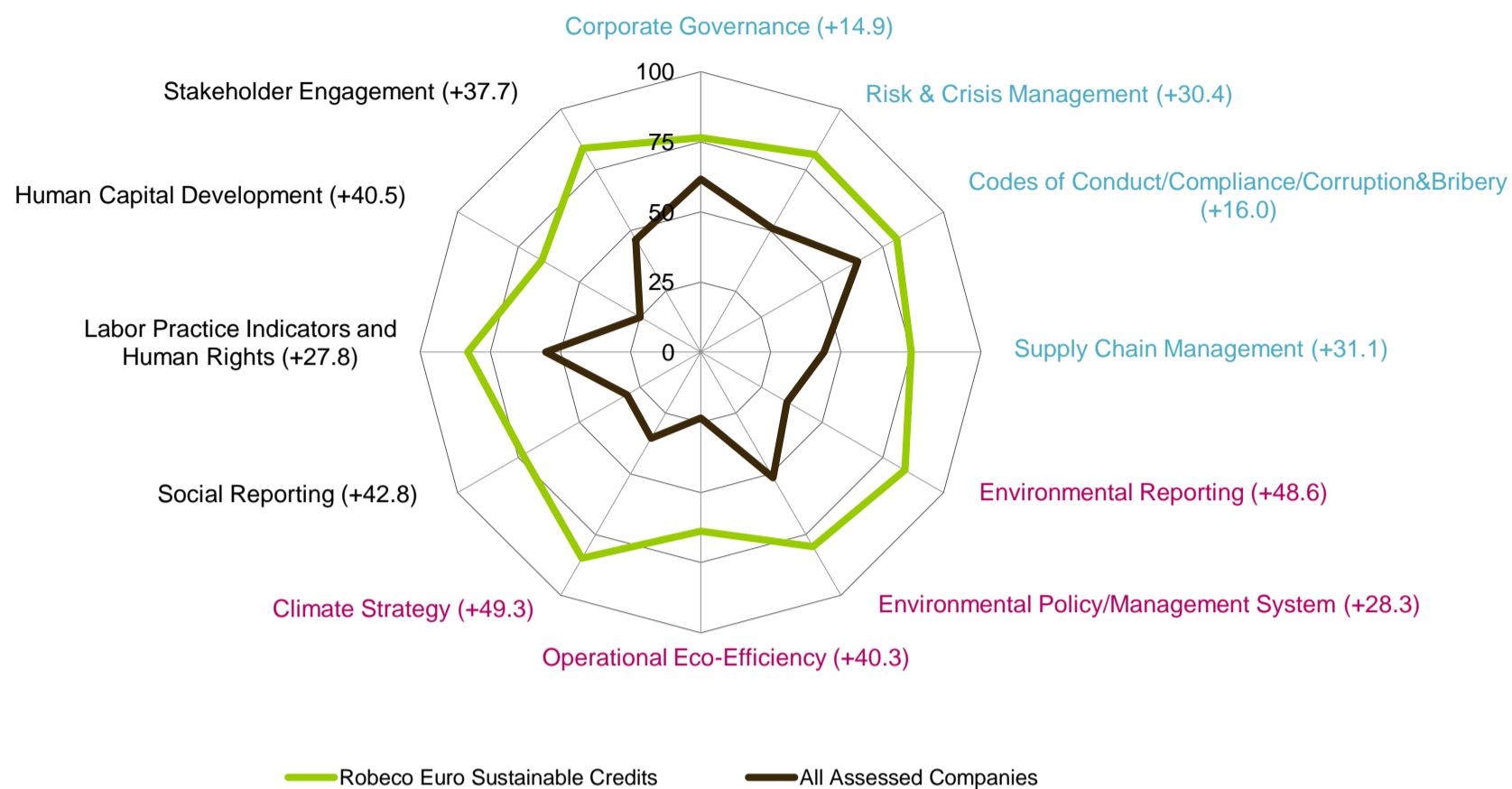


## Overview average performance Robeco Euro Sustainable Credits

As of March 15, 2016, based on companies assessed



The number in brackets indicates relative score value of the portfolio versus All Assessed Companies.

### Rationale RobecoSAM Criteria

Criteria Name	Rationale
Corporate Governance	Corporate governance systems ensure that a company is managed in the interests of shareholders (including minority shareholders). This includes checks and balances that enable the Board of Directors to have appropriate control and oversight responsibilities. Empirical evidence suggests that over a period of 5 years, the difference of return on equity between well-governed and badly-governed companies can be as much as 56% (source: GMI 2007). RobecoSAM's questions focus on Board structure, composition of Board committees, board effectiveness, measures to ensure the alignment with the long-term interest of shareholders, transparency of executive remuneration and potential conflict of interest in auditing practices.
Risk & Crisis Management	Effective risk and crisis management is vital for long-term financial planning and organizational flexibility. It has especially gained importance since the recent financial crisis. Companies need to implement internal control processes to comply with existing regulations and be proactive in developing the control mechanism. RobecoSAM's questions focus on some structural and key elements of the risk management system, such as group-wide uniformity, risk definition, risk visualization, and risk response strategies. Additionally, we perform a real-time check to assess the system works with our internal MSA (Media and Stakeholder Analysis).
Codes of Conduct/Compliance/Corruption&Bribery	Economic crime is consistently harmful to a company's intangible assets (e.g. negative impact on the company's reputation, on staff morale and on business relationships). Internal controls appear to be inefficient when looking at how economic crimes are actually discovered, suggesting that internal systems are often co-opted, circumvented or overridden. Companies active in countries with weak anti-corruption laws are exposed to additional reputational and legal risks. Evidence of corrupt practices can result in exclusion from contracts financed by institutions that blacklist suppliers of bribes (e.g. World Bank's list of debarred firms), potentially impacting future earnings as well as higher risk premiums for debt or equity. The key focus of the criterion is on the Codes of Conduct, their implementation and the transparent reporting on breaches.
Supply Chain Management	In an increasingly globalized world, when a company outsources its production, services or business processes it also outsources corporate responsibilities and corporate risks. This means that companies need to find a new strategy to manage the associated risks and opportunities that differ from the traditional risk and opportunity management of when the company has its production or services in-house. In addition the company is confronted with the need to minimize costs and time of delivery to satisfy the demand of their suppliers and increase profitability without jeopardizing the quality of the product or at high environmental or social costs. Investors increasingly see the importance of the risks of the supply chain management and the negative consequences if it is not managed effectively. This criterion aims to identify companies that have lower supply chain risk profiles, either through the characteristics of the supply chain or through appropriate management of existing risks. In addition, RobecoSAM seeks to identify companies that are using sustainable supply chain management as an opportunity to improve their long-term financial performance.

