



# Principal Adverse Impact Statement

ROBECO INSTITUTIONAL ASSET MANAGEMENT

June 2022

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# 1. Summary

Robeco Institutional Asset Management (IS8DZW1TZSQ8YPXVRC46) considers principal adverse impacts of its investment decisions on sustainability factors as part of its investment due diligence process and procedures. For sustainable investments this means ensuring that the investments do no significant harm to any environmental or social objective.

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Robeco Institutional Asset Management. The publication of this statement on principal adverse impacts on sustainability factors coincides with the first reference period of 1 January 2022 to 31 December 2022. Reporting over that reference period on the indicators for adverse impacts of Table 1, and any relevant indicators of Table 2 and 3 of Annex I of the SFDR Delegated Act will take place in 2023, following the measurement of the first reference periods (Q1 2022 - Q4 2022).

A summary of Principal Adverse Indicators considered by Robeco is presented in Table 1.

**Table 1: Summary of Principal Adverse Indicators prioritized by Robeco**

Applicable to	Theme	PAI indicator	Table	Number	
Investee companies	Climate and other environment-related indicators	GHG emissions	1	1	
		Carbon footprint	1	2	
		GHG intensity of investee companies	1	3	
		Exposure to companies active in the fossil fuel sector	1	4	
		Share of non-renewable energy consumption and production	1	5	
		Energy consumption intensity per high impact climate sector	1	6	
		Activities negatively affecting biodiversity sensitive areas	1	7	
		Emissions to water	1	8	
		Hazardous waste ratio	1	9	
		Investing in companies without carbon emission reduction initiatives	2	4	
		Deforestation	2	15	
		Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	2	16	
		Social and employee, respect for human rights, anti corruption and anti bribery matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	1
	Multinational Enterprises			1	11
	Unadjusted gender pay gap			1	12
	Board gender diversity			1	13
	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)			1	14
	Excessive CEO pay ratio			3	8
	Sovereigns and supranationals	Climate and other environment-related indicators	Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	2	17
GHG intensity			1	15	
Social and employee, respect for human rights, anti corruption and anti bribery matters		Investee countries subject to social violations	1	16	

## 2. Description of principal adverse impacts of investment decisions on sustainability factors

**Table 2: Description of the principal adverse impacts on sustainability factors**

Indicators applicable to investments in investee companies

### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Sustainability Indicator	Metric	Impact <sup>1</sup> (year n)	Impact <sup>2</sup> (year n-1)	Explanation <sup>3</sup>	Actions taken, and actions planned, and targets set for the next reference period	
Green-house gas emissions	1. GHG emissions	Scope 1 GHG emissions	NA	NA	NA	<p><b>General approach</b></p> <p>Robeco is committed to contribute to the goals of the Paris Agreement and to achieving net zero carbon emissions by 2050. To this end, Robeco published a net zero roadmap including interim carbon reduction targets for 2025 and 2030. The portfolio decarbonization targets are derived from the P2 pathway from the IPCC 1.5-degree scenario of 2018. The P2 pathway is composed of the following emission milestones: 49% reduction of GHG emissions in 2030 and -89% reduction of GHG emissions in 2050, both relative to 2010 baseline. Initially confined to the majority of Robeco funds only, the scope of our decarbonization strategy will gradually increase to include client mandates and reach 100% of AUM. Our ambition for net zero depends on all sectors of society and economy doing their part: policy, industry, investors and consumers. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement.</p> <p><b>Engagement</b></p> <p>Robeco engages with key high emitters in our investment portfolios via the engagement theme “Acceleration to Paris” and the “Net Zero Carbon Emissions” theme.</p> <p><b>Proxy Voting</b></p> <p>For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, Robeco will oppose the agenda item most appropriate for that issue. To that end, the nomination of the accountable board member takes precedence. Robeco also generally supports reasonable shareholder proposals that ask companies to prepare and plan for mitigating climate change risks. This includes but is not limited to resolutions requesting companies to review their energy efficiency and consider increasing the use of renewable energies.</p> <p><b>Exclusions</b></p> <p>Robeco’s Exclusion policy covers the exclusion of activities with highly negative climate impacts (e.g. thermal coal, oil sands and arctic drilling). Thresholds can be found at <a href="https://www.robeco.com/docm/docu-exclusion-policy.pdf">https://www.robeco.com/docm/docu-exclusion-policy.pdf</a>. A number of Robeco funds follow a Paris-Aligned Benchmark (PAB) or Climate Transition Benchmark (CTB) and therefore apply the exclusion criteria as set out in Article 12(1) of the EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks.</p>
		Scope 2 GHG emissions	NA	NA	NA	
		Scope 3 GHG emissions	NA	NA	NA	
		Total GHG emissions	NA	NA	NA	
	2. Carbon footprint	Carbon footprint	NA	NA	NA	
		3. GHG intensity of investee companies	GHG intensity of investee companies	NA	NA	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	NA	NA	NA		
		5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as percentage	NA	NA	NA
6. Energy intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	NA	NA	NA		

1. Robeco has started measuring performance on Principal Adverse Impact as of 31 March 2022. The first results will be published in 2023.

2. Robeco has started measuring performance on Principal Adverse Impact as of 31 March 2022. The first results will be published in 2023, 2024 will be the first year reflecting a comparison to a previous year.

3. This column will provide an explanation on the development of the specific principal adverse impact indicator against the different reference periods, in relation to the actions taken.

Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	NA	NA	NA	<p><b>General approach</b></p> <p>Robeco is developing methods to evaluate the materiality of biodiversity for our portfolios, and the impact of our portfolios on biodiversity. Based on such methods Robeco will set quantified targets in order to combat biodiversity loss, latest by 2024. For relevant sectors, biodiversity impact is considered in fundamental SI research analysis. Robeco is developing a framework to consider this across all investments.</p> <p><b>Engagement</b></p> <p>In 2021, Robeco started a three-year engagement program focused on deforestation linked to 5 high risk commodities.</p> <p><b>Exclusions</b></p> <p>Robeco's Exclusion policy outlines the approach to investment in palm oil producers and related exclusions thresholds.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	Given the current limited coverage of emissions to water, Robeco is calculating the water footprints of portfolios	<p><b>General approach</b></p> <p>For relevant sectors, water footprint is considered in SI research profiles, F-scores and other company reports in the fundamental investment domain.</p> <p><b>Engagement</b></p> <p>In 2022, Robeco launched an engagement program on Natural Resource Management, that will screen on all water and waste-related principal adverse impact indicators. Robeco has started with a small number of companies under engagement, and will increase the number of companies in the future. The selection of new companies will partly be based on the outcomes on screening on this indicator.</p> <p>Within Robeco's Controversial Behavior program, companies are screened on a potential violation in relation to water. When Robeco deems a company to cause significant negative impact on local water supply or waste issues which is a breach of UN Global Compact principle 7, it will either apply enhanced engagement or directly exclude the company from the universe</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	NA	NA	Given the current limited coverage of hazardous waste and radioactive waste ratios, Robeco is calculating the waste footprints of portfolios.	<p><b>General approach</b></p> <p>For relevant sectors, waste footprint is considered in SI research profiles, F-scores and other company reports in the fundamental investment domain.</p> <p><b>Engagement</b></p> <p>In 2022, Robeco launched an engagement program on Natural Resource Management, which will cover waste-related topics. Robeco is starting with a small number of companies under engagement, and will increase the number of companies in the future, when further screening on this indicator.</p> <p>In addition, within Robeco's Controversial Behavior program, companies are screened on a potential violation in relation to waste. When Robeco deems a company to cause significant negative impact on local water supply or waste issues which is a breach of UN Global Compact principle 7, it will either apply enhanced engagement or directly exclude the company from the universe.</p>



**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

Adverse Sustainability Indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	NA	NA	NA	<p><b>General approach</b></p> <p>Robeco acts in accordance with the International Labor Organization (ILO) standards, United Nations Guiding Principles (UNGPs), United Nations Global Compact (UNGC) Principles and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and is guided by these international standards to assess the behavior of companies.</p> <p><b>Engagement/exclusions</b></p> <p>In order to mitigate severe breaches, an enhanced engagement process is applied where Robeco deems a severe breach of these principles and guidelines has occurred. If this enhanced engagement, which may last up to a period of three years, does not lead to the desired change, Robeco will exclude a company from its investment universe.</p> <p>For funds with an extended sustainability profile, Robeco excludes companies that have severe breaches of these principles and guidelines without previous engagement.</p> <p><b>Proxy voting</b></p> <p>For companies that are faced with significant human rights issues, Robeco expects companies to conduct a due diligence in order to adhere to human rights. For companies that are not taking adequate steps to mitigate their human rights impacts and are linked to social controversies, Robeco will oppose the agenda item most appropriate for that issue. To that end, the nomination of the most accountable board member takes precedence.</p>
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guide-lines for Multinational Enterprises	NA	NA	NA	<p><b>General approach</b></p> <p>Robeco supports the human rights principles described in the Universal Declaration of Human Rights (UDHR) and detailed in the Guiding Principles on Business and Human Rights (UNGPs), the OECD Guidelines for Multinational Enterprises and the eight fundamental International Labour Organization (ILO) conventions. Our commitment to these principles means Robeco will expect companies to formally commit to respect human rights, have in place human rights due diligence processes, and, where appropriate, ensure that victims of human rights abuses have access to remedy.</p> <p><b>Engagement</b></p> <p>The United Nations Universal Declaration of Human Rights, the International Labor Organization’s (ILO) labor standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises outline minimal behavioral standards that serve as the basis for the enhanced engagement program. The desired outcome is the identifiable elimination and remediation of any breach and enhancements in management processes aimed at avoiding any repeated breach. For each enhanced engagement, we address the same overarching objectives: Elimination of the breach, Policy, Stakeholder dialogue, Risk management systems, Transparency. Remediation is a key element of the elimination of breach in all enhanced engagement cases.</p> <p><b>Proxy voting</b></p> <p>For companies that are faced with significant human rights issues, Robeco expects companies to conduct a due diligence in order to adhere to human rights. For companies that are not taking adequate steps to mitigate their human rights impacts and are linked to social controversies, Robeco will oppose the agenda item most appropriate for that issue. To that end, the nomination of the most accountable board member takes precedence.</p>

Social and employee matters	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	NA	NA	NA	<p><b>Engagement</b></p> <p>In 2022, Robeco launches an engagement program on diversity and inclusion, which will include elements in relation to the gender pay gap. Overall, gender pay gap disclosures are only mandatory in few jurisdictions (e.g. UK, California). Companies are encouraged to improve such disclosures.</p> <p><b>Proxy voting</b></p> <p>Gender diversity enhances corporate governance, talent attraction and human capital development, which fosters value creation not only within companies, but also for stakeholders and society. Robeco usually supports reasonable shareholder resolutions requesting disclosure of specific diversity targets and disclosure on gender pay gaps within companies.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	NA	NA	NA	<p><b>General approach</b></p> <p>Assessment of board gender diversity is a component of the fundamental investment process, and is reflected on in SI research profiles.</p> <p><b>Engagement</b></p> <p>In 2022, Robeco launches an engagement program on diversity and inclusion, which will include elements in relation to equal pay.</p> <p><b>Proxy voting</b></p> <p>Robeco supports the election of a director nominated by management unless the nominee adds to a sub-standard composition compared to local best practices in terms of tenure, diversity, skills and external commitments or the board fails to incorporate basic considerations for gender diversity. Boards should comply with best practices or legal requirements where these exist. In other developed markets, we expect the least represented gender to comprise at least 30% of the board. In all markets an against vote is warranted if there is no gender diversity.</p>
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	NA	NA	NA	<p><b>General approach/exclusions</b></p> <p>For all strategies Robeco deems anti-personnel mines, cluster munitions, chemical, biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons that are tailor made and essential, to be controversial weapons. Exclusion is applied to companies that are manufacturers of certain products that do not comply with the following treaties or legal bans on controversial weapons:</p> <ol style="list-style-type: none"> <li>1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines.</li> <li>2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions.</li> <li>3. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons.</li> <li>4. Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.</li> <li>5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear Weapons States (USA, Russia, UK, France and China).</li> <li>6. The Dutch act on Financial Supervision 'Besluit marktmisbruik' art. 21 a.</li> <li>7. The Belgian Loi Mahoux, the ban on uranium weapons.</li> <li>8. Council Regulation (EU) 2018/1542 of 15 October 2018 concerning restrictive measures against the proliferation and use of chemical weapons.</li> </ol>

**INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS**

Adverse Sustainability Indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	NA	NA	<p><b>General approach</b></p> <p>Robeco monitors a set of country data on climate performance. These include GHG intensity (such as CO2/GDP), CO2 per capita data, emission trends and policy metrics. This dataset has been incorporated in the Country Sustainability Ranking, which is used for the fundamental analysis of government bonds. For the Climate Bond fund, the decarbonization trajectory is based on CO2 per capita data. We see this as a preferred metric over CO2 per unit of GDP. The latter penalizes developing economies for the following two reasons: First, their level of GDP per capita is relatively low. Second, in their stage of economic development manufacturing plays a larger role for these economies. As a result, an emerging economy such as India scores worse than the US on CO2/GDP, while the per capita emissions are only a fraction of those in the US. In the selection of CO2 per capita data there is a trade-off between timeliness (production data) and coverage of imported CO2 emissions (consumption data). For managing the weighted average carbon intensity of the Climate Bond fund we have selected the CO2 per capita data based on production.</p> <p><b>Engagement</b></p> <p>Robeco will engage with a small group of sovereigns on their performance on climate. Robeco has developed a proprietary methodology for ranking countries on their climate performance. The methodology includes metrics such as: GHG intensity, emission trends and policy metrics. The selection of countries for engagement will amongst others be based on this metric and relevance for our funds. The engagement is aimed at improving transparency on concrete policies and short- and medium targets. Engagement should also increase awareness of this topic among issuers and improve investability for our climate funds. Robeco will approach sovereigns in a collaboration with other investors. Engagement is never intended to unduly influence the political process and Robeco only conducts engagement on public policy where it is deemed appropriate and transparent.</p>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	NA	NA	<p><b>General approach</b></p> <p>The PRS political risk data, used for the measurement of this indicator, are an important component of Robeco's Country Sustainability Ranking. The PRS internal conflict score is used as an instrument to detect countries that run the risk of getting involved in serious internal conflict. The PRS metric is based on three components: civil disorder, terrorism, and civil war. Typically, a country that scores at the lower deciles for this indicator does so on all three components. The internal conflict score is part of a broader political risk scoring framework by PRS, which also incorporates categories such as government stability and external conflict. Robeco's analysis suggests that a deterioration in this score should be regarded as a warning signal for the fundamental strength of a country vis-à-vis peers in the same rating category. In addition, allocations to countries with a low CSR score should, on a fund level, be balanced by allocations to higher scoring countries to keep the fund's weighted average score at the required level. This will, ceteris paribus, influence the risk premium required for investing in sovereign bonds of lower scoring countries in our investment process.</p> <p><b>Exclusions</b></p> <p>Robeco deems investing in government bonds (federal or local) of countries where serious violations of human rights or a collapse of the governance structure take place as unsustainable. In addition, Robeco will follow applicable sanctions of the UN, EU or US to which it is subject and follows any mandatory (investment) restrictions deriving therefrom.</p>



#### INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse Sustainability Indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	NA	NA
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	NA	NA	NA

#### Other indicators for principal adverse impacts on sustainability factors

#### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

#### INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse Sustainability Indicator	Metric	Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	NA	NA	<b>Engagement</b> Robeco engages with key high emitters in our investment portfolios via the engagement themes “Acceleration to Paris” and “Net Zero Carbon Emissions”.
Water, waste and material emissions	15. Deforestation	Share of investments in companies without a policy to address deforestation	NA	NA	<b>Engagement</b> In 2021, Robeco started a three-year engagement program theme named “Biodiversity” focused on deforestation linked to five high risk commodities.
Green securities	16. Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds	NA	NA	<b>General approach</b> The majority of Robeco funds in the Fixed Income capability have a target in relation to investment in green, social, sustainable and sustainability-linked bonds. Robeco aims to increase this percentage over time.

#### INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

Green securities	17. Share of securities not issued under Union legislation on environmentally sustainable bonds	Share of securities in investments not issued under Union legislation on environmentally sustainable bonds	NA	NA	NA	<p><b>General approach</b></p> <p>The majority of Robeco funds in the Fixed Income capability have a target in relation to investment in green, social, sustainable and sustainability-linked bonds. Robeco aims to increase this percentage over time.</p>
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#### INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

##### INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse Sustainability Indicator	Metric		Impact (year n)	Impact (year n-1)	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Social and employee matters	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	NA	NA	NA	<p><b>Engagement</b></p> <p>Robeco engages with a number of companies under the engagement program “Responsible Executive Remuneration”.</p> <p><b>Proxy voting</b></p> <p>Robeco uses an assessment framework to judge the merits of a remuneration policy or report, generally seeking alignment of management incentives with shareholder interests and adherence to basic best practices such as claw back provisions. The framework evaluates the following overarching components:</p> <ol style="list-style-type: none"> <li>1) Remuneration structure and incentives</li> <li>2) Inclusion of relevant ESG metrics</li> <li>3) Quantum</li> <li>4) Accountability and Transparency</li> </ol> <p>Robeco supports the inclusion of material, measurable, and clearly disclosed ESG performance metrics in executive remuneration.</p>
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column	NA	NA	NA	<p><b>General approach</b></p> <p>For all the countries in a fund’s investment universe we monitor the score on corruption as well as changes in this score as part of our fundamental analysis. Our analysis suggests that a deterioration in this score should be regarded as a warning signal for the fundamental strength of a country vis-à-vis peers in the same rating category. In addition, allocations to countries with a low CSR score should, on a fund level, be balanced by allocations to higher scoring countries to keep the fund’s weighted average score at the required level. This will, ceteris paribus, influence the risk premium required for investing in sovereign bonds of lower scoring countries in our investment process.</p>

# 3. Description of policies to identify and prioritize principal adverse impacts on sustainability factors

## 3.1 Methodology to identify and prioritize principal adverse impact

### Identifying principal adverse impact

As for the principal adverse impact indicators provided in the context of SFDR, Robeco screens the principal adverse impacts of investment decisions across investment strategies, and evaluates the outcomes in the Sustainability & Impact Strategy Committee on a regular basis (see paragraph 3.2). As part of the Active Ownership program, principal adverse impacts are identified and if needed addressed via the different engagement themes. More information on Robeco's Active Ownership activities is available in the next chapter.

On a fund level, Robeco makes use of wide range of processes to identify principal adverse impact. As a minimum standard, Robeco identifies and mitigates principal adverse impact through the application of the Robeco exclusion policy. In addition, funds may perform negative screening or the avoidance of the lowest-scoring part of an SI metric that include principal adverse impact indicators (for example on the control of corruption). The exclusion policy covers activity-based exclusions with a high occurrence of adverse impact like controversial weapons, as well as an approach to dealing with companies that breach the UN Guiding Principles and OECD Guidelines for Multinational Enterprises. These breaches may differ in severity and may be irremediable in character. If the latter is the case, companies will be directly excluded from the investment universe. More information is available via [Robeco's Exclusion Policy](#).

Via the investment process, through either fundamental analysis or quantitative modeling, additional principal adverse impacts can be identified. Tools for the identification include sector-specific materiality frameworks, SI research profiles and company dashboards that combine evaluation of a company's sustainability performance on many aspects. Fund-specific targets, for example in relation to carbon, can lead to the identification and subsequent exclusion, of principal adverse impact.

For Robeco funds that make fund-of-fund investments, a tailored due diligence process is applied to the fund selection process, that includes due diligence on principal adverse impact and good governance.

More information is available via [Robeco's Sustainability Risk Policy](#).

For sustainable investments, Robeco's proprietary SDG Framework identifies and incorporates principal adverse impact (see Annex 1), similar to Robeco's frameworks for ESG-labelled bonds. For Robeco's climate funds, the climate-related principal adverse impacts are prioritized.

Given the evolving ESG data landscape, there may be challenges in identifying adverse impacts. More information on how Robeco deals with these challenges can be found via [Robeco's SFDR Data Disclosures document](#). All Robeco policies, procedures and data sources are evaluated and when required, improved, on at least an annual basis.

### Prioritizing principal adverse impact

The starting point of Robeco's prioritization of mitigation principal adverse impact is Robeco's Sustainable Investing strategy, that outlines Robeco's ambition in relation to climate change, biodiversity, human rights and avoiding negative impact on the Sustainable Development Goals. More information on Robeco's Sustainable Investment Strategy can be found [here](#).

At a fund level, principal adverse impacts are prioritized given the sustainable objectives or characteristics of the fund, provided that all minimum standards are met.

### 3.2 Governance

The Executive Committee has overall responsibility for defining Robeco's sustainability approach, including company-wide values, policies, initiatives and actions, also in the area of climate change. The Executive Committee is supported in these tasks by the Sustainability and Impact Strategy Committee, which acts as a sub-committee delegated by the Executive Committee, overseeing all matters related to sustainability and sustainable investing. It has the authority to approve policies and set practical guidelines for the implementation of Robeco's sustainable investing strategy, that includes the approach to Principal Adverse Impact.

The SISC oversees Robeco's performance with regards to Principal Adverse Impact on a regular basis, and evaluates and approves the Principal Adverse Impact Statement on a yearly basis.

### 3.3 Data sources

Robeco has adopted a 'best of breed' approach for data sourcing, combining what we deem to be the strongest provider for each category of information. Where Robeco already had existing data acquisition processes in place such as for environmental footprint analysis or exclusion processes, we have chosen to use that data in our reporting. This choice was made given the extensive assessments already undertaken in selecting each source. For previously untracked indicators, we performed an RFP process and carried out thorough due diligence of the vendors in the market. Through this process it was determined to purchase data packages from multiple providers and utilize each where coverage and quality was most suitable for our investment universe. In this way, Robeco has a selection of three source vendors for our corporate Principal Adverse Impact reporting.

Periodic reviews of the available products on the market will be performed in the future to ensure that we continue to have the best quality data available. In addition, Robeco has robust data management processes in place to automate ingestion and quality control. We map data from each vendor to Robeco identifiers in order to provide consistent views that allow for individuals to perform assessments at the product and entity level. In addition, Robeco performs quantitative analysis across providers and metrics over time to identify outliers or other potential errata in the incoming data sets. In the event of such a discovery, or in the case of a manually flagged issue, we engage the data provider responsible to validate and understand the figure in question.

**Table 3: Overview of data sources<sup>4</sup>**

Scope	Theme	PAI indicator	Data source		
Investee companies	Climate and other environment-related indicators	GHG emissions	Robeco (S&P) <sup>5</sup>		
		Carbon footprint	Robeco (S&P)		
		GHG intensity of investee companies	Robeco (S&P)		
		Exposure to companies active in the fossil fuel sector	Sustainalytics		
		Share of non-renewable energy consumption and production	S&P		
		Energy consumption intensity per high impact climate sector	MSCI		
		Activities negatively affecting biodiversity sensitive areas	MSCI		
		Emissions to water	S&P		
		Hazardous waste ratio	S&P		
		Investing in companies without carbon emission reduction initiatives	MSCI		
	Social and employee, respect for human rights, anti corruption and anti bribery matters	Deforestation	MSCI		
		Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	Bloomberg		
		Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Sustainalytics		
		Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Sustainalytics		
		Unadjusted gender pay gap	MSCI		
		Board gender diversity	MSCI		
		Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Robeco (Sustainalytics)		
		Excessive CEO pay ratio	MSCI		
		Sovereigns and supranationals	Climate and other environment-related indicators	Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	Bloomberg
				GHG intensity	EDGAR
Social and employee, respect for human rights, anti corruption and anti bribery matters	Investee countries subject to social violations		PRS Internal conflict		

4. Data sources are still subject to change given developments in coverage and underlying methodologies.

5. Where appropriate, we apply additional transformation to the original source data to ensure broader applicability. These are marked as Robeco in the table, with the original provider in parentheses. Data transformations may include sector averaging, corporate structure cascading and so on. We may also add extra restrictions, e.g., in the case of controversial weapons, that better reflect our values.

# 4. Engagement policies

Robeco believes that engagement with investee companies sustainability issues can have a positive impact on investment results and on society. Robeco's SI Center of Expertise and investment teams work closely together in engagement. Robeco focuses on a wide range of themes, jointly determined by the SI Center for Expertise, investment teams, and our clients.

Robeco distinguishes two target groups for engagement: corporate engagement and public policy engagement.

## 4.1 Corporate Engagement

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. Robeco engages with companies worldwide, in both our equity and credit portfolios. The outcomes of our engagement efforts are communicated to analysts, portfolio managers, and clients, enabling them to incorporate this information into their investment decisions as part of Robeco's integrated Sustainable Investing framework.

Engagement consists of a constructive dialogue between investors and investee companies to discuss how they manage ESG risks and opportunities, as well as stakeholder impact. Robeco carries out three different types of corporate engagement with companies in which we invest: value engagement, SDG engagement and enhanced engagement.

### Value engagement

Value engagement is a proactive approach focusing on long-term issues that are financially material and/or causing adverse sustainability impacts. The primary objective is to create value for investors and mitigating adverse impacts by improving sustainability conduct and corporate governance of companies. Robeco selects four to five new engagement themes every year, as a result of a close collaboration and consultation with clients and Robeco's investment teams. Although an unsuccessful engagement under this approach does not typically lead to divestment, we take various escalation measures to enhance our leverage (e.g. voting against board member or filing a shareholder resolution).

### SDG engagement

The objective of Sustainable Development Goal (SDG) engagement is to drive a clear and measurable improvement in a company's SDG contribution over three to five years of engagement. By ensuring company's persistent relevance reflected by their ability to address key societal needs, this strategy creates value for both investors and society at large. SDG engagement uses fundamental research by Robeco's SI Research team to develop an SDG engagement strategy that aims to improve the sustainability outcomes of companies with significant potential to positively impact one or more of the 17 SDGs. The impact process follows five engagement objectives; impact plan, SDG mapping, target setting, stakeholder management and integrated governance. For each engagement objective a set of individual SMART milestones are developed. For an engagement case to be closed successfully we require at least 4 out of 5 objectives to be closed successfully with a majority to milestones to be completed per objective.

### Enhanced engagement

Enhanced engagement focuses on companies that severely breach minimum standards which Robeco has set out in terms of corporate behavior, climate and biodiversity. In evaluating corporate behavior, we expect companies to comply with internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency such as the UN Global Compact and OECD Guidelines for Multinational Enterprises. In the areas of climate change



and biodiversity, we expect companies to make sufficient progress against Robeco's climate traffic light score or against the RSPO certification, respectively. The process for enhanced engagement theme selection is a formal part of our exclusion policy. Enhanced Engagement program includes the themes 'Global controversy', 'Acceleration to Paris', and 'Palm oil'.

Within our engagement programs, we consider the principal adverse impacts in relation to greenhouse gas emissions, biodiversity, water and social and employee matters. Please see Table 4 for more details of principal adverse impacts indicators considered in our engagement program.

More information can be found in our [Stewardship Policy](#) and the results of our engagement can be found via a dedicated page on [Active Ownership](#).

## 4.2 Public Policy Engagement

Robeco engages in public policy engagement. Engagement with governments, government related agencies, or regulators can add value to our engagement program. Therefore, we take part in consultations and provide feedback on regulations that facilitate a better or level playing field for ESG issues. Engagement is never intended to unduly influence the political process and Robeco only conducts engagement on public policy where it is deemed appropriate and transparent. Most of our engagement activities on this topic are coordinated through the various investor associations and collaborative groups of which we are members (for example AGCA and Eumedion). Policy engagements that are done via these collaborative platforms can be relevant from an equity investor perspective, from a bondholder perspective, or from both perspectives.

Within our public policy engagement, we focus on the principal adverse impacts in relation to greenhouse gas emissions and biodiversity. Please see Table 4 for more details of principal adverse impacts indicators considered in our engagement program.

More information can be found in our [Stewardship Policy](#), via a dedicated page on [Active Ownership](#) and in our [Sustainability Report](#).

## 4.3 Proxy Voting

As a shareholder, Robeco has a right to vote in shareholder meetings for our portfolio companies. We use our voting rights with the aim to influence a company's corporate practices in line with best governance practices, the interest of our clients and the investing public at large. The Robeco voting policy consists of principles, guidance, and example scenarios to assist in determining our voting instructions. By Proxy Voting policy we aim to promote good governance practices for example by voting against management resolutions that are not aligned with best practice or by supporting shareholder resolutions that ask for reporting, policy and target setting on important sustainability issues. We might also vote against management proposals to flag where we believe that there is significant room for further improvements on governance and sustainability issues. In our policy, we outline our principle with regards to several PAI indicators, amongst others, in relation to board diversity and separation of the Chairman/CEO roles.

With our proxy voting activities, we take into account a number of principal adverse impacts, in relation to greenhouse gas emissions and social and employee matters including gender pay gap, board gender diversity and executive remuneration. On an annual basis, our voting policy is reviewed for updates. Additional PAI indicators or further escalation strategies are also reviewed on an annual basis. Material changes to Robeco's voting policy are subject to approval of the Sustainability and Impact Strategy Committee (SISC)

Please see Table 4 for more details of principal adverse impacts indicators considered in our proxy voting activities.

More information can be found in our [Stewardship Policy](#).

#### **4.4 Adaption of the policies**

Every reporting period, Robeco will conduct a review whether there is a reduction of the principal adverse impacts. When there is insufficient progress, the engagement policies described above will be adapted in terms of the selection of engagement themes, selection of companies for engagement and/or voting, as well as the process during engagements including escalation strategy and objectives setting. In addition, when enhanced engagement cases are closed non-effective, Robeco can exclude companies from our investment universe.

**Table 4: Overview of Robeco’s active ownership program and link to Principal Adverse Impacts (as of June 2022)**

Type	Engagement theme	Link to Principal Adverse Impact	Type of contribution (Direct/Indirect <sup>6</sup> )	Actions if engagement is not successful in mitigating adverse impact	
<b>Investee companies</b>					
Climate and other environment	Acceleration to Paris Agreement	Table 1, 1	Direct	Exclusion after 5 years	
		Table 1, 2			
		Table 1, 3			
		Table 1, 4			
	Biodiversity	Table 1, 7	Direct	N/A	
		Climate Transition of Financials	Table 1, 3	Direct	N/A
		Net-Zero Carbon Emissions	Table 1, 1	1,1-1,4: Direct	N/A
	Table 1, 2		1,5-1,6: Indirect		
	Table 1, 3				
	Palm Oil [To be launched in 2022]	Table 1, 7	Direct	Exclusion after 3 years	
Table 1, 8		Direct	N/A		
Natural Resource Management		Table 1, 9	Direct	N/A	
[To be launched in 2022]		Table 1, 7			
Nature Action 100					
Social and Employee	Enhanced Human Rights Due Diligence	Table 1, 11	Indirect	N/A	
	Global Controversy Engagement	Table 1, 10	1, 10: Direct	Exclusion after 3 years with a potential of an escalation strategy and earlier exclusion	
		Table 1, 11	1, 11: Indirect		
	Good Governance <sup>7</sup>	Table 1, 13	Direct	N/A	
		Table 3, 8			
Responsible Executive Remuneration [To be launched in 2022]	Table 3, 8	Direct	N/A		
	Table 1, 12	Indirect	N/A		
Environment and Social	Diversity and Inclusion	Table 1, 13			
	Proxy voting	Table 1, 1	1,1-1,4; 1,12-	N/A	
		Table 1, 2	1,13; 3,8: Direct		
		Table 1, 4			
		Table 1, 5	1,5-1,6; 1,10-		
		Table 1, 6	1,11: Indirect		
		Table 1, 10			
		Table 1, 11			
		Table 1, 12			
		Table 1, 13			
Table 3, 8					

6. This indicates whether a given engagement theme directly or indirectly addresses the Principal Adverse Impacts indicators. ‘Indirect’ means that a successful engagement outcome may contribute to a reduction of the adverse impacts, however, the engagement objectives are not explicitly related to the metrics under the adverse impacts.

7. This theme is based on the ICGN framework and is different from (though overlapping with) Robeco’s Good Governance Policy required as part of the SFDR regulation. controversial weapons, that better reflect our values.

# 5. Reference to international standards

As part of Robeco's commitment to making financial markets more sustainable, Robeco works together with a diverse range of institutions. Our active contribution to these important global platforms for collaborative action on sustainability issues enables us to help shape the global investment agenda. The document [Sustainable Investing Memberships, Statements, and Principles](#) lists the SI memberships Robeco participates in, statements signed, as well as principles and best practices adhered to.

In the next paragraphs, the internationally recognized standards with a concrete link to the Principal Adverse Impacts (PAIs) are outlined.

## 5.1 Paris Agreement

[Link to sustainability indicators:](#)

Table 1, PAI 1-6 (Greenhouse gas emissions)

[Methodology and data used:](#)

Robeco is committed to contribute to the goals of the Paris Agreement and to achieving net zero carbon emissions by 2050. To this end, in October 2021 Robeco published a net zero roadmap with targets and actions including interim portfolio decarbonization targets for 2025 and 2030.

Our ambition for net zero depends on all sectors of society and economy doing their part: policy, industry, investors and consumers. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement.

The portfolio decarbonization targets are derived from the P2 illustrative pathway from the IPCC 1.5-degree scenario of 2018. This is an ambitious scenario without overshoot, which disrupts from business-as-usual, but is also well aligned with the broader societal development goals (SDGs). The P2 pathway is composed of the following emission milestones: 49% reduction of GHG emissions in 2030 and -89% reduction of GHG emissions in 2050, both relative to 2010 baseline.

To assess alignment we measure the carbon footprint of portfolios (scope 1 and 2 scaled over EVIC) relative to the carbon footprint of their benchmark in the baseline year 2019. Our decarbonization targets are tracked at the level of capabilities (fixed income, fundamental equity, quant equity) with all underlying funds jointly contributing to the target of the capability. Our default data source is Trucost but for some funds we use other sources to comply with benchmark requirements.

Our decarbonization strategy is initially confined to Robeco funds only (where we have discretion over the investment process) and excludes sovereigns bonds, derivatives, cash and green bonds for which no established carbon accounting methodologies are available yet. Through a review of targets which will take place at least every five years, the scope of our net zero strategy will gradually increase to include client mandates and reach 100% of AUM.

Complementary to our decarbonization targets, we aim to accelerate the alignment of investee companies with the Paris Agreement. With a focus on the top-200 emitters in our investment universe, we analyze investee companies' current carbon performance, their climate targets and the implementation of their targets. Based on this we classify investee companies as aligned or aligning / committed to align / not aligned. We communicate our assessment and expectations to the

companies in scope, and we focus our engagement on the climate laggards. Our findings are taken into account in our voting policy.

Robeco's efforts in relation to climate change focus on principal adverse impacts in relation to greenhouse gas emissions and companies with/without emission reduction plans.

## 5.2 UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights

[Link to sustainability indicators:](#)

Table 1: PAI 10 (Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises)

[Methodology and data used:](#)

Robeco has signed the United Nations Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises. Overall, the United Nations Universal Declaration of Human Rights, the International Labor Organization's (ILO) labor standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises outline minimal behavioral standards that serve as the basis for the enhanced engagement program as well as the exclusion policy.

Screening of the investment universe occurs on an ongoing basis, the external exclusion list is updated twice a year. Relevant data sources include the Sustainalytics Global Standards Screening and Controversy screening.

## 5.3 Biodiversity

[Link to sustainability indicators:](#)

Table 1: PAI 7 (Activities negatively affecting biodiversity sensitive areas)

[Methodology and data used:](#)

Biodiversity loss will have a large impact on the ability of companies to produce food at the current scale of production, due for example to soil depletion, decrease in crop diversity, and ecosystem collapse. Robeco collaborates with different stakeholders related to this issue, such as universities, NGOs and the DNB Working Group on Biodiversity, Platform Biodiversity Accounting Financials and the Taskforce for Nature-related Financial Disclosure (TNFD) to gain input on how to approach this topic from an investor perspective. In addition, Robeco is one of the founding signatories and part of the 98 financial institutions from around the globe that have signed the Finance for Biodiversity Pledge. In the Pledge the signatories call upon world leaders to reverse nature loss this decade and commit to collaborating, engaging, and assessing their own biodiversity impact, setting targets and reporting on biodiversity matters by 2024 at the latest.

In addition to the formation of a working group to meet those commitments, Robeco has started an engagement program on Biodiversity, with a focus on the biodiversity impact of deforestation that is linked to five high-risk crop commodities – cocoa, natural rubber, soy, beef, and tropical timber and pulp.

Within our efforts to prevent biodiversity loss, we aim to mitigate principal adverse impacts in relation to the biodiversity metrics.

