</p>	<p><b>SDG 11 Sustainable cities and communities</b> Issuing ~165,000 EUR mortgage financing for low- and middle-income people and/or first homes (11.1) Providing ~20 alternative drive vehicles (11.2) Constructing ~20 residential homes (11.1)</p> <p><b>SDG 12 Responsible consumption and production</b> Recycling ~230 tons of municipal waste (12.5)</p> <p><b>SDG 13 Climate action</b> Providing 10 clients with natural catastrophe insurance (13.1)</p> <p><b>SDG 16 Peace, justice and strong institutions</b> Providing ~15 people with access to online and physical security services (16.10) Providing ~27,000 people with access to information and/or telecommunication services (16.10)</p>
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Data as of 30 June 2022

- This report shows the portfolio weight allocated to companies with a positive, negative and neutral impact on the Sustainable Development Goals. The positive or negative impacts can be high, medium or low. If the data set does not cover the full portfolio, the figures shown above each impact level sum to reflect the data coverage of the portfolio, with minimal deviations that reflect rounding. Weights < 0.5% will show as 0. If an index has been selected, the same figures are also provided for the index. This fund has sustainable investment as its objective within the meaning of article 9 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector. The fund has the following sustainable investment objective: the fund advances the United Nations Sustainable Development Goals (UN SDGs) by investing in companies whose business models and operational practices are aligned with targets defined by the 17 UN SDGs. The fund does not have a carbon-reduction objective. The reference index, the MSCI World Index, is a general market index and is not consistent with the sustainable objective of the fund. The index methodology can be found on the relevant webpages by the index provider: <https://www.msci.com/>.
- Source: Robeco. The information shown on this page is for informational purposes only. In the selection of investments, it is not a binding element. A decision to invest in the fund should consider all the characteristics or objectives of the fund as described in its prospectus. Note: The impact of 77 companies in the portfolio representing 55% of the portfolio's market value has been aggregated, rounded and shown per 100 million EUR invested. The graphic displays an estimation of the associated impact of the companies in which the Global SDG Credit Fund is invested. It shall not be assumed that an investment in the portfolio does result in a direct or additional achievement of impact. The total investment is associated with the following ownership-adjusted impact over a 1-year period. Holdings as of end of Q3 2021, assuming that a stable proportion of companies are held. Market value of a holding is normalized by the company's enterprise value (public companies) or the total outstanding long-term and short-term debt (private companies). Based on production numbers from the latest reporting (FY 2020/2021). Interpretation: Three factors influence the size of an impact metric: (i) the magnitude of a holding company's impacts; (ii) the number of companies in the portfolio contributing to an impact metric; and (iii) the value of the holding compared to its enterprise value. Growth in any of these three factors will, all else equal, lead to higher impact results.

### Further benefits of SDG scores

Robeco's SDG scores can also help customize client portfolios towards SDGs that are at the heart of a client's business or personal interests. For instance, a pension fund for health professionals might want to overweight investments in SDG 3 – Good Health and Wellbeing. Conversely, an education or gender equality foundation may want to underweight investments that perform poorly on SDG 4 – Quality Education and SDG 5 – Gender Equality.

Moreover, beyond their use for portfolio construction and client reporting, SDG scores can be used to inform a variety of investment activities. See insert box, 'Advantages of the SDG Framework' for a list of how Robeco's SDG Framework can be integrated into investment management products and services.

## Advantages of the SDG Framework for investment portfolios

### SDG breadth & depth

Focusing on the SDGs ensures investors exposure to a broad set of social, environmental and governance goals.

### Scale and coverage

The systematic methodology facilitates an efficient yet rigorous fundamental assessment and quantification of impact across the large and complex investable universes associated with listed assets.

### Integration into portfolio analysis

SDG impact scores can be used alongside fundamental analysis for evaluating companies within an active impact investment management strategy.

### SI expertise

Leverages a quarter of a century of sustainable investing experience of Robeco and RobecoSAM including SI research, innovative SI measurement tools and methodologies, and ESG integration into investment management strategies.

### Impact reporting

SDG-focused portfolio reports display meaningful impact across broad SDG categories, individual SDGs and against a globally recognized benchmark.

### Versatility

The framework is a tool suited to evaluating SDG impact across multiple asset classes and investment instruments.

### Active engagement

SDG scores can be used to inform agendas for investment managers with voting, stewardship and engagement services.