Criteria Name	Rationale
Environmental Reporting	Environmental performance is becoming a material issue in all industries. Maintaining transparency through appropriate reporting and monitoring it at board level increases the trust of stakeholders and customers and influences positively the company's reputation and brand equity. While disclosure levels are increasing, quality of reporting varies significantly. RobecoSAM's questions focus on the relevance, scope and timeliness of the information contained in environmental reports, as well as external quality guarantees based on internationally acknowledged reporting standards.
Environmental Policy/Management System	Environmental Management System (EMS) refers to the management of an organization's environmental programs in a comprehensive, systematic, planned and documented manner. It includes the organizational structure, planning and resources to develop and procedure for the implementation and management of the company's policy on environmental resource management. Companies that have adopted an EMS as a management tool are more likely to improve their environmental performance in a cost-effective way and to reduce the risk of incurring fines or penalties for not complying with environmental legislation.
Operational Eco-Efficiency	Reducing the overall environmental footprint of companies in both the manufacturing and services sectors is crucial, as the risks of financial and reputational costs linked to environmental litigation increase. Producing more with less material is essential for many industries affected by the growing scarcity of natural resources. The financial industry has an important role to play in minimizing their environmental footprint and facilitating the transition to a low-carbon economy. For all industries, minimizing the consumption of natural resources and waste-generating activities can lead to lower costs and in some cases, new business opportunities. The key focus of this criterion is on the inputs and outputs of business operations. It assesses trends in the consumption of natural resources and the production of environmental waste products specific to each industry.
Climate Strategy	Most industries are likely to be impacted by climate change, albeit to a varying degree; consequently, they face a need to design strategies which are commensurate to the scale of the challenge for their industry. While most focus on the risks associated with a changing climate, some seek to identify and seize the business opportunities linked to this global challenge. The questions in this criterion have been developed in alignment with the Carbon Disclosure Project (CDP) methodology as part of a collaboration between RobecoSAM and CDP ( <a href="https://www.cdproject.net">https://www.cdproject.net</a> ).
Social Reporting	Social performance is becoming a material issue to all industries, and is an aspect that is directly linked to the companies' reputation and brand equity. Maintaining transparency through appropriate reporting and board-level monitoring increases stakeholders' and customers' trust. While disclosure levels are increasing, the quality of reporting varies significantly and thus RobecoSAM's questions focus on the relevance and scope of the information contained in social reports, as well as external assurance based on internationally acknowledged reporting standards.
Labor Practice Indicators and Human Rights	Employees represent one of a company's most important assets. Maintaining good relations with employees is essential for the success of businesses' operations, particularly in industries characterized by organized labor. Beyond providing a safe and healthy working environment, companies should support fair treatment practices such as guaranteeing diversity, ensuring equal remuneration and supporting freedom of association. Effective grievance resolution procedures reduce the risk of lost working days, and companies benefit from higher productivity through a satisfied and dedicated workforce. In accordance with international standards on labor and human rights, companies are increasingly expected to adhere to and apply these standards equally across all operations within the organization. Further, growing customer awareness leads to higher expectations from companies in their role as global corporate citizens and their ability to drive sustainable business practices and human rights issues forward. The key focus of the criterion is on companies' policies to manage labor relations, related KPIs, equal employment and development opportunities, human rights and freedom of organization.
Human Capital Development	Human capital development not only ensures that the company has the appropriate skill set in order to execute the business strategy, but also improves talent attraction and retention, and employee motivation; and, as a result, productivity and the potential for innovation. In increasingly knowledge-based industries, intellectual capital is also an important part of a company's intangible assets. Human and intellectual capital is maintained and improved by integrating knowledge management systems and implementing procedures for organizational learning. RobecoSAM's questions assess whether the company has a comprehensive approach to identifying skill gaps, measuring human capital management, and developing systems to share knowledge across the company.
Stakeholder Engagement	The rise of civil society, and the resulting greater availability of and access to information, has increased the awareness of the impact corporate activities can have on societies at large. New communication technologies and social media have enabled stakeholders to better connect and coordinate, thus multiplying the impact of stakeholders on companies. These circumstances call for the implementation of adequate management strategies with a particular focus upon the identification and management of relationships with stakeholders beyond the traditional boundaries of shareholders, employees and customers. By engaging with the relevant stakeholders, companies can minimize reputational risks (e.g. being the target of a high-profile activist campaign), improve operational efficiency via smooth collaboration with local communities and authorities, and strengthen their social license to operate by gaining greater respectability and credibility. RobecoSAM's questions assess whether companies' governance of Stakeholder Engagement activities occurs at the corporate level and if the strategy is executed in an efficient and balanced manner at the local level by carefully planning and implementing a systematic Stakeholder Engagement approach complemented by a review of the outcomes. Please note that the Stakeholder Engagement criterion focuses on local stakeholder groups such as communities, authorities, media, associations and NGOs which are not covered in other general or industry-specific parts of the questionnaire, such as investors (covered in the "Corporate Governance" criterion), employees (covered in "Talent Attraction & Retention" and "Human Capital Development") and customers (covered in "Customer Relationship Management").