

Sustainable Investment Approach Funds in scope for Towards Sustainability Label

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1. Scope

This document applies to the following funds and strategies:

Equity funds

- RobecoSAM Circular Economy Equities
- RobecoSAM Global Gender Equality Equities
- RobecoSAM Global SDG Equities
- RobecoSAM Biodiversity Equities
- RobecoSAM Smart Energy Equities
- RobecoSAM Smart Materials Equities
- RobecoSAM Smart Mobility Equities
- RobecoSAM Sustainable Healthy Living Equities
- RobecoSAM Sustainable Water Equities
- RobecoSAM Net Zero 2050 Climate Equities
- RobecoSAM QI Global SDG & Climate Conservative Equities
- Robeco Chinese A-share Equities
- Robeco Global Consumer Trends
- Robeco Sustainable Emerging Stars Equities
- Robeco Sustainable European Stars Equities
- Robeco Sustainable Global Stars Equities
- Robeco Sustainable Property Equities
- Robeco New World Financials

Fixed Income Funds

- RobecoSAM Climate Global Credits
- RobecoSAM Euro SDG Credits
- RobecoSAM Global Green Bonds
- RobecoSAM Global SDG Credits
- RobecoSAM SDG High Yield Bonds
- Robeco Euro Government Bonds

2. Policies and ESG approaches that apply to the funds

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

2.1 Policies

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

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

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

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

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

Robeco Stewardship policy: <https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf>

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

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

Principal Adverse impact: <https://www.robeco.com/docm/docu-robeco-principal-adverse-impact-statement.pdf>

Roadmap towards net-zero: <https://www.robeco.com/en/insights/2021/10/roadmap-outlines-plan-for-move-towards-net-zero-emissions.html>

The Robeco Sustainability policy include policies with respect to:

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

The Robeco Stewardship policy also cover the following topics:

- Water use
- Taxation

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

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

2.2 Overview applied sustainability strategies per fund

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

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

"ESG Integration"

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

The ESG integration approach is described as part of our Sustainability policy. Please find a link to our Sustainability policy here: <https://www.robeco.com/docm/docu-robeco-sustainability-policy.pdf>

"Norms-based screening "

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

"Exclusionary screening"

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

"Best-in-class/universe"

Several funds apply a best-in-class/universe approach. The majority of the funds flagged in the overview below with this strategy, apply a best-in-universe approach based on SDG ratings. Based on the Robeco SDG Framework, companies are ranked from a -3 to a +3 score thus quantifying their contribution to UN SDGs. Investments in negative SDG scores are not authorized for these funds, and sometimes a higher (medium to high) SDG score is applied (see the SFDR document of the respective funds for details; RobecoSAM QI SDG & Climate Conservative Equities excludes medium and high negative rated companies, and allows companies with an SDG -1 ranking in case the company is included in the Paris Aligned Benchmark). See for more details of the SDG Framework: <https://www.robeco.com/docm/docu-robeco-explanation-sdg-framework.pdf>

The Robeco New World Financials fund and the Robeco Sustainable European Stars Equities fund apply a best-in-class/universe approach based on Sustainalytics ESG risk ratings, screening out the 10% (New World Financials) or 20% (Sustainable European Stars Equities) of the stocks with the poorest ESG scores.

Robeco Euro Government Bonds applies a minimum weighted average score of at least 6.5 on the Country Sustainability Ranking and excludes countries that score poorly on the WGI Control of Corruption ranking.

“Sustainability-themed investing”

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

“Impact investing”

An impact investing strategy shall select investments using one or more well-defined themes based on relevant frameworks to measure contribution to sustainability factors. The RobecoSAM Global Green Bond fund invests in Green Bonds. With these investments, the fund finances investments that contribute to environmental goals (see SFDR document for details). Robeco has a high quality methodology in place (the Green Bond Framework) to properly conduct the investment selection, taking into account among others the alignment of the issuer’s green bond framework with market standards related to green bonds and the allocation of proceeds. See for more details on the Green Bond Framework:

<https://www.robeco.com/docm/docu-robeco-green-bond-framework.pdf>

“Beating a benchmark”

Funds applying this strategy have the objective to do better than a benchmark on one or more ESG indicators. All the funds that apply this strategy (except for RobecoSAM Climate Global Credits) have the objective to have a better weighted average ESG score than that of the reference index. In addition to that, Robeco Sustainable Emerging/European/Global/Property Equities fund’s weighted carbon, water and waste footprint score is at least 20% better than that of their reference index.