'Beyond their use for portfolio construction and client reporting, SDG scores can be used to inform a variety of investment activities'

# Framework governance and maintenance

## Ensuring continuous data quality and relevance

### Governance

The job of ensuring the framework's continuous data quality and relevance require input from and alignment between several important stakeholder groups. The governance around Robeco's SDG Framework is as follows:

**SDG Governing Body** – ultimately responsible for changes and final structure of the SDG Framework and its underlying methodology; it consists of Robeco's SDG Strategist, the Head of Credits Research, and the Head of Sustainable Investing.

**SDG Operations** – provide continuous operational oversight of all functions related to the Framework. Ongoing maintenance responsibilities are shared by two sustainable investing specialists.

**SDG Committee** – advise the SDG Governing Body on proposals for the SDG Framework, review SDG score distributions, and ensure effective implementation of SDG scores. Members include investment teams that apply SDG scores and analysts that use the SDG framework to create those scores.

**Compliance** – monitor decisions of the SDG Governing Body and ensure compliance with approved procedures. Compliance can inform Robeco's Sustainability Impact and Strategy Committee (SISC)<sup>1</sup>, if necessary.

**SDG Advisory Board** – provide strategic oversight and advice on SDG research and external developments. The advisory board meets three times a year with the SDG Committee and the SDG Governing Body. Its members include three independent academics (see insert box "External SDG Advisory Board").

### Coverage

Close to 70 analysts from sustainable investing and product research teams use the SDG Framework to research firms and create SDG scores for around 1,500 companies.

In addition to manual scoring, we also use automation to systematically generate reliable SDG scores for individual firms. This is done by combining extensive background research on sub-sector SDG impact, company-specific sustainability data points and natural language algorithms. As a result, we are able to achieve near universal coverage of our eligible investment universes. Automated scoring across broader markets has enabled us to incorporate SDG assessments into Robeco's quantitative investments and develop a suite of SDG-aligned quantitative and index products.

### Continuous improvement

Robeco's SDG Framework is not static. Rather, we are continuously improving our approach using the latest research and analysis in sustainability science. We frequently collaborate with academic researchers, members of the financial community and leading sustainability institutions in order to incorporate the latest data and analysis techniques that improve the framework's ability to measure companies' SDG contributions and real-world impact.

Moreover, we welcome external feedback from SDG score users. Such feedback will enable us to capture more impact dimensions and further enhance the quality and reliability of SDG scores for the investment community.

### External SDG Advisory Board

In September 2021, we launched an SDG Advisory Board comprised of three renowned academics and sustainability experts, Prof. dr. Kees Koedijk, Mr. Cary Krosinsky, and Prof. dr. Rob van Tulder. **Kees Koedijk** is Professor of Finance at Utrecht University. He is also Distinguished Research Professor at the Shanghai University of Finance and Economics and Fellow of the Centre for Economic Policy Research (CEPR) in London. **Cary Krosinsky** is a widely respected educator and author on sustainable finance. He is a lecturer at Yale's Center for Business and the Environment and is also Co-Founder and Director of the Sustainable Finance Institute and Co-Founder of the Carbon Tracker Initiative. **Rob van Tulder** is a Professor of International Business-Society Management at Rotterdam School of Management, Erasmus University (RSM). He has published extensively on topics of enterprise strategy and corporate responsibility and is a Co-Founder of RSM's Department of Business-Society Management.

<sup>1</sup> The Sustainability Impact and Strategy Committee (SISC) acts as a sub-committee delegated by the Executive Committee, overseeing all matters related to sustainability and sustainable investing.

## Conclusion

Using the UN SDGs as a guide, Robeco has developed a powerful, proprietary framework that systematically measures the magnitude of positive (or negative) SDG contributions of companies within an investment universe. Robeco's SDG Framework is characteristic of our pioneering spirit, investment acumen and disciplined rigor in bringing advanced tools and products to the market. It is the backbone of a unique suite of SDG-focused investment products diversified across asset classes and investor risk-return objectives.

For over two decades, investors have been integrating ESG factors into portfolio strategies. However, ESG integration only goes so far. It reduces a portfolio's downside risk, but does not measure sustainable,

real-world impact – it does not measure sustainable progress. That is what makes the SDGs so critical. They provide a universal system to help companies and investors prioritize key sustainability challenges, set specific and measurable targets and monitor positive impact. The SDGs shift sustainable investing from an ESG risk integration exercise towards an effort that targets positive contributions and impact.

Robeco's SDG Framework takes sustainable investing to the next level. Robeco's SDG Framework, SDG scores and SDG-focused investment products help steer invested capital towards companies that generate positive growth, positive impact and positive progress in achieving sustainable development goals.



