European SRI Transparency Code

RobecoSAM Global SDG Credits & RobecoSAM Euro SDG Credits

September 2019
Rotterdam, the Netherlands
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Sustainable and Responsible Investing is an essential part of the strategic positioning and behavior of Robeco. We have been involved in SRI since 1999 and welcome the European SRI Transparency Code. This is our first statement of commitment and covers the period September 2019 to September 2020. Our full response to the European SRI Transparency Code can be accessed below and is available on our website.

**Compliance with the Transparency Code**
Robeco is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Robeco meets the full recommendations of the European SRI Transparency Code.

Rotterdam, September 2019

\[Signature\]

Victor Verberk
Deputy Head Investments and member of the Executive Committee
1. List of funds covered by the Code

Name of the fund(s):

- RobecoSAM Euro SDG Credits
- RobecoSAM Global SDG Credits

Dominant / preferred SRI strategy (please choose a maximum of 2 strategies)

- [ ] Best-in-Class Investment section
- [ ] Engagement & Voting
- [x] ESG Integration
- [ ] Exclusions
- [ ] Impact Investing
- [x] Norms-Based Screening
  - [x] Leading to exclusions
  - [ ] Leading to risk management analysis/engagement
- [ ] Sustainability Themed

Asset Class

- [ ] Shares in a euro area country
- [ ] Shares in an EU country
- [ ] International shares
- [x] Bonds and other debt securities denominated in euro (for RobecoSAM Euro SDG Credits)
- [x] International bonds and other debt securities (for RobecoSAM Global SDG Credits)
- [ ] Monetary assets
- [ ] Short-term monetary assets
- [ ] Structured funds

Exclusions standards and norms

- [x] Controversial weapons
- [x] Alcohol
- [x] Tobacco
- [x] Arms
- [x] Nuclear power
- [x] Human rights
- [x] Labour rights
- [x] Gambling
× Pornography
☐ Animal testing
☐ Conflict minerals
☐ Biodiversity
× Deforestation—we exclude palm-oil producers with less than 20% of their production being RSPO certified
× CO2 intensive (including coal)
☐ Genetic engineering
× Other (thermal coal exclusion: mining companies with more than 10% revenues, and from power producers with more than 20% related revenues, Fecbfijn criteria for fossil fuel)
× Global Compact
× OECD Guidelines for MNCs

A 5% sales threshold applies to alcohol, gambling and pornography

Fund capital as at August 2019

- RobecoSAM Euro SDG credits EUR 1,116 mln
- RobecoSAM Global SDG Credits EUR 237 mln

Links to relevant documents

Exclusion policy: https://www.robecosam.com/media/c/6/6/c6669128eb7f500c6f7144fabdf00eef_robecosam-
exclusion-policy-201903_tcm1011-17898.pdf
Climate change policy: https://www.robeco.com/docm/docu-climate-change-policy.pdf
2. General information company

2.1. Name of the fund management company that manages the applicant fund(s)

Robeco Institutional Asset Management B.V.

2.2. What are the company’s track record and principles when it comes to integrating SRI into its processes?

Robeco’s track record:
Robeco has been a pioneer in sustainable investing, with twenty years of experience in this field. We have been on the forefront of the development in this area since 1999, when we launched the Dutch mutual fund Robeco Sustainable Equity. In 2004, Robeco introduced Robeco Sustainable Private Equity, the world’s first sustainable private-equity fund of funds. In the same year, we started voting actively on behalf of institutional clients and one year later, in 2005, we introduced our engagement services and established a dedicated competence center for Active Ownership.
In 2006, Robeco acquired a majority stake in the Swiss based Sustainability specialist SAM (Sustainable Asset Management), which led to the creation of RobecoSAM as a leading sustainable asset manager. Both Robeco and the newly established firm RobecoSAM signed the UN PRI in 2006, among the first parties to do so.

In 2010, we reached two milestones in our firm-wide ambition on sustainable investing: the integration of environmental, social and governance (‘ESG’) factors into all (equity and credit) investment processes and the implementation of a firm-wide exclusion policy.

In the same year, we launched our first sustainable credit fund: European Sustainable Credits. This fund followed a best-in-class universe selection approach, until January 2019. From January 2019 onwards, we enhanced the universe screening process to bring it in line with our next generation sustainable investment strategies, based on the UN Sustainable Development Goals.
In 2018, and together with RobecoSAM, a pioneering methodology was developed to identify, and more importantly evaluate, the impact a specific credit would have on the 17 UN Sustainable Development Goals, SDGs. This methodology was used to implement a framework that would score all the issuers under coverage of the analysts’ team. These scores categorize credits as having either a Positive, Neutral, or Negative impact on the SDGs. The scores are then used in a screening process, to define the investable universe that exclude credits with a Negative impact on the SDGs. This enabled us to launch 3 sustainable funds that utilize this screening process: RobecoSAM Global SDG Credits, RobecoSAM Euro SDG Credits and RobecoSAM SDG Credit Income. As at end of April, assets under management in these three funds stood at ~EUR 1 bn.

As a leader and pioneer within the domain of sustainable investing, Robeco will continue to monitor and refine our sustainable investing processes and will always look at launching innovative sustainable funds by offering investors a solution driven approach to sustainable investing.
Some Robeco milestones in the field of sustainability include:

- **1999**: First mover in sustainable investing with the Dutch mutual fund Robeco Duurzaam Aandelen.
- **2004**: Introduction of Robeco Sustainable Private Equity, the world’s first sustainable private-equity fund of funds, later followed by Clean Tech Private Equity and Responsible Private Equity.
- **2004**: Start of our voting services.
- **2005**: Engagement with companies in which we invest to improve their sustainability practices.
- **2006**: Acquisition of majority stake in SAM, later renamed RobecoSAM.
- **2006**: Signatory UN PRI
- **2010**: Integration of environmental, social and governance factors into our investment processes for equity and fixed income.
- **2010**: Launch Euro Sustainable Credit strategy
- **2010**: Implementation of a company-wide exclusion policy.
- **2014**: Robeco consistently achieves high scores in the UNPRI assessment since 2014
- **2016**: Signing of Dutch SDG investing agenda
- **2017**: Launch Sustainable Global Impact Equities strategy
- **2018**: Launch SDG Global Credits strategy

Our sister company RobecoSAM based in Zürich, Switzerland, is our key supplier of sustainability data. RobecoSAM is focused exclusively on sustainable investing. Accordingly, certain information presented relates to RobecoSAM.

**In terms of principles**:

Robeco’s investment beliefs are that ESG integration makes us better informed investors. By adding non-conventional research (next to accounting research) we can assess the future earnings capacity of a firm better. We strongly believe that this is one of the reasons we have had no accidents in our portfolios, by not suffering big price drops and not having any defaults in our investment grade portfolios in the last 10 years.

Our beliefs in more details are explained below:

- **Sustainability** is a driver of structural change in countries, companies and markets.
- **Sustainability issues** are a source of downside risk as well as upside potential, and as such should be evaluated by all investors who seek superior performance.
- Systematically assessing ESG factors and integrating them into investment processes leads to better informed investment decisions and better risk-adjusted returns throughout an economic cycle.
- **Voting and engagement** with the companies in which we invest is an integral part of our investment process and contributes positively to both investment results and to society.
Please provide a hyperlink to any of the company’s sustainable investment webpages.


2.3. How does the company formalise its sustainable investment process?
At Robeco, sustainable investing has been identified as one of the key capabilities the firm focuses on. The Sustainability and Impact strategy committee (SISC) oversees the strategic developments on sustainable investing at Robeco. The SISC, consisting of ExCo members and sustainability experts from both RobecoSAM and Robeco, combines the strengths of everyone involved by driving the vision of sustainability, enhancing the sustainable investing policy framework and creating an innovation platform for SI.

Based on the principles outlined in Q2.2 Robeco formalizes its sustainable investment process in the following manner. Robeco has identified three approaches for implementing sustainability in investments: Exclusion, integration and impact.

Exclusion approach:
Exclude issuers that are not compatible with certain values or norms. For its mutual fund range, Robeco excludes issuers that are deemed incompatible with the principles of the UN Global Compact. Examples of exclusions are cluster munition manufacturers and tobacco companies.

Integration approach
Our analysis of issuers goes beyond the traditional financial factors and includes the issuers’ performance on ESG variables. We deem it essential for a well-informed investment decision to take into account those ESG variable that have the potential to materially impact the financial performance of the issuer. The aim of ESG integration is to improve the risk/return profile of the investments and does not have a normative or impact goal. As ESG is integrated in the investment process of all our credit capabilities, this approach is used for all our credit strategies including mandates.
Impact approach:
In our impact approach, we look for investments with a positive societal impact, whilst generating healthy financial returns. For the credit strategies with a sustainable focus, this impact is defined as an alignment with the UN Sustainable Development Goals.

Please provide a link to the sustainable investment policy.


Please provide a link to the voting rights policy.

Not applicable

Please provide a link to the engagement policy.


2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?

In terms of risks and opportunities, the following points below explain and show how ESG profile of a specific credit is taken into account:

- Sustainability is a significant driver of corporate value.
- Sustainability issues are a source of downside risk as well as upside potential, and as such should be evaluated by all investors who seek superior performance.
- Systematically assessing ESG factors and integrating them into investment processes leads to better informed investment decisions.
- Voting and engagement with the companies in which we invest is an integral part of our investment process and contributes positively to both investment results and to society.

Climate Change risk
Robeco acknowledges the responsibility of the asset management industry towards climate change risks through the investment decisions that we make and the contact we have with investee companies and other institutions. As signatories of the Paris Agreement, we aim to contribute to its ambition: to keep temperature rise well below 2 degrees Celsius above pre-industrial levels. We also want to meet the commitment we made to the Task Force on Climate-related Financial Disclosures. Our climate change strategy will play a significant role in helping us do that.
In 2018, the Financial Risk Management department (FRM) started investigating and monitoring environmental risks, and climate risks in particular. This approach focuses on transition risk by visualizing carbon emissions and designing climate change scenarios in order to monitor the impact on client portfolios, both in equities and fixed income. Furthermore, the department focused on the set-up of a climate risk framework by starting a dialogue with sustainability experts within Robeco and by attending relevant seminars. This has resulted in the integration of carbon emission data supplied by RobecoSAM into the risk system and the design of climate change scenarios. This carbon emission takes into account scope 1 and scope 2 emissions and is normalized by enterprise value. In 2019 scope 3 data will be included as well. The outcomes of these scenarios for certain portfolios have already been discussed with Portfolio Management. The feedback obtained will be used to further optimize the scenarios, and to create awareness across the organization on client portfolio risks as a result of climate change. The end goal of FRM would be to set up a climate risk framework by providing follow up to the CO2 exposure – and climate risk stress test monitoring activity, by creating internal awareness and potentially support this by setting risk thresholds, in line with an organizational decarbonization trajectory.

2.5. How many employees are directly involved in the company’s sustainable investment activity?

As Sustainability is integrated in the investment process of our mainstream products, all of Robeco’s 229 investment professionals are directly involved in sustainable investment activities.

In addition to that 12 employees are fully dedicated to Active Ownership. And at RobecoSAM 12 analysts are providing specific Sustainability research on companies and countries, aided by a team of over 40 people that collect the underlying data.

2.6. Is the company involved in any RI initiatives?

Please find below the list of RI initiatives that Robeco participates in or is signatory to.

**Overview memberships & working groups**

**General**
- Principles for Responsible Investment
- NVP (Dutch Private Equity Association) Sustainability Committee
- DNB Sustainable Finance initiative
- GIIN (Global impact investing network)
- SDG Investment initiative NL

**Environment and Climate Change**
- IIGCC (Institutional investors Group on climate change)
- CDP (Carbon disclosure project)
- Portfolio Carbon Accounting Financials (PCAF)
- UNEP FI

**Governance**
- International Corporate Governance network (ICGN)
- Euamedion Dutch governance platform
- ACGA (Asian Corporate Governance association)
- AMEC
Social
- Human rights investor alliance
- Access to Medicine Index
- FAIRR (Farm Animal Investment Risk & Return)
- Business Benchmark on Farm Animal Welfare
- ZSL-SPOTT Palm Oil benchmark
- Plastic Solutions Investor Alliance
- Platform Living wage

Overview SI statements
- PRI Fiduciary duty in the 21st century statement
- TCFD Statement of support
- Climate action 100+ statement
- 2018 Global Investor Statement on Climate Change
- Investor Support for Alignment Sustainability Requirements in the textile, apparel and footwear industry
- Workforce Disclosure Initiative
- The Tobacco-Free Finance Pledge

Overview stewardship codes
- ICGN Global Stewardship Principles
- UK Stewardship Code
- Dutch Stewardship Code
- Japanese Stewardship Code
- Taiwan Stewardship Principles
- Hong Kong Principles for Responsible Ownership
- Korean Stewardship Code
- Singapore Stewardship Principles
- Brazilian Amec Stewardship Code
- US Stewardship Principles

2.7. What is the total number of SRI assets under the company’s management?

As of June 30 2019 Robeco had EUR 120 bln in ESG-integrated assets.
3. General information funds

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The underlying philosophy in integrating ESG factors in our funds is that sustainability is a value driver in our investment processes. Our analysis of issuers goes beyond the traditional financial factors and includes the issuers’ performance on ESG variables. We deem it essential for a well-informed investment decision to take into account those ESG variables that have the potential to materially impact the financial performance of the issuer. Within fixed income sustainability information provides an extra ‘lens’ to spot downside risk. The aim of ESG integration is to improve the risk/return profile of the investments and does not have a normative or impact goal. As ESG is integrated in the investment process of all our credit capabilities, this approach is used for all our credit strategies.

Additional screening
For these two sustainable funds, a screening process is applied to the investable universe. RobecoSAM together with Robeco have created a methodology to identify and evaluate the impact that specific credits have on the 17 Sustainable Developments Goals as identified by the United Nations. The investable universe for these sustainable funds is screened and defined by those credits that have a positive/neutral impact. This methodology is explained in detail in Q3.5

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

RobecoSAM is our preferred supplier of sustainability data and expertise. In addition, Robeco uses Sustainalytics, Glass Lewis, RepRisk, and brokers as external providers of sustainability data. The table below provides an overview of the provided data and usage:

<table>
<thead>
<tr>
<th>ESG data provider</th>
<th>Type of data</th>
<th>Importance to decision making</th>
</tr>
</thead>
<tbody>
<tr>
<td>RobecoSAM</td>
<td>Sustainability scores and carbon footprints</td>
<td>Key: for defining the universe in sustainability focused strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Auxiliary: for ESG integration</td>
</tr>
<tr>
<td>Sustainalytics</td>
<td>Sustainability scores and controversy information</td>
<td>Auxiliary</td>
</tr>
<tr>
<td>RepRisk</td>
<td>Controversy information</td>
<td>Auxiliary</td>
</tr>
<tr>
<td>Glass Lewis</td>
<td>Information on corporate governance</td>
<td>Auxiliary</td>
</tr>
</tbody>
</table>
3.3. **What ESG criteria are taken into account by the fund(s)?**

For these two sustainable funds, a screening process is applied to the investable universe. RobecoSAM together with Robeco have created a methodology to identify and evaluate the impact that specific credits have on the 17 Sustainable Developments Goals as identified by the United Nations. The investable universe for these sustainable funds is screened and defined by those credits that have a positive/neutral impact. This is explained in Q3.5 of this questionnaire.

ESG is integrated in the investment process of issuer selection and forms part of one of the five building blocks to assess and evaluate the credit fundamentals of an issuer, given its rating. This view expresses both the current state of credit fundamentals and its expected development. The rationale behind this setup is that in a perfect world all credits with similar ratings and maturities should trade at identical spreads.

Key focus of the credit analysis is the cash generating capacity of the issuer, the quality of cash flows, and its ability to repay debt.

The five building blocks in our analysis are:

- Business position
- Business Strategy
- Financial Position
- Corporate Structure and Covenants
- Environmental, Social, Governance-ESG Factors

ESG forms an integral part of this process and is one of the five building blocks used to assess the fundamental score of a specific credit.

The fundamental view on a credit is expressed in a fundamental score (F-score), ranging from -3 (low) to +3 (high), and is the outcome of the assessment of the five building blocks.

- **Business position.** Description of the company, market positions, revenues by segment, by geography, industry trends, growth rates, cyclicality, margins, threat of substitutes and country/sovereign risk.
- **Strategy.** Remarks about risk market focus, geography, risk appetite, acquisitive stance, strategy from and towards shareholders, bondholders.
- **Financial position.** Transformation from company’s balance sheet, profit and loss account, and cash flow statement to a standardized Robeco template. Focus on cash generating capacity, financial forecasts, (future) leverage, capitalization, liquidity, pension deficits, capex, asset coverage and expected recovery.
- **Corporate structure**, covenants. Quality of covenants, restricted payments, permitted collateral, maximum leverage, maintenance versus incurrence tests, place of issuing entity within corporate structure.

- **Integration of Environmental, Social, Governance (ESG) factors.** ESG analysis forms a perfect addition to the team’s regular analysis. The reason for this is that it perfectly matches the basic need to avoid the losers in credit management. For example, weak corporate governance can lead to serious downside (fraud/default) but a good one will less likely result in a credit quality improvement. The Credit team takes its own knowledge and analysis as a starting point for its ESG research. Next to this, the credit analysts have access to multiple providers of sustainability specific data and analysis. RobecoSAM is the preferred supplier of sustainability data and knowhow.

Analysts in the Credit team have many years of specific sector experience and long-term relationships with industry specialists. They have built thorough understanding of the relevant ESG trends in their sector and within their companies. The analysts take their own knowledge and analysis as a starting point for ESG research. The sustainability focus is on downside risk, absolute impact and financially material issues.

The evaluation of a specific credit’s quality which with ESG integration is a dynamic ongoing process. Each credit analyst responsible for a specific sector will monitor all information and adjust the fundamental score of a specific corporate accordingly.

ESG analysis is fully integrated in the bottom-up security analysis. Many credit events in the past can be attributed to issues such as poorly designed governance frameworks, environmental issues, or weak health & safety standards. We believe that by looking at ESG factors we get a better, more complete, picture of the companies we invest in. We have defined key ESG factors per industry. And for every company we analyze how the firm is positioned versus these key ESG issues, and how this could impact fundamental credit quality. The reason for integrating ESG in our issuer selection process is that it perfectly matches the basic need to avoid the losers in credit management. For example, weak corporate governance can lead to serious downside (fraud/default) but a good one will less likely result in a credit quality improvement.

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**Step 1: identify**

**What are the relevant key ESG factors?**

- Differ per industry
- Governance always one of key factors

**Step 2: analyze**

**How is firm exposed to key ESG factors?**

- RobecoSAM sub-scores
- Input Robeco Active Ownership team
- Glass Lewis, Sustainalytics,…
- Conduct track record
- Analyst insights
- …

**Step 3: quantify**

**Impact ESG factors on F-score**

- Clear conclusion: Positive/neutral/negative
- Part of every credit committee
- Impacts view on F-score and investment recommendation

The research analysts discuss the five pillars of the fundamental analysis including ESG - in a credit research report. This report is discussed in a Credit Committee where the final fundamental view is determined. The fundamental
view is expressed in a score (‘F-score’), which ranges from -3 to +3. Combining the F-score with the relative value results in the investment recommendation.

Internal research indicates that in 30% of the cases, ESG information had a financially material negative impact on the fundamental score versus 3% with a positive impact on the score hence underlying the fact that ESG limits the downside risk rather than enhance the upside potential of a specific credit.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

Robeco acknowledges the responsibility of the asset management industry towards climate change risks through the investment decisions that we make and the contact we have with investee companies and other institutions. We aim to make our contribution to the Paris Agreement ambition to keep temperature rise well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. We also recognize the part that climate change risks plays in contributing to the Sustainable Development Goals (SDGs) 7, 12 and 13.

The environmental footprint
We monitor and manage the impact of the portfolio on the following four quantitative environmental impact indicators:

- Greenhouse gas (GHG) emissions: measures direct GHG emissions generated by sources owned or controlled by the company (Scope 1 emissions) and indirect emissions associated with the generation of purchased electricity or heat (Scope 2 emissions).
- Energy consumption: measures total energy directly consumed by the company as well as indirect energy consumed outside the organization.
- Water use: measures company’s total water withdrawal, excluding water discharged with an equivalent quality level of the water extracted.
- Waste generation: measures metric tons of dry waste generated by the company, consisting of by-products of the extraction or production process that can no longer be used for production or consumption and which the company intends to discard.

Engagement with investee companies
Active engagement with selected companies takes place on the basis of sustainability research and in close collaboration with engagement specialists. Please find our engagement policy and our engagement reports on our website, here: https://www.robeco.com/en/key-strengths/sustainability-investing/

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

Investment Universe
The starting point for the funds are their underlying benchmarks, the Bloomberg Barclays Euro/Global Aggregate Corporates. The fund uses a mainstream index and not a customised sustainable benchmark.
Exclusion of controversial companies: The investment universe is restricted by the exclusion and negative screening policy of the fund as we believe that some products and business practices are detrimental to society in a way that makes them incompatible with a sustainable investment strategy. With this in mind, we exclude from our investment universe companies whose practices breach the principles of the United Nations Global Compact and turn out to be unwilling or incapable of changing these practices even after active engagement by our specialized team. In addition, our investment universe restricts firms with a significant exposure to damaging activities, such as the production of tobacco, firearms, thermal coal, adult entertainment, alcohol and unsustainable palm oil production. Please refer to the RobecoSAM exclusion policy.

The SDG contribution of a company
We use of a proprietary SDG framework developed by RobecoSAM to screen the overall credit universe and construct an SDG eligible universe.

The Sustainable Development Goals (SDGs) are a set of 17 goals aimed at ending all forms of poverty, fight inequalities and tackle climate change. A three step SDG framework has now been developed based on the evaluation and quantification of individual company’s contributions to the SDGs. This framework is used to determine the investable universe by excluding negative impact scores and to only include credits that have a positive or neutral SDG impact score. The number of eligible issuers is approx. 450.

The methodology consists of a three step approach:

**Step 1:**
- What do companies produce?
  - Do products or services contribute positively or negatively to SDGs?

  **Positive contribution examples:**
  - Medicine, water, healthcare
  - Shale gas, fast food, gambling

  **Negative contribution examples:**
  - Medicine, water, healthcare
  - Shale gas, fast food, gambling

**Step 2:**
- How do companies produce?
  - Does the company’s business conduct contribute to SDGs?

  **Assess a company’s:**
  - Governance factors
  - Pattern of questionable conduct?
  - Differentiate between firms with highest SDG impact

**Step 3:**
- Are controversies known?
  - Has the company been involved in controversies?

  **Examples of controversies**
  - Spills
  - Bribery and fraud
  - Mis-selling

The outcome of the screening process is an SDG score, which can range from -3 to +3.
### Assessment | Impact | SDG Score
--- | --- | ---
Positive | High | +3
| Medium | +2
| Low | +1
Neutral | 0
Negative | Low | -1
| Medium | -2
| High | -3

Source: Robeco, RobecoSAM

Once the investable universe had been defined with only bonds with a neutral or positive SDG score or green bonds with a positive SDG score, the investment process is then applied. The sustainable investment philosophy is only applied to the bottom up/issuer selection part of the investment process. No direct credit investments in the portfolio are exempt from this philosophy.

An explanation of the bottom up/issuer selection part of the process is explained in section 3.3

### 3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

ESG evaluation is reviewed on a continuous basis by the Robeco credit analysts team as the Fundamental Score of a credit is dynamically monitored by the credit analyst team at Robeco.

Furthermore RobecoSAM continuously makes enhancements to its research methodology in order to identify and interpret corporate sustainability information that has a material impact on long-term shareholder value creation. Such enhancements are aligned with our mission to leverage our understanding of sustainability issues in making better-informed investment decisions. Each SI research analyst is responsible for reviewing the sector-specific portion of the questionnaire for his or her area of coverage, and amending or including new questions for inclusion in the questionnaire, based on industry-specific sustainability trends, risks, and challenges affecting his or her specific research sector.
4. Investment process

4.1. How are the results of the ESG research integrated into portfolio construction?

Both funds would apply the same investment process of combining top down and bottom up research:

- Topdown view on credit markets to determine overall risk positioning
- Bottom up fundamental research to identify the best investment opportunities

The top down analysis takes a quarterly outlook of the credit market. It assesses the credit markets from three different perspectives: Fundamentals, Valuation, and Technical (including psychology and liquidity factors) perspectives. Output of this analysis would determine the overall risk budget allocated in the portfolio (as defined by the beta of the portfolio) and the thematic strategies to be implemented.

The Bottom up input is the Fundamental research undertaken to determine the Fundamental Score (F-Score) assigned to each specific credit.

Investment process

The proprietary SDG framework assesses the impact an issuer will have on any of 17 SDG goals as defined by the United Nations. Only those bonds with a neutral or positive SDG score are eligible into the investable universe. Active selection of green bonds is incorporated in the portfolio construction of the portfolio.

As stated above, the investable universe is defined first by the exclusion list. The SDG framework is then used to determine the investable universe by excluding negative impact scores and to only include credits that have a positive or at worst a neutral SDG impact score. Also included in the universe are green bonds with a positive ESG score.
Portfolio Construction:

We believe that one of the differentiating aspects of our sustainable investment strategy is our in-house expertise, combined with externally sourced data.

The analysts within the Credit team have many years of specific sector experience and long-term relationships with industry specialists. As a result, they have gained deep sector knowledge and a thorough understanding of the relevant ESG trends in their sector and within their companies. The analysts take their own knowledge and analysis as a starting point for ESG research and do not act on external research alone.

Closest to the investment team are the Robeco Active Ownership team and the Sustainability Investment research at RobecoSAM. The chart below graphically depicts the relation between the investment team and the sustainability expertise that exist outside the team:

Interaction between investment team and sustainability expert centers

4.2. How are criteria specific to climate change integrated into portfolio construction?

Through the SDG screening that we apply to select the eligible universe, we only select those credits that do not have a substantial negative impact on climate change.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

The fund shall not invest in any issuer with no ESG rating assigned.
- Please specify how much the funds can hold.

Not applicable

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

RobecoSAM Euro SDG Credits: The screening process has changed at January 1st 2019. The screening process changed from a best in class approach to an SDG screening. Please refer to Q3.5 for further details on the methodology used.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

No

4.6. Does (do) the fund(s) engage in securities lending activities? If so, (i) is there a policy in place to recall the securities so as to exercise the voting rights? (ii) does the process for selecting the counterparty(ies) integrate ESG criteria?

Both funds do engage in security lending activities, which is outsourced to a third party

4.7. Does (do) the fund(s) use derivative instruments? If so, please describe
   (i) their nature;
   (ii) their objectives;

Yes both funds use derivatives. Derivatives could be used for both hedging and efficient portfolio management. Please find below the derivatives used and the reasons they are implemented in the portfolios:

Credit Default Swaps (CDS)
We make use of CDS on single name issuers (mostly on corporates), predominantly by selling protection. We use CDS for relative value reasons, as CDS spreads may offer substantially better value compared to bonds from the issuer. Although not applied often, we are also allowed to buy single name protection, to hedge existing portfolio credit risk, or to express a bearish view.

Credit Default Swaps index baskets (CDX/iTraxx)
We make use of CDX/iTraxx to efficiently implement our top down view or to hedge undesired macro risks. CDX (US market) and iTraxx (Europe) are highly liquid and low cost instruments. We use these instruments predominantly to adjust the regional allocation and to implement the beta of our funds.

Interest Rate Swaps
We make use of Interest Rate Swaps mainly when we consider it necessary to hedge undesired interest rate sensitivity out of our portfolio. So this is a kind of derivative we mainly use for hedging purposes. When trading
Interest Rate Swaps, we use central clearing. This means no direct counterparty risk and reduced costs of trading. Most of the swaps are from fixed rate to floating rate. However, sometime the reversed trade is executed.

**FX Forwards**
We use FX Forwards to hedge the currency risk in our fund portfolio as well as to adjust those portfolios to the desired currency positions.

**Futures**
We make use of Futures for efficient portfolio management, to implement our yield curve positions and the targeted duration; that is to make the portfolio more or less sensitive to overall interest rate movements. For our rates portfolios and aggregates portfolios the active duration is one of the performance drivers. Within our credit portfolios we usually do not take active duration positions, so in these portfolios futures will only be used for hedging purposes.

(iii) the potential limits in terms of exposure;
Derivatives are not used to leverage the portfolio. The risk exposure of a CDS exposure is treated as a bond exposure. As we use DTS to monitor risk, the allotted risk points on a CDS exposure is known and will be assessed in the same way a bond exposure will have in terms of its risk points.

(iv) if appropriate, their impact on the SRI nature of the fund(s).

Not applicable

4.8. Does (do) the fund(s) invest in mutual funds?

No

If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?
5. ESG controls

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

The following process description applies to the monthly determination of the eligible investable universe for the funds.

A monthly (on the first business day of every month) screening process is in place ensuring that the fund only invests in eligible names. The eligible SDG investment decision criteria include:
- Tickers that are included in the eligible investment universe (an SDG score ranging from 0 to 3; and
- Identifiers (ISINs) that are labelled as “green bonds” with a score ranging from 0 to 3
- In addition to the ultimate ticker list the following outcomes are reported by the FI Portfolio Information Management team:
  - Explained changes (in form of a movement schedule)
  - Portfolio check and upcoming breaches (tickers that left the eligible universe and as such can be expected to flag in our compliance systems and need to be sold)
  - Tickers that were excluded as a result of the Enhanced Exclusion list

To conclude the monthly screening process, the ultimate eligible ticker list is sent to the COO Data Management team and the Investment Restrictions monitoring team. The COO Data Management team safeguards that no ineligible ticker can be invested without a pre-trade alert. The investment restriction team permanently coded the restrictions as such that any ticker not being eligible will be flagged and results into a pre-trade compliance alert that needs to be addressed by the pre-trade restriction team and the portfolio manager responsible for the respective fund. In addition, the eligible ticker and green bond enables the daily compliance post-trade check, ensuring the portfolios being monitored are compliant on an ongoing basis.

To safeguard a sound backup, continuous operation and present detailed operational knowledge in case of ad-hoc client/prospect and portfolio manager questions, FI PIM safeguards sound knowledge sharing within their team and that at least two people evaluate the changes and investable universe list together.
6. Impact measures and ESG reporting

6.1. How is the ESG quality of the fund(s) assessed?

The rules for Sustainability funds are determined and validated by the Sustainability and Impact Strategy committee (SISC). This committee guides sustainability developments. The committee consists of members of the Executive Committees of Robeco and RobecoSAM and internal specialists. These rules and the quality of the rules are evaluated yearly.

In terms of reporting, the RobecoSAM Sustainability Report measures the sustainability exposure of an equity or credit portfolio based on a selected set of general ESG criteria applicable to a broad range of companies.

The report covers the three dimensions of RobecoSAM’s CSA (economic, environmental and social factors) and provides a general overview — displayed as a spider chart — of a portfolio’s sustainability performance versus the relevant portfolio benchmark. The report compares the weighted average scores of the portfolio holdings for these criteria with the average scores of all the companies in the benchmark. The results demonstrate whether the portfolio outperforms or underperforms the average company scores for each criterion and illustrates the areas of relative strength and weakness across key ESG criteria.

Example:

![Spider chart showing ESG performance](image-url)
By measuring their portfolio’s footprint against a series of tangible environmental indicators, investors can gain insight into the magnitude of the portfolio’s environmental impact per invested dollar. The quantitative indicators measured at the company level include greenhouse gas emissions, energy consumption, water use and waste generation. The results can be compared with peer companies in the same industry to reveal which companies are leading in a particular field. Furthermore, the same analysis can be conducted on the respective benchmark companies, to reveal differences in environmental performance between the investor’s portfolio and the benchmark. An attribution analysis relative to the selected benchmark helps the investor determine whether the portfolio’s environmental impacts are driven by sector allocation or stock selection.

Example:

<table>
<thead>
<tr>
<th>Impact per mUSD invested</th>
<th>GHG Emissions - Scope 1 &amp; 2</th>
<th>Energy Consumption</th>
<th>Water Use</th>
<th>Waste Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit per year</td>
<td>[t CO2-eq/mUSD]</td>
<td>[MWh/mUSD]</td>
<td>[m³/mUSD]</td>
<td>[t/mUSD]</td>
</tr>
<tr>
<td>Impact</td>
<td>88.3</td>
<td>171.0</td>
<td>648.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Impact (%)</td>
<td>49%</td>
<td>72%</td>
<td>67%</td>
<td>82%</td>
</tr>
<tr>
<td>Savings/mUSD*</td>
<td>55 mUSD</td>
<td>64 mUSD</td>
<td>14 mUSD</td>
<td>18 mUSD</td>
</tr>
<tr>
<td>Impact total invested: mUSD</td>
<td>955mUSD</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RobecoSAM Impact Overview for Robeco Euro Sustainable Credits versus the Benchmark (end of September 2018):
*European average figures per year
Average greenhouse gas emissions from new passenger cars per year: average 20,000 km and 130 g CO2-eq/km; [t CO2-eq source: www.ect-europe.eu] 2.6
Average energy consumption per household and year: in MWh; [source: www.enea.europa.eu] Benchmark: 3.9
Average water consumption per person and year: in m³; [source: www.enea.europa.eu] Benchmark: 47.5
Average waste generation per household and year: in t; [source: www.enea.europa.eu] Benchmark: 0.8

6.2. What ESG indicators are used by the fund(s)?

The RobecoSAM SDG score, the environmental footprint and the exclusionary screening all explained in 3.5 are used by the fund.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

There are many communication resources that are used to provide investors information on the funds: our website, insights, quarterly reports and monthly portfolio manager updates.

We would specifically refer to our Sustainability insights: https://www.robeco.com/en/insights/
And our Sustainability webpage: https://www.robeco.com/en/keystrengths/sustainability-investing/
And to the fund documentation.
6.4. Does the fund management company publish the results of its voting and engagement policies?
If so, please include links to the relevant activity reports.

Each quarter a public report is published on our engagement activities:
Some Funds referred to in this marketing material have been registered with the UAE Securities and Commodities Authority (the Authority). Details of all Registered Funds can be found on the Authority’s website. The Authority assumes no liability for the accuracy of the information set out in this material/document, nor for the failure of any persons engaged in the investment Fund in performing their duties and responsibilities.

Additional information for investors with residence or seat in the United Kingdom

Robeco is subject to limited regulation in the UK by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.

Additional information for investors with residence or seat in Uruguay

The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,677. The Fund must not be offered or sold to the public in Uruguay, except in circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 18,714 dated September 27, 1996, as amended.

Additional information concerning RobecoSAM Collective Investment Schemes

The RobecoSAM collective investment schemes (“RobecoSAM Funds”) are open-ended investment funds established as investment funds under the Undertakings for Collective Investment in Transferable Securities (UCITS) of MULTI PARTNER SICAV, managed by GAM (Luxembourg) S.A. (“MultiPartner”). MultiPartner SICAV is incorporated as a Société d’Investissement à Capital Variable which is governed by Luxembourg law. The custodian is State Street Bank Luxembourg S.C.A., 19, Avenue J.F. Kennedy, L-1896 Luxembourg. The prospectus, the Key Investor Information Document (KID), the articles of association, the annual and semiannual reports of the RobecoSAM Funds, as well as the list of the purchases and sales which the RobecoSAM Fund(s) has undertaken during the financial year, may be obtained, on simple request and free of charge, via the website www.robecosam.com.

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