## 5.4 Corporate Governance

[Link to sustainability indicators: PAI 12, 13](#)

Table 1: PAI 12 (Unadjusted gender pay gap), 13 (Board gender diversity)

Table 2: PAI 8 (Excessive CEO pay ratio)

### Methodology and data used:

In its capacity of shareholder, Robeco applies the Dutch Corporate Governance Code (IV.4 Shareholder responsibility). The provisions in the Dutch Corporate Governance Code are the generally accepted basic principles of good governance for Dutch companies. Robeco takes its responsibility as a shareholder seriously. We disclose all voting decisions for our investment funds on our website one day after a shareholder meeting has taken place. Our proxy voting disclosure complies with the requirements of the Dutch Stewardship Code and SRDII.

Data is derived from internal processes, aided by content from Glass Lewis and ISS.



## 6. Historical comparison

The earliest historical comparison will be provided in June 2024.

# Annex 1: Integration of Principal Adverse Impact in SDG Framework

## Mandatory Principal Adverse Impact and the [SDG Framework](#)

#	Mandatory PAI	Summary
1	GHG emissions	Robeco's SDG Framework assesses whether companies cause significant adverse impacts on climate change. The framework considers both the GHG emissions associated with use of a company's products/services and its own operations. Companies whose products/services are associated with high GHG emissions, such as those active in the fossil fuel sector (see PAI 4) or the airline and automotive industries, are likely to get negative SDG scores and will therefore not classify as sustainable investments. Companies that have high GHG emissions while simultaneously delivering products that significantly contribute to sustainable development can receive neutral or positive SDG scores.
2	Carbon footprint	See PAI 1
3	GHG intensity of investee companies	Robeco's SDG Framework assesses the greenhouse gas intensity of companies active in sectors that can support sustainable development yet are associated with high GHG emissions, such as for cement producers and utilities. Issuers in these sectors with a high GHG intensity will get neutral or negative SDG scores and will therefore not be eligible as sustainable investment. Companies that have high GHG intensity while delivering products that significantly contribute to sustainable development may receive neutral or positive SDG scores.
4	Exposure to companies active in the fossil fuel sector	Robeco's SDG Framework measures to what extent companies are active in the fossil fuel sector. For an extensive set of sub-sectors, including Energy (exploration and production; oil and gas storage and transportation; refineries; services), Utilities (electric and gas), and Metals and Mining, key performance indicators measure to what extent an issuer has significant exposure to the fossil fuel sector. Additional checks are made to gauge whether issuers also have exposure to unconventional oil and gas activity. Companies with significant exposure to thermal coal, oil, unconventional oil and gas, and to some extent natural gas, will obtain neutral or negative SDG scores and therefore will not qualify as sustainable investments.
5	Share of nonrenewable energy consumption and production	Robeco's SDG Framework assesses the share of nonrenewable energy production of companies active in the Energy (exploration and production) and the Utilities (electric and gas) sectors. Companies in these sectors with a high share of nonrenewable energy production will get a neutral or negative SDG score and therefore fail to classify as a sustainable investment. Robeco's SDG Framework does not assess the share of nonrenewable energy consumption of issuers in other sectors as this is a highly context dependent indicator that primarily signals a supply (production) rather than demand (consumption) issue in many markets.
6	Energy consumption intensity per high impact climate sector	Robeco's SDG Framework assesses whether companies cause significant adverse impacts on climate change by gauging the GHG emissions associated with the products they deliver and their operations (see PAIs 1-4). Although the SDG Framework does not directly screen for investee companies' energy consumption intensity, screening for greenhouse gas intensity for high impact climate sectors (e.g., cement, utilities) is expected to have high correlation with energy consumption.
7	Activities negatively affecting biodiversity sensitive areas	Robeco's SDG Framework gauges the adverse impacts on biodiversity rich areas of companies operating in sub-sectors with a negative influence on ecosystems. This includes the paper and pulp sector, where companies with low rates of recycling and sustainability certification get neutral SDG scores, the food sector, where companies producing significant volumes of beef, lamb, and mutton get negative SDG scores, and the fish sector, where companies with low rates of sustainability certification get negative or neutral SDG scores. Such companies with neutral or negative SDG scores will not classify as sustainable investments.
8	Emissions to water	Robeco's SDG Framework assesses whether companies are involved in controversies. This also applies to companies that cause significant adverse impacts through emissions to water. When this occurs, and in case the company lacks a convincing management approach to remediating and avoiding such adverse impacts from occurring in the future, a negative SDG score will follow and the company will not be eligible as a sustainable investment.
9	Hazardous waste ratio	Robeco's SDG Framework assesses the hazardous waste that is generated by companies active in the Utilities sector. Companies significantly involved in nuclear energy without convincing management policies for dealing with nuclear waste will get a negative SDG score. This will lead to such companies not qualifying as sustainable investments.

10	Violations of UNGC and OECD Guidelines for Multinational Enterprises	Robeco's SDG Framework assesses whether companies are respecting international guidelines for responsible behavior, including the UNGC principles or OECD Guidelines for Multinational Enterprises. Companies violating such guidelines and principles are assigned a negative SDG score and will therefore not qualify as a sustainable investment.
11	Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines for Multinational Enterprises	Robeco's SDG Framework assesses whether companies are respecting international guidelines for responsible behavior, including the UNGC principles or OECD Guidelines for Multinational Enterprises. Companies violating such guidelines and principles, or companies for which there is serious concern that they lack policies to ensure compliance with them, can be assigned a negative SDG score and will therefore not qualify as a sustainable investment.
12	Unadjusted gender pay gap	Robeco's SDG Framework applies a multidimensional gender screening. Good performers are assigned a positive SDG score and can therefore classify as sustainable investment. Poor performers are not assigned a negative SDG score.
13	Board gender diversity	Robeco's SDG Framework applies a multidimensional gender screening. Good performers are assigned a positive SDG score and can therefore classify as sustainable investment. Poor performers are not assigned a negative SDG score.
14	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Robeco's SDG Framework screens whether companies are involved in the manufacture or selling of controversial weapons. Companies generating any amount of revenues from controversial weapons are assigned a negative SDG score and will therefore not qualify as a sustainable investment.
15	GHG intensity (sovereign)	N/A
16	Investee countries subject to social violations (sovereign)	N/A
17	Exposure to fossil fuels through real estate assets (real estate)	N/A
18	Exposure to energy-inefficient real estate assets (real estate)	N/A

#### Voluntary Environmental Principal Adverse Impact and the SDG Framework

#	Voluntary PAIs - Environment	Summary
9	Investments in companies producing chemicals	Robeco's SDG Framework assesses the potentially adverse impacts of companies producing chemicals. Companies active in the production of chemicals for agricultural use are assigned a negative SDG score unless they generate a significant share of revenues from crop protection products and fertilizers with limited adverse environmental impacts. Companies active in the production of general chemicals get a neutral SDG score, unless their chemicals have clear benefits for industrial uses, contribute to clean water, or help mitigate climate change, in which cases positive SDG scores can be assigned. Negative and neutral SDG scores do not qualify as sustainable investments.
11	Investments in companies without sustainable land/agriculture practices	Robeco's SDG Framework assesses whether companies have unsustainable land/agriculture practices (see Mandatory PAI 7 and Voluntary Environment PAI 9).
12	Investments in companies without sustainable oceans/seas practices	Robeco's SDG Framework assesses whether companies have unsustainable oceans/seas practices (see Mandatory PAI 7 and Voluntary Environment PAI 9).

#### Voluntary Social Principal Adverse Impact and the SDG Framework

#	Voluntary PAIs - Environment	Summary
14	Number of identified cases of severe human rights issues and incidents	Robeco's SDG Framework assesses whether companies are respecting international guidelines for responsible behavior, including the UNGC principles or OECD Guidelines for Multinational Enterprises. Companies violating such guidelines and principles, including for severe human rights issues and incidents, are assigned a negative SDG score and will therefore not qualify as a sustainable investment.
16	Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery	Robeco's SDG Framework assesses whether companies are involved in cases of anti-corruption and anti-bribery. Companies involved in such cases, when lacking adequate policies for preventing such behavior to occur in the future, can be assigned a negative SDG score and will therefore not qualify as a sustainable investment.
17	Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Robeco's SDG Framework assesses whether companies are involved in cases of anti-corruption and anti-bribery. Companies involved in such cases, when lacking adequate policies for preventing such behavior to occur in the future, can be assigned a negative SDG score and will therefore not qualify as a sustainable investment.

Adverse Sustainability Indicator (Group)	Adverse Sustainability Indicator	Metric	Targets and/or planned actions
	10. Land degradation, desertification, soil sealing	Share of investments in investee companies the activities of which cause land degradation, desertification or soil sealing	
	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	
	12. Investments in companies without sustainable oceans/seas practices	1. Share of investments in investee companies without sustainable oceans/seas practices policies	
	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average	
	14. Natural species and protected areas	1. Share of investments in investee companies whose operations affect threatened species  2. Share of investments in investee companies without a biodiversity protection policy covering operational sites owned, leased, managed in, or adjacent to, a protected area or an area of high biodiversity value outside protected areas	Robeco currently engages with companies in the engagement themes 'Palm oil' and 'Biodiversity'. In addition, Robeco has an exclusion policy in relation to Palm oil. By 2024, Robeco will set targets in order to combat biodiversity loss.
	15. Deforestation	Share of investments in companies without a policy to address deforestation	Deforestation due to expansion of palm oil production is one of the key drivers of biodiversity loss due to the destruction of tropical forest habitat. By investing in companies that have not committed to the principles & criteria of RSPO Robeco runs a significant risk to negatively impact biodiversity. Therefore, Robeco has an exclusion policy with regards to unsustainable production of Palm oil.
Green securities	16. Share of securities not certified as green	16. Share of securities not certified as green under a future EU legal act setting up an EU Green Bond Standard	
Green securities	17. Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	Share of bonds not certified as green	

Adverse Sustainability Indicator (Group)	Adverse Sustainability Indicator	Metric	Targets and/or planned actions
Greenhouse gas emissions	18. GHG emissions	Scope 1 GHG emissions generated by real estate assets Scope 2 GHG emissions generated by real estate assets From 1 January 2023, Scope 3 GHG emissions generated by real estate assets Total GHG emissions generated by real estate assets	Robeco does not invest directly in Real Estate Assets
Energy consumption	19. Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	
Waste	20. Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	
Resource consumption	21. Raw materials consumption for new construction and major renovations	Share of raw building materials (excluding recovered, recycled and bio sourced) compared to the total weight of building materials used in new construction and major renovations	
Biodiversity	22. Land artificialisation	Share of non-vegetated surface area (surfaces that have not been vegetated in ground, as well as on roofs, terraces and walls) compared to the total surface areas of the plots of all assets	



**EU SFDR ANNEX 1 - Table 3**

Adverse Sustainability Indicator (Group)	Adverse Sustainability Indicator	Metric	Targets and/or planned actions
Social and employee matters	1. Investment in investee companies without workplace accident prevention policies	1. Share of investments in investee companies without a workplace accident prevention policy	
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average	
	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	
	6. Insufficient whistleblower protection	1. Share of investments in entities without policies on the protection of whistleblowers	
	7. Incidents of discrimination	1. Number of incidents of discrimination reported in investee companies expressed as a weighted average 2. Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average	
	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	Poor remuneration practices are addressed via Proxy Voting and Engagement.

Adverse Sustainability Indicator (Group)	Adverse Sustainability Indicator	Metric	Targets and/or planned actions
Human rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts	
	11. Lack of processes and measures for preventing trafficking in human beings	1. Share of investments in investee companies without policies against trafficking in human beings	
	12. Operations and suppliers at significant risk of incidents of child labour	1. Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of child labour exposed to hazardous work in terms of geographic areas or type of operation	
	13. Operations and suppliers at significant risk of incidents of forced or compulsory labour	1. Share of the investments in investee companies exposed to operations and suppliers at significant risk of incidents of forced or compulsory labour in terms in terms of geographic areas and/or the type of operation	
	14. Number of identified cases of severe human rights issues and incidents	Number and nature of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	Companies that are engaged in severe human rights issues will become part of the En-hanced Engagement program.
	Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	1. Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption
16. Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery		Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anticorruption and anti-bribery	Poor performing companies under this PAI will become part of the Enhanced Engagement program.

Adverse Sustainability Indicator (Group)	Adverse Sustainability Indicator	Metric	Targets and/or planned actions
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anticorruption and anti-bribery laws by investee companies	
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator	Similar metrics are part of the Country Sustainability Ranking (CSR) as well as the country SDG ranking which is currently being developed. Via the CSR they are part of the country research process and F-scores.
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained	
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator	
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator	
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of noncooperative jurisdictions for tax purposes	
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator	
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator	

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