**Jan Anton van Zanten**  
SDG Strategist



**Rachel Whittaker**  
Head of SI Research



**Taeke Wiersma**  
Head of Credit Research

## FAQs

### Where to find more information?

For an overview of frequently asked questions (and answers!) please refer to:

<https://www.robeco.com/docm/docu-qa-robecosam-sdg-framework.pdf>

# Annex

## Sector KPIs

In this annex we list the KPIs in step 1 of the SDG Framework which determine the impact of the products and services that companies provide. If a company exceeds the threshold(s) of a particular KPI, a score will be assigned to the corresponding SDGs. Note that negative scores on an SDG override positive scores. For instance, if a financial institution in the banking sector has a positive score for shares of SME loans (+2 for

SDGs 8 and 9 following KPI 1) but a negative score for predatory lending (-1 for SDG 1, following KPI 8), the total SDG score for this company will be a -1.

The examples listed in the tables below are only one step in the Framework and scores can be adjusted or overruled later in the analysis process.

### Sector: Banking

No.	KPI	Threshold	Score	SDGs
	<b>Sector Baseline</b>		<b>+1</b>	<b>8, 9</b>
1	% SME loans / total loans	≥15%	+2	8, 9
2	% retail mortgage loans / total loans	≥25%	+1	11
		≥50%	+2	
3	% financial inclusion microcredit revenue	≥15%	+2	1
4	% emerging market loans / total loans	≥33%	+2	1, 8, 9
		≥66%	+3	
5	% consumer loans in developed markets /total loans	≥25%	0	1, 8, 9, 11
6	% PPI from market income/IB	≥25%	0	1, 8, 9, 11
7	%PPI from (U)HNW	≥25%	0	1, 8, 9, 11
8	% revenues from predatory lending operations	≥10%	-1	1
		≥33%	-2	
		≥66%	-3	

### Sector: Metals and Mining

No.	KPI	Threshold	Score	SDGs
	<b>Sector Baseline</b>		<b>0</b>	
1	% industrial materials (raw materials with industrial uses)	≥67%	+1	9, 11
2	% recycled materials	≥33%	+2	9, 11, 12
3	Thermal coal expansion plans	'yes'	-2	7, 13
4	% thermal coal revenues	≥10%	-3	7, 13
5	% equipment and services for mining	≥33%	0	12



### Sector: Telecommunications

No.	KPI	Threshold	Score	SDGs
	<b>Sector Baseline</b>		<b>+1</b>	<b>8, 9, 16</b>
1	% Emerging market sales	≥33%	+1	1
			+2	8, 9, 16
2	% clients using mobile banking (optional)	≥20%	+2	1
		≥40%	+3	

### Sector: Food (excl. fish)

No.	KPI	Threshold	Score	SDGs
	<b>Sector Baseline</b>		<b>0</b>	
1	% revenues from healthy food	<10%	-1	2,3
		≥10%	0	
		≥33%	+1	
		≥66%	+2	
2	% revenues from beef/lamb/mutton	≥20%	-1	2,6,13,14,15
		≥40%	-2	
		≥60%	-3	
3	% revenues from plant-based protein	≥5%	+2	13,14,15
		≥30%	+3	
		≥60%	+3	

### Sector: Beverages

No.	KPI	Threshold	Score	SDGs
	<b>Sector Baseline</b>		<b>0</b>	
1	% revenues of tea and coffee	<33%	0	
2	% revenues from alcohol and cannabis	≥5%	-1	3
		≥33%	-2	
		≥66%	-3	
3	% revenues from soft drinks	≥10%	-1	3
		≥33%	-2	
		≥66%	-3	
4	% revenues from healthy beverages	≥33%	+1	3
		≥67%	+2	
5	% revenues from water	≥33%	+2	3,6
		≥66%	+3	
6	% revenues from equipment and services for soft drinks / alcohol	≥5%	-2	3

**Sector: Energy Exploration and Production**

No.	KPI	Threshold	Score	SDGs
	<b>Sector Baseline</b>		<b>-2</b>	<b>7,13</b>
1	% natural gas and renewable energy in production mix	≥5%	-1	7,13
		≥33%	0	
		≥66%	+1	
2	% revenue from unconventional oil and gas	≥5%	-1	7,13
		≥33%	-2	
		≥66%	-3	
3	Unconventional oil and gas expansion plans	'yes'	-2	7,13
4	% revenue from deep- and ultra-deep-water oil and gas (1000 meter and below)	≥10%	-1	7,13,14
		≥50%	-2	
		≥80%	-3	
5	% revenue from ultra-deep-water oil and gas (5,000 meter and below)	≥10%	-2	7,13,14

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