For RobecoSAM Climate Global Credits and RobecoSAM QI Global SDG & Climate Conservative Equities, the fund’s weighted carbon footprint score is equal to or better than the index (as mentioned in the prospectus, currently the Solactive Paris Aligned Global Corporate Index and the MSCI All Country World Climate Paris Aligned Index).

“Other Sustainability Strategy”

Robeco Euro Government Bonds has the objective to invest a minimum of 10% in green, social and sustainable bonds.

“Active Ownership”

In addition to the strategies mentioned in the overview below, Robeco also applies an active engagement and shareholder action (proxy voting) process. As a signatory to the UN Principles for Responsible Investments, Robeco’s dedicated Active Ownership team conducts engagement activities based on clearly stated objectives. More details are available in our Stewardship policy:

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

Please find the latest active ownership report on:

<https://www.robeco.com/en/strategies/solutions/voting-engagement.html>

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

| <i>Fund</i> | <i>ESG integration</i> | <i>Norms-based screening</i> | <i>Exclusionary screening</i> | <i>Best-in-class/universe</i> | <i>Sustainability themed investing</i> | <i>Impact investing</i> | <i>Beating a benchmark</i> | <i>Other Sustainability Strategy</i> |
|--|------------------------|------------------------------|-------------------------------|-------------------------------|--|-------------------------|----------------------------|--------------------------------------|
| Robeco Chinese A-share Equities | ✓ | ✓ | ✓ | | | | ✓ | |
| Robeco Global Consumer Trends | ✓ | ✓ | ✓ | | | | ✓ | |
| Robeco New World Financials | ✓ | ✓ | ✓ | ✓ | | | | |
| Robeco Sustainable Emerging Stars Equities | ✓ | ✓ | ✓ | | | | ✓ | |
| Robeco Sustainable European Stars Equities | ✓ | ✓ | ✓ | ✓ | | | ✓ | |
| Robeco Sustainable Global Stars Equities | ✓ | ✓ | ✓ | | | | ✓ | |
| Robeco Sustainable Property Equities | ✓ | ✓ | ✓ | | | | ✓ | |
| RobecoSAM Global Gender Equality Equities | ✓ | ✓ | ✓ | ✓ | | | | |
| RobecoSAM Global SDG Equities | ✓ | ✓ | ✓ | ✓ | | | | |
| RobecoSAM Biodiversity Equities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Circular Economy Equities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Smart Energy Equities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Smart Materials Equities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Smart Mobility Equities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Sustainable Healthy Living Equities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Sustainable Water Equities | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Net Zero 2050 Climate Equities | ✓ | ✓ | ✓ | | | | ✓ | |
| RobecoSAM QI Global SDG & Climate Conservative Eq. | ✓ | ✓ | ✓ | ✓ | | | ✓ | |
| Robeco Euro Government Bonds | ✓ | ✓ | ✓ | ✓ | | | | ✓ |
| RobecoSAM Euro SDG Credits | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Global SDG Credits | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM SDG High Yield Bonds | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| RobecoSAM Global Green Bonds | ✓ | ✓ | ✓ | | ✓ | ✓ | | |
| RobecoSAM Climate Global Credits | ✓ | ✓ | ✓ | | ✓ | | ✓ | |

3. Exclusions

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

3.1 UN Global Compact violations: Human Rights, Labour Rights, Environment, Anti-corruption

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

For Robeco's regular funds, an enhanced engagement process is applied with companies that have severe breaches of these principles and guidelines. If this enhanced engagement, which may last up to a period of three years, does not lead to the desired change, Robeco will decide to exclude a company from its investment universe. For funds with an extended sustainability profile, Robeco excludes companies that have severe breaches of these principles and guidelines without previous engagement. See for details the Robeco Exclusion Policy.

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

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

3.2 Weapons

Controversial weapons

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

1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines.
2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions.
3. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons.
4. Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.
5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (USA, Russia, UK, France and China).
6. The Dutch act on Financial Supervision 'Besluit marktmissbruik' art. 21 a.
7. The Belgian Loi Mahoux, the ban on uranium weapons.
8. Council Regulation (EU) 2018/1542 of 15 October 2018 concerning restrictive measures against the proliferation and use of chemical weapons.

