

# European SRI Transparency Code

Robeco Quantitative Investment - Equities

September 2020  
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 second statement of commitment and covers the period September 2020 to September 2021. 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 2020

Victor Verberk, CIO Fixed Income and Sustainability and member of the Executive Committee

Mark van der Kroft, CIO Fundamental and Quant Equity and member of the Executive Committee



**v. verberk**



**M.F. van der kroft**

# 1. List of funds covered by the Code

Name of the fund(s):

- Robeco QI Emerging Markets Sustainable Active Equities (EMSA)
- Robeco QI Global Developed Sustainable Enhanced Index Equities (GDSEI)
- Robeco QI Global Sustainable Conservative Equities (GSC)

Hereafter Robeco QI Sustainable strategies.

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

- ☐ Best-in-Class Investment section
- ☒ Engagement & Voting
- ☒ ESG Integration
- ☐ Exclusions
- ☐ Impact Investing
- ☐ Norms-Based Screening
  - ☐ 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
- ☐ Bonds and other debt securities denominated in euro
- ☐ International bonds and other debt securities
- ☐ 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
- x Pornography
- Animal testing
- Conflict minerals
- Biodiversity
- x Deforestation – we exclude palm-oil producers with less than 20% of their production being RSPO certified
- x CO2 intensive (including coal)
- Genetic engineering
- x Other (*fossil fuel exclusions: mining companies and power producers with more than 10% revenues from thermal coal, companies with more than 10% of revenues related to oil sands, companies with more than 5% of revenues related to arctic drilling, palm oil companies with <20% RSPO certified palm oil*)
- x Global Compact
- x OECD Guidelines for MNCs

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

GDSEI does not apply exclusion for alcohol, gambling and pornography

## Fund capital as at 31 August 2020

▪ Robeco QI Emerging Markets Sustainable Active Equities	EUR 175 mln
▪ Robeco QI Global Developed Sustainable Enhanced Index Equities	EUR 232 mln
▪ Robeco QI Global Sustainable Conservative Equities	EUR 84 mln



### Links to relevant documents

Robeco's firm-level exclusion policy and exclusion list can be found here:

<https://www.robeco.com/docm/docu-exclusion-policy-and-list.pdf>

Robeco's exclusion policy and exclusion list for Impact Investing funds can be found here:

<https://www.robeco.com/docm/docr-robecosam-exclusion-policy-impact-investing-funds.pdf>

Robeco's sustainability investing policies can be found here: <https://www.robeco.com/en/key-strengths/sustainable-investing/sustainability-reports-policies.html>

Publications regarding the product capabilities such as prospectus, factsheets, holdings and brochures for a specific fund can be accessed via the [www.robeco.com](http://www.robeco.com) website.

## 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.

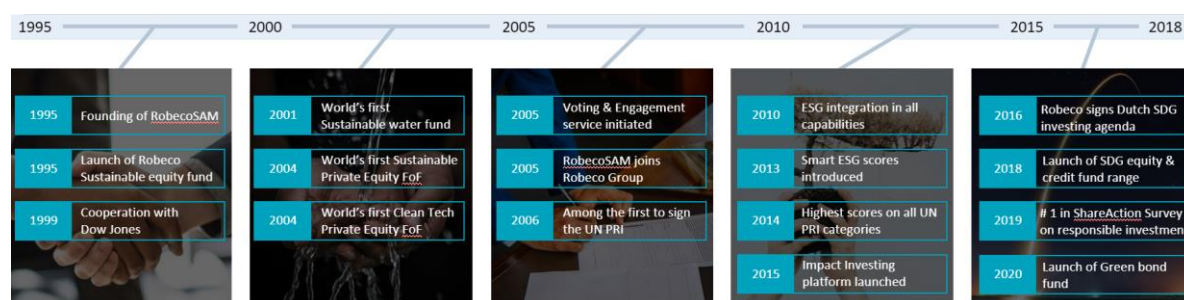
In the same year, we launched our first sustainable credit fund: European Sustainable Credits. This fund followed a best-in-class universe selection approach, until January 2019. From January 2019 onwards, we enhanced the universe screening process to bring it in line with our next generation sustainable 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 August 2020, assets under management in these three funds stood at ~EUR 2.5 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
- 2019 #1 in ShareAction survey on responsible investment
- 2020 Launch RobecoSAM Global Green Bonds

#### Our investment beliefs

- As an active asset manager with a long-term investment view, we create added value for our clients
  - Our investment strategies are research-driven and executed in a disciplined, risk-controlled way
  - Our key research pillars are fundamental research, quantitative research and sustainability research
  - We can create socioeconomic benefits in addition to competitive financial returns
- ESG integration leads to better-informed investment decisions and better risk-adjusted returns throughout an economic cycle
  - Sustainability is a driver of structural change in countries, companies and markets
  - Companies with sustainable business practices are more successful
  - Active ownership contributes to both investment results and society

Please provide a hyperlink to any of the company's sustainable investment webpages.

<https://www.robeco.com/en/key-strengths/sustainability-investing/>

### 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 Sustainability investing at Robeco. The SISC, consisting of ExCo members and sustainability experts, combines the strengths of everyone involved by driving the vision of sustainability, enhancing the Sustainability Investing policy framework and creating an innovation platform for SI.

Robeco adopts a holistic approach to integrating sustainability into investment decisions. Sustainability is a long-term driver for change in markets, countries and companies which in turn can impact future performance. Based on this belief, we consider sustainability to be one of the value drivers in our investment process, similar to the way we look at financials or market

momentum. In our fixed income investment processes, sustainability insights are used to better assess downside risk. In our equity investment processes, we also see it as a driver for outperformance. From an investment perspective, considering material ESG factors strengthens our investment process and ultimately leads to a better informed investment decision. Robeco has incorporated ESG criteria as part of the investment process since 1999.

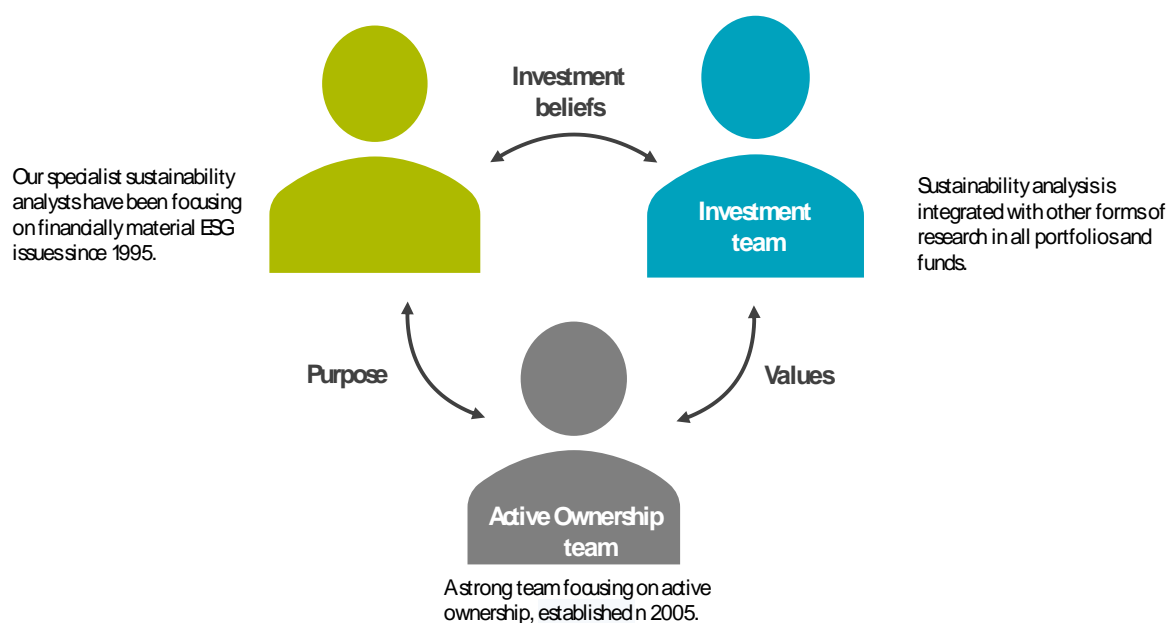
Our sustainability approach is based on three key elements: Leading sustainability research, ESG integration and active ownership. Our research comes from multiple sources, including the bespoke expertise of our Sustainable Investing Center of Expertise. Robeco incorporates these insights into most investment strategies in a tailored way to generate better risk-adjusted returns. With our active ownership approach, we work with investee companies to improve their performance on ESG through voting and engagement, the results of which enrich our ongoing research.

Robeco's sustainable investing framework is the joint responsibility of three areas of expertise:

- Investment teams, integrating sustainability analysis with other forms of research
- Dedicated Active Ownership team
- Sustainability Investing research analysts

The teams focus on identifying financially material themes that are expected to have measurable benefits for investors and society. Shared beliefs, values and purpose enables leveraging on expertise across the organization and investment process. An overview of our sustainable investing framework is provided in the figure below.

## Integrated sustainability investing framework



Please provide a link to the sustainable investment policy.

<https://www.robeco.com/docm/docu-exclusion-policy-and-list.pdf>

Please provide a link to the voting rights policy.

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

Please provide a link to the engagement policy.

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

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

Robeco is truly committed to sustainability. It forms an explicit part of the company strategy. We believe that:

- Sustainability is a driver of structural change in countries, companies and markets.

- 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.
- 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.
- 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 aims to contribute to the ambition of the Paris Climate Agreement: 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 plays a significant role in helping us do that.

The Sustainability & Impact Strategy Committee (SISC), the committee overseeing the sustainability strategy of Robeco, has commissioned a task force to develop a climate change strategy for Robeco in September 2018. The climate change strategy is a further evolution of the current climate change policy. The aim is to put our climate change objectives into practice, in acknowledgement of 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 identify two types of Climate Change risk:

- Transition risks, stemming from policy and legal developments, technology obsolescence, changed consumer preferences and reputation damage from shifting public opinion
- Physical risk, which can be acute or chronic.

Combatting climate change also gives rise to opportunities, for instance from:

- New technologies contributing to resource efficiency and different energy sources
- Shifted consumer preferences, creating opportunities for other products and services, creating new markets.

In 2019, the climate change task force made further progress on calculating the carbon footprint of all Robeco's holdings. Climate related stress tests were conducted by the Risk Management department. A carbon accounting prototype was developed to assess the impact of setting a reduction pathway and climate strategy and eco-efficiency are key material issues for certain sectors and are part of our ESG analysis for all strategies.

The identification of climate risks and opportunities in our climate risk scenarios is based on the IPCC. The most common timeline is until 2050, with net carbon neutrality by then. For the translation into our target setting, we focus on the interim milestone of a reduction in global emission of 50% by 2030. This year is crucial in our scenario planning. Based on this, we derive the medium-long term risk scenarios run until 2025.

### *Transition risks*

Certain industries are already being affected by climate change, where we observe changing public opinion and investor sentiment and new regulation. For example, studies already indicate that the cost of capital for companies in the energy and utility sectors that rely on fossil fuel has increased in the past 5 years relative to renewable energy providers. We believe more sectors will become impacted in the next 5-10 yrs as regulations increase. Ultimately (10+ yrs) all companies have to become significantly more efficient as energy efficiency is a major contributor to getting to net zero carbon emissions.

### *Opportunities*

We have been seeking opportunities from climate adaptation and mitigation since the launch of our Smart Energy fund in 2006, and expect the opportunities will accelerate significantly as society recognizes the risks we face from a significantly changing climate. The need to reduce emissions by 50% by 2030 and to net zero by 2050 gives a concrete idea of how things should develop. We continue to assume that society will act in its best interests, although we are clearly procrastinating and expect much of the investment to come at the last minute.

### *Physical risks*

These have the longest timescales for broad-based impacts, but we already see major events making the acute risks clear in the short term. For example, the drought in Europe in 2018 disrupted supply chains on the continent, surprising many investors. Fires in California were another early example (2014-2017), the risks from which are now perfectly clear to most from Australia in late-2019. In the medium term (10+ yrs), severe weather will continue to increase and loss from floods and severe storms is a concern. However, the largest impacts come from potential sea level rise of several meters on one side and water shortages on the other if glacier melting accelerates in the long term.

Please also find the link to our climate change policy:

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

Climate change initiatives and memberships

- Robeco joined the Institutional Investor Group on Climate Change (IIGCC) in 2009. Within IIGCC, we are Supporter of the Investor Statement on Climate Change and Member of the Corporate Engagement Working Group.
- Member of the Climate Disclosure Project (CDP)
- Supporter of the Task-force on Climate-related Financial Disclosures (TCFD)
- Signatory of the Climate Action 100+ initiative where investors are collaborating in engagements with the world's top-100 corporates with largest absolute carbon emissions.
- Membership of the Transition Pathways Initiative
- Active in climate action working group of PRI
- Active in climate risk working group of DNB Sustainable Finance initiative
- Signatory of Dutch Climate Agreement

## 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 234 investment professionals are directly involved in sustainable investment activities.

The Sustainable Investing Center of Expertise acts as a focal point within the Investment domain for all of our activities related to sustainable investing. It delivers sustainable investing expertise and insights to the investment teams, our clients and the broader market. This includes a special focus on two areas, climate change and the UN's Sustainable Development Goals (SDGs).

In total, the Center comprises 36 people. It consists of four pillars:

1. Sustainable Investing Thought Leadership
2. Sustainability Investing Research
3. Active Ownership
4. Sustainable Investing Client Portfolio Management



## Sustainable Investing Center of Expertise: close cooperation between dedicated expert teams



Members of the center work closely together with the investment teams, who are responsible for the integration of sustainability into their own investment processes.

### 1. Sustainable Investing Thought Leadership

The main function of the Thought Leadership team is to maintain and advance Robeco's thought leadership on sustainable investment. The strategists focus on value add research and publications, sustainable investing quality control and knowledge sharing, both with clients and internally. Key focus areas include climate change and the SDGs. In addition, the team coordinates Robeco's connections with academia and ensures continual embedding of our sustainable investing work in academic research. This further enhances the ability of our investment teams to integrate sustainability into their investment decisions.

### 2. Sustainability Investing Research team

This team focuses on generation of high-quality sustainability research related to companies and sectors. To ensure a close connection between research and investment activities, an Sustainable Investing Research board consisting of senior members of both the research and investment teams, discusses and monitors focus, prioritization and quality of sustainable investing research.

### 3. Active Ownership team

The Active Ownership team comprises 13 qualified professionals and is responsible for Robeco's global voting and engagement activities. Close collaboration with the investment teams and a results driven, structured approach to engagement and voting are key in this approach.

#### 4. Sustainable Investing Client Portfolio Management team

The Sustainable Investing CPM team acts as the centralized source of information to support Robeco's commercial activities and to deliver first-class client sustainability services to clients. This team works in close connection with the other CPM teams aiming to increase alignment in communication towards clients on our sustainable investing activities and build knowledge in the broader organization. The team services clients, gives masterclasses, workshops and presentations and supports sales and marketing departments with presentations and content.

#### *Responsibility for ESG integration*

Each investment team is responsible for the ESG integration approach of their individual investment capabilities, working in close collaboration with members of the Sustainable Investing Center of Expertise to share best practices, ensure high quality and maintain thought leadership within their respective capabilities and asset classes. In addition, the Head of Sustainability Integration is responsible for the oversight of ESG integration by the investment teams at Robeco.

## 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 SI memberships & working groups

#### General

- Principles for Responsible Investment
- United Nations Global Compact
- EFAMA
- Swiss Sustainable Finance (SSF)
- SASB Standards Advisory Group (SAG)
- Sustainable Finance Geneva (SFG)
- Eurosif
- World Benchmarking Alliance (WBA)

- Global Reporting Initiative (GRI)
- Sustainable Value Creation platform
- ICCR Robeco
- VBDO

#### Environment and Climate Change

- IIGCC (Institutional investors Group on climate change)
- CDP (Carbon disclosure project)
- Portfolio Carbon Accounting Financials (PCAF)
- Portfolio Decarbonisation Coalition (PDC)
- Transition Pathway Initiative
- GRESB
- DNB Sustainable Finance Initiative
- Plastic Solutions Investor Alliance
- City to Sea Partnership
- Powering Past Coal Alliance

#### Governance

- International Corporate Governance network (ICGN)
- Eumedion Dutch governance platform
- Asian Corporate Governance association (ACGA)
- AMEC (Brazilian Corporate Governance Association)

#### Social

- Access to Medicine Index
- Farm Animal Investment Risk & Return (FAIRR)
- Human rights investor alliance
- Business Benchmark on Farm Animal Welfare
- ZSL-SPOTT Palm Oil benchmark
- Social & Human Capital Protocol
- Roundtable on Sustainable Palm Oil (RSPO)
- Platform Living Wage Financials (PLWF)
- 30% Club

#### Impact

- Global impact investing network (GIIN)
- SDG Investment initiative Robeco Impact NL

- Impact Management Project
- EDGE Certification Foundation
- Global Steering Group on Impact Investing (GSG) – Foro Impacto
- Global Impact Platform

#### Overview SI statements

- PRI Fiduciary duty statement
- PRI Statement on ESG in Credit Ratings
- Task force on Climate Related Financial Disclosures (TCFD) Statement of support
- Climate action 100+ statement
- 2019 Global Investor Statement to Governments on Climate Change
- The Investor Agenda
- Dutch Climate Agreement
- Ellen MacArthur Foundation & UNEP New Plastics Economy Global Commitment
- Ceres investor letter to EPA on US fuel economy standards
- CDP investor statement to EU policymakers on the future of corporate reporting
- IIGCC investor letter on power sector decarbonization
- PRI Investor Statement on deforestation and forest fires in the Amazon
- Investor Support for Alignment Sustainability Requirements in the textile, apparel and footwear industry
- Workforce Disclosure Initiative
- Tobacco-Free Finance Pledge (PSI)
- Investor Statement on Coronavirus Response
- Netherlands Green Recovery Statement

#### Overview stewardship codes

- French Social Responsible Investing (SRI) Label
- 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 2020 Robeco had EUR 144 bln in ESG-integrated assets.

## 3. General information funds

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

Robeco adopts a holistic approach to integrating sustainability into investment decisions and is fully integrated in all of the investment processes. This holistic approach to sustainable investing is formalized through our companywide mission, vision and investment beliefs.

#### Our vision

Safeguarding economic, environmental and social assets is a prerequisite for a healthy economy and the generation of attractive returns in the future. The focus in the investment industry is, therefore, shifting from creating wealth to creating wealth and well-being. We are the leading sustainable asset manager and will continue to improve and innovate.

#### Our mission

To enable our clients to achieve their financial and sustainability goals by providing superior investment returns and solutions.

We will accomplish our mission with employees who respect and embrace diversity and who are truly engaged and empowered to reach their full potential, working together to obtain the best possible results for our clients and our company.

#### Our investment beliefs

- As an active asset manager with a long-term investment view, we create added value for our clients
  - Our investment strategies are research-driven and executed in a disciplined, risk-controlled way
  - Our key research pillars are fundamental research, quantitative research and sustainability research
  - We can create socioeconomic benefits in addition to competitive financial returns
- ESG integration leads to better-informed investment decisions and better risk-adjusted returns throughout an economic cycle
  - Sustainability is a driver of structural change in countries, companies and markets
  - Companies with sustainable business practices are more successful
  - Active ownership contributes to both investment results and society



From an investment perspective, considering material ESG factors strengthens our investment process and ultimately leads to a better-informed investment decision. Robeco has incorporated ESG criteria as part of all internal investment processes since 2013.

Articles written by Masja Zandbergen, Head of ESG Integration can be found here:

<https://www.robeco.com/en/insights/2020/03/the-most-important-esg-issue-in-the-coronavirus-crisis-is-our-response.html>

<https://www.robeco.com/en/insights/2019/01/the-link-between-esg-and-performance.html>

<https://www.robeco.com/nl/visie/2017/05/seven-steps-to-esg-integration.html>

<https://www.robeco.com/nl/visie/2018/11/how-robeco-approaches-sustainability.html>

<https://www.robeco.com/en/insights/2018/10/the-big-book-of-si-sustainability-and-the-role-of-finance.html>

### 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)?

SAM S&P, Sustainalytics, Glass Lewis, GRESB, Bloomberg.

### 3.3. What ESG criteria are taken into account by the fund(s)?

Initiated in 1999 by RobecoSAM, the Corporate Sustainability Assessment (CSA) is an annual assessment of more than 7,600 companies' sustainability practices. The approach is recognized as one of the most advanced ESG scoring methodologies, as it draws upon 20 years of experience analyzing sustainability's impact on a company's long-term value creation. The CSA is focused on industry-specific criteria and expressed in a sustainability score (0-100), which reflects a company's relative sustainability performance versus its peer group. In January 2020, RobecoSAM sold its ESG ratings and ESG benchmarking business, including the CSA, to S&P Global. As they have historically, Robeco and RobecoSAM will continue to have access to the CSA data for use in investment strategies and will provide advice on the CSA Methodology.

With ESG data becoming more and more standardized and commoditized in the foreseeable future, Robeco and RobecoSAM will focus their resources and collective research expertise around the interpretation and application of ESG data, including CSA. The ESG data landscape is changing rapidly and data providers are evolving along with it. Robeco and RobecoSAM see the demand for ESG data growing, and at the same time the providers are consolidating to

cope with that demand. The embedding of CSA activities into S&P will enhance scale of the operations, usage and volume of the data and services. S&P is well positioned to maintain and build on the leading position of the CSA, which will continue to benefit Robeco, RobecoSAM, and their clients.

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

Robeco's approach to deal with climate change risks in the funds under this code is based on five pillars:

1. Investment process
2. Active Ownership
3. Portfolio decarbonization
4. Divestment
5. Reducing our own footprint

#### 1. Investment process

Robeco's investment teams adopt a holistic approach when integrating sustainability into their investment processes. We view sustainability factors as a long-term driver of change in markets, countries and companies which impact future corporate performance. Based on this belief, sustainability is considered as one of the value drivers in our investment process, similar to the way we look at other drivers such as company financials or market momentum.

We believe that systematically considering material ESG factors such as climate change risks into our investment processes, strengthens our investment process and ultimately leads to a better-informed investment decision. We address climate change risks through considering business models, corporate climate change strategies, and products and services.

By including the analysis on climate change in the investment process our fundamental analysts have a better view on the risks (and opportunities) companies are exposed to. They can then direct the capital towards companies that are making the transition and value risks for companies that do not.

## 2. Active Ownership

Robeco has a long track record of engaging with companies on their environmental, social and governance practices.

Robeco's Engagement policy can be found here:

<https://www.robeco.com/images/robecoengagement-policy.pdf>.

Robeco engages with companies in high impact sectors on their response to climate change risks. This includes

engagements with greenhouse gas intensive industries where we encourage the oil and gas, utilities, automotive, extractive, cement and real estate industries to reduce their greenhouse gas emissions. We encourage the implementation of proactive and ambitious environmental strategies, the pursuit of operational excellence, the creation of asset portfolio resilience, the innovation of business models, and responsible participation in the public policy debate.

In line with our strong belief in active ownership, Robeco systematically supports reasonable shareholder proposals that ask companies to prepare and plan for climate change risks.

Robeco's Voting policy can be found here: <https://www.robeco.com/images/robeco-voting-policy.pdf>.

Robeco is also involved in policy engagement related to climate change, this is done in collaborative initiatives via our memberships of PRI, IIGCC and ICCR.

## 3. Portfolio decarbonization

Robeco is committed to measuring the carbon footprint of its investment products.

RobecoSAM's Environmental Impact Monitoring tool measures the impact of investors' portfolios in terms of greenhouse gas emissions, energy and water consumption and waste production. Robeco and RobecoSAM have further developed tools for actively managing the reduction of the greenhouse gas emissions footprint associated with its portfolios while also

controlling for other environmental impacts. Based on these tools Robeco has adopted a comprehensive approach to reducing emissions with respect to the relevant benchmark. We are also able to respond to specific client requirements in optimizing investment portfolios to meet absolute targets.

All Robeco QI Sustainable strategies optimize their carbon footprint. The funds to which this document relates have a target to substantially reduce the carbon footprint compared to the benchmark.

#### 4. Divestment

Robeco believes that our responsibility as an investor requires us to make investment decisions and to engage for better corporate practice. To date, we have made selective choices to exclude companies from our investment decisions as a result of their inability to correct certain inappropriate or unsustainable practices in relation to environmental and climate change issues. For this reason we exclude companies that continue to severely and structurally breach the United Nations Global Compact principles related to environmental issues after an intensive but unsuccessful engagement dialogue.

Robeco's exclusion policy and exclusion list for Impact Investing funds can be found here: <https://www.robeco.com/docm/docr-robecosam-exclusion-policy-impact-investing-funds.pdf>

In September 2020 Robeco has taken an important next step in its sustainable investing approach with the decision to exclude investments in thermal coal, oil sands and Arctic drilling from all its mutual funds. Robeco has decided to exclude investments in thermal coal as it is by far the highest carbon-emitting source of energy in the global fuel mix (Note: for our Sustainable strategies thermal coal was already on the exclusion list). Oil sands are among the most carbon-intensive means of crude oil production, and Arctic drilling poses higher risks of spills compared to conventional oil and gas exploration. It also has potentially irreversible impacts on the sensitive Arctic ecosystem. Companies that derive 25% or more of their revenue from thermal coal or oil sands, or 10% or more from Arctic drilling, will be barred from investment portfolios. This step expands the thermal coal exclusion policy that already applied to Robeco's most sustainable and impact strategies, and now also encompasses companies engaged in oil sands and Arctic drilling.

#### 5. Reducing our own footprint

Robeco actively strives to reduce its own energy consumption and water use and promotes the use of sustainable energy. Various energy-saving measures are being implemented to achieve continuous reductions in energy consumption. Environmental considerations are an essential part

of our important purchasing decisions. When building or renovating offices, Robeco applies strict environmental standards with regard to the buildings and the materials used. Sustainability is a prominent feature of Robeco's headquarter 'FIRST' in Rotterdam which has been awarded a BREEAM certificate at the scale of "Excellent" by the Dutch Green Building Council. Robeco compensates its carbon emissions on an annual basis and is certified CarbonNeutral® in accordance with The CarbonNeutral Protocol.

### 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 investment universes of the Robeco QI Sustainable Strategies are broad market indices.

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 or thermal coal (see 1.)

Besides this there is a systematic integration of ESG factors in our investment process. We do not apply a best-in-class approach, but require the portfolio to have a significantly better Smart ESG score than the index and a significantly lower environmental footprint.

#### The Smart ESG score

We integrate ESG in the portfolio construction process by ensuring that the total Smart ESG score of the portfolio is significantly higher than the index. Moreover, the scores on the Environmental, Social and Governance dimension should all also be higher than the index to ensure that the ESG enhancement is reached across all of these three dimensions.

Robeco's Smart ESG score builds upon the existing sustainability data by eliminating known biases such as market cap, industry and regional biases. We improve the ESG data by following two steps:

- In the first step, we remove undesired exposures, for example to regions or industry, companies are compared only to those with similar characteristics. Biases induced by the heterogeneous and diverse nature of sustainability data are effectively removed. This means that we correct for the level and also for the variation in scores.
- In the second step, we improve question weights using a predictive model of expected investment success. Evidence from RobecoSAM's comprehensive sustainability database is incorporated into the scores, leading to more explanatory and predictive power for future returns. The weighting of all indicators that make up the sustainability score are thus based on both quantitative and qualitative information, by combining the expertise of sustainability analysts with quantitative empirical results.

For a full description of how we construct our Smart ESG score and the empirical evidence of the relation between Smart ESG and excess performance please refer to: Smart ESG integration, Factoring in Sustainability, September 2015, Bacon and Ossen, RobecoSAM.

[http://www.robecosam.com/images/Smart\\_ESG\\_integration\\_factoring\\_in\\_sustainability.pdf](http://www.robecosam.com/images/Smart_ESG_integration_factoring_in_sustainability.pdf)

#### The environmental footprint

When constructing the portfolio we also impose an environmental footprint of the portfolio that is significantly better (i.e. lower) than the index. A growing number of investors expects their portfolios to restrict impacts. Using data from the CSA, we measure the portfolio's footprint on four key quantitative environmental 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 than 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.

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



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.

Other enhancements to our SI research process include a Materiality Analysis on the most relevant sustainability factors for the GICS industries that RobecoSAM analyses, and a new format for sharing companies' Sustainability Profiles with other investment professionals of the group.

#### Controversies: Media & Stakeholder Analysis

RobecoSAM conducts an ongoing monitoring of companies that have been selected as members of the eligible investment universe for its funds. This monitoring process consists of a Media & Stakeholder Analysis, which is based on screening provided by RepRisk, a leading ESG research and business intelligence provider, and frequent interactions with key stakeholders such as NGOs and consumer organizations. Companies are monitored on an ongoing basis to verify their involvement in, and the management of critical environmental, economic and social crisis situations that can have a damaging effect on their reputation and core business. In addition, the consistency and quality of a company's behaviour, response, and management of such situations is reviewed in line with its stated principles and policies. The Media & Stakeholder Analysis can lead to the downgrading of a company's sustainability score, which may affect its overall fair valuation score.

Examples of critical issues identified and reviewed through the monitoring process include:

- Commercial practices; e.g. tax fraud, money laundering, antitrust, balance sheet fraud, and corruption cases.
- Human rights abuses; e.g. cases involving discrimination, forced resettlements, child labour and discrimination of indigenous people.
- Layoffs or workforce conflicts; e.g. extensive layoffs and strikes.
- Catastrophic events or accidents: e.g., fatalities, workplace safety issues, technical failures, ecological disasters and product recalls.

The CSA is renewed yearly and the scores can be adjusted quarterly or ad hoc based on the Media & Stakeholder analysis.

We also make use of the controversy scores by Sustainalytics. Robeco screens for Sustainalytics controversies level 3, 4 and 5.

- The Active Ownership team screens on a quarterly basis to make an assessment of the Sustainalytics category 5 controversies.
- The Active Ownership team monitors Sustainalytics category 4 controversies and in a small number of cases (child labor in the supply chain in particular) screens for category 3 controversies.
- On a quarterly basis, the Active Ownership team will discuss all new level 5 controversies cases and all reduced controversy level cases to decide which companies to start a new enhanced engagement case or which companies to close the engagement case.
- When a company is assessed to be in breach of the UN Global Compact the portfolio management teams are informed on a monthly basis of changes in the list.

Furthermore as part of our Enhanced Engagement program, we focus on companies that severely and structurally breach principles of the United Nations Global Compact in the areas of human rights, labor, environment and anti-corruption. In contrast with value engagement, enhanced engagement may ultimately result in excluding a company from the investment universe of Robeco or its clients.

The funds apply a direct link between the enhanced engagement program and the buy discipline. For companies that are placed under enhanced engagement, the target weight is halved (GSC) for the duration of the enhanced engagement process or no overweights are allowed (EMSA, GDSEI) for the duration of the enhanced engagement process.

In case the enhanced engagement is closed unsuccessfully, the company will be excluded from the investable universe and any remaining positions in the portfolio will be sold.

## 4. Investment process

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

ESG is integrated in the strategy in three ways:

- We restrict the investment universe to avoid investing in harmful practices.
- We integrate ESG in the portfolio construction process by ensuring that the total ESG score of the portfolio is significantly higher than the index.
- We want to create environmental impact alongside returns. Therefore, we make sure that the portfolio has a better environmental footprint on four dimensions than the benchmark or reference index: Greenhouse Gas emissions, Waste generation, Water usage and Energy consumption.

Furthermore, the strategies participate in the engagement programs as conducted by the Robeco Active Ownership team.

#### *Determining a sustainable investment universe*

We start with the broad investment universe. We exclude stocks from our universe that may be seen as inappropriate from an ethical point of view. We believe that some products and business practices are detrimental to society in a way that makes them incompatible with a sustainable investment strategy. The criteria reflect a combination of broad ethical norms resulting amongst others in avoiding firms exposed to controversial sectors or business practices.

#### *Better RobecoSAM Smart ESG score*

We integrate ESG in the portfolio construction process by ensuring that the total ESG score of the portfolio is at least significantly higher than the index. Moreover, the scores on the Environmental, Social and Governance dimension should all be higher than the index to ensure that the ESG enhancement is reached across all of these three dimensions. The ranking model proposes a high ranking stock for inclusion when constructing the portfolio. It will propose another high-ranking stock if the portfolio would score below target on one or more of these dimensions. Companies with higher ESG scores have a greater chance of inclusion in the portfolio as a result of this positive screening.

The Global Developed Sustainable Enhanced Index Equities strategy also takes ESG factors explicitly into account when ranking the most attractive stocks. We determine the relative

attractiveness of stocks based on Sustainability, Valuation, Quality, Momentum and Analyst Revisions.

#### *Smaller environmental footprint*

When constructing the portfolio we also impose an environmental footprint of the portfolio that is significantly smaller than the index footprint. A growing number of investors expects their portfolios to restrict impacts. Using data from the CSA, we measure the portfolio's footprint on four key quantitative environmental indicators: greenhouse gas emissions, energy consumption, water usage and waste generation.

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

We recognize three approaches for managing climate change related risk in our quantitative portfolios:

- Exclusions: using an climate change focused exclusion list based on companies that score poorly on certain climate change related parameters. The strategies exclude thermal coal companies.
- Climate change constraints: forcing the portfolios to have a certain level of improvement over the benchmark on climate change related parameters, by setting a constraint in the portfolio construction phase. The strategies target a significant reduction of the environmental footprint.
- ESG integration: integrating ESG criteria by ensuring an improved ESG score over that of the index. This forward-looking score complements the firm's current environmental rating, and allows one to gauge the readiness of a company to master future environmental challenges and opportunities. This solution integrates reliable historical environmental data and forward looking sustainability criteria.

While the exclusions mostly provide risk avoidance, the other two approaches also provide additional opportunities to the strategies and leave more room for the investment strategies to efficiently create factor exposures.

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

- Please specify how much the funds can hold.

We aim for all portfolio holdings to be covered by the ESG analysis.

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

No.

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?

All products mentioned in this document engage in security lending activities.

Securities lending is important in today's financial markets, because it provides liquidity in the market. Robeco receives a fee for a security that has been lent and this directly benefits our clients. If securities have been lent, Robeco is not able to vote at the shareholders' meeting. For specific, mostly controversial meetings, Robeco can decide to recall its shares. This policy helps Robeco realize returns from securities lending and preserve voting rights.

If the client wishes to exercise the right to vote RSL will recall the loaned securities.

If Robeco suspects that parties are borrowing, or wish to borrow, securities to make use of extra voting rights, then Robeco will decide to not lend the securities or recall them.

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

(ii) their objectives;

(iii) the potential limits in terms of exposure;

Derivatives do not constitute a structural part of our quantitative equity portfolios, but are used as substitutes for a position in the more fundamental underlying instruments.

The derivatives we use are:

- Index futures to efficiently handle cash-flows between rebalancing dates or proceeds from corporate actions. On average we expect the economic exposure of the index futures to be less than 5% of the net asset value of the portfolio.

The exposure towards derivatives is fully integrated in our overall risk management framework and is overseen and monitored by our independent Risk Management department.

(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?

Not applicable.



## 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 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 Committee of Robeco and internal specialists. These rules are evaluated yearly.

The portfolio management team bears the responsibility to implement the rules in the portfolio. Outcomes are measured and monitored via an automated system. The eligible universe is coded by the compliance team 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 tickers enables the daily Compliance post-trade check, ensuring the portfolios being monitored are compliant on an ongoing basis. Results are reported to clients on a monthly basis. Please see the monthly portfolio managers update on our website for an example of this reporting.

## 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 Committee of Robeco and internal specialists. These rules and the quality of the rules are evaluated yearly.

Furthermore the fund(s) reporting on ESG performance is extensive. 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.

ESG profile of the portfolio versus the index

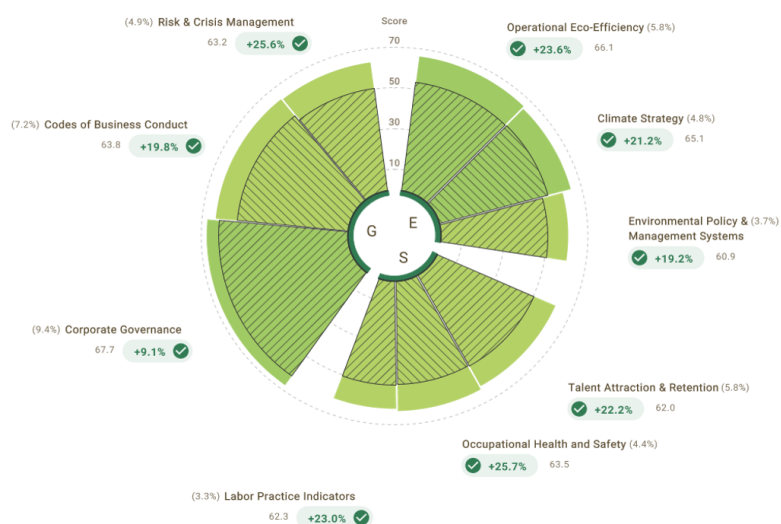
The report covers the three dimensions of ESG (economic, environmental and social factors) and provides a general overview of a portfolio's sustainability performance versus the relevant portfolio benchmark. The report compares the weighted average scores of the portfolio holdings for these criteria 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:

The Key Smart ESG Criterion Scores chart displays portfolio scores on key criteria comprising the three ESG dimensions. Each section's color indicates the portfolio's score: green indicates above average portfolio scores and orange indicates the opposite.

Each criterion's weight varies by industry on the basis of financial materiality. The width of each segment indicates its weight in the portfolio's total score. A number of criteria are used to assess companies in any given industry, thus the weights of the selected nine do not sum to 100%.

The benchmark criteria scores are provided alongside the portfolio scores, highlighting the portfolio's relative sustainability.



## Environmental footprint reporting

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.

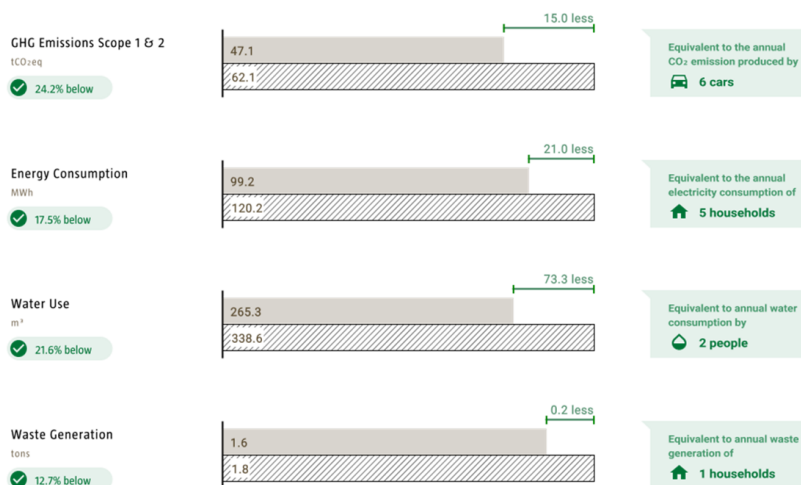
Example:

Footprint intensity expresses a portfolio's aggregate resource efficiency. Each company's footprint intensity is calculated by normalizing the company's resources consumed by its annual revenues. The portfolio's aggregate intensity figure is calculated by multiplying each portfolio component's intensity figure by its respective portfolio weight.

The benchmark aggregate intensity is provided alongside the portfolio's intensity; additional alerts highlight relative environmental performance. Environmentally efficient companies have lower intensity values; thus an efficient portfolio should have an aggregate intensity below the benchmark's value.

"Not assessed" and "not mapped" positions are assumed to have the same footprint as the portfolio as a whole.

■ Robeco QI Global Developed Sustainable Enhanced Indexing  
 ▨ MSCI World



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

The RobecoSAM Smart ESG 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/key-strengths/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.

Yes, please find the link to our voting policy here: <https://www.robeco.com/docm/docu-robeco-voting-policy.pdf>

And the link to our engagement policy here: <https://www.robeco.com/docm/docu-robeco-engagement-policy.pdf>

Each quarter a public report is published on our engagement activities:

<https://www.robeco.com/en/insights/?t=Active+Ownership+Report>

The voting results are also available per company: <https://www.robeco.com/en/about-us/voting-report/>

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The RobecoSAM collective investment schemes ( "RobecoSAM Funds" ) in scope are sub-Funds under the Undertakings for Collective Investment in Transferable Securities (UCITS) of MULTIPARTNER 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., 49, Avenue J. F. Kennedy, L-1855 Luxembourg. The prospectus, the Key Investor Information Documents (KIIDs), the articles of association, the annual and semi-annual 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](http://www.robecosam.com).

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