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

Firearms

The funds excludes companies that generate 5% or more of their revenues from involvement in the production of (key components of) assault and non-assault firearms or small arms, for civilian, military, and law enforcement customers. Companies that generate 10% or more of their revenues from retail sales of assault and non-assault firearms or small arms are also excluded.

Military Contracting

For strategies with an enhanced sustainability profile Robeco excludes companies that generate 5% or more of their revenues from selling weapon systems and/or integral, tailor-made components for weapons, and weapon-related products and/or services, to the military or defense industry. The exclusion does not apply to companies that provide non-weapons related products and/or services to the military or defense industry.

3.3 Tobacco

Tobacco is an unhealthy and socially disadvantageous product. Robeco deems investing in tobacco companies an unsustainable investment. Exclusion is applied to companies that are involved in the production of tobacco. In addition, exclusion is applied to suppliers that generate 50% or more of their revenues from the production of tobacco related products and/or services. Last, companies that generate 5% or more of their revenues from retail/wholesale sales from tobacco products are also excluded.

3.4 Fossil fuels

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

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

3.4.1 Thermal Coal

The funds excludes companies that generate 5% or more of their revenues from thermal coal. Some exceptions may apply as mentioned in the Quality Standard (e.g. if the company has more than 50% of CapEx dedicated to contributing activities). **In line with Robeco's net zero ambition**, Robeco also excludes companies that are structurally increasing coal-based power generation capacity. We expect companies to reduce their dependence on thermal coal in the future and will engage with companies to encourage the cessation of such activities.

3.4.2 Unconventional oil & gas

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

Types of unconventional considered

- i. arctic drilling
- ii. shale oil/gas
- iii. oil sands

Thresholds:

- a. revenue share <5%
- b. no expansion plans

Some exceptions may apply as mentioned in the Quality Standard (e.g. if the company has more than 50% of CapEx dedicated to contributing activities).

3.4.3 Conventional oil & gas

For the funds in scope for the Towards Sustainability label, Robeco in principle excludes companies involved in conventional oil&gas activities, if companies generate 5% or more of their revenues from these activities. Some exceptions may apply as mentioned in the Quality Standard (e.g. if the company has more than 15% of CapEx dedicated to contributing activities). Furthermore, Robeco can make use of a phase-out margin of max. 5% in 2022, to invest in conventional oil&gas companies that do not meet the above given requirements, but are considered as best-in-class companies in their sector (at least top-25% based on ESG/SDG rating). This phase-out margin will decrease by 1 percentage point per year as of 1/1/2023.

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

3.4.4 Power production

The funds are allowed to invest in companies involved in the generation of power when the company derive more than 50% of its revenues from contributing activities, dedicated more than 50% of CapEx to from contributing activities, or the company has a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment. In addition to that, the company's production of or capacity for coal-based or nuclear-based energy-related products/services shall not be structurally increasing, and the production/capacity for contributing products/services shall be increasing.

The funds are also allowed to invest in utilities that that are not structurally increasing coal- or nuclear-based power generation capacity and have carbon intensity ≤ 354 gCO₂/kWh (in 2023), which threshold is lowered over time as follows:

| | 2023 | 2024 | 2025 |
|---------------------------|------|------|------|
| Max gCO ₂ /kWh | 354 | 335 | 315 |

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

3.5 Controversial Countries

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

To identify these countries, we use data from:

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

In addition to this, Robeco applies for the funds in scope for the Toward Sustainability label the principles for investing in Sovereign Bonds as defined in the Quality Standard. This results in a list of countries for which Robeco excludes investing in sovereign bonds from:

- *States that have not ratified or have not implemented in equivalent national legislation:*
 - *the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work*
 - *at least half of the 18 core International Human Rights Treaties*
- *States which are not party to:*
 - *the Paris Agreement*
 - *the UN Convention on Biological Diversity*
 - *the Nuclear Non-Proliferation Treaty*
- *States with particularly high military budgets (>4% GDP)*
- *States considered 'Jurisdictions with strategic AML/CFT deficiencies' by the FATF*
- *States with less than 40/100 on the Transparency International Corruption Perception Index*
- *States qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey*

Use-of-proceeds instruments issued by States can be eligible. Funds can invest for reasons of diversification or (currency risk) hedging, in public debt instruments issued by core reserve (non-EURO) currency issuers (i.e. the US) that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio.