ROBECO
The Investment Engineers

ROBECO I 2022

Stewardship Report

Sustainable Investing Expertise by ROBECOSAM

Contents

Introduction

Change seemed to be the only constant in 2022 – post-Covid, the war in Ukraine, political instability, a food and energy crisis, and extreme inflation – the feeling of permacrisis was unavoidable. At the back of it, we stand closer, more resilient, and even more convinced of sustainability as a secular trend. Our long-term investment beliefs, the Paris Agreement, and the UN Sustainable Development Goals continue to be the lighthouses showing us the direction towards enabling our clients to achieve their financial and sustainability goals. And while 2022 became a year of challenges and uncertainty, we also celebrated successes and progress towards our commitments to sustainable investing.

Rooted in our more than 25 years of experience in sustainable investing, we continued to innovate and push the frontier of sustainable investing with a key focus on the SDGs, climate change, biodiversity and human rights. 2022 became the year we started sharing our intellectual property on SDG scoring through our Sustainable Investing Open Access Initiative, continued to develop our corporate SDG Framework and launched a country SDG Framework. On climate change and the progress on our Net Zero Roadmap, we scaled our research on Sector Decarbonization Pathways, increased the scope of our climate engagement program, strengthened our climate voting policy, and expanded the climate module in our internal Sustainable Investing Academy – an online training platform for all employees.

They say if you want to walk fast, walk alone, but if you want to walk far, walk together. We know we cannot solve big societal challenges on our own and biodiversity is no exception. In 2022, we launched a partnership with WWF-NL to reach an investment framework for biodiversity and took an active part in launching Nature Action 100 – a global investor engagement initiative focusing on nature and biodiversity loss. Lastly, on human rights, we joined the Signatory Advisory Committee for PRI's new Human Rights Initiative 'Advance', and launched an internal Human Rights taskforce comprising specialists that will work to further our approach.

Despite the uncertainty, the direction is clear, roadmaps are in place, and the key headline for 2023 is implementation. We will continue to learn – no doubts – but no one can take away what we learned in 2022 and the experience we accumulated. In this report, we share the successes and challenges from the year behind us. I am proud of the resilience we showed, and the progress we made and I look forward to 2023!

Victor Verberk
Chief Investment Officer, Fixed Income and Sustainability
On behalf of the Robeco Executive Committee

Robeco's 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.'

Robeco's mission
'To enable our clients to achieve their financial and sustainability goals by providing superior investment returns and solutions'. The mission is supported by our key investment beliefs:

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

Sustainable investing in 2022

From an investment perspective, 2022 was a year to forget. High headline inflation was driven by the war in Ukraine and the accompanying energy and food price rises. But more importantly, core inflation rises caused by labor shortages and wage growth led to central banks increasing rates quickly and markets declining for both equity and fixed income. Sustainable strategies which tend to be invested in growth-oriented companies and less in energy generally performed less well in this scenario. Nonetheless, client interest in these strategies is still high, as evidenced by the fact that the sustainable and impact strategies are now 22% of total assets at Robeco, up from 20% in 2021.

A year full of challenges

In 2022, sustainable investing faced some clear challenges. First of all, the energy sector saw strong performance due to higher oil and gas prices, while growth stocks lagged. Sustainable funds are generally more invested in the latter and less in the former. Secondly, there has been some backlash on sustainable investing in certain markets. Thirdly, greenwashing is seen as an even bigger risk, as some large asset managers have been accused of overstating their SI credentials. Lastly, new regulation in the EU has placed the burden of proof of how sustainable an investment product is on the funds and mandates themselves, whereas funds that do not attempt to integrate ESG have much less work to do. It hardly seems fair.

Client interest remains high

Even in these challenging times, sustainability as a topic remains firmly on the agenda of almost all our clients.

We see three key drivers behind this development:

- Sustainability issues – most notably climate change – have become more financially relevant for companies and investors
- Clients' and society's standards on and expectations of sustainability are rising
- Regulation is increasing, most notably in Europe.

The backlash on sustainable investing in certain states in the US, while generating lots of media attention, actually only applies to a small part of the US investment market. And despite the greenwashing cases, the demand for sustainability expertise, data and investment products continues to be high globally. Even though the regulation in the EU proved to be a big burden for sustainable investors, it does seem to promote sustainable investing in the sense that every financial market participant needs to take a position on this matter. Furthermore, regulation in other regions like Asia is moving more in the direction of the EU.

So, ignoring or not implementing sustainability is no longer an option for most institutional investors. Depending on where clients are in their sustainability journey, they are gradually integrating material ESG issues in investments, implementing their own views on sustainability, and exploring ways to further advance towards having real-world impact. A key pillar of Robeco's sustainable investing strategy is to provide our clients with a full range of investment solutions that cater to their needs.
We distinguish between three types of strategies, ranging from a focus on financial materiality to a focus on impact alignment.

Key highlights: Sustainable investing in 2022

- For 96% of assets under management financially material ESG issues are systematically integrated in the investment process
- We launched a number of new strategies with a focus on SDGs, climate and biodiversity
- Sustainable and impact-aligned strategies now account for 22% of total assets under management
- Implementation of SFDR Level 2

Growth in sustainable investment solutions

Unlike in previous years, our assets under management in sustainable strategies did not increase in 2022. Our ESG-integrated assets (Sustainability Inside) now account for almost 100% of our total AUM, so changes in their underlying assets now primarily reflect market movements, as it is almost impossible to increase the proportion of our total assets that they account for.

With markets falling this year, assets under management in our Sustainability Inside strategies fell from EUR 154 billion at the end of 2021 to EUR 127 billion at the end of 2022. Assets under management in our Sustainability Focused and Impact-aligned investing strategies also fell (Figure 1) from EUR 42 billion at the end of 2021 to EUR 37 billion at the end of 2022. This was driven mainly by market movements, as the sustainable range had inflows, and the impact-aligned range was roughly neutral in inflows versus outflows. The share of sustainable strategies in total AUM increased in 2022 to 22%, compared with 20% at the end of last year.

Investment strategies according to their levels of sustainability

- **Sustainability Inside.** These strategies include ESG integration, exclusions, voting and engagement as part of their investment processes. The key focus is on considering the financial materiality of ESG factors for the securities they invest in. Simultaneously, we introduce elements for avoiding significant negative impact by setting a minimum standard through our Exclusion Policy and engaging with companies breaching international standards. Relative to our sustainability focused and impact-aligned strategies, the degree of impact materiality considered is lower.

- **Sustainability Focused.** These strategies incorporate all of the sustainability components we use in our Inside strategies and some additional aspects, such as aiming to achieve lower environmental footprints (in terms of water usage, waste production and greenhouse gas emissions) than their benchmarks and implementing a more extensive range of exclusions. We refer to these strategies as sustainable as they focus on both impact and financial materiality.

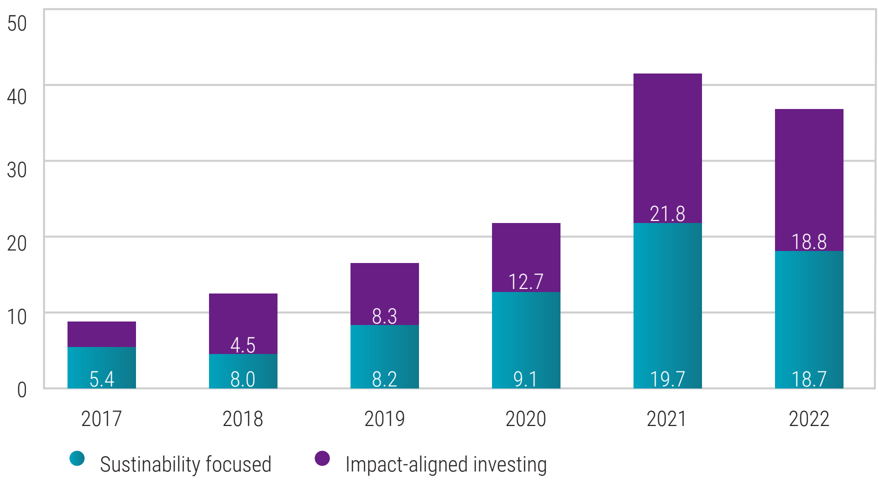
- **Impact-Aligned.** These strategies only invest in securities that are deemed sustainable investments. Their investment universe may be determined by, for example, alignment with the Sustainable Development Goals or membership of a Paris-aligned benchmark. These strategies include our sustainable thematic, sustainable indices, SDG and climate strategies. As they focus on impact materiality and producing attractive investment returns, we refer to them as impact-aligned strategies.

Enhancing how we integrate financially material ESG issues to make better informed decisions

Sustainability research ensures that a long-term investment view is incorporated into our investment strategies. The SI research team is the basis for this. The team's SI analysts are responsible for conducting a financial materiality analysis for a wide range of industries, with the aim to identify sustainability factors that drive business value and that have the greatest impact on long-term value assumptions used in financial analysis. The financial materiality analysis leverages our quantitative research, which identifies which factors have demonstrated relevant correlations to past financial performance. Besides the use in financial company analysis, the research output of the SI team is used in our proprietary SDG framework and engagement activities.

For our quantitative products, ESG scores are integrated in the quant ranking model, to take ESG opportunities and risks into account and to tilt the portfolio toward more sustainable stocks. In terms of stewardship outcomes, there is a direct link between the enhanced engagement program and the portfolio. The portfolio weight of companies under enhanced engagement is lowered for the duration of the enhanced engagement process. In case the enhanced engagement is closed unsuccessfully, the company may be excluded from the investable universe and any remaining positions in the portfolio can be sold.

Figure 1 | Assets under management in our sustainable strategies (Focused and Impact-aligned) over time (EUR billion)

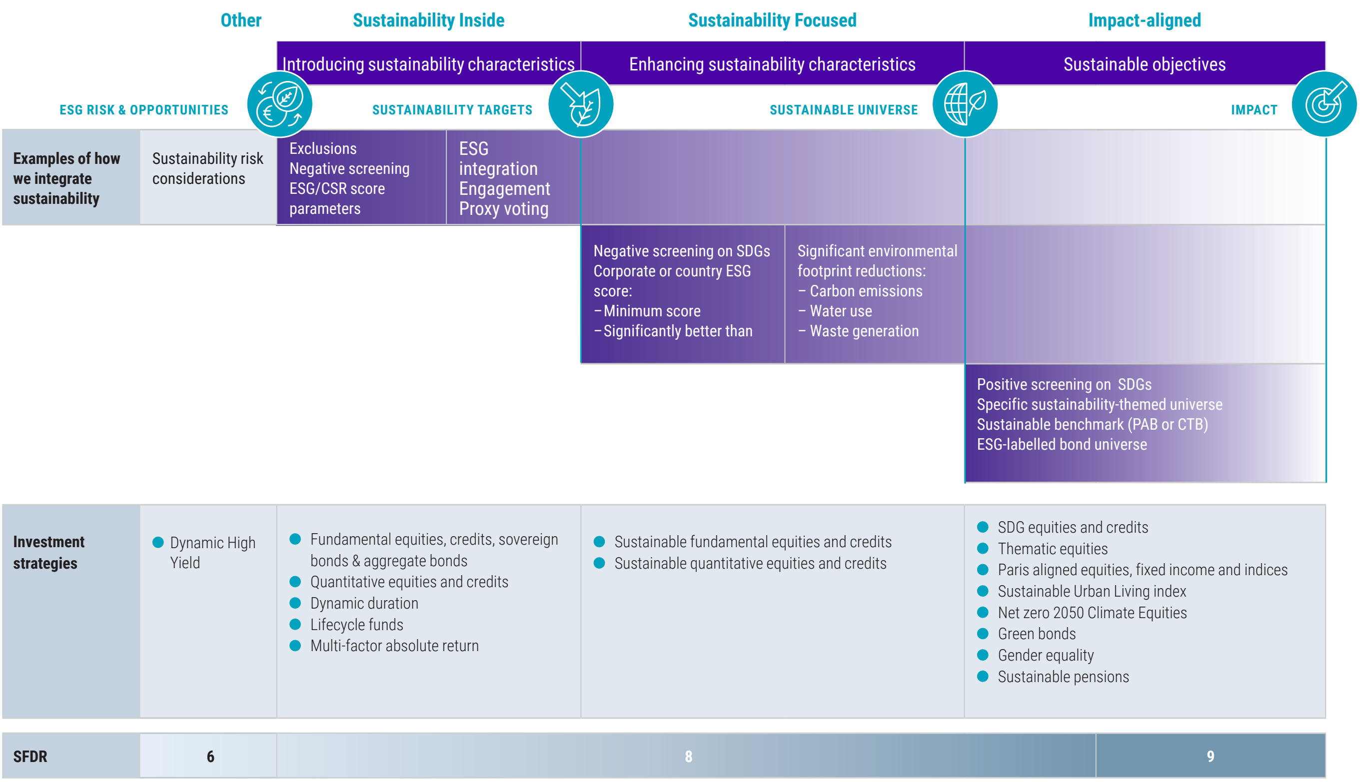


In our fundamental products, we integrate ESG factors into the investment process by analyzing the impact of financially material ESG factors to a company's competitive position and value drivers. Outcomes of our voting and engagement efforts are shared with the investment teams and incorporated in the overall company assessment.

Enhancements implemented in 2022

We have enhanced the way we integrate financially material ESG issues across all our investment strategies. In our

Figure 2 | Our spectrum of solutions on sustainability



For more information, refer to appendix B for the legend of this figure.

quantitative products, we have enhanced the sustainability credentials in the stock selection model; in our fundamental equity and credit strategies, we have further strengthened our ESG integration analysis; and for the fundamental Sustainability Inside range, we have set limits on how much can be invested in companies with a very high sustainability risk profile. With these enhancements, we continue to develop our ESG integration approach.

In 2022 we enhanced how we integrate ESG in all of our quantitative strategies by adding two new financially material ESG signals to their management process.:

- Resource efficiency: using carbon intensity as a proxy of operational efficiency
- Human capital: higher employee satisfaction signals happier and more productive employees, which translates into higher financial returns.

Furthermore, as corporate governance is deemed highly financially relevant, we added corporate governance information to our portfolio construction process.

In our fundamental equity and corporate bond strategies, we enhanced our ESG integration analysis. In each investment analysis, we add a paragraph on climate risk and SDG scores to create more awareness about companies' impact on climate change and how they contribute to sustainable development.

Furthermore, in these same strategies, we limit how much can be invested in companies with a very high sustainability risk profile. What's more, if a fund does invest in a company that involves high ESG risk, the portfolio manager must deliver an investment analysis that clearly shows that this risk has been taken into account. Approval from our Controversial Behavior committee is required for investments in such firms.

We also made some enhancements to our country sustainability analysis for our sovereign bond investments, increasing the focus on climate change and biodiversity in our country sustainability rankings as we believe these topics are becoming more financially relevant. We are also researching how to create a sustainable enhanced indexing approach for a government bond universe.

Sustainable investing regulation is shaking up the financial industry

Building on the implementation of the EU's Sustainable Finance Action Plan SFDR Level 1 in March 2021, in 2022 Robeco implemented the Sustainable Finance Disclosure Requirement (SFDR) Regulatory Technical Standards (RTS), which are also referred to as Level 2 Regulations. While SFDR Level 1 set out the regulator's high-level requirements and expectations relating to disclosure standards, risk integration and product classification, the RTS provides detailed guidance on how the regulation should be applied. This regulation became effective on 1 January 2023.

Following on from SFDR RTS and further guidance by the regulator, in 2022 Robeco updated various disclosures, policies and procedures linked to sustainability, including those published on our website. Disclosures related to the EU Taxonomy were included and the concept of double materiality was further integrated into Robeco's investment processes.

While the SFDR is designed to enhance transparency about the integration of sustainability factors, the process is ongoing, and there is still discussion about minimum requirements for sustainable products. We are following the process closely and as a result, have decided to narrow down our internal definition of sustainable investments to funds that only have positive SDG scores. In 2022, Robeco reclassified seven of its sub-funds that were previously labeled Article 9 funds as Article 8. The underlying strategies have not changed as a result of this reclassification.

In August, we implemented the amended MiFID regulation, ensuring that our clients are asked about their sustainability preferences during the onboarding process. Suggestion: we will offer our clients investment strategies that fit their sustainability preferences.

Engagement and biodiversity rise in importance in 2022 Global Climate Survey

Climate change remains central to investor strategies over the coming years, as active ownership and biodiversity increase in importance. Those were the two main takeaways from the 2022 Robeco Global Climate Survey on investment approaches to tackling global warming.[1]

It was the second survey of its kind to be conducted by CoreData Research following the success of the inaugural one in 2021. Collectively, the 300 investors questioned have assets under management of USD 23.7 trillion from across the spectrum of institutional investors, insurance firms, pension funds and banks. Responses were given in the three core areas of Europe, North America and Asia.

The principal finding was that a whopping 84% of investors said climate change would be central or significant to their investment policy over the next two years, while 75% had it taking center stage at the time of the survey in January 2022. This was a massive rise from the 34% who were treating climate change as either 'central' or 'significant' just two years earlier.

Rising role of engagement

One standout result was that 80% of respondents said engagement will be a significant factor in their investment policy in the next two years. Protecting biodiversity also rose in importance, with 56% saying it would be key for them over the following two years.

Regarding fossil fuels, 22% said they would completely divest from oil and gas companies due to their carbon emissions in the next two years, while 11% said they were doing it already. And 27% of investors said their organization has made a commitment to achieving net zero emissions from their investment portfolios by 2050, in line with global net zero pledges.

1 For more information, please refer to the publication 'Robeco 2023 Global Climate Survey: Keeping the faith' on our website: https://www.robeco.com/en-int/insights/2023/03/robeco-2023-global-climate-survey-keeping-the-faith

The EU Sustainable Finance Disclosure Regulation (SFDR)

Through its Sustainable Finance Action plan, the EU aims to ensure the economy is financed in a way that is supportive of the Sustainable Development Goals (SDGs) and the Paris Agreement. The plan is supported by a comprehensive regulatory package that is designed to direct more capital into sustainable development across the EU, combat greenwashing and make the sustainable investing landscape more transparent and easier to understand for investors. This regulation has major implications for the entire finance sector.

Sustainable finance regulations

The regulatory framework includes newly created regulations and integrates sustainability into existing regulation. Its key components are:

- The Sustainable Finance Disclosure Regulation (EU 2019/2088 - SFDR)
- The EU Taxonomy, which aims to create a common classification system for environmentally sustainable economic activities in order to create a level playing field across the EU
- The inclusion of sustainability preferences in the client suitability assessment process of the Markets in Financial Instruments Directive (MiFID)
- The mandatory inclusion of double materiality in UCITS.

From a sustainability perspective, the regulation provides guidance to help all market participants to define sustainability and ensure their products are comparable. It has also established the integration of sustainability risk as a minimum requirement for all investment products throughout the EU. Robeco's approach to measuring such impacts is explained in the Principal Adverse Impact Statement published on our website.

For more information, please refer to the publication 'Robeco Principle adverse impact statement' on our website: https://www.robeco.com/docm/docu-robeco-principal-adverse-impact-statement.pdf

To ESG or not to ESG? The burden of proof is increasing

We have run a monthly 'SI Dilemma' column to explain how sustainable investing is not cut and dried – there are often conflicts and even contradictions when trying to integrate ESG. One of them is how the burden of proof is increasing.

Sustainable investors are used to being asked many critical questions, on the performance of sustainable investing; on the real-world impact (or lack of it) as allocators of capital, and on whether active ownership can actually achieve any results.
And for all of these seemingly easy questions, the answers are much more complicated than most people expect. Luckily, over the years, the knowledge and expertise have increased. Many clients are now well aware of what they can do, be it negative screening, ESG integration, net-zero portfolios or alignment with the UN Sustainable Development Goals. They also understand the impact of ESG on their risk-adjusted expected returns, or have it calculated by their managers.

However, it is no longer enough to understand and be able to answer these questions. The burden of proof on sustainable investors is increasing rapidly.

Enhancing policies

To try to do this, we have enhanced our existing sustainability, exclusion and stewardship policies, added a good governance test, a sustainability risk policy and a principle adverse impact statement, along with documents describing our research methodologies and data approach. We added very detailed information on our sustainability approach for all of our funds in the prospectuses.

One can question how clients should interpret and compare all this information, and also the data quality. But this is really bringing sustainable investing to the next level in that we need to show what our investment portfolios really look like on key metrics. To ESG or not to ESG?. The easy steps have been taken, but a greater focus on actual outcomes is leading managers to review their positions. At Robeco, we keep true to our approach to ESG, stewardship and sustainable investing. We would like to see the burden of proof not only fall on the "good guys" but also be extended to the whole market.

For more information, please refer to the publication 'SI dilemma: to ESG or not to ESG' on our website: https://www.robeco.com/en-int/insights/2022/12/si-dilemma-to-esg-or-not-to-esg-the-burden-of-proof-is-increasing

Other highlights included plans to make greater use of thematic strategies, with equities remaining the preferred asset class. Meanwhile, complaints about poor data and a lack of global agreements on climate still vexed investors, an issue that carried forward into 2023.

They're not the same: comparing ESG ratings with SDG scores

Making the transition from ESG integration towards aligning investments with supporting sustainable development is the key challenge to truly sustainable investing. The rise in investor interest in ESG investing raises awareness and mobilizes financing for sustainability issues, both of which significantly enhance the ability to achieve the SDGs. We see it in our conversations with clients that the discussions are increasingly moving from ESG integration towards frameworks for assessing and aligning assets that create real-world impact. Here the SDGs offer a framework for transformative change.

ESG ratings are less suited to measure impact alignment. ESG ratings measure companies' performance on environmental, social, and governance issues and score them compared to their peers. This means that some notoriously harmful companies in industries such as tobacco or sugared beverages can actually perform well in ESG rankings as long as they have better business practices compared to peers. Our research finds that SDG scores are more aligned with investors' exclusion policies and their holdings in sustainable thematic strategies, meaning they are more suited for aligning investments with real-world impact, whereas ESG scores are more suited for ESG integration.

SDG investing, thus, should not be seen as a substitute for ESG integration – in fact, the two combined unveil the true meaning of the concept of double materiality. It works by taking into consideration the ESG challenges that an investee company is facing, and by assessing its alignment with the impact it could be making on the SDGs. The latter is only possible if investors obtain a deep understanding of the impacts caused by the diverse companies in their investment universes. Only then can companies that are a positive force for the SDGs be supported.

As more investors move into impact investment strategies, and as financial regulators tighten impact labeling standards, it is becoming increasingly important for asset managers to ensure the quality and rigor of their impact claims.

SI Dilemma: Keeping on course for net zero by 2050

The battle against climate change presented new challenges in 2022 as the world faced up to an energy crisis provoked by Russia's invasion of Ukraine. This led to an issue discussed in our SI Dilemma series; how to keep the faith with sustainable alternatives such as renewable energy at a time when the world was going back to coal to keep the lights on. Rampant inflation that saw gas prices more than treble made many realize that renewable energy capacity remains insufficient to replace fossil fuels, even in the face of sanctions against leading gas producer Russia. The EU lost some credibility in its otherwise world-leading Green Deal initiative by returning to coal as gas bills soared across the bloc.

The COP27 conference produced a mixed bag of results in trying to keep the world on track for net zero by 2050 in order to meet the Paris Agreement. The creation of a historic climate change fund and the acceptance that poorer countries need help from richer nations were welcome. However, the world's two biggest emitters, the US and China, are not on good terms, and no agreement was reached on phasing out fossil fuels. As optimists, our verdict was that "the glass was half-full". There is still much to look forward to, particularly as legislation such as the US Inflation Reduction Act puts greater emphasis on the transition to clean energy.

What we believe investors can do amid the dilemma of staying on course to net zero when fossil fuel use has yet to peak is to continue to invest in this transition. Robeco remains committed to a clear decarbonization strategy, directing capital to those companies that are developing climate solutions, and using voting and engagement to encourage the higher emitters to lower their carbon footprints. Of this, there is no SI Dilemma – only a steely reserve.

For more information, please refer to the publication 'SI dilemma: keeping on course for net zero by 2050' on our website:
https://www.robeco.com/en-int/insights/2022/11/si-dilemma-keeping-on-course-for-net-zero-by-2050

Developing new solutions

In designing our products, we actively partner with clients, and sometimes NGOs, while meeting the requirements of regional regulations, including the SFDR. We aim to offer the best possible solutions to meet our clients' sustainability needs. All of our funds are subject to our Product Quality Procedure, which ensures they are all carefully designed and subject to a rigorous approval process.

In 2022, we launched an innovative sustainable index family that combines two megatrends in the asset management industry: sustainability and index investing. The Robeco SDG Low-Carbon Indices aim to contribute to both the Sustainable Development Goals and a low-carbon economy, as described in more detail in our press release: Robeco introduces innovative Sustainable Index family.

We also launched several new sustainable investment funds during the year:
- SDG and Climate Multi-Factor Credits, which adopts a systematic approach to produce a corporate bond portfolio that is aligned with the Paris Agreement and the Sustainable Development Goals.
- Two equity funds (Global SDG and Climate Beta Equities, and QI US Climate Beta Equities) that aim to provide returns similar to those of the broad equity market but with a significantly enhanced sustainability profile. The funds invest in companies contributing towards the Sustainable Development Goals and where a carbon footprint trajectory is aligned with the Paris Agreement. These strategies could prove attractive to investors looking to adopt a more passive approach that integrates sustainability.

- RobecoSAM Net Zero 2050 Climate Equities is a net-zero climate strategy with a forward-looking approach. The fund invests in companies that are pivotal to the transition to a low-carbon economy and has a carbon footprint target based on the EU's Climate Transition Benchmark.
- Robeco Sustainable Asian Bond fund is an SDG-aligned bond strategy that allocates to a diverse range of Asian corporate bonds. It invests at least 5% of its assets in green and social bonds and applies our Sustainability Focused enhanced exclusion policy.
- RobecoSAM Biodiversity Equities promotes biodiversity rather than just investing in environmental or climate-related stocks generally. It invests in companies that support a more sustainable use of natural resources and ecosystem services, and in technologies, products and services that are helping reduce threats to biodiversity or restore natural habitats.

We set up a number of bespoke mandates for clients that want to generate market-like returns while taking into account their specific sustainability preferences.

Stewardship in numbers

This chapter provides an overview of our engagement and voting statistics for 2022.

Figure 3 | Engagement statistics

Asset under engagement (as at 31 December 2022)	EUR 350 billion
Engagement cases	252
Engagement companies	215
Number of cases closed successfully	72%
Number of engagement themes	22

North America	33%
Europe	27%
Pacific	11%
Emerging Markets	29%

Regional breakdown of engagement cases

Figure 4 | Voting statistics

Asset under voting (as at 31 December 2022)	EUR 136 billion
Number of shareholder meetings voted	7,422
Number of markets voted	72
Meetings with at least 1 vote against management	60%
Number of proposals voted on	77,193
Shareholder proposals supported	64%

North America	18%
Europe	14%
Pacific	10%
Emerging Markets	58%

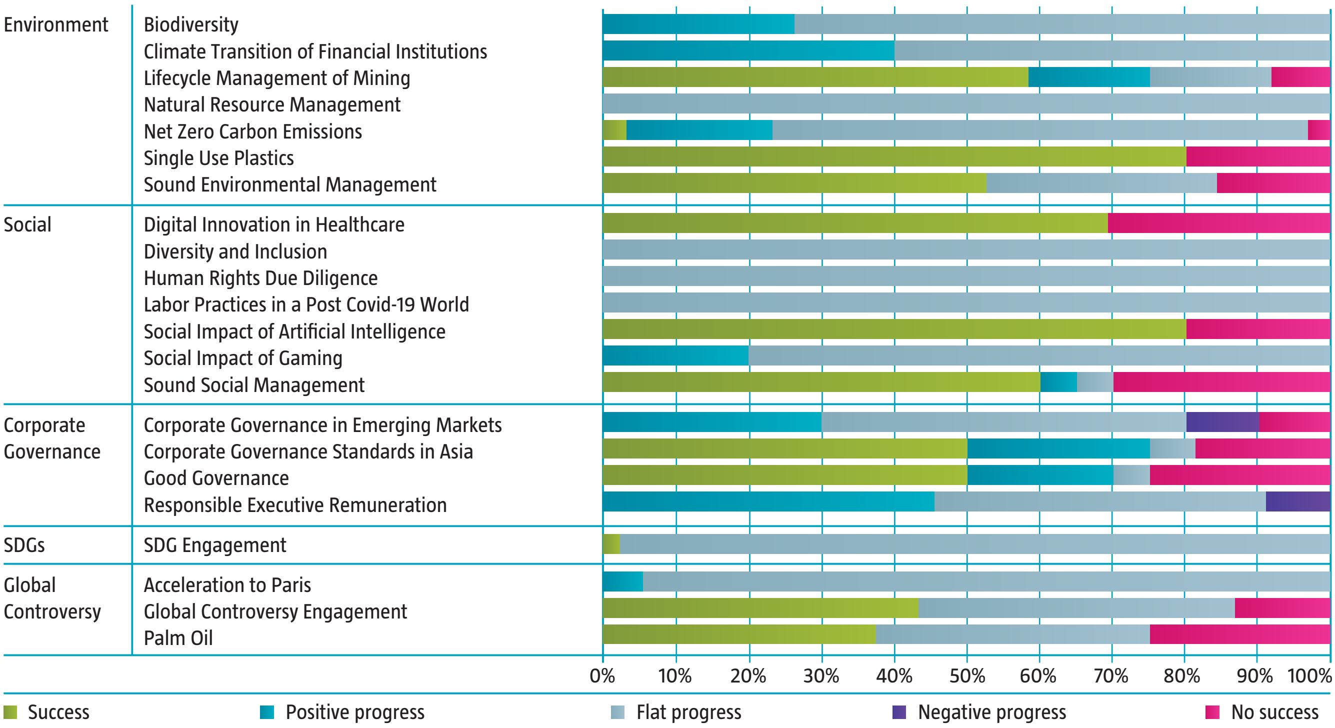
Regional breakdown of shareholder meetings voted

Figure 5 | Progress table per voted category

Proposal Category Type	With Management	Against Management
Management proposals	79%	14%
Audit/Financials	88%	7%
Board Related	81%	13%
Capital Management	73%	23%
Changes to Company Statutes	89%	8%
Compensation	67%	28%
M&A	91%	4%
Meeting Administration	75%	13%
Other	57%	9%

Proposal Category Type	With Management	Against Management
Shareholder proposals	27%	63%
SHP: Compensation	16%	74%
SHP: Environment	18%	73%
SHP: Governance	31%	54%
SHP: Social	87	213
SHP: Misc	23%	77%

Figure 6 | Engagement progress by theme



Robeco’s approach to stewardship

Carrying out stewardship responsibilities is an integral part of Robeco’s sustainable investing approach. Here, we outline the framework behind our global program.

A central aspect of Robeco' s corporate mission statement is to fulfill its fiduciary duty to clients and beneficiaries. Robeco manages assets for a variety of clients with a variety of investment needs. In our activities, we always strive to serve our clients' interests to the best of our capabilities. Many of our clients have long-term investment horizons, and seek to gain an attractive return whilst dealing with sustainability risks in a sensible manner. Robeco's stewardship policy is closely aligned with our investment mission, which is to use research-based, quality-driven processes to produce the best possible long-term results for our clients. Therefore, our stewardship activities are aimed at long-term value creation in our investments, in addition to creating a real-world impact. Our investment and stewardship responsibilities are aligned with our Sustainability Investing strategy, which places a specific focus on climate change, biodiversity and human rights.

Key highlights: Active Ownership in 2022

- The SI Center of Expertise grew to 52 people, adding biodiversity and human rights expertise
- Enel became the first company to fully align with all investor expectations in Climate Action 100+
- Implementation of new engagement tool PLATO, fully embedded in Robeco's infrastructure
- Launch of the WWF-NL partnership focused on biodiversity
- Expanding voting policy with climate, biodiversity and human rights topics

Resourcing stewardship: Robeco's SI Center of Expertise

Robeco's SI Center of Expertise delivers SI expertise to our clients, investment teams, the wider company and the broader market. The SI Center is led by our Head of Sustainable Investing, Carola van Lamoen, and consists of four pillars: SI Thought Leadership, SI Research, Active Ownership and SI Client Portfolio Management. In 2022, the SI Center of Expertise grew from 46 to 52 people. Robeco's sustainable investing team in Singapore was strengthened with two new appointments: a senior sustainable investing specialist and a senior sustainable investing research analyst. In addition, one of our sustainable Investing Specialists relocated from Rotterdam to Singapore. These additions to the team further solidify Robeco's commitment to advancing ESG capabilities in Singapore and the region. Given the growing importance of the topic, Robeco also added biodiversity expertise to the SI Center.

Figure 7 | Robeco's SI Center of Expertise

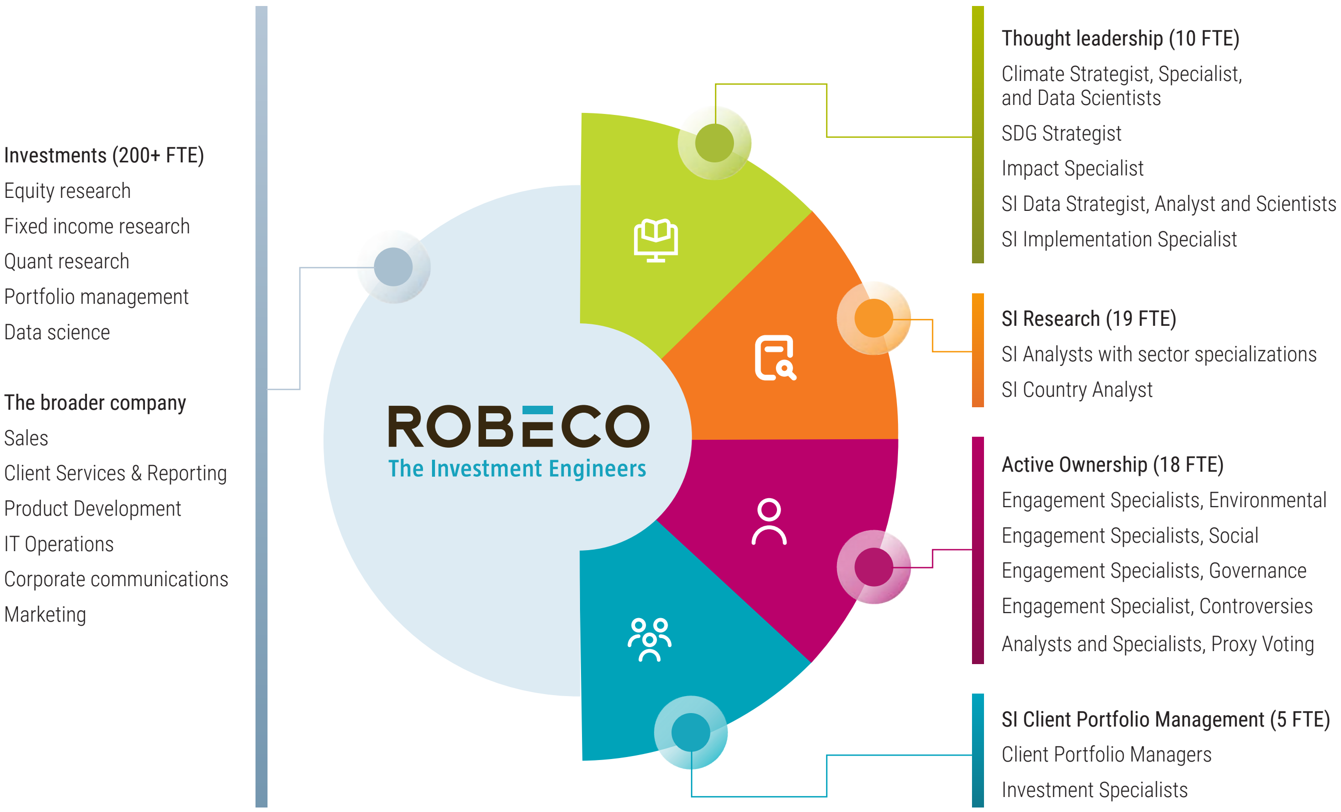


Figure 8 | Overview of focus areas and expertise within the SI Center of Expertise

SI Thought Leadership	• Maintains and advances Robeco's thought leadership on sustainable investment • Conducts value-adding research and publications, specialized knowledge sharing, both with clients and internally, and SI data quality control • Coordinates Robeco's connections with academia and ensures the continual embedding of our SI work in academic research • Key focus areas include the Sustainable Development Goals (SDGs), climate change, and biodiversity
SI Research	• High-quality fundamental sustainability research on companies • Deep understanding of industry sustainability drivers and sector decarbonization pathways • Agenda oversight by the SI Research board which discusses and monitors focus, prioritization and quality of SI research
Active Ownership	• Responsible for voting and engagement activities • Votes the equity positions for Robeco's funds and those of our overlay clients. This includes consultation with different investment teams • Leads Robeco's engagement program, covering equities and fixed income • Takes part in industry collaborative engagement efforts • Collects the input from all stakeholders (including investment teams and clients) to prioritize engagement efforts and reports on progress made
SI Client Portfolio Management (CPM)	• Centralized source of sustainable investing information to support Robeco's commercial activities • Delivers first-class sustainable investing services to clients

The Active Ownership team lies at the core of Robeco's stewardship activities. The team is responsible for all engagement and voting activities undertaken by Robeco on behalf of our clients. This team was established as a centralized competence center in 2005 and currently consists of 18 qualified voting and engagement professionals based in Rotterdam, London, Hong Kong and, as of 2022, also in Singapore. The team is multinational and multilingual – a key benefit when we have operations globally and across diverse markets. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate.
The engagement team is split into the following specializations: environmental, social and governance, and controversies.

The Active Ownership team is part of Robeco's Investment domain, and is also headed by Carola van Lamoen, who reports directly to the Executive Committee (ExCo).

The Active Ownership team works closely together with investment teams and the other members of Robeco's SI Center of Expertise, who play a central role in the voting and engagement approach.

Robeco's investment teams are consulted in our annual engagement theme selection process, ensuring that the engagement approach is relevant to their portfolios. They provide input for the analysis of engagement cases, adding to the quality and depth of the engagement process, and the investment teams are invited to and informed of ongoing engagement activities and progress. This ensures they have the most up-to-date information on the status of our current engagements, the information from which can subsequently be factored into investment cases to make better-informed decisions.

For our voting activities, the investment teams are consulted on relevant agenda items before we cast our vote, next to reaching out to the SI Thought Leadership team, engagement specialists and/or SI Research analyst.

Governance of stewardship and sustainable investing

Different parts of the organization have varying responsibilities in executing and overseeing Robeco's sustainable investing and stewardship efforts.

The responsibility for sustainable investing is allocated to the most senior level within the Investment department at Robeco. The CIO of Fixed Income and Sustainability is ultimately responsible for sustainable investing, and is a member of the Executive Committee (ExCo). The ExCo has overall responsibility for defining Robeco's sustainability approach, including company-wide values, policies, initiatives and actions. Robeco's Supervisory Board monitors the execution of the company policy and advises the executive committee.

Sustainability and Impact Strategy Committee (SISC)

The ExCo is supported in these tasks by the Sustainability and Impact Strategy Committee (SISC), which acts as a sub-committee overseeing all matters related to sustainability and sustainable investing. The SISC includes members of the ExCo as well as senior managers and sustainability specialists who oversee and drive sustainable investing across the company. This allows Robeco to coordinate sustainability matters from a company-wide perspective. The SISC has the authority to approve policies and set practical guidelines for the implementation of Robeco's sustainable investing strategy. The committee is chaired by Robeco's Head of Sustainable Investing. The SISC, in turn, is supported by six consultative bodies that oversee and advise the SISC on individual core components of Robeco's sustainable investing activities. Each committee is composed of senior members of the organization, including senior sustainability experts and members of our investment teams.

Significant changes to our stewardship practices and policies require approval by the SISC. Annual reviews of our stewardship commitments are also presented to and reviewed by this committee.

Sustainability in the investment process

Robeco's portfolio managers and investment analysts are responsible for ESG integration into the investment process. Robeco offers clients a suite of different investment solutions. This covers various asset classes, investment approaches and sustainable investing building blocks, which includes various types of sustainability analysis, data and the impact of ESG matters on investment decisions and the investment universe. As such, the investment processes, risks, opportunities and exposures differ between these solutions. The investment teams have developed and customized ESG integration processes that add value to their own investment processes, as outlined in Robeco's Sustainability Policy.

Even though assets are managed using different strategies and investment objectives to fit clients' preferences, there is a Robeco-wide philosophy that companies and countries that act in a sustainable way towards the environment, society and all its stakeholders are more likely to be able to deal with problems in the future. As an asset manager, we give shape to this philosophy via a set of policies that ensure our adherence to our stewardship responsibilities. These policies are documents outlining and guiding our behavior on ESG integration; sustainability risk integration including climate change; voting; engagement with investee companies; and exclusions, as well as our own Code of Conduct. These policies are subject to a formalized annual review process. This aims to evaluate whether our policies continue to meet best practices in the industry and reflect our internal processes accurately.

Figure 9 | Sustainable investing governance structure[2]

SUSTAINABILITY & IMPACT STRATEGY COMMITTEE

12 members, consisting of members of the executive committee, senior managers and sustainability specialists who oversee and drive sustainable investing.

Climate Change Committee	**Responsibility:** Overseeing, coordinating and driving Robeco's approach to climate change in an overarching and leading strategy. *Chair: Climate and Biodiversity Strategist*
Biodiversity Taskforce	**Responsibility:** To act as central group of competence on biodiversity related topics. Its purpose is to oversee, coordinate and drive Robeco's approach to biodiversity in an overarching and leading strategy. *Chair: Climate and Biodiversity Strategist*
SDG Committee	**Responsibility:** Maintaining and updating SDG mapping framework, systems and processes that are of the highest quality, including the assessment of proposed amendments to the framework. *Chair: SDG Strategist*
Sustainable Investing Research Board	**Responsibility:** To ensure a close connection between research and investment activities, the research board discusses and monitors focus, prioritization and qualiity of SI research. *Chair: Head Credit Research*
Controversial Behavior Committee	**Responsibility:** Oversight decision-making body for controlversial behaviors of companies and implications to Robeco's investment and outcomes of other Enhanced Engagement processes. *Chair: Controversy Specialist*

2 For more information, please refer to 'Robeco Sustainability policy' on our website: https://www.robeco.com/docm/docu-robeco-sustainability-policy.pdf

Active Ownership

Robeco believes that companies that have strong sustainability and governance policies in place are more likely to act in the best interest of all their stakeholders, and are better positioned to deal with a variety of issues, such as non-financial risks and changing regulations. Subsequently, these companies are also better prepared to address long-term trends such as climate change. On such issues, we believe that engagement and voting are critical elements of a successful sustainable investing strategy and can improve a company's risk-return profile and/or address adverse impacts on the environment and society.

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. We engage with companies worldwide, in both our equity and credit portfolios, applying the same approach. In addition to corporate engagement, we also conduct public policy engagements.

Our active ownership approach is built on three building blocks:

1. A long track record: The experience of the Active Ownership team goes back more than 17 years to 2005.
2. Multi-dimensional collaboration: We leverage the knowledge of the entire SI Center of Expertise, from SI Research on companies, to thought leadership on climate change, biodiversity, and the SDGs, to retrieving feedback from our Client Portfolio Management team.

3. **An integrated approach with the wider Investment domain:** We collaborate with the investment teams to enhance the quality of our engagements and make the most of our engagement efforts.

This integrated approach, focused on knowledge sharing and leveraging our financial and sustainable investing expertise, places us in a leading position within the asset management field. For more information on our voting activities, please refer to the 'Proxy voting' chapter. Below we will provide more information on our engagement approach, process and activities during 2022.

Three types of engagement:
We distinguish between three types of corporate engagement: value, enhanced and SDG engagement. Please refer to the table below for more information.

Focused, constructive dialogues with companies
We focus our engagement efforts on the most material ESG factors and themes. This means we undertake multiple interactions with a company via e-mail, letter, phone calls, meetings or shareholder meetings per year, with a view to changing the company's behavior. These engagements are systematic and begin with clear engagement objectives. Our SMART engagement objectives are designed to focus on evidence-based, concrete engagement outcomes.

We avoid engaging with too large a universe of companies at any one time, as this allows us to undertake extensive, focused and in-depth engagement with the companies with which we do engage. This method has allowed us to build long-term relationships with the companies under engagement and leads to open and fruitful discussions.

Figure 10 | Overview of engagement types

Engagement type	Purpose and Process
Value /thematic engagement	Purpose: 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 mitigate adverse impacts by improving the sustainability conduct and corporate governance of companies. Process: We identify potential areas for engagement using our knowledge of trends in the sustainability and corporate governance arenas, assisted by the SI Center of Expertise and service providers. The final selection of engagement areas focuses on financial materiality and engagement impact and is made following consultation with portfolio managers, analysts and clients. Based on our research, we set SMART (Specific, Measurable, Attainable, Relevant, Time-bound) objectives for all engagement cases.
Enhanced engagement	Purpose: Enhanced engagement focuses on companies that severely and structurally breach minimum behavioral norms in areas such as human rights, labor, the environment, biodiversity and corruption. The primary objective of enhanced engagement is to address reported shortfalls against internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency. Process: 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 Roundtable of Responsible Palm Oil (RSPO) certification, respectively. The process for enhanced engagement theme selection is a formal part of our Exclusion Policy. The Enhanced engagement program includes the themes 'Global Controversy', 'Acceleration to Paris', and 'Palm Oil'. We set SMART objectives for all engagement cases. An enhanced engagement may finally be escalated with a company's exclusion from Robeco's or our clients' investment universe if it does not improve its ESG behavior after the engagement has concluded. The process for enhanced engagement is a formal part of Robeco's Exclusion Policy.[3]
SDG engagement	Purpose: The objective of engagement on Sustainable Development Goals (SDGs) is to drive a clear and measurable improvement in a company's SDG contribution over three to five years through engagement. By ensuring a company's persistent relevance is reflected by its ability to address key societal needs, this strategy creates value for both investors and society at large. Process: SDG engagement uses fundamental research by Robeco's SI Research team to develop a 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: an impact plan, SDG mapping, target setting, stakeholder management and integrated governance. A set of individual SMART milestones are developed for each objective. For an engagement case to be closed successfully, we require a majority of milestones to be completed for at least four out of five objectives.

3 For more information, please refer to 'Robeco Exclusion Policy' on our website: https://www.robeco.com/docm/docu-exclusion-policy.pdf

Figure 11 | The five steps of engagement

Engagement process: the five steps

Whereas the purpose and underlying process of the three engagement types differ, they all act in accordance with the following five steps of engagement.

1. Engagement trigger

Three different types of events may lead to the start of an engagement process for any of our investments:

– **Thematic engagement.** An investment is selected as part of our annual focus areas for value engagement. These companies are selected based on their exposure to the value engagement topic, the size and relevance in terms of portfolio positions of investment teams and clients, and performance and risk related to the focus area. The Sustainable Development Goals and SFDR PAIs form a useful input to define focus areas and monitor companies.

– **Investment-driven engagement.** Investment strategies whereby engagement is an integral part of the portfolio construction process and aims to improve companies' sustainable performance over time. Companies selected for investment in these strategies are subject to engagement based on their exposure to the value engagement topic and/or the Sustainable Development Goals.

– **Controversy engagement.** On a quarterly basis, Robeco screens pre-defined data sources on companies that breach 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. The screening also includes inputs from Robeco's SI analysts and the outlook for any future engagement. Once all the information has been gathered, the Controversial Behavior Committee, a sub-committee of the SISC, decides whether a new enhanced engagement case should be opened.

2. Setting SMART engagement objectives

For all of our engagements, we establish SMART (Specific, Measurable, Attainable, Relevant, Time-bound) engagement objectives at the start of the engagement process. This forms a key part of the engagement theme research stage, and ensures that we begin engagement with a thorough understanding of the materiality of the ESG issue in question, the company's current performance on and exposure to the issue, and its baseline performance on the engagement objectives set. These objectives are shared with investee companies.

Both value and enhanced engagements typically run over a three-year period, during which we have regular contact with company representatives, while SDG engagement is run over a period of three to five years. Each time we are in contact with a company, we discuss the engagement objectives and assess the progress that is being made towards each of the objectives.

3. Effective channels of engagement

Engagements usually start by explaining our objectives to a company's Investor

Stronger together: collaborative engagement

Recognizing the value of different forms of engagement, Robeco carries out individual engagements as well as collaborative engagements with other investors or institutions. Robeco acts collectively in its engagements with other investors when this is appropriate and is likely to enhance engagement outcomes. Robeco is an active participant in many investor associations and collaborations, where we often take a guiding role.

Most of our engagements are on an individual basis. We know from experience, however, that specific collaborative engagements can be very effective. For topics that Robeco has defined as engagement priorities, we assess if effective collaborative engagement platforms are available. Forms of collaborative engagement include investor group engagement meetings, co-signing letters to boards of engaged companies, or co-filing shareholder proposals. Approximately 30% of our engagements are collaborative in some way.

Climate Action 100+ initiative
Robeco is a long-term member of the Climate Action 100+ initiative, an investor-led initiative focused on ensuring that the world's largest corporate greenhouse gas emitters take necessary action on climate change. Robeco is an active member of the coalition, leading and co-leading several engagements. In our climate-related engagements, Net Zero and Acceleration to Paris, we are in the lead of 10 engagements and are co-lead 12 others under the Climate Action 100+ initiative.

Recent outcomes of our engagements include improved climate governance, ambitious target setting and increased transparency. For a specific company example, please refer to page 33.

Relations department via email, letter or phone call, followed by conference calls or meetings with technical experts. Examples of such experts are the Head of Risk Management, Head of Sustainability, Head of Supply Chain Management and a wide variety of other operational specialists. Senior management or non-executive board members are also involved in our discussions.

In 2022, we were able to meet with companies again, though the majority of our engagement activities occurred through written correspondence and conference calls.

4. Escalation strategies

As an investor, we can exercise several rights for stewardship purposes. The right to vote and to engage are the preferred options. We believe that a constructive dialogue with the companies in which we and our clients invest is more effective than exclusion. However, there are instances where escalation may be necessary, such as a lack of responsiveness or progress. In all of our engagements, a lack of responsiveness or progress by the company can be addressed by seeking collective engagement, attending a shareholder meeting in person, or sharing written concerns with the board. This can also lead to adverse proxy voting instructions on related agenda items at a shareholder meeting.

Joining forces in engaging with Alphabet: Lead filing shareholder proposals to improve human rights impact

We have been engaging with Alphabet since 2019 on the topic of governance and human rights-related risks. Given the lack of response and progress from the company concerning our efforts, we decided to lead-file a shareholder proposal at the 2020 AGM, asking the company to establish a Human Rights Risk Oversight Committee. The proposal was supported by 45% of non-controlling shareholder votes and resulted in Alphabet formalizing board oversight on this issue.

To get more insight into the efficacy of Alphabet's existing policies and practices to address the human rights impacts of its core business, together with other investors, we lead-filed a shareholder proposal in December 2021 asking for an independent Human Rights Impact Assessment report to assess the company's approach to misinformation and disinformation. We deemed this escalation step necessary given the lack of insights the company is willing to share on its due diligence and board oversight efforts, as we have been requesting under previous engagement themes for over two years.

Throughout 2022, we reached out to Alphabet on several occasions, both as part of the shareholder proposal process and as part of a coalition of Dutch investors that also focuses on the topic of human rights. The company finally responded to our outreach after the AGM and has offered to get back to us with a meeting date to discuss the proposal and vote outcome. Our feedback has also been shared with the Board. We are pleased that our escalation step yielded a company response and hope for a fruitful dialogue on its human rights impacts going forward.

For a complete overview of our collaborative initiatives, please refer to the publication 'Sustainable investing statements, commitments and memberships' on our website: https://www.robeco.com/docm/docu-relevant-codes-and-memberships.pdf

An additional escalation measure is added to our enhanced engagement program. If enhanced engagement does not lead to the desired change, Robeco or our clients can decide to exclude a company from its investment universe. Robeco considers exclusions from the investment universe to be an action of the last resort, applicable only after engagement – our first and preferred option – has been undertaken.

5. Tracking engagement progress and reporting to clients

Based on the defined engagement objectives at the start of the engagement process, and the baseline assessment of each company under engagement against these objectives, we are able to track a company's progress during the engagement period. Each time we are in contact with a company, we discuss

Figure 12 | Escalation strategy for enhanced engagements

the engagement objectives and assess the progress a company has made towards each one.

To record, process and report on our engagement activities, we make use of a proprietary software solution called the Platform Active Ownership (PLATO). This tool was implemented in 2022, replacing the Active Dialogue Tool (ADT). PLATO is used to set engagement objectives and track progress on engagement cases. All activities and progress assessments are logged in the system. To ensure consistency in our engagement approach, and evaluate stewardship standards and quality, the specialists in the Active Ownership team discuss the engagement activity in a monthly meeting. In this meeting, the specialists monitor and evaluate the progress of the engagement activities. The monthly meeting allows for ongoing improvements to the overall engagement process.

When more than half of the engagement objectives have been achieved, we can close an engagement successfully. Whether we close an engagement case successfully or unsuccessfully, we share this information with the company.

Transparency towards our clients and the public

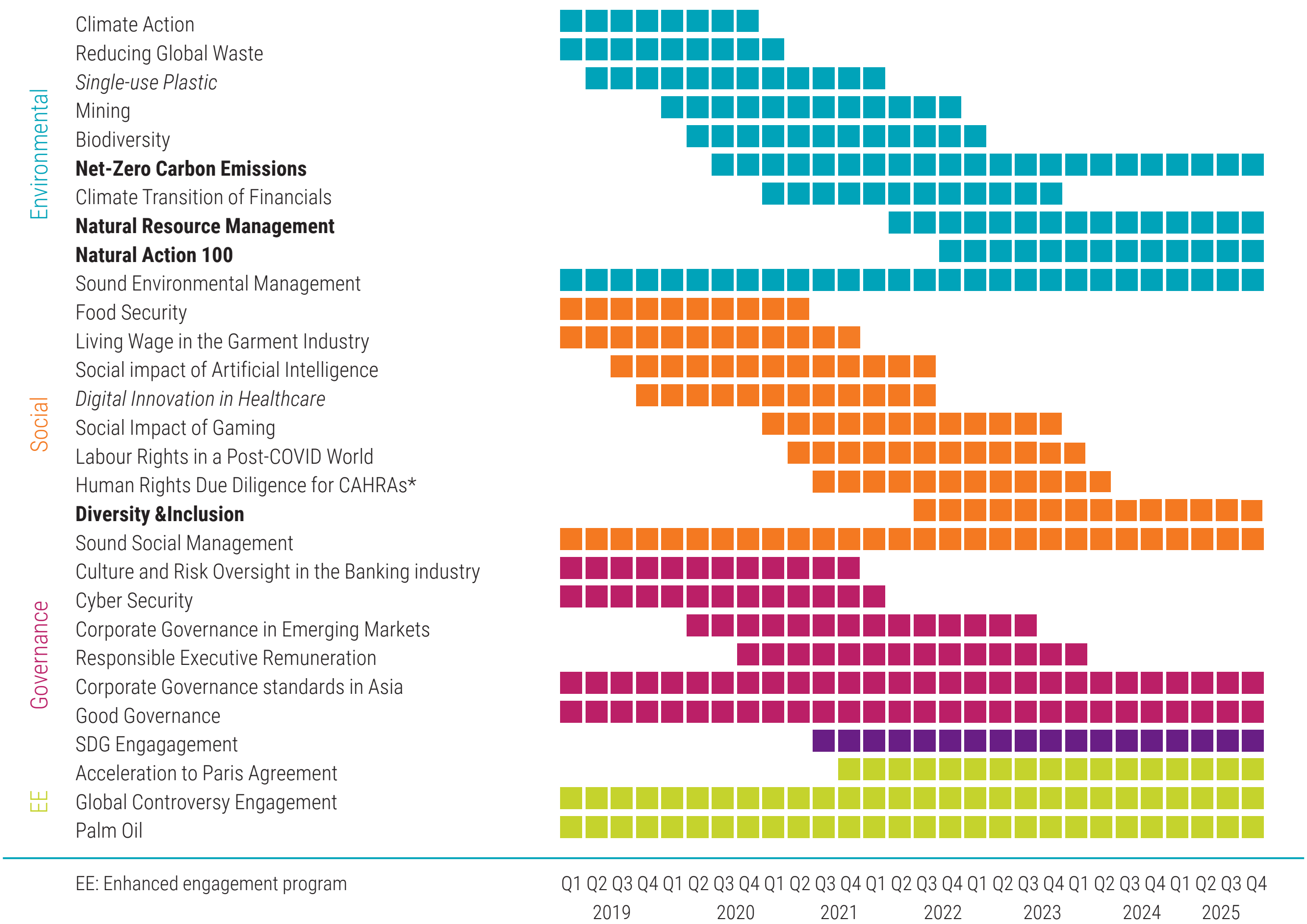
Transparency is a key element of Robeco's Active Ownership activities. Robeco's sustainable investing efforts including status updates on voting and engagement are reported publicly on a quarterly and annual basis. Robeco's voting decisions are disclosed on an ongoing basis on our website.[4] With these reports, stakeholders are informed periodically on how Robeco meets its stewardship responsibilities. A full overview of themes, objectives, and companies under engagement is available in the appendix A.

Depending on each client's individual requirements, Robeco shares a wide variety of stewardship-related reporting. This includes reports featuring statistics and highlights, which can be publicly shared with clients' individual beneficiaries. We also provide more detailed reporting on individual engagement cases on a confidential basis. With this information, we support our clients in fulfilling their stewardship disclosure requirements through various channels.

Engagement program

Below is an overview of Robeco's engagement program.

Figure 13 | Robeco's engagement program – Overview of engagement themes



4 For more information, please refer to 'Robeco's proxy voting records' on our website: https://www.robeco.com/en-int/sustainable-investing/influence/proxy-voting-record

Value engagement: theme selection process

Our value engagement follows a thematic approach, for which we categorize themes along their relation to environmental, social or governance issues. Following a structured approach, the Active Ownership team selects three to four new engagement themes every year. Core to this approach is the close collaboration and consultation with clients and Robeco's investment teams. The themes focus on both financially material topics that address ESG issues in a variety of investable arenas as well as adverse sustainability impacts.

Theme selection process

Before starting a new engagement theme, we involve investment teams and institutional clients in our thought process, selection and design of engagement themes.

- **Scope and coverage.** As the starting point for our value engagement theme selection process, we begin with a list of all Robeco internal and client external holdings across both equity and credit portfolios. This provides us with a long list of all potential companies which can be considered engagement candidates.
- **Long-list generation.** Robeco's Active Ownership team determines a long list of financial materially ESG themes with the potential to affect long-term company performance, and matches those to the sectors where they are most relevant. The long list is created in close cooperation with Robeco's sustainability investing research team and investment teams. The SI research team provides analysis such as SDG research, while the investment teams provide valuable insight into the long-term materiality of ESG themes, and their impact on specific sectors. Client input sought throughout the year during client meetings and events is also incorporated at this stage.
- **Client panel.** Following the creation of a definitive long list, ideas are tested during a client panel, open to Active Ownership clients. During this event, the long list of potential engagement themes is presented, along with a high-level engagement plan. Clients are invited to ask questions and/or provide feedback. Based on this feedback, the long list will become a shortlist.
- **Definitive engagement list.** As a final step, the shortlist is reviewed, and three to four final engagement themes for the year are chosen based on their financial materiality and demand by both clients and investment teams.

We then select the companies for engagement based on two key factors: each company's exposure to the engagement topic, favoring those with the highest exposure for the program, and the overall position to be engaged upon (i.e. total number of clients invested plus size of holding), and individual client holdings. Another means with which to ensure relevant engagement case selection is through our collaborative work with other institutional investors in joint initiatives such as Climate Action 100+.

Figure 14 | New engagement themes in 2022

Topic	Theme	Outcome targeted
Environmental engagement	Net zero carbon emissions	Our engagement under this theme sets the expectation for companies to set long-term net-zero targets, and to substantiate them with credible short- and medium-term emissions reduction strategies, as well as transition plans that ensure a reduction in real-world emissions over the next decade.
Environmental engagement	Natural resource management	This theme focuses on companies for whom the management of water and waste is a financially material issue, or where corporate operations have a significant actual/potential environmental impact due to water/ waste issues. This engagement uses the principal adverse sustainability impact indicators defined by the EU Sustainable Finance Disclosure Regulation (SFDR) as a framework, focused on indicators related to water and waste management. Our engagement aims to enhance companies' risk management of water and waste issues and avoid or mitigate adverse environmental impacts.
Social engagement	Diversity and Inclusion	The theme aims to promote robust corporate D&I practices while addressing corporate disclosures on social Principal Adverse Impact (PAI) indicators, as defined by the SFDR. The two mandatory PAIs addressed by the program focus on the disclosure of companies' unadjusted gender pay gaps and gender board diversity.
Environmental engagement	Nature Action 100	Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reduce nature and biodiversity loss. Robeco is one of the 11 investors that formed the Launching Investor Group within the initiative. Building on the lessons learned from Climate Action 100+, investors will engage with 100 companies in key sectors with the largest impacts and dependencies on nature to ensure they are taking meaningful action to protect and restore nature and ecosystems.

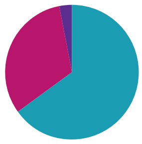
Structured feedback from overlay clients

Each year, we conduct an annual Active Ownership survey among our overlay clients. This year, the survey covered questions related to the relevance of our engagement program and topics, feedback on new developments implemented during 2022, and the usefulness of reporting.

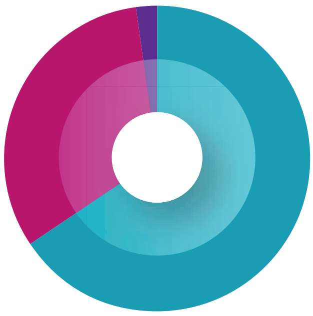
Overall our clients are very satisfied, but they highlight the need for increased engagement coverage. They would also appreciate the ability to include specific names in the engagement program, in addition to selecting specific themes. The new developments implemented in 2022, such as the interactive engagement web tool and knowledge-sharing sessions with the launch of a new engagement theme, have been welcomed as good additions. In terms of reporting, the current reports are seen as essential, but clients have indicated the desire for additional engagement examples.

Figure 15 | Robeco's end-2022 client base: Assets under management EUR 171.1 billion

Institutional clients	Wholesale clients	Dutch retail clients
105.8	60.6	4.7

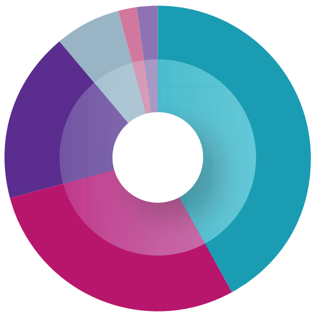


Asset classes



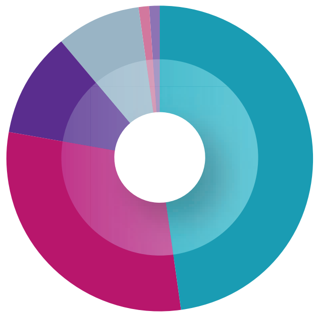
Equities	65%
Fixed income	32%
Balanced	3%

Clients by region



Europe ex Netherlands	42%
Netherlands	29%
Asia - Pacific	18%
Americas	7%
Africa	2%
Middle East	2%

Client type breakdown



Banks & other financials	48%
Pension funds	30%
Official institution	11%
Insurance	9%
Corporate	1%
Foundation / endowment or other	1%

Clients have also expressed the need to have more general knowledge-sharing sessions on recent sustainability developments, in addition to the theme-reated sessions and reporting already provided. This feedback from clients is taken into account to enhance our reporting and active ownership services.

Enhanced engagement

Our enhanced engagement program acts to address the misconduct of companies related to human rights, labor, the environment and corruption. The process for enhanced engagement theme selection is a formal part of our Exclusion Policy.

Our enhanced engagement program addresses the following topics:

– Global Controversy: This engagement focuses on companies that severely and structurally breach minimum behavioral norms outlined in 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. Sustainalytics Global Standard Screening is used to determine whether a company is in breach of UNGC principles and/or OECD Guidelines. The desired outcome is the identifiable elimination and remediation

Annual client panel: structured feedback from clients

Throughout the year, feedback and input are collected from clients, when speaking to them during regular update meetings, at events and/or through ad-hoc requests. On an annual basis, there is also a formal moment that feedback from clients on potential new engagement theme is collected at Robeco's annual client panel.

During this event, the long list of potential engagement themes is presented to clients, along with a high-level engagement plan. The client panel meeting is scheduled in November, and engagement overlay clients are invited to attend and ask questions and/or provide feedback. This feedback is taken into account when determining the short and definitive list of new themes to be launched for the coming year.

Guido Vessaz, Investment Strategist at Pensioenfonds ING, long-term Active Ownership client at Robeco:

> *"The theme selection process and client panel offer a good opportunity to provide input and help shape the engagement program for the coming years. We appreciate that Robeco actively seeks input from clients, which is then taken into account when determining potential new engagement themes. The client panel event provides a good platform to get insights on new engagement themes, where we are able to ask questions and provide feedback, and to get a better understanding of the direction of the engagement program for the coming years."*

of any breach and enhancements in management processes aimed at avoiding any repeated breach. Insufficient progress during the three-year engagement period may result in a possible exclusion. Please refer to the 'Controversies and exclusions' chapter for more information.

– Palm Oil: This engagement focuses on contributing to the establishment of a sustainable palm oil industry. Robeco aims to actively contribute to the establishment of a sustainable palm oil industry. Our approach aligns with the work of the Roundtable on Sustainable Palm Oil (RSPO), of which we are a member, and focuses on encouraging companies to meet our minimum certification threshold of having at least 50% of their plantations RSPO-certified. It further encourages them to make progress towards achieving plantations that are 80% RSPO-certified by the end of December 2024. If the company does not reach this threshold, it will be added to Robeco's exclusion list. Please refer to the 'Biodiversity' chapter for more information.

– Acceleration to Paris: This engagement focuses on the climate laggards and largest emitters within Robeco's investment universe in order to help them ramp up their decarbonization efforts and set up robust transition plans. Robeco's proprietary traffic light assessment is used to select climate laggards. Insufficient progress may result in exclusion. Prior to any decisions around divestment, we deploy other escalation tactics, such as voting against management or filing shareholder resolutions, to advance the engagement. Please refer to the 'Climate change' chapter for more information.

SDG engagement

Our SDG engagement program aims to drive a clear and measurable improvement in a company's SDG contribution over three to five years of engagement. We address to what extent companies' products and services make a clear contribution to one or more of the 17 goals, and whether companies develop new business models and expand their businesses into underserved markets, countries or regions.
Company selection is mainly driven by the investments in the RobecoSAM Global SDG Engagement Equities strategy, which actively engages with all companies in the portfolio to improve their impact on specific SDGs. The work of the Active Ownership team also benefits the wider Robeco investment universe and client exposure. This is either because other portfolios have exposure to the companies under engagement, or by increasing the eligible universe for the Robeco's strategies that only invest in companies with specific SDG scores following Robeco's proprietary SDG Framework.

For every company under engagement, we develop an SDG engagement strategy with annual milestones. These define a trajectory for the company to improve its SDG score at the end of the engagement. Milestones are determined in collaboration with the SI Research and investment teams.

For our SDG engagement program, please refer to the 'Sustainable Development Goals' chapter.

Engaging with policymakers

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; Robeco only conducts engagement on public policy where it is deemed appropriate and transparent. The majority of our activities on this topic are coordinated through the various investor associations and collaborative groups of which we are members. Policy engagements that are done in this way can be relevant from an equity or bondholder perspective.

In 2022, we took part in multiple public policy engagements. In the 'Public Policy' section, we highlight the interactions that we had over the past year.

Transparent policy framework

The policy framework guiding Robeco's stewardship activities is publicly available via our website[5]. Our overarching Stewardship Policy covers our approach towards transparency in our stewardship activities, our policy for managing conflict of interests and ethical conduct, how we monitor investee companies, and the verification of our stewardship procedures and activities. The Stewardship Policy lives side by side with our Sustainability Policy, covering the processes for ESG integration in our investment strategies and positions on thematic sustainability issues, as well as internal sustainability. On an annual basis our policies are reviewed, and changes can be made based on three reasons:

- due to changes in regulations or stewardship commitments,
- based on new insights or market trends and
- to reflect current practices more accurately.

Robeco's Engagement Policy is integrated within our Stewardship Policy and provides further information on what we expect from investee companies, how we engage with them, and how we communicate on our progress. The Stewardship Policy also includes our Proxy Voting Policy, which sets out guidelines that ensure we vote in the best interests of our clients. These guidelines apply to all proxies voted on behalf of Robeco funds and the majority of discretionary mandates. For some mandates, we implement a client's own voting policy.

Key updates during the past year

Our stewardship and sustainability policy frameworks, including all individual policies on engagement, proxy voting, thematic approaches, and organizational sustainability, are subject to a formalized annual review process. This aims to evaluate whether our policies continue to meet best practices in the industry and reflect our internal processes accurately. The Active Ownership team coordinates the review within the SI Center of Expertise, monitoring any updates to

5 For more information, please refer to the sustainability policies on our website: https://www.robeco.com/en-int/sustainable-investing/sustainability-policies-and-positions

signed stewardship codes or SI-related memberships that may imply certain commitments.

During 2022, we broadened the scope of the stewardship policy to also include sovereign engagement, updated references to the PAI statement and exclusion procedures and governance related to our enhanced engagement. We have reviewed and updated our voting policy, which include updates for our climate, biodiversity and human rights voting assessments. For climate change, we have set new expectations for banks using the IIGCC Framework for banks, stricter criteria for high-emitting sectors, and introduced sector assessment frameworks for Say on Climate voting. For human rights, we added non-compliant and watch list companies, and for biodiversity we introduced new expectations based on Forest500 assessments and Sustainalytics Global Standards Screening. On corporate governance, we have introduced clearer best practice expectations for key committees. In addition, we have implemented changes related to amendments to the Brazilian Stewardship Code, Singapore Stewardship Principles and the feedback received primarily related to reporting.

The SI Center reviews trends and changes in stewardship commitments on an annual basis and proposes required updates to policies and reporting in order to meet Robeco's stewardship responsibilities. These proposals are reviewed discussed and approved in the SISC. Compliance department is informed of the results of the annual update cycle.

It is important to us that clients and other external stakeholders have an accurate view of Robeco's stewardship and sustainable investing practices. We believe these amendments have further improved their ability to understand Robeco's approaches and how they have been put into practice by providing all our stewardship-related policies in a single place. Updates in the coming year will continue to be driven by compliance with EU regulations.

Stewardship across asset classes

Robeco's active ownership program spans several asset classes. Our engagement approach is similar across equity and fixed income portfolios, though there may be certain circumstances where the approach may differ. Our enhanced engagement program does not differentiate between investment styles or asset classes. For our value and SDG engagement approach, our aim is to add value to improve the risk/return profile for our investments and/or address adverse impacts, and improve a company's contribution to the SDGs. In all cases, we take the approach of a long-term investor, either from a shareholder or a credit perspective, or both. The majority of our engagement objectives are intended to add value for a broad set of investment portfolios and stakeholders. Our focus areas for engagement as a long-term shareholder and as a bondholder are often aligned.

However, in some instances there may be a difference in focus. For example, differences in engagement objectives between different investment styles or asset classes can be identified. At the start of new engagement themes/projects key stakeholders are identified, which include clients and portfolio managers. Depending on the relevant stakeholders, engagements may have a specific portfolio approach. Engagements for credit portfolios are likely to be focused on downside ESG risks, whereas engagements for equity portfolios are more likely to focus on both ESG risks and opportunities, along with shareholder rights. The SI Center of Expertise is embedded in Robeco's investments domain. This integration allows both equity and fixed income portfolio managers and analysts to routinely join engagement dialogues.

Our day-to-day processes incorporate the need for close scrutiny of the bond market's prospectuses and covenants. All fixed income analysts are trained in reading and interpreting covenant language, and are directly responsible for analyzing the terms and conditions of transactions. Building expertise in this field is vital, so Robeco organizes regular trainings for analysts conducted by external experts from ratings agencies and law firms.

Robeco carefully evaluates the terms of any potential transaction. In addition to our in-house legal expertise, we retain an external legal advisory firm for in-depth analysis where needed. Our one-on-one relationship with specialized lawyers gives us full access to their thorough analysis of the weaknesses and strengths of proposed terms. Their recommendations provide useful input for our assessment.

Sovereign engagement

In 2022, we continued with our collaborative approach to engaging with governments in our sovereign bond portfolios – a process that we began in 2020. Since that year, we have been engaging with Brazil and Indonesia on the subject of deforestation in collaboration with the Investor Policy Dialogue on Deforestation (IPDD)[6], which Robeco is an active member of. In 2022, we continued our engagement with the Indonesian government.

We also initiated an engagement with the Australian government on climate. Robeco is a member of the advisory committee of the PRI-led Collaborative Sovereign Engagement on Climate Change. This is a pilot scheme developed by the PRI as an investor initiative to support governments in taking action to mitigate climate change, in line with the Paris Agreement.

Incentivizing stewardship

Our investment teams are responsible for incorporating sustainability considerations into their investment analysis, and their remuneration framework features sustainability-related KPIs. The strategic importance of sustainability is made clear through internal and corporate communications and the significant expansion of SI-related capacity.

6 The IPDD is an investor-led coalition consisting of over 65 investors from 19 countries with a combined USD 10 trillion of assets. The goal of the initiative is to coordinate a public policy dialogue on halting deforestation. Robeco is co-chairing the workstreams involved in engaging with the governments of Brazil and Indonesia.

In 2022, we expanded the content of our internal Sustainable Investing Academy (SI Academy), in line with our ambition to 'walk the talk' when it comes to acting sustainably. The SI Academy provides online courses on sustainability and enables each of our employees to be a sustainable investing ambassador. There are three levels in the course: essentials, advanced and expert. The essentials level provides information about key elements of sustainable investing and the SDGs. The advanced level explains the details of Robeco's sustainable investing strategy, and the expert content digs deeper into the ins and outs of sustainable investing and sustainable development through external courses from leading universities. In 2022, we launched a new essentials course on climate investing. Our employees can include SI Academy courses in their sustainability KPI as part of their annual appraisals.

As sustainable investment and stewardship are key elements of Robeco's strategy, all employees have had at least one SI-related KPI included in their annual performance review since 2021. The sustainability KPIs contribute to the execution of Robeco's sustainability investing strategy, which includes explicit measures to promote transparency and prevent greenwashing.

Building confidence through our audit framework

Robeco's stewardship activities are audited on a regular basis. As part of Robeco's annual ISAE report, the external auditor audits our active ownership controls. During this audit, it is assessed whether these processes are robust enough to mitigate potential risks, and the effectiveness of the controls is tested.

In addition, our internal audit department is intensively involved in SI and stewardship activities due to these topics' strategic importance for Robeco. SI and stewardship themes are fixed elements of the annual internal audit plan. Internal audits are conducted on a risk-based approach through periodic departmental audits, such as on the Active Ownership team's voting and engagement processes, the investment teams' integration of ESG factors, or the implementation of our Exclusion Policy. Project-based internal audits on SI-related projects, such as Robeco's implementation of the European Sustainable Finance Action Plan, are also conducted.

The assessment concluded that our voting process and engagement process are well in control and operational risks are sufficiently mitigated. However, to cover possible emerging risks, additional enhancements were made to make our processes more robust and further streamline the control framework.

External recognition

Robeco participates in several governance and sustainability-related investor platforms such as the UN Principles for Responsible Investing (PRI), the Asian Corporate Governance Association, the Eumedion Dutch Corporate Governance Platform and many others. Several of these organizations monitor our compliance with their principles or require Robeco to report on the implementation of their active ownership principles. Further, our annual PRI assessment response is audited by our internal audit department each year.

In 2022, Robeco received external recognition of its sustainable investing strength from various sources. Morningstar again awarded Robeco with an ESG Leader rating for Sustainable Investing at the asset-manager level. Morningstar's ESG Commitment Level is an annual assessment of the strength of the ESG investment program at the asset-manager level and strategy level.

The PRI's framework and scores are an important external benchmark for sustainable investing. The PRI 2021 results were delayed and became available in the second half of 2022. Robeco has top scores in most modules, and above median scores in all modules. We have a median score in the module 'Voting', which was primarily related to now publishing rationales for voting against management. This was implemented by Robeco shortly after submitting the PRI assessment input, and is now publicly available on our website.

In early 2023, Robeco ranked eighth in ShareAction's 2022 Voting Matters report. The report examines how 68 of the world's largest asset managers voted on 252 social and environmental resolutions, and shows that compared to last year, asset managers are exercising their votes more than ever, with some individual managers substantially improving their voting performance.

Robeco also ranked first in the 2023 ShareAction Global Responsible Investment Benchmark survey and was the only asset manager to score an AA rating, based on Robeco's sustainable investing performance in 2022. The report ranks 77 of the world's biggest asset managers based on an extensive questionnaire with in-depth questions in five areas: governance, stewardship, climate, biodiversity and social.

Managing conflicts of interest

Robeco's Stewardship Policy outlines our approach to identifying and managing conflicts of interest. The approach is based on Robeco's Conflict of Interest procedure.

In 2022, in the normal course of the Active Ownership team's stewardship activities, some potential conflicts of interest were identified and managed according to the Stewardship Policy. These involved, for example, executing proxy votes at the AGMs of (prospective) clients or affiliates of Robeco. In order to avoid the potential conflict of interests involved in electing directors on the board of ORIX Corporation, Robeco's parent company, we refrained from voting at its AGM on behalf of Robeco's and our clients' shares.

Robeco's approach to identifying and mitigating (potential) conflicts of interest related to voting is applied uniformly across our client base. For example, it could be the case that Robeco has voting rights at the shareholder meeting of a company, where the pension fund is also an asset management client of Robeco's. Where such cases occurred during the

Robeco governance

As of 1 March 2022, a new governance structure was introduced for Robeco Holding B.V. The key features of the new governance structure are: (i) the introduction of a Supervisory Board and Executive Committee for Robeco Holding B.V., (ii) a personal union between respectively the members of the Management Board, Executive Committee and Supervisory Board of Robeco Institutional Asset Management B.V. and Robeco Holding B.V., (iii) new procedures addressing the conflict of interest concerns arising in the current governance structure when certain shareholder rights of Robeco Holding B.V. in relation to Robeco Institutional Asset Management B.V. are exercised (including the appointment of members of the Management Board and Supervisory Board of Robeco Institutional Asset Management B.V.), and (iv) the introduction of certain instruction matters for ORIX Corporation Europe N.V.

Therefore, as of 1 March 2022, Robeco Holding B.V. has a two-tier board consisting of a Management Board and a Supervisory Board. In addition, an Executive Committee is in place to assist the Management Board in the exercise of its day-to-day management of the company.

Ownership and legal status

Robeco is incorporated under Dutch law and has its corporate seat in Rotterdam, the Netherlands, and is wholly owned by ORIX Corporation Europe N.V. ORIX Corporation in Japan is the sole shareholder of ORIX Corporation Europe N.V. Robeco Holding B.V. is the top holding company of the Robeco group of companies, including Robeco Institutional Asset Management B.V.

Management Board and Executive Committee

The Management Board is the company's managing board under the articles of association and is entrusted with the company's management. It is ultimately responsible for setting the strategy, objectives and overall direction, and overseeing and monitoring management decision-making. As of 1 March 2022, the Management Board established an Executive Committee to support the Management Board in the exercise of its day-to-day management of the company.

The composition of the Executive Committee of the Company is the same as the Executive Committee of RIAM. As RIAM is a regulated entity, prior approval of the Dutch Authority for the Financial Markets is required for the appointment of Senior Executives as they are deemed daily policymakers. Therefore, such AFM approval advice is also indirectly required for the appointment of senior executives of the company.

Management Board as at 31 December 2022

Name	**Role**	**Appointed on**
Karin van Baardwijk	Chair and CEO	01/01/2022
Mark den Hollander	Chief Financial and Risk Officer	24/06/2019
Marcel Prins	Chief Operating Officer	01/06/2022

Gilbert Van Hassel, our former CEO, left Robeco on 1 January 2022. Karin van Baardwijk was our Chief Operating Officer before being appointed CEO.

Executive Committee as at 31 December 2022

Name	**Role**	**Appointed on**
Karin van Baardwijk	CEO	01/01/2022
Mark den Hollander	Chief Financial and Risk Officer	24/06/2019
Marcel Prins	Chief Operating Officer	01/06/2022
Ivo Frielink	Head of Strategic and Business Development	01/03/2022
Mark van der Kroft	CIO Fundamental and Quant Equity	01/09/2020
Alexander Preininger	Head of Distribution and Marketing	01/11/2022
Victor Verberk	CIO Fixed Income and Sustainability	01/09/2020

Lia Belilos (our previous Chief Human Resources Officer) left Robeco on 1 February 2022 and Martin Nijkamp (our previous Head of Strategic and Business Development) left on 1 January 2022. Christoph von Reiche (our former Head of Distribution and Marketing) left Robeco on 1 April 2022.

Renske Paans has been appointed our new Chief Human Resources Officer, taking up her responsibilities as of 1 February 2023. She is an advisor to the Executive Committee and as such attends the ExCo's meetings. However, she is not a member of the Executive Committee and has no voting rights at its meetings.

year, Robeco voted in line with our standard voting policy on behalf of all of our clients, with the exception of the client where the relationship existed, and where a conflict could subsequently be perceived to exist. For these clients, we advised the client that we had identified a conflict and that we suggested not to cast any votes. In these cases, Robeco's Compliance department was also notified of the potential conflict of interest.

Another conflict can emerge in our process of notifying companies, when we vote against an agenda items in case of a material ESG issue. In this case, the company was also a client of Robeco, and potentially sensitive to the topic. We voted against the agenda item as part of our voting policy, informed the Exco and Compliance and coordinated feedback together with the sales department.

Also deciding not to take action, can be a result of a potential conflict of interest. In one case, we decided to not join a co-filing opportunity for a shareholder resolution, as we believed that this could create a potential conflict of interest.

In several instances our engagement projects led to potential conflicts of interest with clients, or related parties to clients. In all instances, Compliance was consulted, and engagements have continued. In order to ensure ethical conduct in our engagement with companies, Robeco also follows a clearly defined process if material non-public information is obtained. During the year 2022, we had no instances were trading restrictions had to be enforced because engagement work had rendered possession of non-public material information. Our Compliance department is also consulted in the early stages where engagements might lead to the possession of non-public information, for example the filing of shareholder resolutions that could result in withdrawal agreements. There were several instances where this occurred during engagement activities. All these cases were reported to our Compliance department. For most of these cases, the nature of the non-public information was deemed non-material.

In at least one instance though, our engagement work led to a requirement to sign a non-disclosure agreement by the engaged company. Where non-public information was deemed either strategic or material, employees were restricted in any trading from the company's securities, and not allowed to communicate information about the engagement case with other Robeco personnel until the information was released publicly.

Data providers that support smart stewardship choices

Our Active Ownership team acts as Robeco's in-house competence center on stewardship in the form of voting and engagement. In our stewardship activities, we also use proprietary SI intelligence and research delivered by our SI Research team and our Thought Leadership team. Besides internal resources, we also take into account information received from various service providers in carrying out our responsibilities to meet clients' stewardship needs.

Externally sourced data is only used as a starting point for further analysis within Robeco's investment and Active Ownership teams. This is the case, for example, for research and voting recommendations provided by our proxy voting advisor, Glass Lewis. Robeco has implemented a rule-based custom voting policy that drives recommendations in line with the guidelines set out in our Proxy Voting Policy. The Active Ownership team then reviews and validates these recommendations to ensure the incorporation of company-specific circumstances and accurate implementation of policy. Insights from portfolio managers and sustainability specialists are proactively taken into account depending on the content of the agenda. Additionally, in-house developed governance and sustainability frameworks and focus lists are applied by Robeco's voting team to inform voting.
Constant review is used to see where these frameworks can be further incorporated into voting advice from the proxy provider.

Within our investment strategies, we use a blend of internal and external data as the inputs to our sustainable investment processes. Our approach is to take the 'best of breed' for each given characteristic or objective. Our preference is to purchase commoditized data where relevant, such as for commonly disclosed ESG data and ratings.

Examples of major service providers we use for data and analytics include Sustainalytics, MSCI, S&P, Bloomberg and Glass Lewis. These data sources are supplemented by proprietary content which our expert analysts within the SI research and Active Ownership teams generate. We carry out due diligence of all potential providers as a matter of course in our data procurement process. This involves qualitative and quantitative

Engagement with data providers on biodiversity

In 2022, we started engagement with ESG data providers on biodiversity. The lack of granular biodiversity data for key commodities in terms of both universe coverage and company performance is seen as a significant challenge for all investment companies when it comes to effectively screening companies and assessing exposure to deforestation risks across portfolios.

To overcome the data challenge, Robeco has launched a collaborative engagement with ESG data providers, alongside the Finance Sector Action on Deforestation (FSDA) investor group. The FSDA initiative consists of a group of investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation, explained above. Following up on this pledge, signatories have launched several collaborative engagement strategies, from the engagement with ESG data providers. By entering into a dialogue with several data providers, the aim is to better understand current product offerings, signal investors' strong interest in the development of high-quality and reliable deforestation data and offer room for future collaboration on this front.

analysis to ensure it fits within our investible universe, sustainability preferences and relevant technical requirements. This year's review of data providers was heavily focused on new active ownership and other regulatory requirements under the SFDR. Both data quality and data coverage are of key importance in these assessments, which are carried out by a workstream of different committees led by Robeco's SI data strategist.

These high expectations are also embedded in our approach to monitoring our proxy voting advisor. Glass Lewis was selected after a thorough benchmarking and RFP process that included the three major providers of proxy voting services. We perform annual due diligence to ensure operational integrity, quality of research and implementation of both Robeco's custom voting policy and our clients' voting policies. Our due diligence with Glass Lewis this year focused on implementing a stricter approach to climate-related voting, and additional data points to support our human rights and biodiversity approach. We also provided feedback on the implementation of remuneration assessments, recommendations on proposals that are aimed to reverse ESG practices, and consistency across markets in expectations on share issuance mandates. For Sustainalytics we also increased the frequency of feedback calls given the regulatory developments.

Climate change

During 2022, we continued to develop our Net Zero Roadmap. We focused on contributing to emissions reductions in the real economy, decarbonizing our investment portfolios, expanding our climate engagement program, and offering low-carbon investment strategies to our clients.

Climate change, if unmitigated, will have unacceptable long-term impacts on society and the global economy. Climate science has made clear that society has to act now. The costs and impact of inaction increase by the year. The global economy is best served by a steadfast transition to net zero. Robeco acknowledges the responsibility the asset management industry has in addressing climate change risks, and is taking various steps towards contributing to the 2015 Paris Agreement.

Key highlights: Climate change in 2022

- Executing our net zero roadmap ahead of target, though there are areas in need of attention
- Launch of new climate strategies, including Net Zero 2050 Climate Equities
- Developed a company-wide approach to climate analytics
- Research on sector decarbonization pathways, Scope 3 integration, attribution analysis of portfolio decarbonization, climate beta
- New strategic views on nuclear power, fossil fuels and carbon markets
- Joint investor engagement on climate with Australia
- Further strengtened our climate voting policy

Committed to reach net zero by 2050

As responsible stewards of our clients' assets, Robeco is committed to achieving net-zero emissions for 100% of our assets under management by 2050. We are convinced that the low-carbon transition is not only a moral imperative – it is also the prime investment opportunity of our generation.

Our net-zero strategy focuses on reducing emissions in the real economy. Divesting from high-carbon assets does not mean that they go away – they simply reappear in other portfolios. For the net-zero transition to be successful, we need to decarbonize high-emission sectors. This will require considerable capital. Our role as investors is to invest in and accelerate the transition by decarbonizing the assets that we invest in. To be effective, we need to work alongside governments, industry and consumers. Governments need to set a price for the cost of carbon emissions, companies need to increase green capex and consumers need to shift to sustainable consumption patterns.

Expanding decarbonization pathway research

In 2022, we expanded our research program on sector-level decarbonization pathways for carbon-intensive sectors such as steel, cement, power, and oil and gas. As part of this research, we analyze how each sector needs to decarbonize over time to keep its carbon budget well below the 2 degrees pathway and what types of technologies and policies are needed to help it do so. We then analyze how individual companies perform against their sector benchmark, considering both their current carbon performance and their forward-looking transition plan. Our analysts use this knowledge to assess the financial implications for each company, taking into account factors such as capital expenditure and carbon pricing.

During the year we also extensively reviewed various data providers' offerings to ensure the forward-looking climate data that we are using remains the right choice. The offerings include information on transition risks, physical risks and company alignment with the Paris Agreement.

We assessed the limitations of data quality, data availability and model uncertainty to design a novel approach to make forward-looking climate data available to our investment teams in an intuitive and coherent way. In 2023, we will incorporate these new metrics and data into the dashboards and systems our investment teams use daily.

We also continued to step up our active ownership activities on climate change. Our climate engagement with corporates prioritizes high-emitting companies that are lagging behind in the energy transition. Based on our proprietary climate traffic light assessment – which helps us to identify priority companies for engagement – we have increased the number of companies under engagement in our climate program by 56, up from 39 in 2021. We have strengthened our voting policy to enable us to use our votes as an escalation strategy when companies do not meet our expectations on climate change. In addition, we call for climate action by countries as governments play a vital role in the transition towards net zero.

Factoring climate change into Expected Returns forecasts

The impact of climate change on future asset returns is important to assess. The higher prevalence of severe storms, flooding, forest fires and droughts in 2022 showed how climate change is a real and growing threat to people and property. Assessing its impact on company equities, corporate bonds and sovereign debt is now just as important as routine financial factors such as market share, interest rates or innovation.

Predictions for how this will impact asset returns were included in Robeco's flagship five-year outlook Expected Returns, 2023-2027, for the second year, after making its debut in 2021. A whole chapter was dedicated to outlining the physical and transitional risks to companies of climate change, its likely impact on cash flows, how global warming effects economic growth in general, and the longer-term consequences of the action such as decarbonization needed.

Finally it gives predictions for the expected returns of the main asset classes: government bonds; emerging debt; developed and emerging market equities; corporate bonds (credits); and commodities. Negative signals were given for the physical (mostly weather-related) risks to developed market equities, with higher risks for emerging market securities and high-yield bonds. Commodities were the only asset class to receive a positive outlook.

For more information, please refer to the publication '5-year Expected Returns: The Age of Confusion' on our website: https://www.robeco.com/en-int/themes/expected-returns/2023-2027.

Climate policy

Evolving attitudes to fossil fuels and their alternatives brought significant changes to Robeco's exclusion and engagement policies in 2022. The biggest change was a revision to a long-held stance on nuclear power. Participants in the nuclear industry had been excluded from Sustainability Focused and Impact funds, due to the associated risks of nuclear safety and waste. While we remain critical of these risks, we find an outright exclusion is no longer justified, given the increased threats posed by catastrophic climate change and energy poverty, and also considering the increased scientific and po0licy support for the role of nuclear power in the energy transition. The exclusion was therefore removed, while we continue to monitor the risks of safety and waste through the SDG Framework.

Conversely, the Exclusion Policy was enhanced for the Sustainability Inside range of funds, in line with the net zero roadmap. Companies involved in thermal coal, Arctic drilling and oil sands were given a wholesale exclusion across all Robeco funds, subject to revenue thresholds. For companies still involved in mining, processing or burning fossil fuels, our engagement approach was expanded. Engagement with companies in the energy and power sectors will increasingly focus on the alignment of capex decisions with the managed phase-out of high-carbon assets. We also began reporting the energy-mix exposure of our funds in comparison to the benchmark.

Incorporating climate considerations into our investment processes and strategies

We believe that systematically considering climate change in our investment processes is essential for the future success of our investment strategies. Our research determines the sectors and industries for which climate change will have a material impact and over what time horizon. In cases where we deem climate change to be material for a company within a particular investment horizon, our sustainability and financial analysts work together to analyze the company's climate change strategy. We will seek to understand how it compares with its peer group, and assess the impact of climate on the company's business model, products, services and financial results.

Climate collaborations

If a net-zero economy is to be achieved, global markets need to price carbon emissions and climate risks into the value of goods, services and assets. Robeco works in partnership with asset owners, peers, standard-setters, policymakers and academics in support of this outcome. Some of our collaborations in 2022 included: please see Figure 16.

Working with clients to launch low-carbon investment products

We offer our clients a broad range of low-carbon investment strategies, and in 2022 we launched a new Net Zero 2050 Climate Equities strategy. As part of Robeco's net-zero strategy we will continue to launch innovative low-carbon investment products and also help our clients with mandates to achieve their individual decarbonization goals. We estimate that about half of our mandates are managed on behalf of clients that have made a commitment to net zero. In 2023, we intend to set up a team that will target

Figure 16 | Climate collaborations

IIGCC	GFANZ	PCAF	Dutch Climate Accord	Transition Plan Taskforce
The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change	The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy	The Partnership for Carbon Accounting Financials (PCAF) is an industry-led initiative enabling financial institutions to measure and disclose greenhouse gas emissions of loans and investments	The Dutch Climate Accord is an agreement between organizations and companies in the Netherlands to combat climate change	The Transition Plan Taskforce (TPT) was launched by HM Treasury in April 2022 to develop the gold standard for private sector climate transition plans
Role: co-chairing the implementation working group of the Institutional Investor Group on Climate Change's (IIGCC) Paris-Aligned Investment Initiative, where more than 100 committed investors exchange ideas and experiences in setting and implementing net-zero targets	Role: working with the Glasgow Finance Alliance for Net Zero (GFANZ) to develop guidance on net zero transition planning for the financial sector. This guidance was published in November 2002	Role: working with the Partnership for Carbon Accounting Financials (PCAF) to develop market standards for sovereign bonds and enterprise value including cash (EVIC) inflation correction. These standards were launched in 2022	Role: working with the national financial sector commission for the Dutch Climate Accord to develop guidance for the climate action plans that signatory institutions must submit	Role: we were a supporting member of the UK Transition Plan Taskforce workstream, responsible for providing feedback and input on the development of the sector-neutral standard for setting climate transition plans along with a core group of investors and NGOs
For more information: https://www.iigcc.org/	For more information: https://www.gfanzero.com/our-work/financial-institution-net-zero-transition-plans/	For more information: https://carbonaccountingfinancials.com/	For more information: https://www.klimaatakkoord.nl/	For more information: https://transitiontaskforce.net/

specific client groups to boost these commitments to net zero and integrate them into the mandates that we run for them.

In 2022, we made Climate Investing Essentials, a new online e-learning program that is part of our Essentials series, and made it available to our clients in several regions. The program has local and global accreditation as part of investors' continuous professional development. The module also forms part of the learning program for Robeco's employees.

RobecoSAM Net Zero 2050 Climate Equities

RobecoSAM Net Zero 2050 Climate Equities, a high-conviction climate transition strategy, was launched in 2022 to meet the growing demand for decarbonization-based funds. It aims to invest in the corporate pathways to a net zero world while also delivering attractive financial returns. The fund's launch supports our ambition to expand our leadership position in sustainable investing while working towards our net zero ambition for our portfolios.

The new strategy will specifically look for companies that can make an active contribution to mitigating climate change, following a decarbonization pathway of around 7% annually, on average. The portfolio covers a diversified mix of 30-40 stocks using a best-in-class approach across all sectors. The strategy will also actively engage with some of these companies, particularly addressing the social dimension of a Just Transition to a net zero world.

Chris Berkouwer, Portfolio Manager: "I'm very excited to be managing the RobecoSAM Net Zero 2050 Climate Equities strategy together with the team, allowing our clients to invest in a wide range of profitable companies that are leading the way in transitioning to net zero, with the potential to make real-world impact."

Engaging on climate change

Our climate engagement program aims to leverage our influence as an investor to help accelerate climate action by companies and countries. Our climate engagements with corporates focus on high-emitting companies that are lagging in the energy transition. For some of these companies, divestment may be the ultimate consequence if our engagements prove unsuccessful. We include banks in our climate engagement program so that we can engage with the sources of funding for projects (such as new oil fields) that generate emissions, as well as the companies that are involved.

Our proprietary climate traffic light model helps us identify companies that represent priorities for engagement. This assigns companies a color of dark green (Aligned), light green (Aligning), amber (Partially Aligning) or red (Misaligned) based on their level of alignment with the goals of the Paris Agreement. In 2022 we assessed the top 250 emitters in our equity investment universe – which account for over 40% of our investments' carbon footprint – according to our traffic light model. We found that only a small part

Figure 17 | Climate-related engagement themes in 2022

Engagement theme	Period	Outcomes targeted
Acceleration to Paris	As of Q4 2021	Our engagement program focuses on the rapid decarbonization of sectors that are the most exposed to the energy transition. These companies have been selected based on their overall emissions footprints as well as the maturity of their climate strategies. By selecting those companies that are furthest behind, we aim to optimize the potential for improvement over the timeline of the engagement program. For companies that are not progressing fast enough, divestment may be the ultimate consequence if our engagement is unsuccessful.
Net zero carbon emissions	Phase 1: Q4 2020 - Q4 2023 Phase 2: Q1 2022 - Q1 2025	Our engagement program focuses on smooth decarbonization journeys for the four key emitting industries: oil and gas, electric utilities, steel and cement. It encourages the companies under engagement to take climate change mitigation action and secure their long-term license to operate. Our engagement approach will be based on the Climate Action 100+ Initiative's Net-Zero Company Benchmark framework released in 2020. Aligning our engagement approach with Climate Action 100+ emphasizes our commitment as signatory to the initiative and allows us to combine our dialogues with a collaborative engagement.
Climate transition of financials	Q1 2021 - Q1 2024	Our engagement focuses on the climate transition of financial institutions. The main aim is to support financial institutions in managing the emerging climate change-related risks and opportunities, and to ready them for their and their clients' climate transition. We will focus our engagement on the banking sector, which has a vital role to play in financing the climate transition and helping their clients achieve the Sustainable Development Goals. We expect companies to know about the implications that climate change can have on their operations and their clients, and to proactively assess, monitor and manage climate change-related risks and opportunities.
Sovereign engagement on climate (Australia)	As of Q3 2022	This is a pilot developed by the PRI as an investor initiative to support governments to take action on climate change. The initiative's aim is for investors to work collaboratively to support governments to take all possible steps to mitigate climate change, in line with the Paris Agreement.

of these companies are transitioning their business models in line with the Paris Agreement. The bulk of the companies remains misaligned. Please refer to the next page, for more information on our traffic light model.

Acceleration to Paris

At the end of 2021, we launched our enhanced climate engagement program targeting investee companies falling behind in the climate transition. This approach to climate engagements aims to support our net-zero roadmap, and is informed by our proprietary traffic light assessment, focusing on companies that are assessed as 'Misaligned'. In 2022, we increased the number of companies under engagement by adding an additional five to this enhanced engagement theme.

The first full year of the Acceleration to Paris engagement program saw a number of events that helped and hindered attempts to decarbonize some of the world's highest emitters. On the positive side, the passing of the Inflation Reduction Act (IRA) in the US was a massive step forward. The financial incentive that the new law offers to companies to invest in the energy transition is highly material, and we have already seen companies pivoting to take advantage of these subsidies.

The Russian invasion of Ukraine, which brought a fragmentation of oil and gas markets that had not previously been seen, delayed decarbonization efforts. Nevertheless, action taken by the EU to reduce exposure to the importation of Russian fossil fuels forced an acceleration in the deployment of low-carbon technologies.

Tackling thermal coal

These events create added impetus for companies to appropriately manage their climate-related risks and opportunities, and it supports the need for continued, targeted engagement with companies that are failing to do so. An area of focus for the engagement program is thermal coal power. As the most polluting fossil fuel, and one which has economically available low-carbon substitutes in the form of wind and solar, it is critical that no more unabated thermal coal power generation units are constructed. The focus of our engagement is to limit the construction of new coal-fired power plants and ensure that companies put in place transition plans for phasing out their exposure to these assets.

It's also not just about engagement. One of the steps that we implemented in 2022 was to create greater synergies between our climate performance assessment and our related voting approach. As such, we amended our climate voting policy to stipulate that we would vote against the re-election of the chair for companies rated as 'misaligned' in our traffic light assessment. This includes all those within the Acceleration to Paris program. Unless we see significant progress in company performance, we will retain this policy for future years.

Enel recognized as the first company fully aligned with Climate Action 100+ Net Zero Company Benchmark

Enel is an Italy-based multinational manufacturer and distributor of electricity and gas. We have been co-leading the collective engagement under the Climate Action 100+ initiative since 2018. Between 2021 and 2022, we have seen significant improvements in the company's emissions reduction targets, transition plan, and climate policy advocacy. Key actions taken include obtaining external verification by the Science-Based Targets Initiative on their emissions reductions targets' alignment with a 1.5°C scenario, committing to phase out of thermal power generation (coal and natural gas) and exit gas sales to customers, aligning its capital investments with its net zero targets, and disclosing its first industry association review to ensure that its climate policy engagement (direct & indirect via industry associations) is consistent with the goals of the Paris Agreement. This progress has been recognized by the Climate Action 100+ initiative's Net Zero Benchmark disclosure assessment by becoming the first and only company assessed to fully meet the Disclosure Framework criteria in 2022.

Net-zero carbon emissions

Robeco's Net zero carbon emissions theme was expanded in Q1 2022, by including an additional 15 companies based on our traffic light assessment. These companies were assessed as 'Partially Aligning' in the framework. Our engagement under this theme sets the expectation for companies to set long-term net-zero targets, and substantiate them with credible short- and medium-term emissions reduction strategies, as well as transition plans that ensure a reduction in real-world emissions over the next decade.

A credible climate strategy is difficult to define, as each company will have its own challenges and approaches to decarbonization. Nevertheless, we can leverage external benchmarks, such as the Climate Action 100+ Net Zero Benchmark, in defining our objectives. We consider this approach to be well-rounded and thoughtful in terms of driving credible transition strategies.

Climate transition of financials

Besides engaging with carbon-intensive corporates, our engagement program also has the financial industry in scope. It has become increasingly clear that the banking sector has a critical role to play in the low-carbon transition. Banks can facilitate investments in low-carbon solutions and encourage emission reductions through climate-aware financing and engagement with their clients. Banks that continue to finance activities not aligned with the low-carbon transition create significant transition and physical risks associated with accelerating global warming. Various stakeholders, including investors, governments and the public, have put an increasing amount of pressure on the financial sector to advance the economy-wide transition towards net zero emissions.

In 2021, we started engaging with ten banks, expecting them all to commit to net zero by 2050. To do so, many banks need to set short-term decarbonization targets for sectors like power and energy. Achieving these targets will be critical

Robeco traffic light assessment - methodology

Robeco's Paris Alignment Assessment, or 'Traffic Light', assesses the alignment of a company with a below 2°C pathway. It is made up of two components that determine the final assessment: "Sector decarbonization assessment" and "Credibility assessment". The scores use data from S&P Global Trucost, the Net Zero Benchmark of the Climate Action 100+ initiative, the Transition Pathway Initiative, the Science-Based Targets Initiative and Urgewald's Global Coal Exit List, amongst other sources.

Sector decarbonization assessment: This assesses whether a company's current and projected future emissions are in line with its required sector decarbonization pathway. Our SI Research analysts select the low-carbon pathway that is considered to be the most representative for that sector. The company's emissions are then forecasted by using its disclosed targets. The assessment measures how aligned these targets are with the representative sector pathway.

For example, in Figure 18 we show the sector decarbonization assessment for two companies in the steel sector. In this illustrative example, Company A's projected emissions (blue) are below the sector pathway line (green) and therefore it is aligned. Company B's projected emissions (red) are significantly above the sector pathway line and it is therefore misaligned.

Figure 18 | Sector decarbonization pathway alignment in the steel sector

Source: Robeco, for illustrative purposes only.

Credibility assessment: This assesses whether companies have verified targets and a credible plan for achieving their emission-reduction plans. For this, five components are evaluated:

- Target verification: Does the company have targets and have they been approved by the Science-Based Targets initiative?
- Climate change corporate governance: Does the company's board have oversight of climate change risks and impact?
- Capital alignment: Has the company set out a capital expenditure plan that will enable it to meet its targets?
- Climate change policy advocacy: Is the company lobbying against climate change policy either directly or through an industry body of which it is part?
- Climate revenue exposure: Does the company have significant revenues from highly emitting activities that require phasing out under the Paris Agreement? Is the company significantly contributing to climate change mitigation through its products and services?

Figure 19 | Sector decarbonization 'SDP'

for banks to align their loan books with a 1.5-degree scenario.

To maximize the effectiveness of our engagement strategy, we collaborate with the Institutional Investor Group on Climate Change (IIGCC), which coordinates a larger investor initiative on banks' climate strategies. The IIGCC, in partnership with the Transition Pathway Initiative (TPI), is developing a framework to assess how prepared banks are for the low-carbon transition. The initial assessment outlines several areas for banks to improve their climate strategy, primarily through enhanced disclosures and financed emission reduction targets. Specifically, banks should expand their net-zero commitments to include all high-risk sectors in all material business segments. In the remaining engagement period, we will use the outcomes of this assessment framework to emphasize the changes that we expect banks to make.

Engagement case study: Sumitomo Mitsui Financial Group (SMFG)

Sector: Financials
Asset class: Equities and credits
Engagement type: Collaborative engagement

Engagement efforts:
Our engagement with Sumitomo Mitsui Financial Group (SMFG) is conducted through three different channels: directly with the company; collaboratively through the Asia Research and Engagement (ARE) group; and as members of the IIGCC. Over time, we have seen an increase in the bank's receptiveness to investor feedback. For example, SMFG was previously a laggard in the disclosure and transparency of its climate-related financing. However, once the company recognized that investors had short-term expectations related to net-zero commitments, the bank began to act. SMFG reorganized its internal governance structure to allocate more resources to climate risk management and data collection throughout its business segments. These changes have in turn led to a significant increase in the quality of available disclosures.

Sovereign engagement on climate change

Consistent with investors' fiduciary duty and Robeco's net-zero roadmap, we aim to encourage and support strong climate action from policymakers, to ensure that a just and orderly transition to net zero can be accomplished. Governments have a pivotal role to play, including by creating an enabling environment for the private sector. Through public expenditure, policy and regulation, policymakers can set norms and incentives that will help transition whole economies to net zero.

Australia

In line with Robeco's 2021 published sovereign engagement framework[7], we have now taken the first steps to leverage our position as sovereign debt investors to address climate change. As such, in 2022, we have initiated an engagement with the Australian government on climate change, following the country's high exposure to climate-related risks and gaps in climate and energy transition policies. Robeco is member of the advisory committee of the PRI-led Collaborative Sovereign Engagement on Climate Change. This is a pilot developed by the PRI as investor initiative to support governments to take action on climate change. The initiative's aim is for investors to work collaboratively to support governments to take all possible steps to mitigate climate change, in line with the Paris Agreement.

Climate voting policy

In 2022, we strengthened our voting policy to enable us to use our votes as an escalation strategy when companies do not meet our expectations on climate change. We base this judgment on our traffic light model and external benchmarks, including the Climate Action 100+ initiative's Net Zero Benchmark, the Transition Pathway Initiative and Urgewald's Coal Exit List. As a result, in 2022 we voted against management resolutions at 156 shareholder meetings due to our concerns about companies' climate change performance. The management resolutions relate primarily to the nomination of the chair of the board and other relevant directors. Meanwhile, a growing number of companies are putting their climate transition plans up for vote at annual general meetings. In 2022 we supported 32% of the transition plans put to vote. We expect these management resolutions to have in place greenhouse gas emissions reduction targets that are aligned with the goals of the Paris Agreement, covering all material scopes of emissions, and a decarbonization strategy for how the targets will be met. Particularly those plans with significant gaps in their emissions reduction targets, such as the emissions covered by them, or those that lacked credible decarbonization strategies were not supported.

We also use our voting rights to support shareholder proposals that help address risks linked to climate change. In 2022, we supported 80% of climate-related shareholder resolutions. We assess shareholder resolutions on their merit. In general, we have supported resolutions requesting enhanced climate-related disclosures or risk management, and the setting of targets in line with the goals of the Paris Agreement.

7 Include link to: Engaging with countries to promote the SDGs: https://www.robeco.com/en-za/insights/2021/06/engaging-with-countries-to-promote-the-sdgs

Biodiversity

Biodiversity is rapidly declining at an unprecedented rate. Robeco is committed to protect and support conservation and restoration efforts through our investment activities. In 2022, we took steps to strengthen the inclusion of biodiversity considerations in our ESG integration framework, our active ownership activities, and in our product development.

Biodiversity is declining faster than at any time in human history, and the pressures driving this decline are still increasing. Over half of the global economy is dependent on well-functioning ecosystems. Further loss of biodiversity could pose risks to financial markets. Biodiversity is increasingly recognized as a systemic risk for the financial sector, including by financial regulators and central banks. Nature conservation and restoration is therefore in the direct long-term interest of Robeco's clients and our investments.

Key highlights: Biodiversity in 2022

- Developed and published our biodiversity roadmap
- Launched our partnership with WWF-NL
- Developed our biodiversity investment framework
- Integrated new biodiversity data in our investment strategies
- Launched the biodiversity thematic equities strategy
- Updated the country biodiversity assessment
- Launched Nature Action 100 as a new global investor engagement program
- Developed a deforestation policy and a biodiversity voting policy

Committed to protect and restore biodiversity

Robeco is a founding signatory of the Finance for Biodiversity Pledge. By signing the pledge, financial institutions are calling for, and committing to take, ambitious action on biodiversity and to set targets before the end of 2024. To deliver on this commitment, Robeco established a Biodiversity Committee with representatives from across the various domains in the company.
As part of the commitment to minimize deforestation that Robeco made at COP26, we updated our sustainability policy in 2022 to pay more attention to soft commodities whose production is linked to deforestation – soy, beef and leather, paper, pulp and timber – and we developed a dedicated deforestation policy. We engage with and vote at the meetings of companies with exposure to these commodities in their value chains.

At Robeco, we have been addressing biodiversity issues for a number of years through dedicated engagement programs, starting with a focus on commodity-related deforestation. This has since been extended to accommodate engagements on other drivers of biodiversity loss, from pollution to overfishing We also now assess biodiversity as a material factor in our ESG integration process.

Our approach to biodiversity

In 2022, Robeco published its biodiversity roadmap, detailing our approach to integrating nature-related risks, opportunities and impacts into our investments and engagement activities. We further explored data availability, advanced our strategic partnerships, and developed a biodiversity framework to help us identify biodiversity leaders and laggards. We also continued our engagement and voting efforts.

We have set out to create a holistic, multi-layered and scalable engagement approach towards biodiversity. As such, we are not only engaging the various relevant stakeholders, from governments and companies to data providers, but also exploring how stewardship efforts can be scaled through proxy voting and collaborative engagements.

In the second half of the year, we launched a dedicated Biodiversity Equities investment strategy. This strategy directly promotes biodiversity rather than just investing in environmental or climate-related stocks generally. It invests in companies that are supporting more sustainable use of natural resources and ecosystem services, as well as technologies, products and services that are helping reduce threats to biodiversity or restore natural habitats.

Development of biodiversity framework

Robeco is developing a framework to help us identify companies' efforts to halt biodiversity loss by reducing their use of resources, cutting down on pollution and embracing circularity. The purpose of the framework is to identify biodiversity leaders and laggards, and to use this information in our investment processes. Potential applications that we will explore in 2023 include constructing investment universes, building biodiversity-tilted equity or corporate bond portfolios and index products, including biodiversity in our ESG integration, and identifying companies for engagement.

Robeco's Biodiversity Roadmap

In January 2022, we published our Biodiversity Roadmap which captures our past efforts and details how we will build on that going forward to deliver on our Finance for Biodiversity pledge.

The roadmap encompasses three phases, which are:
1. Already existing. Robeco has addressed material biodiversity issues in its investment research for many years and engaged with companies on biodiversity-related topics such as deforestation and palm oil. For example, when investing in food manufacturers, we analyze how they source food ingredients and how these are produced.
2. Knowledge building. During 2020-21, we invested in our expertise on biodiversity. We conducted the materiality analysis described above, reviewed a number of providers of biodiversity data, and established several partnerships, including with the Cambridge Institute for Sustainability Leadership (CISL), Partnership for Biodiversity Accounting Financials (PBAF) and the Dutch National Bank working group on biodiversity.
3. Making it actionable. In 2022, we increased our focus on implementation. We established a partnership with World Wide Fund for Nature Netherlands (WWF-NL), launched a dedicated biodiversity investment strategy, beefed up our engagement efforts by establishing Nature Action 100, and started to develop a framework to further integrate biodiversity considerations into our portfolios.

In building the framework, we are aware that biodiversity-related data and methodologies are not perfect. Biodiversity data works well at the sector level but is not yet reliable at the issuer level. However, we believe the data is good enough for us to make a start. We use third-party data to determine sector-level biodiversity footprints, and our industry experts expand upon this data by defining key performance indicators that are measurable at the company level. These include, for example, recycling rates and certified sourcing. This enables us to assess individual companies' biodiversity footprints and how they aim to minimize them.

Advancing strategic partnerships

Collaboration and sharing knowledge are fundamental to creating the data and tools that we need to progress in the area of biodiversity. Robeco is therefore active in a number of collaborative initiatives with academia and practitioners. In line with our commitment to the Finance for Biodiversity Pledge, we collaborate and share knowledge on the assessment of methodologies, biodiversity-related metrics and financing approaches for positive impact.

Partnership with WWF-NL

In January 2022, Robeco and WWF-NL entered a partnership to work together in integrating the consideration of biodiversity in asset management. This aims to support the development of Robeco's biodiversity investment framework, policy and investment strategies; and to engage with clients and other stakeholders in the financial sector to create more awareness of the issue so that they are inspired to integrate biodiversity into their own policies.

WWF-NL has provided feedback on Robeco's biodiversity framework and on the design of the Biodiversity Equities strategy and its approach to active ownership. Robeco also seeks advice from WWF-NL on biodiversity issues as they arise. Additionally, we aim to work together to encourage integrating biodiversity within the wider asset management industry.

Collaborating on the Taskforce on Nature-related Financial Disclosures (TNFD)

Robeco has been closely involved in developments linked to the TNFD since 2020. We expect this initiative to become the global standard used to guide companies and financial institutions as they incorporate considerations linked to nature in their business and investment decisions. Throughout 2022 the TNFD published beta versions of its framework and sought feedback from market participants. The final guidelines are expected to be announced in September 2023. Robeco is actively involved in the pilot testing of the beta versions. This is helping us learn how to apply the guidelines, and we are also shaping their development by providing feedback based on our experience of the pilot testing.

We have conducted a preliminary assessment of the disclosure requirements of the TNFD's four disclosure pillars: governance, strategy, risk management and metrics & targets. Our conclusion is that we have elements in place for each of the four pillars, and that we see two key areas to improve. First, through the pilot testing we want to learn more about using metrics and targets to identify and mitigate risks and the impacts of our investments on nature loss. Second, we also aim to learn more about using nature-loss scenarios for stress-testing our portfolios as part of our risk management procedures.

Launch of Nature Action 100

At the 15th Conference of the Parties to the United Nations Convention on Biological Diversity (COP15) held in December 2022, a group of institutional investors, including Robeco, announced the formation of Nature Action 100. This is a global engagement initiative that involves investors driving urgent action on the nature-related risks and dependencies the companies they own are exposed to. Robeco was one of the 11 investors that formed the Launching Investor Group within the initiative.

Nature Action 100 aims to drive increased action by companies to tackle nature loss and biodiversity decline. It will complement the United Nations Convention on Biological Diversity's Global Biodiversity Framework by identifying private-sector actions that need to be undertaken to protect and restore nature, and will seek to catalyze these actions via investor-company engagements. The Nature Action 100 initiative will be formally launched in 2023.

Investors will focus on companies in key sectors that are deemed to be systemically important to the goal of reversing nature and biodiversity loss by 2030. They will work to ensure companies are taking timely and necessary actions to protect and restore nature and ecosystems. Specifically, the initiative will:

- Map sector pathways and identify a list of 100 focus companies for investor engagement
- Support engagements between investor teams and ensure company executives and board members focus on the initiative's priorities
- Identify the actions that companies need to take to protect and restore nature
- Track the progress of focus companies against key indicators and provide annual updates
- Support investor and corporate advocacy efforts with relevant policymakers on nature-focused policies.

Engaging on biodiversity

The financial sector and the asset management industry in which we operate have a crucial role to play in helping to prevent further biodiversity loss. This is not something that is simply 'nice to have' in the context of sustainable investing: it is in the long-term interest of our clients and our investment performance, along with our duty to do our best to use our financial muscle to help protect the planet. One way we do this is through engagement.

Multi-layered engagement approach towards biodiversity

Addressing biodiversity loss requires urgent action from both governments and companies. As the financial materiality of

Figure 20 | Biodiversity-related engagement themes in 2022

Engagement theme	Period	Outcomes targeted
Biodiversity	As of Q2 2020	Addressing biodiversity loss through the lens of commodity-driven deforestation by targeting the cocoa, rubber, tropical timber and pulp, soy and beef sectors.
Palm oil	Q1 2019 - Q4 2024	Addressing both the environmental and social challenges of palm oil and aligning with the best practices of the RSPO.
Nature Action 100	As of Q4 2022	A global investor-led engagement effort focused on driving greater corporate ambition and action to tackle nature and biodiversity loss
Sovereign engagement on deforestation (Brazil and Indonesia)	As of Q1 2020	Engaging with Brazil and Indonesia on deforestation in collaboration with the Investor Policy Dialogue on Deforestation, of which Robeco is an active member. Robeco co-chairs the workstream responsible for engaging with the government of Indonesia and is on the advisory board of the workstream with the Brazilian government.

biodiversity and the impact that companies and financial institutions have on nature is becoming clearer, Robeco has set out to create a holistic, multi-layered and scalable engagement approach towards biodiversity. As such, we are not only engaging the various relevant stakeholders, from governments and companies to data providers, but also exploring how stewardship efforts can be scaled through proxy voting and collaborative engagements.

Through the engagements, we expect companies to assess their biodiversity impacts and dependencies and set a biodiversity strategy that includes, for instance, no-deforestation targets. We also expect them to report key impact indicators following recognized reporting frameworks such as the Taskforce for Nature-Related Financial Disclosures.

Biodiversity – an evergreen theme

Recognizing that habitat destruction caused by land-use change for agricultural purposes is one of the major contributors to biodiversity loss, Robeco launched a three-year engagement program focused on addressing the problem in 2020. Currently ongoing, the program aims to improve the sourcing and production practices of companies whose commodity supply chains are closely linked to deforestation and environmental degradation. The 12 companies under scope have high exposure to cocoa, natural rubber, soy, beef, tropical timber and pulp.

In 2022, we extended the biodiversity engagement program in both time and scope to focus on other drivers of biodiversity loss, from pollution to overfishing. By broadening the scope of the engagement theme, we will be able to better accommodate various critical engagements, including:

- Strategy-driven engagements required to fulfill our biodiversity commitments, including collaborative engagements on deforestation and broader biodiversity concerns
- Principle Adverse Impact Indicator-driven investor requests, as through the Sustainable Finance Disclosure Regulation (SFDR), investors are asked to address key adverse impacts of their investment activities. These include the mandatory indicators of 'Activities negatively affecting biodiversity sensitive areas' and voluntary indicators of 'Deforestation' and 'Natural species and protected areas'.
- Investment product-linked engagements, such as those linked to the Biodiversity Equities strategy launched in 2022, which aims to always have around 25% of investments (between 10-15 companies) under biodiversity engagement.

Working with clients: launch of dedicated Biodiversity Equity fund

Engagement forms a vital part of the RobecoSAM Biodiversity Equities strategy. This new product invests in companies that support the sustainable use of natural resources and ecosystem services, as well as technologies, products and services that help to reduce biodiversity threats, or restore natural habitats. It specifically targets for alpha generation opportunities within biodiversity to benefit from the structural growth trend created by governments, corporates and consumers increasing their focus on supporting the transition to a nature-positive world. The strategy's investable universe is arranged in four clusters covering sustainable land use, freshwater networks, marine systems, and traceable products. Robeco's Active Ownership team will engage with up to 25% of portfolio holdings to further improve their contributions to biodiversity.

Figure 21 | Engagement objectives

As a result of the expansion of the biodiversity theme, companies from different sectors and varying levels of biodiversity performance will be included. Consequently, Robeco has re-formulated some of the engagement objectives that will guide the engagement program:

- Biodiversity impact assessment: Through the engagement, we expect companies to understand their biodiversity impacts, asking them to develop credible b assessments that encompass direct and indirect operations and are supported by metrics chosen according to a double materiality assessment.
- Sustainability reporting: To establish a strong baseline and measure progress, companies should report on relevant and quantifiable impact indicators, preferably in alignment with the upcoming TNFD recommendations. As part of the sustainability reporting objective, companies will also be engaged on their traceability efforts across their material commodities' supply chains.
- Biodiversity strategy: To address their adverse impacts, companies must have a clear biodiversity strategy, guided by strong policies establishing the standards to which their own operations and value chain will be held, and concrete, quantifiable, and timebound commitments that are clear in geographical and operational scope.
- Stakeholder management: To achieve their biodiversity and sustainability ambitions, they need proactive stakeholder management practices centered around collaboration and innovation, supporting not only the transition of their suppliers but also actively respecting and integrating local communities' needs.
- Governance and accountability: Companies must demonstrate solid management of biodiversity risks throughout the different governance levels, showcase stringent accountability models, and ensure the transition towards a nature-positive scenario.

Companies under the ongoing three-year program focused on land use change as a driver of biodiversity loss will continue to be engaged according to the original set of objectives until the end of the three-year dialogue in September 2023.

Sustainable palm oil

Robeco's Palm Oil Policy, published in 2019, originally included the commodity in the controversial behavior category in our Exclusion Policy and defined a set of principles and expectations guiding our interaction with the palm oil sector. Updated in January 2022[8], the policy now restricts Robeco's investments in palm oil producers which have below 50% of their production certified by the Roundtable of Sustainable Palm Oil (RSPO). It also applies an enhanced engagement program for all producers with certification levels between 50 and 80% to move them to the universal exclusion threshold of 80% applicable by the end of 2024. While engaging with companies is important, halting deforestation requires government action.

Sovereign engagement on deforestation

Robeco has been involved in the Investor Policy Dialogue on Deforestation (IPDD) initiative since it was formally set up in July 2020, co-chairing the workstream responsible for engaging with the government of Indonesia, and sitting on the advisory board of the workstream with the Brazilian government. The coalition is comprised of 67 institutional investors from 19 countries, with USD 10 trillion in assets under management. Aware that effectively contributing to halting deforestation requires more than just engaging with companies, Robeco considers sovereign engagement as a necessary and powerful step to encourage governments that are significantly exposed to deforestation risk to implement relevant policies and contribute to positive change.

Brazil

In the context of the IPDD, Robeco has been in an ongoing dialogue with the Brazilian government and other relevant stakeholders on the topic of deforestation since 2020. As a recent development on the Brazilian workstream, in May 2022 the IPDD's co-chair was formally invited by the Ministry of the Environment in Brazil and the Brazilian Central Bank to speak for the group at the announcement of a national carbon market in Rio de Janeiro. The IPDD outlined how deforestation was contributing to increasing fiscal risk to the country and noted it would be difficult to attract investment to the carbon market, and meet the country's broader commitments under the Paris Accord, if deforestation was not tackled effectively. Moving forward, IPDD Brazil will continue to address the importance of preserving

8 For our Palm Oil policy, please refer to: https://www.robeco.com/en-int/insights/2022/03/using-engagement-to-advance-sustainability-matters-in-the-palm-oil-industry

Update on biodiversity engagement program

Companies across high forest-risk commodities face growing pressure to make ambitious 'no deforestation' commitments and implementation plans. For instance, the upcoming EU Regulation on deforestation-free supply chains puts forward a cut-off date for both legal and illegal deforestation and asks for stringent corporate due diligence procedures across the palm oil, cattle, soy, coffee, cocoa, timber and rubber supply chains. Similarly, the Science Based Targets initiative has released its Forest, Agriculture and Land Guidelines, requiring companies to account for emissions from agricultural land use change, and to have no-deforestation commitments with target dates of no later than 2025.

To live up to their commitments, companies are working on tracing and monitoring their supply chains to the farm level. However, progress depends largely on the supply chain structures, with vertically integrated companies such as those found in the forestry sector facing significantly lower traceability barriers, while fragmented and smallholder-based supply chains such as in the cocoa and natural rubber sectors, are facing structural challenges and high costs. These costs risk creating an adverse incentive towards less-inclusive economic models. Yet, traders and manufacturers are working on innovative solutions to guarantee deforestation free supply chains, including pilots around payments for ecosystem services and easily accessible app or blockchain-based verification systems.

One key challenge continues to be the competitive sensitivities around mapping indirect suppliers, stemming from direct suppliers' fear of being stepped over if they share a list of their suppliers with large traders. Having encouraged a collaborative approach towards nationwide traceability from the beginning of the dialogue, we were pleased to see key commodity traders in palm oil, soy and cattle having come together with governments to set up the Agriculture Sector Roadmap to 1.5 °C, putting forward the common goal to eliminate agriculture-driven deforestation by 2025.

Furthermore, we are seeing growing attention to deforestation across the finance sector, shifting to an increasingly collaborative engagement approach. Thus, Robeco continues to be an active part of various collaborative investor engagement groups around the topic of biodiversity, including:

- FAIRR, a collaborative investor initiative that aims to raise awareness of the material ESG risks and opportunities caused by intensive animal production, including biodiversity.
- Actiam's Satellite-based engagement towards no-deforestation, a collaboration between seven investors and Satelligence, a deforestation-focused satellite imagery provider, that is using monitoring technology to increase accountability among companies and is reinforcing engagement requests.
- Finance Sector Action on Deforestation (FSDA) collaborative engagements, one of which is a focused letter and engagement campaign targeting 50 key commodity companies from across the palm oil, soy, cattle product and timber sector, as identified through the Forest500 rating. The letter asks companies to set clear commitments to eliminate and trace any native vegetation conversion by 2025, and to put forward credible evidence that they are assessing and transforming their supply chain's deforestation footprint and adverse social impacts. It asks them to disclose key impact indicators, including the 'Volume of commodity, and proportion of total commodity volume, which is known to be deforestation/conversion-free, and their method for determining that status'.
- Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action to reduce nature and biodiversity loss. Building on the lessons learned from Climate Action 100+, investors will engage with 100 companies in key sectors with the largest impacts and dependencies on nature to ensure they are taking meaningful action to protect and restore nature and ecosystems. The initiative will be co-led by the sustainability advocacy group Ceres, the Institutional Investors Group on Climate Change (IIGCC), the Finance for Biodiversity Foundation and the financial think tank Planet Tracker. The initiative will formally launch in spring 2023. In the meantime, global investors are invited to sign up to the program and commit to lead on individual dialogues on behalf of the global investor community.

Case Study: FSDA

We actively partake in the Finance Sector Deforestation Action (FSDA) initiative, a collaborative group constituting of over 30 investors that have signed the COP26 Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation throughout investment and financing activities by 2025.

As part of the group, Robeco has joined a letter and engagement campaign launched at the end of 2022, jointly aiming to engage more than 50 companies, including, meat producer Marfrig, forestry company Suzano and chocolate manufacturer Mondelez, on creating clear no-deforestation and traceability targets, due diligence processes and disclosures.

the Amazon rainforest to ensure financial resilience with the government and its debt management office specifically, as well as the Central Bank.

Indonesia

In 2021, the IPDD launched its second engagement on deforestation with the Indonesian government. After a year of relationship building, in October 2022 Robeco took part in the IPDD's visit to Jakarta and met with representatives from national institutions to discuss various ESG topics. In particular, the IPDD group met with the Indonesia Stock Exchange (IDX) and with the Chamber of Commerce (KADIN). They signed two Memoranda of Understanding (MoU) to promote green investments and ESG disclosures in the country, and to support the Regenerative Forest Business Sub Hub, respectively. These MoUs will be followed by collaborative roadmaps to define key milestones to report on. Additional institutional meetings also centered around the financial materiality of natural capital and the role of foreign institutional investors in promoting sustainable investments in Indonesia. In 2023, IPDD will continue its activities in meeting with ministries, trade association bodies and domestic investors.

Biodiversity voting policy: Voting to protect forests

As part of the 2022 deforestation policy, we have mapped our and our clients' exposure to deforestation risk through our investments, with a focus on palm oil, soy, beef, pulp and paper. We have also introduced a proxy voting approach to target laggard companies with high exposure to deforestation risk and inadequate policies and processes in place to reduce their impact. For impacted companies, Robeco will vote against the most appropriate agenda item and inform the company of the reasons behind the vote and our future expectations.

Companies have been identified using two data sources:

- the Sustainalytics Global Standards Screening classification, identifying whether companies are compliant with the United Nations Global Compact (UNGC) principles with regard to deforestation, and
- Global Canopy's Forest500 ratings, which identifies 500 companies and financial institutions with greatest exposure to deforestation risk across four main commodities – palm oil, soy, cattle-products (including beef and leather), timber products (including timber, pulp and paper) – and ranks them based on their management of such risk. The database also assesses companies' risk management regarding human rights issues generally associated with deforestation, such as indigenous peoples, labor and gender rights. The deforestation voting policy currently excludes financial institutions and is likely to evolve as further data points are made available.

Water and waste

Water and waste play essential roles in addressing biodiversity and climate change challenges. At Robeco, we recognize the intersection between managing the water and waste footprints of our investment activities, and our efforts to address biodiversity and climate change challenges.

The boundless appetite for resources, fueled by linear production and consumption patterns, is exceeding the planet's regenerative capacity. Regulatory actions for higher circularity are amplified by consumers opting for circular products. With ongoing innovations and technological advancements, prospects for de-materialization look better than ever.

Water – especially fresh, clean water – is increasingly becoming a scarce resource. The true value of this critical asset is underestimated and its use is largely unsustainable. Increases in water demand coupled with limited supply and uneven distribution are leading to water-stressed regions across the globe. Current trends like climate change, population growth, industrialization and decreasing water quality will strain supplies and further exacerbate water stress. Opposite to physical water shortages, too much water may be an even bigger problem. Rising flood frequency and costs are drowning municipalities across the globe; the OECD estimates that by 2030, investments in water infrastructure should reach USD 6.7 trillion annually to help cities and communities stay afloat.

We engaged with the mining sector for three years and closed the theme in early 2023. The mining industry has the highest financial impact from water risks; its total risk is more than double that of the second-placed industry of power generation. The engagement targeted the largest mining companies and aimed to improve water management, increase the safety management of tailing dams, and improve asset retirement planning, including financial surety, liquidity and accessibility. A summary of the theme's closure is provided below.

In 2022, we launched a dedicated engagement theme, 'Natural resource management', focused on addressing water and waste-related issues. This theme will follow the EU Sustainable Finance Action Directive of Principle Adverse Impacts (PAIs).

Key highlights: Water and Waste in 2022

- Launched dedicated engagement theme addressing water and waste-related topics
- Closing of Mining engagement theme was largely successful
- RobecoSAM Sustainable Water Equities celebrated its 20th anniversary in 2022

Engaging on water and waste-related issues

A core component of our stewardship policy concerns addressing environmental impacts. Specifically, we expect companies to continuously improve their performance in areas such as emissions reductions, resource efficiency, recycling, substitution or reduction of toxic substances and biodiversity.

In 2022, water and waste management was part of two engagement programs: 'Lifecyle management of mining' and 'Natural resource management'.

Closure of mining engagement program was largely successful

The mining sector is becoming more important because of the increasing demand for clean technologies such as solar panels, wind turbines and electric vehicles requiring metals and minerals. We launched an engagement program in 2020 with 14 mining companies across four continents to encourage them to mitigate their impacts on the environment.

The engagement had three main objectives: improving water management, increasing the safety management of tailing dams and improving asset retirement planning, including financial surety, liquidity and accessibility. Engagement with four of them was halted for various reasons. The Russia-Ukraine conflict prevented us from continuing our engagement with two companies, while one case was transferred to the Controversies Engagement program as a result of a severe environmental breach. The fourth case was transferred to the Sustainable Development Goals theme.

Of the 10 remaining companies, we closed nine cases successfully. Almost all of them significantly improved their water risk management. They are doing so

Water systems and climate change put cities at heightened risk

Global warming is causing widespread problems with water, as more extreme weather brings more flooding, and rising sea levels pose a threat to coastal communities. In the biggest natural disaster of 2022, widespread flooding killed more than 1,700 people in Pakistan and resulted in USD 30 billion of economic losses. The Pakistani government blamed historic use of fossil fuels in developed markets for changing weather patterns and sought compensation from the West for the damage.

At the other extreme, Italy saw its worst ever drought as the River Po all but dried up following months of hot temperatures. Since 2000, flood-related disasters have more than doubled, compared with the two previous decades. The OECD estimates that by 2030, investments in water infrastructure should reach USD 6.7 trillion annually to help cities and communities stay afloat.

RobecoSAM Sustainable Water Equities celebrated its 20th anniversary in 2022. It invests in companies offering solutions, from upgrading creaking municipal water supply systems, to developing more green spaces to absorb excess rainwater in cities. From smart sensors and precision analytics to massive mains and tunnels, companies all along the water value chain are providing private companies and public utilities with climate-adaptive solutions.

For more information, please refer to the publication 'Water systems and climate change put cities at heightened risk' on our website: https://www.robeco.com/en-int/insights/2022/03/water-systems-and-climate-change-put-cities-at-heightened-risk

Figure 22 | Water and waste-related engagement themes in 2022

Engagement theme	Period	Outcomes targeted
Lifecyle management of mining	Q1 2020 - Q1 2023	Promoting better environmental management practices in top industry majors and aiming to promote reconciliation of intensive mining activities with critical minerals.
Natural resource management	As of Q2 2022	Aims to enhance companies' risk management of water and waste issues and avoid or mitigate adverse environmental impacts.

through better water policies, actions at the asset level, and having a relevant focus on water consumption and quality. Nine had adopted adequate water management policies and eight are disclosing the performance of their operations on water-related metrics.

For tailings dam safety, the industry has responded positively to the global call for enhanced disclosures after two deadly tailing dam breaches in Brazil. Eight companies now disclose all their tailings storage facilities under operation to the Global Tailings Database. Moreover, and nine have committed to implement the Global Industry Standard on Tailings Management, which sets best practice.

Engagement on asset retirement was less successful, with only one company scoring well. In general, we found that the financial assurances for mine closure need to be much better disclosed in the miners' annual reports.

Natural resource management

The world is facing a dire shortage of freshwater, a situation that is set to only get worse due to urbanization, population growth, climate change and socio-economic development. Companies operating in highly water-stressed regions are not only exposed to these risks but also often make them worse through their own water usage and pollution.

To act upon these risks, Robeco strengthened its engagement program with the launch of the 'Natural resource management' theme, focused on the responsible management of natural resources and the mitigation of adverse impacts on the environment. This engagement uses as framework the Principal Adverse Impact Indicators (PAIs) defined by the EU Sustainable Finance Disclosure Regulation (SFDR), with a focus on water and waste management metrics.

This engagement theme aims to address the impacts of corporate operations related to their intensive water use and generation of waste. Our engagement strives to minimize risks through a set of objectives that aim to enhance corporate disclosures on their management of water and waste issues. The scope of our engagement focuses on three sectors: Chemicals (fertilizers and mines), Oil and Gas (shale gas), and Paper and Pulp (operating in South Africa, a water-scarce area).

We have developed a water and waste management framework tool to assess how well a company has incorporated the management of such risks into its practices. This framework, depicted in Figure 23 on the next page, evaluates several indicators related to aspects such as its water and waste policies, risk

Engagement case study: Anglo American

Sector: Materials
Asset class: Equities
Engagement type: Collaborative engagement

Engagement efforts:
Anglo American showed us that there are active initiatives in place at the company to ensure appropriate mine closures and post-closure efforts. The company established a mine closure toolbox in 2019 that is used to outline how these efforts are conducted. This adequately identifies environmental risks and integrates mine closures into its business plans, and provides some closure-related objectives and targets. Furthermore, financial provisions are illustrated in how they are provided (i.e., in bonds, equity and cash) and how the company's responsibilities for safeguarding provisions are contingent on government regulations. We are using Anglo American in our engagement with peers to illustrate our expectations regarding the management of asset retirement issues.

Engagement case study: Fortescue Metals Group

Sector: Materials
Asset class: Equities
Engagement type: Direct engagement

Engagement efforts:
Fortescue operates relatively young mines, none of which are expected to close within the next decade. Nevertheless, Fortescue has recently enhanced transparency around the processes required by its mine closure policy, publishing the closure plans for all of its operations. These plans include a detailed overview of the stakeholders consulted, the post-land use objectives, and the key actions that will need to be taken to rehabilitate the land. Despite the long-term horizon for the mine closures, Fortescue has established a closure steering committee that reports annually to the board's Audit and Risk Management and Sustainability Committees, ensuring that top management and the board pay enough attention to this matter.

management programs, their metrics, targets and disclosures. The insights from this assessment inform our engagement priorities and facilitate the tracking of progress against our engagement objectives.

Another important action is recording incidents and controversies that had adverse environmental impacts, such as water depletion and pollution. Frequent involvement in these types of incidents is a sign of exposure to ESG risks and a company's failure to manage them. Incidents that go unmanaged can potentially lead to an erosion of shareholder value. We base our work on UN Global Compact and OECD guidelines.

Addressing adverse impact through the Principal Adverse Impact Indicators (PAIs) defined in EU's SFDR

The focus of sustainable investing is increasingly shifting from the idea of single financial materiality to the concept of double materiality, whereby the focus is no longer only on how sustainable development impacts companies, but also how companies contribute to this development. This includes both positive and adverse impacts, where addressing those that are negative has been the key driver behind our new engagement themes.

Adverse impact as a concept ranges from water use and negative biodiversity impacts to social violations and gender pay gaps. These are impacts that the European Commission now makes investors report on, in particular through the Principal Adverse Impact Indicators (PAI) defined in the EU Sustainable Finance Disclosure Regulation (SFDR). The regulation requires investors in the EU to disclose performance against at least the mandatory PAIs for their holdings, using a set of ESG metrics reflecting their negative externalities.

While we have been addressing adverse impacts within our engagement program for many years, we took the opportunity to identify potential gaps in our engagement approach using the mandatory list of PAIs in 2021. As a result of the analysis, we are now launching two new engagement themes explicitly covering 'Diversity and inclusion' and 'Natural resource management'. These two themes are expected to run continuously, instead of over the usual three years.

Both themes aim to support companies face some of their core negative impacts around their human and natural resource management, and push for more transparency as required by the PAIs. These engagement programs differ from our conventional themes as they were designed to incorporate a higher degree of flexibility. They need to gradually increase coverage, as they follow the development of PAI-related data and increasing engagement demand. Moreover, timelines for the engagement dialogues can be shortened if successful outcomes are achieved at an earlier stage.

Figure 23 | Water and waste management evaluation framework

Level 0
Unaware

Companies are neither aware nor acknowledge water/ waste management risks.

Level 1
Aware

The company acknowledges that water stress and/or waste generation present business risks. The company adopts a water and waste management policy including initial water and waste risk reporting.

Level 2
Capacity Building

The company develops and evaluates its water and waste policies, its management systems and processes, and starts to report on practice and performance.

Level 3
Operational Integration

The company improves its operational practices, assigns senior management or board responsibility for water or waste management and provides comprehensive disclosures on its water use or waste management practices and performance.

Level 4
Strategic Risk Assessment

The company develops a more strategic and holistic understanding of the risks and opportunities related to the high water use and waste generation and integrates this into its business strategy, its remuneration policies and its capital expenditure decisions.

Social and employee matters

Over recent years, societal and geopolitical turmoil has reinforced how investors perceive companies' responsibilities towards workers, consumers and society at large. Looking after the 'S' in ESG has moved to the limelight.

Human rights and the 'S' in ESG continue to gain the investment industry's attention. The impact of the Covid-19 pandemic on workers has led to a sharpened focus on resilient supply chains and respect for workers' rights. In addition, the topic of diversity and inclusion has also risen up the agenda of investors, given the social unrest around racial equality. Meanwhile, EU regulations highlight the need for protecting human rights as part of the mandatory Principle Adverse Impact (PAI) indicators related to the UN Global Compact (UNGC) and the Organization for Economic Co-operation and Development (OECD) Guidelines. As the market is conforming to the spirit of the regulation, we expect that investors and companies will further embed aspects of the voluntary PAI indicators focused on human rights in their operations and supply chains. This regulatory push creates an extra dimension to the pursuit of protecting human rights.

War Ukraine-Russia

Unfortunately, there has been an increase in the number of conflict-affected areas in recent years, including as a result of Russia's invasion of Ukraine in 2022. We recognize that companies operating in conflict-affected areas can face challenges in terms of continuing to act responsibly and safeguarding human rights, given the quickly changing market dynamics and roles of their business partners in periods of conflict. The situation in Ukraine prompted us to conduct enhanced human-rights due diligence on our holdings to help us identify and assess any direct or value chain exposure to individuals or entities that may be causing, contributing to or directly linked to human rights abuses. This is in line with our ESG country framework and the human rights framework we developed in 2021 that focuses specifically on conflict-affected areas.

Adhering to international standards

The UN Guiding Principles on Business and Human Rights, the UNGC and the OECD Guidelines for Multinational Enterprises underpin our approach to considering social and employee matters in investment and active ownership processes. Examples include our exclusion policy on controversial behavior which follows UNGC principles and OECD Guidelines, and our ESG integration framework. In the ESG integration framework, social scores are part of our quantitative strategies, and in our fundamental strategies social factors like human capital management and health and safety are covered in the investment case when deemed financially material by our analysts.

> **Key highlights: Social and employee matters in 2022**
>
> - Launch of Human Right Task Force focused on further developing our human rights approach
> - Launch of dedicated Diversity and Inclusion engagement theme
> - Introduced a specific human rights voting approach
> - Active in key collaborations on human rights: PRI's Advance, Investor Alliance for Human Rights (IAHR)

Addressing these issues is also a central part of Robeco's voting and engagement activities. Our engagement program has dedicated engagement themes that address a wide range of social issues, such as human rights due diligence processes, labor rights, diversity and sustainable development in vital supply chains. During the course of the year, we expanded the scope of our voting policy to include human rights and established our Human Rights Taskforce. This taskforce will further develop our approach by creating a human rights framework that better informs our investment teams of the performance of their portfolio companies in this arena. This continued development is a cross-team effort bringing together expertise from across the company.

Joining initiatives on human rights issues

In 2022, Robeco was active in various initiatives on human rights to further advance stewardship efforts on his topic.

- PRI's Advance[9]: 2022 saw the formal launch of the PRI's new Human Rights Stewardship initiative: Advance. Robeco is a member of the initiative's Advisory Council. The initiative aims to coordinate investors' efforts to address social challenges through collaborative engagements;
- Investor Alliance for Human Rights (IAHR)[10]: Robeco is part of the Advisory Council of the Investor Alliance for Human Rights, a platform for collective action on responsible investment that is grounded in respect for people's fundamental rights and receives expert support from various NGOs;
- IMVB covenant[11]: Robeco is an active member of the IMVB covenant in the Netherlands, a collaboration on responsible investment between the Dutch government, NGOs, companies, trades unions and pension funds. Through this covenant, we jointly engaged with companies on human rights issues and labor rights;
- We have co-signed an investor statement on human rights and business activities in Russia[12]. The statement sets out expectations for companies operating in Russia or otherwise linked to the Russia-Ukraine conflict. By the end of 2022, 59 asset managers with a collective USD 1.7 trillion of assets under management had signed the statement.

Engaging on social and employee matters

Our engagement program has dedicated engagement themes that address a wide range of social issues, such as human rights due diligence processes, labor rights, diversity and sustainable development in vital supply chains. Below is an overview of the engagement themes related to social issues.

9 https://www.unpri.org/investment-tools/stewardship/advance
10 https://investorsforhumanrights.org/
11 https://www.pensioenfederatie.nl/website/themas/vermogensbeheer/imvb-convenant/
12 https://investorsforhumanrights.org/news/investor-alert-human-rights-risks-related-russian-invasion-ukraine

Figure 24 | Engagement themes related to social issues 2022

Engagement theme	Period	Outcomes targeted
Human rights due diligence for conflict-affected and high-risk areas	Q3 2021 - Q3 2024	Mitigating exposure to human rights violations by focusing on companies operating in three conflict-affected or high-risk areas.
Labor practices in a post Covid-19 world	Q2 2021 - Q2 2024	Engaging with three key sectors – retail, gig economy and hospitality – where the pandemic exposed vulnerability and lack of safeguards for workers.
Digital innovation in healthcare	Q4 2019 - Q1 2022	Gain perspectives on the current state of digitalization within the healthcare industry and encourage companies to explore opportunities and mitigate any related risks.
Social impact of AI	Q3 2019 - Q3 2022	Aims to safeguard human rights and promote strong governance in relation to Artificial Intelligence.
Social impact of gaming	Q1 2021 - Q1 2024	Focusing on the social impacts of gaming for companies operating in the video game industry.
Diversity & Inclusion	As of Q3 2022	Aims to promote robust corporate D&I practices.

Companies need to ramp up human rights due diligence processes

In the last decade, the number of civil wars worldwide has almost tripled, with a peak of 53 countries experiencing internal armed conflict in 2016. Many of these conflicts are linked to severe human rights abuses, often involving not only conflict participants but also businesses operating in the concerned area, whether willingly or not.

To address human rights-related risks, we launched an engagement theme in Q4 2021 focusing on companies operating in three conflict-affected or high-risk areas. Our engagement focuses on implementing robust human rights due diligence practices to help companies understand their operating context and minimize the risk people may face from products, services or operations. The priorities for this theme revolve around robust policy commitments and remediation, reporting on these matters, and disclosing adequate measures of performance. Through the engagement, we aim to ensure alignment with the best practices laid out in the UN Guiding Principles on Business and Human Rights.

Implementation and disclosures main focus of engagement going forward

Conflict-affected or high-risk areas come with different characteristics and salient risks attributable to them. The engagement theme focuses on companies with activities in Myanmar, the Occupied Palestinian Territories and in Xinjiang, China. We selected ten companies from eight different sectors and industries that pose higher risks in these areas such as oil & gas, construction, and the manufacturing industry.

We expect all companies to have a policy commitment in place that clearly articulates the company's commitment to human rights, their strategy, the responsibilities and how it is cascaded through the company. We ask companies to develop and conduct enhanced due diligence to manage human rights risks. To effectively monitor complaints raised by affected stakeholders, companies should have operational-level grievance mechanisms in place. Finally, we seek transparency and disclosure surrounding the salient risks that companies face on the topic of human rights. To enhance transparency and give a clearer and more objective overview of their performance we expect companies to track their human rights performance using quantitative and qualitative measures.

Nine out of ten companies have been responsive to our request for engagement. All of these companies have a human rights policy in place. Progress has to be made with regard to implementation and the development of an enhanced human rights due diligence process for conflict-affected and high-risk areas. Lack of disclosures on the results of such due diligence and performance measurement remain key areas for improvement and therefore focus areas for our engagement going forward.

Addressing labor practices in a post Covid-19 world

To address potential risks and opportunities related to labor practices, Robeco's Active Ownership team launched the 'Labor practices in a post Covid-19 world' engagement program in 2021. The program focuses on promoting decent work and sound human capital management strategies in the online food delivery, retail and hospitality sectors. Engagement priorities relate to decent work and fundamental workers' rights, such as establishing strong social dialogue, transparent wage-setting mechanisms, and appropriate social benefits and occupational health and safety protocols. They also look for strong human capital management strategies. Lastly, to ensure sufficient safeguards and corporate accountability on labor-related topics, the engagement addresses overall transparency levels and governance structures across the companies under engagement.

Digital innovation in healthcare

Healthcare is under pressure due to increasing pressure on costs, combined with socio-economic shifts and demand for better-quality care. All are forcing healthcare players to rethink their ways of doing business. The pandemic has exacerbated the need to consider and discuss the role of digitalization in health care. The digital transformation that the sector has seen over recent decades is now accelerating on a wider scale. The Covid-19 pandemic not only fast-tracked the adoption of digital technologies in the health care sector, it also forced companies to overcome their non-technological barriers to adapt to the new dynamic and remain competitive in the post-pandemic era.

From 2019 to 2022, Robeco engaged with 13 companies in the different industries within the healthcare sector: pharma, medical equipment and supplies, health care information technology and health care providers and services. The engagement assessed the companies' digital strategy, sector collaboration, innovation management, sales and marketing strategy, and cybersecurity.

In May 2022, we concluded our engagement program and closed two-thirds of the cases successfully. Most of the companies defined a comprehensive digital strategy and supported it by integrating newer digital technologies within their innovation process. Limited progress was achieved on the engagement objectives 'cybersecurity' and 'sales and marketing strategy', where only 54% and 23% were closed successfully, respectively. When it comes to cybersecurity, despite having robust policies in place, companies remain reluctant to share detailed information on external attacks and internal policy adherence failures due to commercial sensitivity issues.

Engagement case study: Walmart

Sector: Consumer Staples
Asset class: Equities and credits
Engagement type: Direct engagement

Engagement efforts:
US food retail company Walmart Inc. has for a long time been under severe scrutiny for its low starting wages.

Our dialogue has been focused on the company conducting a living wage assessment and adapting minimum wages appropriately.

Over the last year, Walmart has engaged in simple payment restructuring following employee feedback, such as integrating bonus payouts in hourly pay instead of quarterly payouts, as well as raising minimum wages by 17%, from USD 12 to USD 14 per hour in March 2023. While not yet meeting living wages and continuing to fall behind peers, these amendments do showcase first considerations towards helping to meet employees' rising cost of living.

Engagement case study: Elevance Health

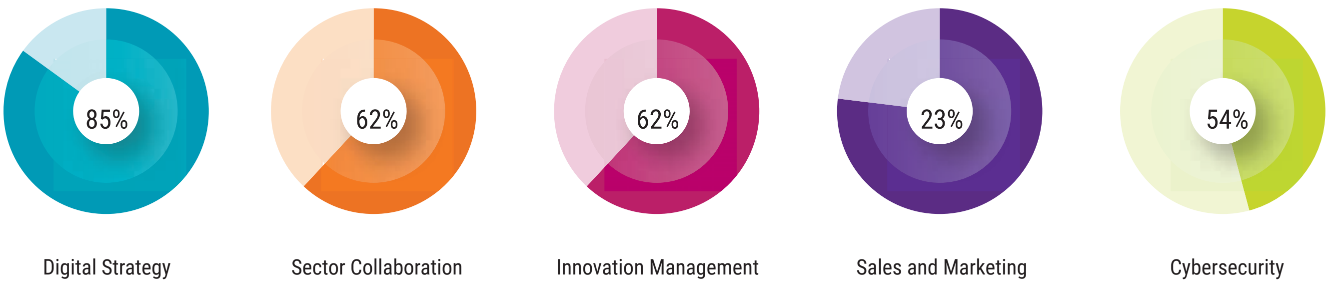
Sector: Health Care
Asset class: Equities and credits
Engagement type: Direct engagement

Engagement efforts:
Managed care companies face material data privacy risks given the volume of data collected and the number of contact points with patients. Elevance Health is working on an initiative to enhance the data privacy component of its patient data sets. The company creates synthetic data where a patient's health data is stored, but in a way in which it could be completely delinked from the actual person that the data represents. Synthetic data can be used to share valuable primary care information for AI modelling without compromising patients' privacy.

Mitigating the risks of artificial intelligence

Artificial intelligence (AI) represents new opportunities for companies to grow and transform their businesses. However, the potential benefits come with risks that are not yet fully explored, let alone understood. As AI increasingly becomes a more important part of our daily lives, there is an urgent need for robust governance of AI systems. In September 2022, we concluded our Social Impact of AI engagement program and successfully closed four out of the five engagement cases and transferred five other cases to our SDG Engagement theme to further engage these companies on their societal impact. Through our engagement, we

Figure 25 | Overview of engagement results of Digital innovation in healthcare theme per engagement objective



Share of companies that met our expectations for each engagement objective learned that companies are gradually aligning internal practices to principles of responsible AI. Many companies formalized AI principles that address topics like inclusiveness, fairness and transparency. Additionally, companies are increasingly pursuing a collaborative approach by actively participating and contributing to cross-industry multi-stakeholder initiatives that aim to advance responsible governance and best practices in AI. These types of initiatives play a decisive role in guaranteeing trustworthy AI across the industry.

However, ethical principles on their own do not ensure the responsible development and deployment of AI. Businesses require robust governance mechanisms to effectively implement their principles. In our engagement, we observed that transparency around AI governance and implementation remained low, as most companies' public disclosures lacked clarity about how such principles translate into practice, and which checks and balances are in place. After talking to the companies, we learned about the specifics of the implementation, which then gave us the confidence to close some of the objectives successfully. The engagement results of this theme are, therefore, highly correlated with the company's willingness to set up constructive dialogues.

In response to the ethical and societal challenges, an increasing number of regulatory initiatives and policy proposals have been launched, led by the European Commission's Artificial Intelligence Act. The future alignment of AI technologies with ethical values and principles will be critical to promoting and protecting human rights in society.

Engagement case study: Microsoft

Sector: Information Technology
Asset class: Equities and credits
Engagement type: Direct engagement

Engagement efforts:
Microsoft shows strong performance in developing and implementing AI policies and guidelines. For example, the company has published six ethical principles to drive responsible AI as well as user tools, guidelines, and resources to help implement it throughout the lifecycle of technologies, from concept to deployment. One specific example is a checklist that helps prioritize fairness when developing AI. Additionally, Microsoft has added requirements on responsible use by clients in terms of service and marketing materials of its AI products and services.

Engagement case study: Activision Blizzard

Sector: Communication Services
Asset class: Equities and credits
Engagement type: Collaborative engagement

Engagement efforts:
Activision Blizzard, an American video game holding company, faced prominent allegations of employee misconduct towards the end of 2021, generating wide media coverage and employee outrage. Since then, the company has settled an investigation with a state regulator and implemented a multi-pronged initiative of diversity personnel, targets, and strengthened employee protection policies. We have discussed this at length with the company as part of our engagement, and provided detailed feedback on how Activision can improve its reporting to progress the resolution of the issue by increasing confidence in the efficacy of its new measures. If the efforts are proven to have worked, the company's response to its scandal may serve as a positive example to peers in a sector that has faced many similar allegations in past years.

Social impact of gaming

Another tech sector that brings pleasure and concern in equal measure is computer gaming. The time spent on video games soared by 40% during the pandemic, providing hours of harmless and even educational fun for millions. However, gaming also poses numerous risks, such as online abuse, exposure to violent content, and the potential for addiction. Within the industry itself, employees of gaming companies face issues that include excessive overtime and a lack of diversity and inclusion.

In Q1 2021, we began an engagement program with six of the largest listed gaming companies located in the US, South Korea and China to address the social impacts felt both behind and in front of the screen. We asked companies to develop strategies that prevent harassment, especially within Massively Multiplayer Online Role-Playing Games, where large numbers of players interact at once. Automatic chat text filtering was one welcome solution that emerged as a standard technology deployed by most companies under engagement.

Creative versus risk-aligned

Depictions of violence were acknowledged as material by the companies most exposed to this content. However, we have yet to see examples of clear policies that guide what imagery is appropriate outside of regulation, and it is widely seen to be a creative rather than a risk-aligned decision. Similarly, in-game diversity has begun to garner attention in US-based studios, but lacks traction in other markets.

The response to allegations of toxic workplace cultures has been twofold. Western companies have appointed leads for diversity, installing training and development programs. Companies in other regions, however approach diversity primarily from the gender perspective, and are less responsive to the issue overall. Wider workplace conditions resulted in companies reporting initiatives to improve work-life balance. And where companies have developed across the board is in their reporting. All companies under engagement now publish annual ESG reports, when at the beginning of the engagement, three had yet to do so.

Engaging on 'Diversity and inclusion'

The importance of diversity and inclusion (D&I) for investors can be understood through the double materiality lens. Having strong diversity enables a company to recruit and retain the best talent, enhancing its performance, while contributing to a more inclusive and equitable workplace benefits the economy and wider society.

But not all companies are there yet. We therefore opened a dedicated diversity and inclusion engagement program, focused on addressing inequalities in gender and ethnic pay, discriminatory company policies and unequal opportunities for promotion at the companies we invest in. By considering employee diversity at each step of their human capital management processes, firms can make themselves more attractive places to work, cut costs linked to turnover, and benefit from more diverse perspectives and skill sets. Through this theme, we hope to help companies tap into the full potential of everyone in their workforce, creating value both for themselves and for wider society.

We have formulated five objectives to facilitate our dialogue with selected companies. The first step towards creating a more diverse workforce is for the company to develop a D&I policy in which it defines what diversity and inclusion actually mean for the business. This should include a set of time-bound goals that are sufficiently ambitious to effectively diversify a company's workforce.

Our second objective focuses on how companies define strategies and measures of success for aligning their talent management strategy with their business goals and D&I objectives over the different stages of the employee lifecycle. Thirdly, we encourage companies to disclose workforce diversity data, focusing not only on ethnic or racial diversity across different employment bands and employee levels, but also incorporating other diversity components.

Engagement case study: NC Soft

Sector: Communication Services
Asset class: Equities
Engagement type: Direct engagement

Engagement efforts:
South Korean video game developer and publisher NC Soft has made significant steps in improving its sustainability disclosures since the beginning of our engagement in 2020, moving from elementary ESG disclosure to publishing an inaugural ESG report in 2021. The company's new ESG reports have particularly highlighted NC Soft's approach to diversity, both within the company and in-game. Though not regarded as highly material in its domestic base compared to Western markets, NC Soft has shared how its employee code of ethics accounts for diversity and inclusion. It has also published human capital metrics describing how gender is represented across different levels of the company. NC Soft has also outlined the process in place to intercept content that may be inappropriate in different markets, both in imagery and in text.

The fourth engagement objective focuses on overall pay equality. Companies should undertake audits to ensure they address any pay gaps in their D&I strategy. We expect them to provide quantitative statistics, complemented by qualitative assurances, for both adjusted and unadjusted median pay gaps. Finally, we encourage companies to promote an inclusive culture by taking a strategic approach to shaping attitudes and behaviors in the workplace.

As part of our focus on gender diversity and equality, Robeco has signed an investor statement[13] encouraging the

13 https://bostoncommonasset.com/wp-content/uploads/2022/09/BCAM_Gender-in-EU-mandatory-HREDD-legislation_Investor-statement-9-19-22.pdf

Investing that is pro-diversity on the surface and under the hood

Two new words entered the investing lexicon in 2022. 'Genderwashing' is where a company claims to be progressive about sexual equality but in fact does little to promote equality of pay for women, or female participation at higher levels of the organization. 'Pinkwashing' shows a similar pattern when it comes to LGBTQ+ rights, particular in the workplace where discrimination can often occur.

Both form part of the diversity and inclusion concept, but the assets devoted to it are still relatively small; direct Gender Lens investing amounted to just USD 12.3 billion in Q2 2022. This includes the RobecoSAM Global Gender Equality strategy, which since 2015 has invested in companies that are reducing gender inequalities and building environments where all employees feel valued.

Uncovering the right companies

The strategy uses a unique quantitative scoring system to get under the marketing shimmer and uncover gender-leading, diversity-friendly companies throughout the economy. All portfolio companies provide diligent disclosure of gender data and score high on metrics such as numbers of women on the board or in key leadership positions, gender pay equity and retention policies.

Active ownership can also help. In autumn 2022, a 'Diversity and inclusion' engagement program was launched, collaborating directly with company leaders to help them understand the risks and benefits of diversity, develop talent management strategies, establish granular data metrics and publicly disclose progress on diversity-related issues such as pay parity and representation ratios.

For more information, please refer to the publication 'Investing that is pro diversity on the surface and under the hood' on our website: https://www.robeco.com/en-int/insights/2022/10/investing-that-is-pro-diversity-on-the-surface-and-under-the-hood

Council of the European Union and the European Parliament to explicitly consider gender in the EU's legislation on Corporate Sustainability Due Diligence.

Social voting policy

Social topics mostly find their way onto annual general meeting (AGM) agendas via shareholder proposals. As not all AGMs include such proposals, in 2022 Robeco developed another way to integrate human rights and social considerations in our voting approach. We started flagging human rights and social concerns with companies that have exposure to such issues and that do not provide any evidence of having adequate human rights due diligence processes in place – a key requirement of the UN Guiding Principles on Business and Human Rights. For six companies, we voted against the sustainability committee chair or the financial statements and audit reports. We will evaluate the success of our approach and consider how we can enhance it over time.

Giving the S in ESG a higher priority

Social issues were given a higher priority at the 2022 voting season amid a more prominent focus by the Active Ownership team on promoting the S in ESG. While environmental issues have always had a high profile in the fight against global warming, and governance traditionally dominates corporate agendas, the S is frequently the middle child of ESG that often gets sidelined at AGMs.

Yet social issues such as achieving gender equality, paying living wages and maintaining healthy workplaces are increasingly seen as being key to corporate success. Research has shown that happier workers are more motivated, while companies with higher numbers of women in key positions are more successful. On the flipside, companies with poor records often do worse, and may face lawsuits.

As with other issues, voting offers a means of challenging poor social records at companies, often through shareholder resolutions targeting specific problems such as sexual harassment, a lack of diversity or racial pay gaps. The Black Lives Matter movement was also leveraged to discover whether corporate activity also deliberately or unwittingly leads to discrimination.

For more information, please refer to the publication 'Voting to promote the S in ESG' on our website: https://www.robeco.com/en-int/insights/2022/02/voting-to-promote-the-s-in-esg

Good governance

A well-structured corporate governance system aligns the various interests of all the stakeholders in a company, including shareholders, management, clients, suppliers, financiers, government and the community. It supports the company's long-term strategy.

We expect companies to have a well-defined corporate governance system that balances the interests of all stakeholders. Corporate governance refers to a set of rules or principles defining rights, responsibilities and expectations between different stakeholders in the governance of corporations. It can enhance the stability and performance of a company and support its long-term strategy. Corporate governance provisions can differ strongly between regulatory markets.

We want companies to implement the guidelines shown below to the best of their ability and within the limits of any applicable local corporate governance framework. We recognize that sustainable and well-governed companies must satisfy the basic and legitimate requirements of its capital providers. Therefore, we expect prudent capital allocation as a basis for responsible company management.

Key highlights: Good governance in 2022

- Strengthened good governance assessment
- Integral part of Exclusion Policy
- Dedicated engagement themes on good governance

Good governance materializing as a minimum requirement in the SFDR

In March 2021, the EU Sustainable Finance Disclosure Regulation (SFDR) entered into force. A key minimum requirement for investment products that either promote their environmental or social characteristics (Article 8) or have sustainable investment as a key objective (Article 9) is that they do not invest in (securities issued by) companies who do not follow good governance practices.

In 2021, to be able to assess Robeco's full investment universe, a data-driven quantitative 'good governance test' was developed that can be used globally and across all asset classes. During 2022, we further enhanced the assessment; in cases where a company fails this test, but Robeco deems engagement is relevant and possible, the company will enter into the scope of our dedicated enhanced engagement program focusing on good governance. The assessment sets out the basic governance expectations, meeting only our minimum standards. It comprises seven criteria that reflect widely recognized industry-established norms. Figure 26 explains the rules-based criteria that companies must pass to be eligible for inclusion in the majority of Robeco's funds. In 2022, the Good Governance assessment has been added to Robeco's Exclusion Policy.

Figure 26 | Robeco's good governance assessment test

Indicator	SFDR topic	Metric*	Weight**
1. Employee Relations	Employee Relations	The company is compliant with the 3rd principle on labor relations on the UN Global Compact and is not on the noncompliance list	Required 100%
2. Bribery Corruption, and Business Ethics	Management Structure	The company is compliant with the 10th principle on antibribery and corruption of the UN Global Compact and is not on the non-compliance list	Required 100%
3. Accurate Reporting to Markets and the broader Public	Management Structure	The company has published unqualified audited financial statements and reports	Required 100%
4. To have Board Oversight on Functioning of Management	Management Structure	The Supervisory Board, if applicable, has at least one independent board member	Required score of 3 out of 4
5. Tax Behavior	Tax compliance	The company has no significant controversies on Taxation and Accounting	
6. Consistent Remuneration issues	Remuneration	Companies that have a significant shareholder dissent and do not follow basic expectations on golden parachutes and claw back provisions.	
7. Breaches of shareholder rights and Governance incidents	Management Structure	The company has no Issue Codes on 'other governance issues' and Active Ownership 'assessment principles.	

Figure 27 | Governance-related engagement themes 2022

Engagement theme	Period	Outcomes targeted
Responsible executive remuneration	Q4 2020 - Q3 2023	Focusing on companies across six sectors in the US and EU with the aim of promoting the alignment of executive incentives with those of investors.
Corporate governance standards in Asia	Continuous	Engaging on governance issues in Asia. This engagement theme is kept broad to provide the necessary flexibility to accommodate investment team and client requests as engagement needs arise.
Corporate governance in emerging markets	Q2 2020 - Q2 2023	Addressing material shareholder issues in Brazil, China and Korea, aiming to improve governance and ESG practices.

Engaging on good governance

Robeco's voting and engagement activities on good governance are based on internationally accepted guidelines, such as the principles set by the International Corporate Governance Network (ICGN), the UN Global Compact principles, and several OECD principles including the OECD Principles of Corporate Governance.

In 2022, we continued our engagement on a set of key topics: improving transparency and the position of minority investors in emerging markets, and adopting a more holistic approach to incentives in developed markets. For more information on our voting activities, please refer to the 'Proxy voting' chapter.

Apart from engaging with companies in our portfolios, we have continued our efforts towards policy work and consultations in order to improve the mechanics of shareholder and stakeholder influence in several markets. To read more on this, see our 'Public policy' chapter. Please find below an overview of engagement themes related to governance issues.

Engaging for responsible executive remuneration

Executive remuneration is one of the touchiest topics between investors and companies. But it remains material to performance, so an engagement theme on this was initiated in 2020, based on the EU's updated Shareholder Rights Directive (SRD 2). This gave shareholders the right to a vote on remuneration on a structural basis, putting the subject on a more formal footing.

For a set of European and US companies, we aligned our engagement practices with our voting policy to improve corporate pay practices in four focus areas. First, we aim to better align pay with performance, including sustainability. Second, we want to promote equity payouts (rather than option structures or cash bonuses) that have a more straightforward alignment with shareholders.

Thirdly, we sought to use ratios and benchmarks in order to avoid excessive pay discrepancies between and within organizations. Finally, we engaged to create strong and independent oversight from the supervisory board and feedback mechanisms towards its shareholders. So, after a year and a half or engagement, have remuneration practices really become any better?

Taking stock of SRD 2

It is certainly safe to say that SRD 2 has had an impact. Almost directly after its implementation, we saw several remuneration practices being voted down. Many companies are starting to look into incorporating non-financial measures (often ESG metrics) into remuneration packages. This is starting to become common practice across Europe, as well as a trend in the US. We also have seen companies align their reporting practices on remuneration with SRD 2.

However, many corporates dropped performance metrics during the pandemic, as the world's economic circumstances were turned upside down. Some dropped annual bonuses, but many continued to pay them, arguing that Covid was an external circumstance that did not relate to company performance. For those companies, we refocused our engagement on alignment with the shareholder experience. It is common for companies to attribute strong performance in economic booms to management and to blame external factors for poor performance during downturns.

We also noted that some companies use sustainability performance as a remuneration cushion. When financial performance was close to zero, sustainability metrics were all met, safeguarding executive payouts but without strong disclosure. During our conversations, we aimed to make sure that sustainability metrics were measurable, relevant to the strategy, and sufficiently ambitious.

Corporate governance in emerging markets

Our engagement in emerging markets began in 2020 and is a multi-year process with eleven companies in China, South Korea and Brazil.

The issues we focus on are broadly grouped into three categories:
- Improving the narrative and ESG disclosures for the capital markets,
- Capital allocation practices, and
- Conflicts of interest in decision-making. Our engagement is primarily with listed companies and with relevant regulators. In China and South Korea, we work both directly with companies and in collaboration with other asset managers.

We are an active member of the Asian Corporate Governance Association (ACGA), and with two of its working groups covering Japan and South Korea. In its Korea Working Group, we have been engaging with large conglomerates to improve their board diversity and capital efficiency. Although many leading firms have appointed more women to board roles, we are asking for boards to appoint more individuals with international experience.

We closed our engagement with one Chinese company, which showed no sign of improving its guidance on its dividend policy, or any willingness to consider adding additional independent members to its board. Despite the company evaluating its financial targets monthly, it declined to disclose its key performance indicators or other focus areas, citing commercial confidentiality.

In Brazil, we have been working to nominate an independent director to the board of an electricity utility. CPFL nominated a female director, which is positive for diversity, and we have asked for a call with her to better understand the strategy of the largest shareholder, the State Grid of China.

In all three markets, we encourage the formalization of shareholder return policies. For South Korea, we use financial metrics to identify over-capitalized companies, and systematically incorporate these into our proxy voting process. We ask that all standard documentation (e.g., financial statements, annual reports, governance/ESG reports, investor presentations etc.) is also published in English. We also ask companies to disclose narrative reports such as forward-looking statements.

Engagement case study: Tesco

Sector: Consumer Staples
Asset class: Equities and credits
Engagement type: Direct engagement

Engagement efforts:
We have been engaging with UK retailer Tesco on executive remuneration since 2020, when the company's remuneration report was rejected by a majority of the votes cast at the AGM during that year. The company has rolled out meaningful improvements to its compensation plan since we initiated our dialogue. Most recently, Tesco revised its remuneration policy and included ESG metrics in the executive pay design while also simplifying the structure of its short-term incentive plan.

Engagement case study: Omron Corporation

Sector: Information Technology
Asset class: Equities
Engagement type: Collaborative engagement

Engagement efforts:
In 2016, we began an engagement with Japanese electronics maker Omron, which now trades at a significant premium relative to its industry peers. The company's integrated reporting steadily improved and its communication with investors now includes published interviews with its CEO and CFO. In addition, Omron's revised remuneration incentives for corporate value enhancement include a 60% weighting for financial metrics. We therefore closed our engagement as having been successful.

Engaging to close the Asia discount

We have an ongoing engagement program with Asian companies to improve corporate governance standards and close the 'Asian discount' – where stocks trade lower than they should due to poor ESG metrics. The engagement began in 2017 with Japan and was widened in 2020 to include other countries. Stock markets in Japan and South Korea have large valuation discounts compared to other developed markets in Europe and the US. These discounts widened following the strong relative appreciation of the US dollar in 2022.

Much of the problem lies in poor capital management, which disadvantages external shareholders, along with poor disclosure and a habit of releasing financial reports so close to annual meetings that investors cannot act upon them. We subsequently have two broad streams of engagement. Firstly, we work with financial regulators and local stock exchanges to ensure an improved and level playing field for ESG issues. Secondly, we work constructively with companies in Japan and South Korea to improve their disclosure, communication and financial performance.

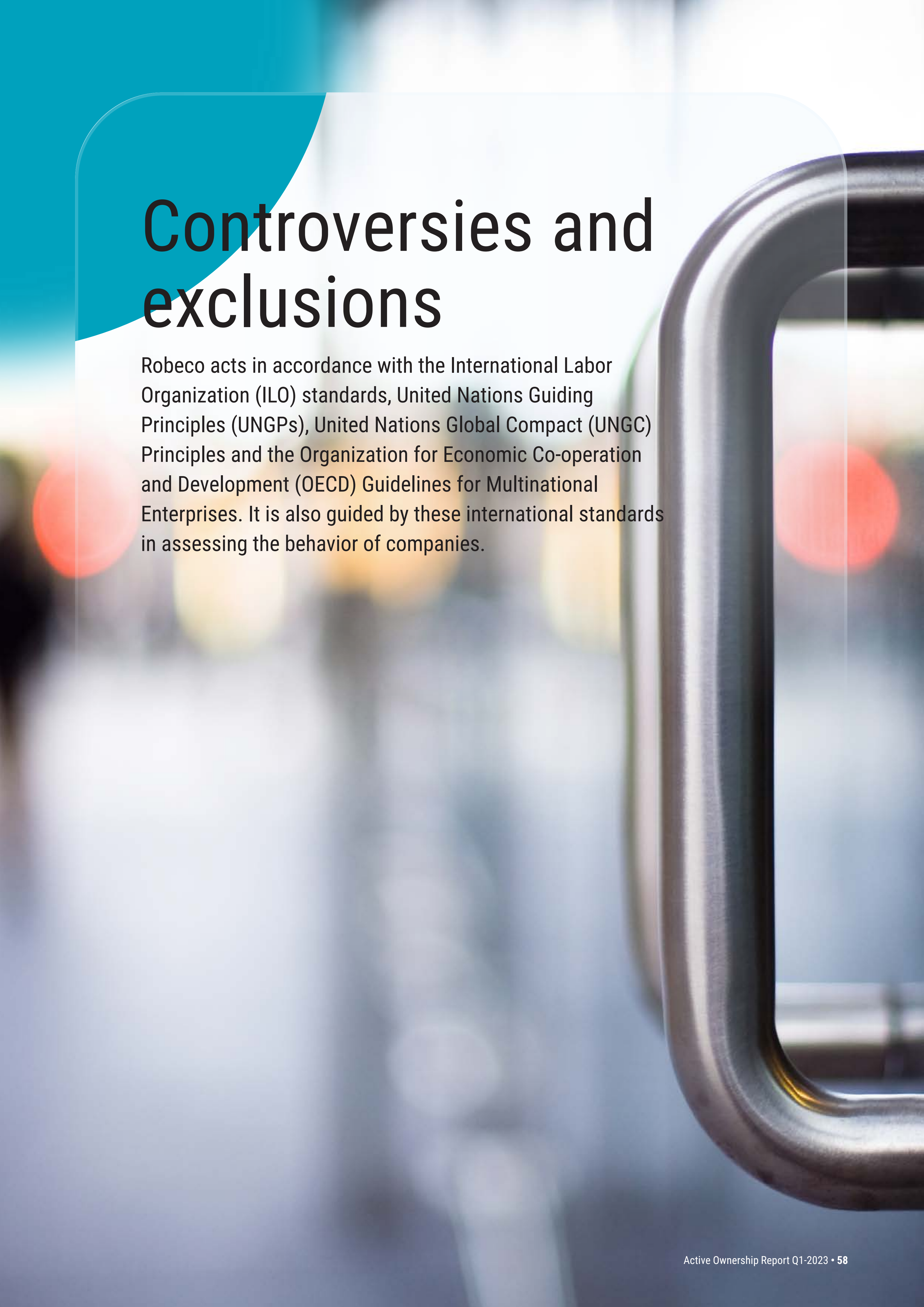
Corporate finance basics

We consider a robust financial strategy to have several components, including disclosing the thresholds for planned capital expenditure, investment and acquisitions. We constantly remind executives of the basics of corporate finance, including having positive returns on capital, and we push for increased accountability by providing practical recommendations such as publishing dividend policies and setting appropriate incentives. We also challenge companies to dispose of any cross-holdings and low-return business assets, and to return excess capital in the way of dividends, share buybacks and the cancellation of any treasury shares.

We also collaborate with other asset managers to improve the Asian corporate governance 'ecosystem', actively participating in two working groups within the Asian Corporate Governance Association and the International Corporate Governance Network (ICGN).

Controversies and exclusions

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. It is also guided by these international standards in assessing the behavior of companies.



Exclusion policy on controversial behavior

Enhanced engagement on controversial behavior is a formal part of Robeco's Exclusion Policy.

Companies breaching international norms and guidelines will be subject to enhanced engagement for Robeco's range of Sustainability Inside funds, while they are excluded from the Sustainability Focused or Impact Investing ranges without prior engagement.

If the enhanced engagement of up to three years does not lead to the desired change, Robeco will exclude a company from the investment universes of the portfolios in accordance with Robeco's Exclusion Policy.

For more information, please refer to Robeco's Exclusion Policy: https://www.robeco.com/docm/docu-exclusion-policy.pdf

The war in Ukraine, the military regime in Myanmar, the climate crisis and various other human rights and geopolitical events that have shaped the world over the last years have triggered debates on the role of companies during difficult times. Triggered by these events and growing regulation around sustainable finance, we have seen a renewed emphasis on adhering to some of the commonly accepted international norms and ethical standards, such as the UN Global Compact (UNGC).

Robeco's Controversial Behavior Committee (CBC), established in 2021, has oversight and decision-making responsibilities related to the controversial behavior of corporates. Companies that are assessed as 'non-compliant' by Sustainalytics' Global Standards Screening and deemed to be in breach of UNGC principles and OECD guidelines are discussed in the CBC. The CBC determines whether a company will be included in our enhanced engagement process, subject to our own assessment of whether its securities are held in our or our clients' portfolios.

A number of cases have been discussed in the CBC, resulting in the initiation of nine new enhanced engagement cases. One global controversy enhanced engagement cases was closed unsuccessfully (Hangzhou Hikvision Digital Technology) and added to the exclusion list.

Process of enhanced engagement on controversial behavior

An enhanced engagement process is applied to companies facing severe breaches of these principles and guidelines. In addition, we monitor all companies that are assessed as potential breaches on the Sustainalytics Watchlist.

Once a new case is opened for enhanced engagement, the first aim is to eliminate the breach and the second is the implementation of proper management systems to prevent such a breach from happening again. For all cases, the following five objectives are set:

1. Elimination of the breach
2. Development and implementation of policy in the relevant area
3. Establishing a constructive dialogue with stakeholders
4. Implementation of effective risk management systems
5. Transparency on the breach and remediation efforts

When an engagement leads to a successful closure of the first objective (elimination of the breach) and the third objective (establishing a constructive dialogue with stakeholders including having in place grievance mechanisms) and at least one additional objective, the engagement cases can be put forward to the Controversial Behavior Committee. The committee will decide whether to close the engagement case successfully, based on an overview of the dialogue. It is also important to note that an engagement case closed unsuccessfully is reviewed by the committee at least once a year in order to ensure a timely (re-)assessment of a breach.

We allow for a maximum of three years of engagement with a company in the global controversy program, whereby we apply a strict escalation process. If the trajectory is not positive, or there is limited progress, we may propose to the committee that the case be closed unsuccessfully and the company excluded from our investment universe without waiting for the full three years.
We believe that this would create more accountability for companies to remediate the impact caused and to improve the management of the issue in order to prevent future occurrences of similar breaches.

Figure 28 | Escalation strategy for global controversy engagements

Sustainable Development Goals

Robeco views the Sustainable Development Goals (SDGs) as a blueprint for sustainable investing. These 17 goals were unanimously adopted by all United Nations member states in 2015, marking a historic milestone for sustainable development and investing. The SDGs provide a measurable and actionable blueprint to help us create a better world for current and future generations.

Achieving the 17 SDGs and their targets requires a level of cooperation that has never been seen before. Multilateral organizations, governments, civil society groups and companies all must work together in order to change the complex societal patterns that underpin today's unsustainable production patterns and inequalities.

With the power to direct financial flows, the financial sector is key to the SDGs' successful implementation. The first investors have started to direct their investments towards companies that can positively contribute to sustainable development. These typically use best-in-class investment strategies that look for companies that are already making a strong contribution. The problem here is that this approach fails to support those companies that are still in their transition – companies that could make a great contribution if they are given a nudge in the right direction.

Robeco's SDG Framework – assessing companies' impacts on the SDGs

Robeco was one of the first asset managers to develop a framework for measuring the contributions our investment portfolios make to the SDGs. Our SDG Framework systematically assesses individual companies' impacts on key targets for each individual SDG, helping us determine a company's overall contribution to each goal. We then aggregate these figures into an overall SDG score for each firm, ranging from -3 to +3.[14]

We use these scores throughout our investment activities. For one, we use them when constructing portfolios that seek to make a positive impact through their investments, avoid negative impacts, and support sustainability in the economy, society and natural environment. We use our SDG scores to comply with regulation. The SFDR requires us to disclose the proportion of some of our funds' assets that invest in 'sustainable investments'. A positive SDG score signals that a company represents a sustainable investment given that it contributes to sustainability objectives, does no harm to any other sustainability objective, and follows good governance practices.

We also use our SDG scores as inputs in our engagements to understand how companies make a positive or negative impact to sustainable development. Our SDG Equity Engagement strategy invests in companies with SDG scores of -1, 0 or +1 – the large group of companies that are neither very sustainable nor very unsustainable, and often make good candidates for engagement to improve their practices. We engage with each firm the fund invests in with the aim of increasing their positive impact on the SDGs over time.

Key highlights: SDGs in 2022

- Open Access: we are sharing SDG scores with clients and academics to promote transparency, generate feedback and develop new ideas
- Product development: we launched new products that aim to support the SDGs
- To promote thought leadership, a range of papers and client articles around SDG investing were published
- Governance of Robeco's approach to the SDGs has been strengthened
- Country SDG Framework: we developed a novel framework that asks which sovereign debt should be prioritized if investors want to promote attainment of the SDGs
- Complying with the SFDR regarding sustainable investments

Going Open Access with our SDG scores

In 2022, there were several developments linked to the SDGs at Robeco. Through our SI Open Access project, we started to share our SDG scores with clients and academics to improve transparency, garner feedback, and inspire others to invest in line with the SDGs. We also conducted research to validate our SDG scores and launched funds that contribute towards the SDGs.

14 For more information on the SDG framework, please refer to the publication 'Robeco explanation SDG framework' on our website: https://www.robeco.com/docm/docu-robeco-explanation-sdg-framework.pdf

SI Open Access

In August 2022, Robeco launched its Sustainable Investing Open Access Initiative, through which we are sharing some of our sustainable investing intellectual property. As a first step, clients and a group of academics gained free access, via a portal, to the data contained in our proprietary SDG Framework. This measures the contributions that a company makes to one or more of the 17 Sustainable Development Goals.

Our Open Access initiative has three objectives.
- First, we want to help our clients make better-informed sustainability-linked investment decisions. This requires transparency. Providing our clients with access to our SDG scores will enable them to screen their portfolios and gain improved understanding of which of their holdings are having a positive or negative impact on sustainable development.
- Second, we actively seek feedback on our scores, as we are keen to learn others' opinions to help us enhance the robustness of our data and our methodology.
- Third, by involving the academic community, we aim to inspire and inform further research into sustainable investing strategies.

Our Open Access initiative will not be limited to SDG scores. In the future, we intend to publish other sustainable investing data, such our Country Sustainability Ranking scores.

For more information, please refer to the press release 'Robeco opens up its sustainable investing IP with launch of new SI initiative' on our website: https://www.robeco.com/en-int/media/press-release/robeco-opens-up-its-sustainable-investing-ip-with-launch-of-new-si-initiative

Enhancements to our SDG Framework

A number of enhancements were made to the corporate SDG Framework in 2022, and we developed a Country SDG Framework.

Corporate SDG Framework:

- Since 2017, Robeco has been developing its corporate SDG Framework, which specifies companies' contributions to the SDGs, resulting in SDG scores being given to companies
- In 2022, we further developed this framework based on the input of many in the SI Center of Expertise and the broader investment domain
- Examples include our new and automated approach for scoring companies' contributions to gender equality (SDG 5) and various revisions to the KPIs for companies operating in particular business lines, based on the input of the SI, credit, and equity analysts

Country SDG Framework

To enable Robeco to align government bond investments with the objectives of the SDGs, we developed a Country SDG Framework that helps determine the sovereign debt that investors should prioritize if they want to promote the SDGs.

ESG to SDG: Do sustainable investing ratings align with the sustainability preferences of investors, regulators and scientists?

In 2022, we published a working paper entitled ESG to SDG: Do sustainable investing ratings align with the sustainability preferences of investors, regulators and scientists? To find the answers, we tested whether the Robeco SDG score and four established ESG ratings align with what these key groups of people perceive to be sustainable companies.

Our SDG score performed well in the tests we performed. It was shown to:

1. capture investors' sustainability preferences by assigning poor scores to companies that are on asset owners' exclusion lists, and good scores to companies in sustainable thematic funds
2. align well with the EU Taxonomy by assigning poor scores to companies breaching the 'do no significant harm' principle and good scores to firms generating significant revenues from taxonomy-aligned activities
3. contribute to climate change mitigation ambitions by assigning poor scores to most companies producing very high emissions.

By contrast, we found that ESG ratings, which generally aim to gauge whether companies are exposed to sustainability risks rather than measuring their sustainability impacts, do not score well on these tests. We believe that sustainable investing must be based on metrics that reveal if companies contribute to a better future: our novel SDG score aims to do just that.

With this research, we aim to contribute to the fierce debate now raging about the use of ESG ratings in sustainable investing. Some people have raised concerns that these ratings do not provide information on whether companies contribute to sustainable development. Our research confirms that this is a valid concern. We posit that ESG ratings focus on whether companies face E, S or G risks that might undermine a company's financial profitability. This is not enough for a sustainable investing solution. By determining if companies contribute to the SDGs, our SDG scores serve as a useful blueprint for sustainable investing.

For more information, please refer to the publication 'ESG to SDG: Do sustainable investing ratings align with the sustainability preferences of investors, regulators and scientists?' on the SSRN website: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4186680

Engaging on the SDGs

Robeco has been engaging with companies on the SDGs for several years. The launch of the RobecoSAM Global SDG Engagement Equities Fund in 2021, focused on measurable improvement of the contribution of investee companies to the goals, further cemented the SDGs in the overall engagement program. Alongside our value and enhanced engagement programs, we introduced a third engagement type, 'SDG engagement,' in 2021.

Importantly, while the SDG engagement cases are selected for the Global SDG Engagement Equities Fund – which focuses on selecting companies with a -1, neutral (0) or +1 SDG score – the work of the Active Ownership team also benefits the wider Robeco investment universe and client exposure. This is either because other portfolios have exposure to the companies under engagement, or by increasing the eligible universe for those of Robeco's strategies that only invest in companies with specific SDG scores following Robeco's proprietary SDG Framework.

SDG engagement

Our objective is to drive a clear and measurable improvement in a company's SDG contribution over three to five years of engagement. We aim to address to what extent companies produce products and services that make a clear contribution to addressing sustainable development challenges, and whether they develop new business models and expand their businesses into otherwise underserved markets, countries or regions.

For every company under engagement, we develop an SDG engagement strategy with annual milestones. These define a trajectory for the company to improve its SDG score by the end of the engagement, and are used to track progress. Milestones are determined in collaboration with the SI Research and Investment teams.

The following five milestones are defined as:

- Impact plan: to seize the most important business opportunities presented by the SDGs and reduce risks, companies are encouraged to define their priorities based on an assessment of their positive and negative, current and potential impact on the SDGs across their value chains. Companies should link their materiality assessment to relevant SDGs in order to identify their priority impact areas. These should be embedded in their broader corporate strategy.
- SDG mapping: sustainability reporting

that addresses and incorporates the SDGs is of great relevance. We expect companies to report relevant impact indicator metrics on the SDGs that can be assessed and quantified, whilst mapping their offerings to the goals they support.

- Target setting: setting specific, measurable and time-bound (SMART) goals helps foster shared priorities and drives performance across an organization. By aligning with the SDGs, companies can set more meaningful goals and communicate more effectively about their commitment to sustainable development. Concrete time-bound milestones should be defined to ensure that their products and services make a clear contribution to relevant Sustainable Development Goals. These should be in line with the corporate strategy aimed to accelerate their impact on SDGs.
- Stakeholder management: we consider it important for companies to maintain a constructive dialogue with key stakeholders to their business about the impact of their products and services. To this end, they should establish a formal procedure to convene with these stakeholders and incorporate insights from these interactions in their decision-making process.
- Integrated governance: integrating sustainability into the core business and governance, and embedding sustainable development targets across all functions within the company, is key to delivering on the SDG agenda. For business integration of sustainability goals, the tone at the top is especially important, including appropriate oversight at the board. Companies should integrate sustainability goals into performance reviews and remuneration schemes across the organization.

In 2022, the Active Ownership team engaged with 41 companies across 19 countries, addressing sustainability topics linked to the 17 SDGs.

Engagement case study: Adobe

Sector:	Information Technology
Asset class:	Equities and credits
Engagement type:	Direct engagement

Engagement efforts:
The software company Adobe's most significant link to the SDGs is its potential involvement in the manipulation of digital content, among which are AI-created 'deepfakes'. The potential for adverse use of products such as Photoshop and its video counterpart, Premier, exposes Adobe to societal risks embodied by SDG 16 (peace, justice and strong institutions). To address these risks, Adobe has created a digital watermark to facilitate transparency and authentication, and we will encourage this tool to be rolled out to all its products. It has also taken a leading role in a cross-sector collaboration that seeks to create an open industry standard for content authentication, which we support.

Public policy and partnerships

Over the course of the year, we engaged both collaboratively and individually on various public policy initiatives. Although our engagement spans the ESG spectrum, public policy initiatives are rooted in governance and regulation. Below is a detailed overview of the activities carried out in 2022.

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 for ESG issues. Engagement is never intended to unduly influence the political process, and so Robeco only conducts engagement on public policy where it is deemed appropriate and transparent. The majority of our engagement activities on this topic are coordinated through the various investor associations and collaborative groups of which we are members that provide feedback to governance, reporting and sustainability practices, such as Eumedion, Asian Corporate Governance Association (ACGA), Associação de Investidores no Mercado de Capitais (Amec), etc. Policy engagements that are done via these collaborative platforms can be relevant from an equity investor perspective, from a bondholder perspective, or from both.

Figure 29 | Provided feedback on Singapore's Green Taxonomy proposal

Topic	Taxonomy
Type of activity	Consultation
Type of engagement	Individual
Lead organizations	Robeco
Description	Singapore's Green Finance Industry Taskforce (GFIT) has been publishing consultation papers to develop a taxonomy for Singapore-based financial institutions, with particular relevance to those active across the ASEAN region. We participated in one of these consultations this year.

Figure 30 | Provided feedback on Singapore's Stewardship Principles

Topic	Stewardship Principles
Type of activity	Consultation
Type of engagement	Individual
Lead organizations	Robeco, Monetary Authority of Singapore
Description	We provided feedback on the Singapore Stewardship Principles (SSP) consultation document. The consultation was conducted ahead of the publication of the 2.0 version of the principles in March 2022. Below is an overview of them: 1. Develop and articulate stewardship responsibilities and governance structures. Responsible investors demonstrate how their internal stewardship and governance policies protect and enhance the interests of their clients and beneficiaries. 2. Monitor investments regularly. Responsible investors exercise due diligence in overseeing their investment portfolios. 3. Stay active through constructive and purposeful engagement. Responsible investors conduct regular, effective and fair communication and enhance engagement outcomes. 4. Uphold transparency in managing conflicts of interest. Responsible investors disclose their conflicts of interest and prioritize the interests of clients and beneficiaries. 5. Exercise rights and responsibilities on an informed basis. Responsible investors ensure they make informed decisions based on their ownership policies, with the best interests of clients and beneficiaries in mind. 6. Report stewardship activities periodically. Responsible investors document and provide relevant updates on their stewardship activities. 7. Take a collaborative approach in exercising stewardship responsibilities where appropriate. Responsible investors collaborate, where appropriate, to influence investee companies and issuers.
Relevance	In today's context, the investment value chain linking ultimate asset owners to investee companies is increasingly complex, with investors employing a variety of strategies across different asset classes. Many countries are seeing a trend towards fragmented ownership, where many shareholders each hold a small proportion of shares. Coupled with increasingly shorter shareholding tenures, the ownership mentality is arguably being eroded and replaced by a prevalent short-term view of investment and portfolio management. Hence, the emphasis on investment stewardship is relevant and timely.

Figure 31 | Participated in consultation on new SEC climate disclosure rules

Topic	Climate disclosure rules
Type of activity	Consultation
Type of engagement	Individual
Lead organizations	Robeco
Description	We submitted a letter responding to public consultation on a proposed ruling by the SEC for climate disclosures. Robeco supported the proposal, as it sought to categorize certain types of ESG strategies broadly, and require funds and advisers to provide more specific disclosures in fund prospectuses, annual reports, and adviser brochures based on the ESG strategies they pursue.

Figure 32 | Participated in consultation on new SEC rules for filing shareholder resolutions

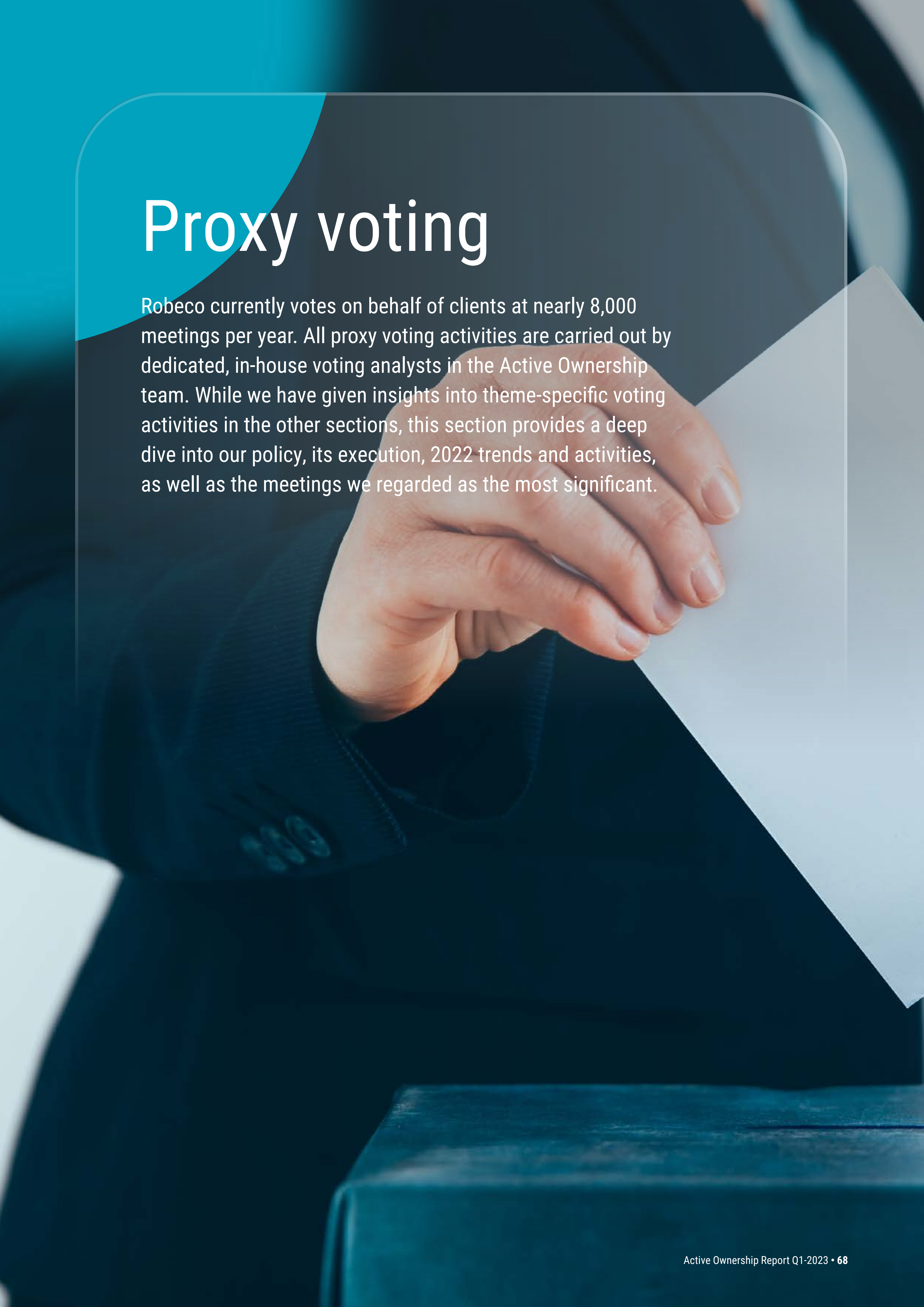
Topic	Filing shareholder resolutions
Type of activity	Consultation
Type of engagement	Individual
Lead organizations	Robeco, PRI
Description	The UN Principles for Responsible Investment (PRI) invited Robeco to participate in its consultation on the SEC's proposal for filing shareholder resolutions. The SEC proposed new rules in 2020 that affected the frequency of submissions, and the holding requirements to file. The proposed changes in 2022 covered the topics of 'Substantial implementation, duplication, and resubmissions'. Overall, we supported the SEC's proposed amendments to rules 14a-8(i)(10, 11, and 12).
Relevance	The proposed amendments help to change the framework by which companies could exclude shareholder proposals on the grounds that they are already being implemented or duplicated in another shareholder proposal. This is important because in 2022, we noticed an increase in shareholder proposals that were 'anti-ESG' or 'anti-social' at the AGMs of US companies. These often duplicate the 'resolved' clause of proposals filled by ESG-minded investors, with the supporting statement revealing that the objective sought by the proponent(s) is hindering rather than advancing the company's ESG efforts.

Figure 33 | Joint investor letter on making EU legislation on mandatory human rights and environmental due diligence effective

Topic	Human rights and environmental due diligence
Type of activity	Joint statement
Type of engagement	Collaborative
Lead organizations	Robeco and 100+ other signatories
Description	Robeco and 100+ other signatories released a joint statement urging the EU to swiftly adopt a legislative proposal on mandatory human rights and environmental due diligence (mHREDD) within the Sustainable Corporate Governance initiative. The statement, signed by companies and investors from various industries and countries, including many SMEs, outlines five key principles to be included in the legislation to make it effective: Alignment of the legislation with the UNGPs to cover all businesses operating in the EU market, regardless of sector and size. Due diligence obligation that extends across the full value chain. Mandatory requirements which go beyond box-ticking, address irresponsible purchasing practices, and are embedded in appropriate governance structures including at board level. Effective and safe stakeholder engagement as an integral part of due diligence; and Credible accountability mechanisms, including strong civil liability provisions.
Relevance	Our view is that the due diligence expectations set out in the UNGPs and in the OECD Guidelines should form the core requirements on business in mHREDD legislation. We firmly believe that strong and ambitious EU legislation would make a tangible contribution to improving human rights and environmental conditions along global value chains, while helping businesses become more resilient and future-oriented. If such legislation is to be meaningful in practice, the EU Commission, as well as the European Parliament and EU Council, must include the above factors.

Proxy voting

Robeco currently votes on behalf of clients at nearly 8,000 meetings per year. All proxy voting activities are carried out by dedicated, in-house voting analysts in the Active Ownership team. While we have given insights into theme-specific voting activities in the other sections, this section provides a deep dive into our policy, its execution, 2022 trends and activities, as well as the meetings we regarded as the most significant.



Accountability and transparency are the cornerstones of good governance and, therefore, core values of the Robeco voting policy. Proxy voting is an integral part of our sustainable investing approach. It gives us a platform to voice our opinions and vote on critical topics such as board nominations, remuneration policies, shareholder proposals, and capital management practices. Our voting policy is designed after the widely recognized International Corporate Governance Principles. In casting our votes, we assess whether internationally recognized corporate governance standards are implemented while accounting for local governance regulations.

Key highlights: Proxy voting in 2022

- Expanded voting policy on climate, biodiversity and human rights
- Ranked top 10 in ShareAction's Voting Matters 2022 report
- Publicly disclosing voting rationales

Voting policy

The basis of any well-informed proxy voting decision starts with a policy designed to ensure that we vote in the best interest of our clients. The Robeco Proxy Voting Policy forms part of our Stewardship Policy[15], and is based on the widely accepted principles of the International Corporate Governance Network (ICGN), which provides a broad framework for assessing companies' corporate governance practices. The ICGN principles offer scope for companies to be assessed according to local standards, national legislation and corporate governance codes of conduct. We constantly monitor the consistency of our general voting policy with the ICGN principles, laws, governance codes and systems as well as client-specific voting policies. Our voting policy is formally reviewed at least once a year.

We take into account company-specific circumstances and best practices when casting our vote. Through our votes, we aim to encourage companies to implement good corporate governance, foster long-term shareholder value, and engage in responsible behavior.

At the end of 2022, we reviewed and updated our voting policy for 2023, including updates for our climate, biodiversity and human rights voting assessments. For climate change, we have set new expectations for banks using the IIGCC Framework for Banks, stricter criteria for high-emitting sectors, and introduced sector assessment frameworks for Say-on-Climate voting. For human rights, we added non-compliant and watchlist companies, and for biodiversity, we introduced new expectations based on the Forest500 assessment and Sustainalytics Global Standards Screening.

With over 20 years of experience in proxy voting, Robeco's integrated approach to active ownership is widely seen as representing best practices in the asset management industry. This was most recognized by the responsible investment organization ShareAction in its Voting Matters 2022 report, where Robeco's voting performance was ranked in the top ten among 68 of the world's largest asset managers.

Voting execution

Robeco carries out all proxy voting in-house. There are several practical elements that need to be considered in the implementation of our voting policy. These include monitoring our voting rights, and the potential implications of securities lending, share blocking, and custom voting policies, among others.

Monitoring voting rights

The proxy voting process can be relatively opaque and requires systematic supervision. One element that Robeco and Glass Lewis monitor proactively is whether we have received voting ballots for all shareholder meetings where we are entitled to vote. This is a cornerstone of good stewardship for equity assets and requires coordination among various parties in the proxy voting chain, such as custodians and ballot distributors. If necessary, we escalate the matter to ensure we are able to exercise our right to vote.

Securities lending

Robeco has a securities lending program for several of our listed mutual funds. When shares are on loan, we are unable to exercise our voting rights for those shares. A daily process confirms whether any shares are on loan ahead of an upcoming AGM, and recalls, the full position on loan to allow voting to take place.

Share blocking

Another impediment to voting can be share blocking, where securities are blocked from trading after sending a vote instruction. This can have implications for fund performance and may therefore not be in the best interests of the beneficial owner. As a result, Robeco only votes proxies in share-blocking markets when the agenda contains a controversial item and/or our position could have a significant impact on the voting result. We rarely refrained from voting due to share blocking in 2021, casting our vote in nearly 99% of cases.

Client voting policies

Robeco has a single main voting policy for all its public funds. For all Robeco funds that are subject to voting Robeco's voting policy applies. For most segregated mandates, this policy is also applied unless, specific arrangements with clients are made. In those cases, we apply custom voting policies for some clients in segregated mandates or for externally managed assets. In these cases, clients may override our voting decision under their own policy. Clients who have applied the Robeco proxy voting policy may also highlight specific shareholder meetings where their voting preference differs from ours. We will accommodate such client-directed voting for segregated mandates, but Robeco makes all voting decisions for pooled funds in-house, in line with the Robeco voting policy.

15 Include link to Voting Policy

The use of proxy voting advisors

Robeco's proxy voting team works with our voting research and infrastructure provider Glass Lewis to combine our expertise, thereby gaining a better service than what would be available from off-the-shelf voting platforms. This kind of customization is more closely aligned with our voting policy and our approach. However, we review meetings and often override the external advice if it does not sufficiently meet our interpretation of governance, sustainability or investment issues. These differences are carefully tracked and communicated to our voting advisor. Research, the technical set-up and the voting advice received are reviewed on a regular basis and are subject to our risk control framework.

Communicating our voting behavior to investee companies

All of our voting instructions for Robeco funds can be found online[16] In 2022, we started publicly disclosing rationales for when we vote against management recommendations on the agenda. When voting against management, we will inform the company with an invitation to reach out in case of any questions. This process applies to companies that are in the engagement program, for which we have over 1% of the outstanding capital and in specific key markets. As of 2023, we will start reporting on these AGM-related engagements as well, to provide further transparency to our clients.

Voting activities in 2022

Social topics brought to the fore by the Covid-19 pandemic remained high on the agenda, while governance remained top-of-mind as shareholders continued to push to expand their rights and to hold companies accountable for practices deemed to lag their expectations.

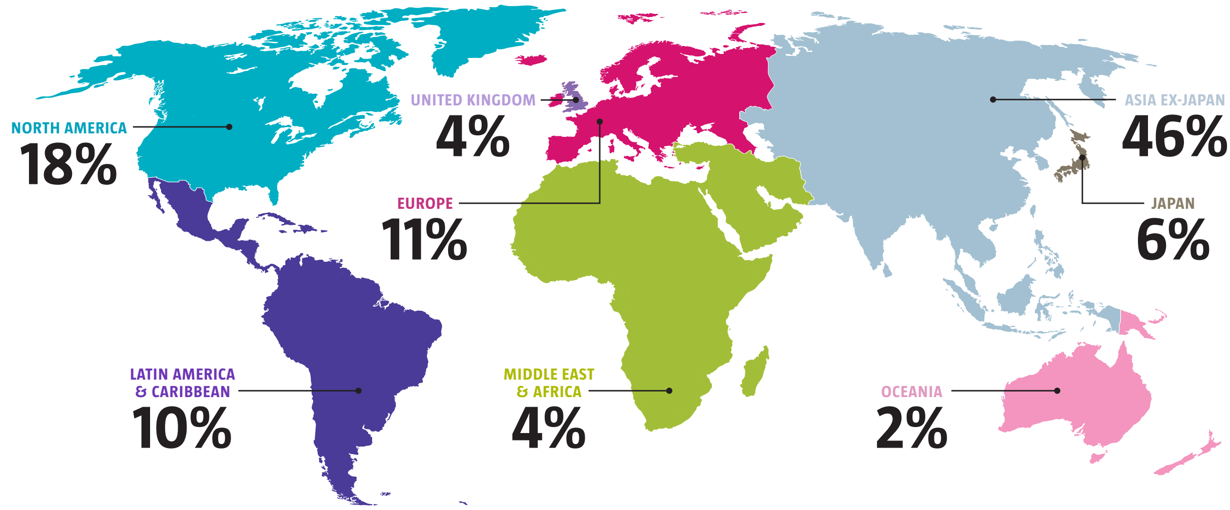
As part of our stewardship efforts, we co-filed a shareholder proposal at Alphabet – the owner of Google – that successfully made it to the ballot this year. The resolution requested the board to commission a human rights impact assessment report evaluating the efficacy of Alphabet's existing policies and practices. The proposal received 23% support from shareholders –a significant approval rate given the company's multi-class voting structure. This outcome indicates that, despite the company's existing disclosure, investors need additional information on how it is managing these issues.

Much of the proxy voting activity is concentrated in the first half of the year. We summarize our voting approach and statistics for the first half in our proxy season overview[17].

The following charts are our full-year statistics.

Figure 34 | Proxy voting statistics for 2022

7,422	72	60%	64%
Shareholder Meetings voted in 2022	Countries where we voted	% Meetings with at least 1 vote against management	Support for Shareholders Proposals voted in 2022



Percentage of votes in favor of shareholder resolutions:

Environmental:	79%
Social:	71%
Corporate Governance:	53%

16 For more information on how we have voted, please refer to the 'Proxy voting record' on our website: https://www.robeco.com/en-int/sustainable-investing/influence/proxy-voting-record

17 For more information, please refer to the publication ' Proxy Season Overview 2022' on our website: https://www.robeco.com/docm/docu-0822-robeco-proxy-voting-season-overview.pdf

ESG at the forefront in 2022 proxy season

ESG topics took center stage in the 2022 proxy season as companies came under unprecedented scrutiny over their ESG performance. The season saw a growing number of ESG-focused shareholder proposals addressing a broader and more diverse set of topics. The significant support for these proposals highlighted the urgent need for companies to step up their ESG efforts to meet the growing expectations of investors and regulators alike.

In 2022, companies faced continued pressure from investors on climate change. This occurred against the backdrop of a historic 2021 proxy season that saw the advent of the Say-on-Climate proposal and the removal of Exxon directors in a proxy fight focused on the oil giant's carbon transition strategy. Meeting agendas in 2022 stand proof of this ever-growing interest; a large number of Say-on-Climate proposals were put up for a vote, after shareholders called on companies to set and disclose targets across Scope 1, 2 and 3 emissions, to align their strategy with net zero, or to cease financing fossil fuels. At the same time, biodiversity emerged as a key topic, as resolutions dealing with issues such as plastics use and water stewardship made their way onto ballots. Robeco assessed the merits of these proposals on a case-by-case basis, while continuing to hold companies accountable for insufficient climate action by voting against specific agenda items such as the board chair election.

Social topics were brought to the fore by the Covid-19 pandemic and remained high on the agenda in the 2022 proxy season. Shareholders filed an increasing number of proposals calling for companies to carry out racial equality or civil rights audits, and in some cases, these resolutions won majority support, as seen at Apple's 2022 AGM. Healthcare companies such as Pfizer and Johnson & Johnson were targeted by resolutions addressing the transfer of intellectual property to Covid-19 vaccine manufacturers, and the public health costs of protecting vaccine technology. The number of proposals addressing climate-related lobbying also steadily increased. In all cases, Robeco supported proposals deemed to protect minority shareholder rights and strengthen director accountability while safeguarding long-term shareholder interests. Notably, Robeco co-filed a resolution dealing with customer due diligence at Amazon's 2022 AGM; this proposal was supported by nearly 40% of the votes cast.

Governance topics remained top of mind as shareholders continued to push to expand their rights and to hold companies accountable for remuneration practices that lagged their expectations. Meeting agendas were packed with proposals seeking amendments to provisions governing proxy access, special meetings, and action by written consent, as well as resolutions calling for companies to adopt the 'one share, one vote' principle, or to separate the board chair and CEO roles. Many companies proposed article amendments that would allow them to hold virtual-only meetings at their discretion. However, recent years have shown that virtual-only shareholder meetings can severely deprive shareholders of their rights as management is afforded the discretion to filter out inconvenient questions. For this reason, Robeco opposed any article amendments that grant companies the discretion to hold shareholder meetings in a virtual-only format outside exceptional circumstances.

The prominence of ESG topics on meetings ballots however also sparked an increase in the number of proposals dubbed as 'anti-ESG' or 'anti-social'. Filed by 'conservative' investors, these were centered around many of the topics highlighted above, yet called for companies to halt rather than advance their ESG efforts. The low support gained by these resolutions is, however, far from reassuring for ESG-minded investors; in the US, a low approval rate means that proposals addressing the same issue can be excluded from ballots in subsequent years. Robeco voted against any shareholder proposals seeking to halt the companies' efforts to advance ESG goals.

Key votes

We voted on 77,193 proposals in 2022, but some attracted much more attention than others. Below we summarize our voting decisions on some of the most significant votes throughout the year. Before and during every proxy season we maintain a list of focus AGMs. In other words, AGMs that receive significant client interest, or news flows, are specific relevance due to current market conditions or societal developments, or where shareholders show significant opposition to management. Our Proxy Season Overview 2022[18] provides further insight into how we applied our voting policy at various shareholder meetings. These AGMs are selected based on stakeholder feedback, including questions from our clients, attention in the media, and AGMs that led to internal debate.

18 For more information, please refer to the publication ' Proxy Season Overview 2022' on our website: https://www.robeco.com/docm/docu-0822-robeco-proxy-voting-season-overview.pdf

Figure 35 | Significant votes 2022

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Apple Inc.	04/Mar	Advisory Vote on Executive Compensation	Against	Remuneration – Vote Against when remuneration is deemed excessive and bears a significant cost for shareholders.	64.4%
		Shareholder Proposal Regarding Report on Effectiveness of Supply Chain Policies on Forced Labor	For	SHP Social - Vote For when shareholder proposal requests Reporting on Company's Compliance with International Human Rights Standards. The proposal calls for transparency regarding the effectiveness of the company's commitment to human rights.	33.7%
		Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	For	SHP Remuneration - Vote For when proposal request company to increase disclosure & transparency on compensation practices. The proposal calls for transparency regarding pay practices and promotes pay equity.	33.7%
		Shareholder Proposal Regarding Civil Rights Audit	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues. The Audit would help shareholders better assess the effectiveness of Apple's efforts to address the issue of any inequality in its workforce and its management of related risks.	53.6%
		Shareholder Proposal Regarding Concealment Clauses	For	The requested report on the risks of the Company's use of concealment clauses such as mandatory arbitration, non-disclosure, and non-disparagement agreements in the context of sexual harassment and discrimination, could help shareholders ensure that these issues are being thoroughly addressed and considered by the board and management and that the requested report will bring an additional benefit of providing reassurance to current and potential employees who may have concerns regarding how the Company's policies may affect their employment-related claims.	50%
Marathon Petroleum	27/Apr	Elect Charles E. Bunch	Against	Environment – Vote Against when companies in high emitting sectors do not sufficiently address the impact of climate change on their businesses. Board - Vote against when the board fails to incorporate basic considerations for gender diversity.	83%
		Shareholder Proposal Regarding Amendment to Clawback Policy	For	SHP Remuneration - Vote For when shareholder proposal asks for the introduction or improvement of clawback.	45.8%
		Shareholder Proposal Regarding Just Transition Reporting	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues	15.97%
Activision Blizzard	21/Jun	Shareholder Proposal Regarding Report Sexual Harassment and Discrimination	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues	63%
Glencore plc	28/Apr	Approval of Climate Progress Report	Against	The company's climate strategy shows several good practices, but lacks a detailed overview of how it plans to meet its 2050 ambition, adding to concerns over its thermal coal expansion plans in Australia.	77.14%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Johnson & Johnson	28/Apr	Shareholder Proposal Regarding Racial Impact Audit	For	We believe that undertaking the requested third-party audit would help to identify and mitigate potentially significant risks. SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues	62.6%
		Shareholder Proposal Regarding Public Health Costs of Limiting COVID-19 Vaccine Technologies	Against	We do not view this proposal as an appropriate vehicle for shareholders to receive more information from the Company on this matter. This is a backward-looking assessment when there were worldwide issues with production capacity.	8.5%
		Shareholder Proposal Prohibiting Adjustments for Legal and Compliance Costs	For	Executives should generally not be insulated from expenses related to legal and compliance costs	47.7%
Moderna Inc	28/Apr	Shareholder Proposal Regarding Intellectual Property	For	SHP Social - Vote For when shareholder proposal requests Reporting on Responsible Drug Pricing/Distribution. Additional disclosure on the topic of knowledge transfer would allow shareholders to better understand company's actions on the topic of IP and knowledge transfer.	NA
Pfizer	28/Apr	Shareholder Proposal Regarding Intellectual Property	For	SHP Social - Vote For when shareholder proposal requests Reporting on Responsible Drug Pricing/Distribution. Additional disclosure on the topic of knowledge transfer would allow shareholders to better understand company's actions on the topic of IP and knowledge transfer.	27%
		Shareholder Proposal Regarding Anticompetitive Practices	For	SHP Social - Vote For when shareholder proposal requests Reporting on Responsible Drug Pricing/Distribution. Additional disclosures concerning its policies on anticompetitive practices and related board oversight would be beneficial for shareholders.	30%
		Shareholder Proposal Regarding Public Health Costs of Limiting COVID-19 Vaccine Technologies	Against	We do not view this proposal as an appropriate vehicle for shareholders to receive more information from the Company on this matter. This is a backward-looking assessment when there were worldwide issues with production capacity.	8.5%
Valero Energy Corp.	28/Apr	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports.	42.4%
Credit Suisse Group AG	29/Apr	Shareholder Proposal Regarding Fossil Fuel Financing	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	23%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Occidental Petroleum Corp.	06/May	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports.	16.5%
ConocoPhilips	10/May	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	39.4%
Phillips66	11/May	Shareholder Proposal Regarding Aligning GHG Reductions with Paris Agreement	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	35.6%
		Shareholder Proposal Regarding Report on Plastics	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	49.8%
BP plc	12/May	Advisory vote on Climate Transition Plan	Against	The scope 3 intensity targets remain misaligned with the goals of the Paris Agreement	88.5%
		Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	14.9%
Equinor ASA	12/May	Approval of Energy Transition Plan	Against	The company's climate strategy shows several good practices, but lacks absolute scope 3 targets and is not aligned with a 1.5-degree scenario.	97%
		Shareholder Proposal Regarding GHG Reduction Targets	For	The proposal is framed in a supportive manner, seeking to underpin the company's existing climate commitments with quantitative targets over short, medium, and long term. This is a reasonable request that would bring Equinor in line with leading practice in the sector. The proposal refrains from imposing absolute targets on Scope 3 emissions, which is a constructive approach. This proposal is in shareholders' best long-term interests.	3.6%
Volkswagen AG	12/May	Ratification of the management board acts	Against	Concerns regarding ongoing legal proceedings.	99%
		Ratification of the supervisory board acts	Against	Concerns regarding the supervisory board's actions.	99%
Shell Plc	24/May	Approval of the Energy Transition Strategy	Against	Vote Against Say on Climate proposals in case companies fail to meet the expectations in our climate strategy assessment. Further areas of improvement are; absolute targets in the intermediary term, alignment of the carbon intensity metric with the TPI methodology and further disclosures on the investment strategy and the climate transition strategy.	80%
		Shareholder Proposal Regarding GHG Reduction Targets	For	Support for shareholder proposals that ask for targets, reporting and the development of strategies that are aligned with the Paris goals.	20%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Amazon.com Inc.	25/May	Shareholder Report on Plastic Packaging	For	Shareholder Report on Plastic Packaging	49%
		Shareholder Proposal Regarding Lobbying Report	For	SHP - Vote For when proposal requests companies to review their political spending and lobbying activities. These expenses must be consistent with the company's sustainability strategy and should be aligned with the long-term interests of investors and other relevant stakeholders.	47%
		Shareholder Proposal Regarding Report on Working Conditions	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues. Additional, independent scrutiny on the Company's working conditions is warranted	44%
Chevron Corp.	25/May	Shareholder Proposal Regarding Report on GHG Targets and Alignment with Paris Agreement	For	Adopting medium- and long-term emissions reduction targets could benefit shareholders.	33%
		Shareholder Proposal Regarding Audited Report on Net Zero Emissions by 2050 Scenario Analysis	For	SHP Environment - Vote For when reasonable shareholder proposals requests companies to prepare and plan for mitigating environmental risks.	39%
		Shareholder Proposal Regarding Report on Policy with Conflict-Complicit Governments	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues.	48%
		Shareholder Proposal Regarding Racial Equity Audit	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues.	12%
Exxon Mobil	25/May	Shareholder Proposal Regarding Audited Report on Net Zero Emissions 2050 Scenario Analysis	For	SHP Environment - Vote For when reasonable shareholder proposals request companies to prepare and plan for mitigating environmental risks.	51%
		Shareholder Proposal Regarding Addressing Virgin Plastic Demand	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports.	36.5%
		Shareholder Proposal Regarding Restricting Precatory Proposals	Against	SHP Governance - Vote Against when the proposal is not in the best interest of shareholders.	1.5%
		Advisory Vote on Executive Compensation	Against	Remuneration – Vote Against when the company fails to align pay with performance; Remuneration - Vote against when remuneration does not adhere to best practice of having clawback in place for LTIP.	91%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Meta Platforms Inc	25/May	Shareholder Proposal Regarding Recapitalization	For	Allowing one vote per share generally operates as a safeguard for common shareholders	28.1%
		Shareholder Proposal Regarding Human Rights Impact Assessment	For	SHP Social - Vote For when shareholder proposal requests Reporting on Company's Compliance with International Human Rights Standards	23.8%
		Shareholder Proposal Regarding Lobbying Report	For	SHP - Vote For when proposal requests companies to review their political spending and lobbying activities. These expenses must be consistent with the company's sustainability strategy and should be aligned with the long-term interests of investors and other relevant stakeholders.	21%
TotalEnergies SE	25/May	Opinion on 2022 Sustainability and Climate Progress Report	Against	While TotalEnergies' climate strategy displays certain positive features, there are concerns regarding, inter alia, the company's Scope 3 Targets.	89%
Alphabet	01/Jun	Shareholder Proposal Regarding Recapitalization	For	Allowing one vote per share generally operates as a safeguard for common shareholders	33.1%
		Shareholder Proposal Regarding Human Rights Impact Assessment Report	For	SHP Social - Vote For when shareholder proposal requests Reporting on Company's Compliance with International Human Rights Standards	23%
		Shareholder Proposal Regarding Report on Water Management Risks	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	22.5%
Prosus NV	24/Aug	Authority to Repurchase Shares	For	The proposed buyback is an effective means to address Prosus' steep valuation discount.	93%
		Remuneration Policy Executive and Non-Executive Directors	Against	The proposed changes to the remuneration policy place excessive focus on short term performance. Disclosure is insufficient and the response to shareholder dissent on remuneration is deemed insufficient.	88%
		Remuneration Report	Against	Remuneration - Fails the remuneration framework assessment on Height and Transparency/Accountability.	86%
Nike, Inc.	09/Sep	Advisory Vote on Executive Compensation	Against	Remuneration – Vote Against when remuneration is deemed excessive and bears a significant cost for shareholders. Remuneration - Vote Against when the compensation committee exercises its discretion to lower performance goals or increase awards.	64.9%
		Shareholder Proposal Regarding Policy to Pause Sourcing of Raw Materials from China	Abstain	While we consider that Nike should address the risks related to its China sourcing, pausing all raw material sourcing from China is not the sole means to achieve this.	6.4%

Appendix A: Engagement overview

This chapter provides an overview of all engagement cases in 2022.

Environmental			
Engagement theme	**Period**	**Global challenge/focus**	**Companies under engagement**
Single Use Plastic	Q2 2019 - Q1 2022	Recognizing the policy and price-cost pressures on plastics by targeting the design, substitution, and recycling of plastic products.	Amcor Ltd. Berry Plastics Group, Inc. Carrefour Danone Henkel AG & Co LyondellBasell Industries NV Nestlé PepsiCo, Inc. Procter & Gamble Co. Sealed Air Corp.
Lifecycle Management of Mining	Q1 2020 - Q1 2023	Promoting better environmental management practices in top industry majors and aiming to promote reconciliation of intensive mining activities with critical minerals.	Anglo American AngloGold Ashanti Ltd. Barrick Gold Corp. BHP Billiton First Quantum Minerals Ltd. Fortescue Metals Group Ltd. Gerdau SA Grupo Mexico SAB de CV Newcrest Mining Polymetal International Plc Polyus Gold OAO Sibanye Stillwater Ltd.
Biodiversity	As of Q2 2020	Addressing biodiversity loss driven by land use change, through the lens of commodity-driven deforestation by targeting the cocoa, rubber, tropical timber and pulp, soy and beef sectors, and companies active in the apparel, packaged consumer products and animal protein sectors.	Archer Daniels Midland Axfood AB Barry Callebaut AG Bridgestone Bunge Ltd. Cal-Maine Foods Inc Compagnie Generale des Etablissements Michelin SCA Cranswick PLC JBS SA Leroy Seafood Group ASA Marfrig Foods SA Mondelez International Ryohin Keikaku Co Ltd Sappi Ltd. Suzano Papel e Celulose SA The Hershey Corporation Top Glove Corp. Bhd. Unilever VF Corp
Net Zero Carbon Emissions	Phase 1: Q4 2020 – Q4 2023 Phase 2: Q1 2022 – Q1 2025	Focusing on smooth decarbonization journeys for oil and gas, electric utilities, steel and cement industries by encouraging companies to take climate change mitigation actions and secure their long-term license to operate.	Anglo American ArcelorMittal Berkshire Hathaway BHP Billiton BlueScope Steel Ltd. BP CEZ as Chevron China National Building Material Co. Ltd. CRH Plc Ecopetrol SA Ene ExxonMobil Gazprom OAO HeidelbergCement AG

Engagement theme	Period	Global challenge/focus	Companies under engagement
			Hyundai Motor JFE Holdings, Inc. LyondellBasell Industries NV Marathon Petroleum Corp. Petroleo Brasileiro Phillips 66 PTT Exploration & Production Rio Tinto Royal Dutch Shell Saudi Arabian Oil Co. Valero Energy Corp. Vistra Energy Corp. WEC Energy Group Inc
Climate Transition of Financials	Q1 2021 – Q1 2024	Accelerating the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations for banks.	Australia & New Zealand Banking Group Ltd. Bank of America Corp. Barclays Plc BNP Paribas SA Citigroup, Inc. DBS Group Holdings HSBC ING Groep NV JPMorgan Chase & Co., Inc. Sumitomo Mitsui Financial Group, Inc.
Natural Resource Management	As of Q2 2020	Aims to enhance companies' risk management of water and waste issues and avoid or mitigate adverse environmental impacts.	Ambev SA Callon Petroleum Co. CF Industries Holdings, Inc. Continental Resources, Inc. Diageo OCI NV PepsiCo, Inc. Sappi Ltd. Severn Trent PLC Tronox Holdings Plc United Utilities Group PLC
Nature Action 100	As of Q4 2022	A global investor-led engagement effort focused on driving greater corporate ambition and action to tackle nature and biodiversity loss	Companies will be selected in 2023.
Sound Environmental Management	Continuous	Engaging on various environmental issues	Alexandria Real Estate Equities, Inc. Guangdong Investment Ltd. Hangzhou First Applied Material Co Ltd LONGi Green Energy Technology Co Ltd Quanta Service Inc Saudi Arabian Oil Co.

Social

Engagement theme	Period	Global challenge/focus	Companies under engagement
Social Impact of Artificial Intelligence	Q3 2019 - Q3 2022	Aims to safeguard human rights and promote strong governance in relation to Artificial Intelligence.	Accenture Plc Booking Holdings, Inc. Hangzhou Hikvision Digital Technology Co.Ltd. Microsoft Visa, Inc.
Digital Innovation in Healthcare	Q4 2019 - Q1 2022	Gain perspectives on the current state of digitalization within the healthcare industry and to encourage companies to explore opportunities as well as be aware of and mitigate related risks.	Abbvie, Inc. Abbott Laboratories CVS Carmark Corp. Cerner Corp (Missouri) Elevance Health Eli Lilly & Co. Fresenius SE HCA Holdings, Inc. Philips Quintiles IMS Holdings, Inc. Roche Sinopharm Groupo Co., Ltd. UnitedHealth Group
Social Impact of Gaming	Q1 2021 - Q1 2024	Focusing on the social impacts of gaming for companies operating in the video game industry.	Activision Blizzard, Inc. NCsoft Corp. NetEase.com, Inc. Take-Two Interactive Software, Inc. Tencent Holdings Ltd
Labor Rights in a Post Covid-19 World	Q2 2021 - Q2 2024	Engaging with three key sectors: retail, the gig economy and hospitality, where the pandemic exposed vulnerability and lack of safeguards for workers.	Accor SA Amazon.com, Inc. Delivery Hero AG InterContinental Hotels Group Plc Marriott International, Inc. Meituan Dianping Uber Technologies, Inc. Wal-Mart Stores
Enhanced Human Rights Due Diligence for Conflict-Affected and High-Risk Areas	Q3 2021 - Q3 2024	Mitigating exposure to human rights violations by focusing on companies operating in three conflict-affected or high-risk areas.	Bharat Electronics Ltd. Booking Holdings, Inc. Cemex SAB de CV Fast Retailing HeidelbergCement AG Inditex PTT Exploration & Production Sinotruk Hong Kong Ltd. SolarEdge Technologies, Inc. Wacker Chemie AG
Diversity & Inclusion	As of Q3 2022	Aims to promote robust corporate D&I practices.	Eli Lilly & Co. Netflix Inc Oracle Corp Taiwan Semiconductor Manufacturing Co. Ltd. Thermo Fisher Scientific, Inc.
Sound Social Management	Continuous	Engaging on various social issues	Aon Plc Bayerische Motoren Werke Glencore Plc MTN Group Post Holdings Inc Procter & Gamble Co. Tesco Plc Thermo Fisher Scientific, Inc.

Governance

Engagement theme	Period	Global challenge/focus	Companies under engagement
Corporate Governance In Emerging Markets	Q2 2020 - Q2 2023	Addressing material shareholder issues in Brazil, China and Korea, and aiming to improve governance and ESG practices.	Companhia de Concessoes Rodoviarias SA Cosan SA CPFL Energia SA Haier Electronics Group Haier Smart Home Co., Ltd. Hyundai Motor Midea Group Co. Ltd. Samsung Electronics Woongjin Coway Co. Ltd. XinAo Gas Holdings Ltd.
Responsible Executive Renumeration	Q4 2020 - Q3 2023	Focusing on companies across six sectors in the US and EU with the aim of promoting the alignment of executive incentives with those of investors.	Aspen Technology Inc Avantium NV Booking Holdings, Inc. Deutsche Boerse Henkel AG & Co. KGaA Linde Plc NIKE Schneider Electric SA Tesco Plc Walt Disney Wolters Kluwer
Corporate Governance Standards in Asia	Continuous	Engaging on governance issues in Asia. This engagement theme is kept broad to provide the necessary flexibility to accommodate investment team and client requests as engagement needs arise.	Hynix Semiconductor, Inc. INPEX Corp. Mando Corp. OMRON Corp. ROHM Co. Ltd. Shin-Etsu Chemical Co. Ltd. Showa Denko KK
Good Governance	Continuous	Engaging on various governance issues	Arcadis NV DSM Heineken Holding Royal Dutch Shell Signify NV Unilever

SDG Engagement			
Engagement theme	**Period**	**Global challenge/focus**	**Companies under engagement**
SDG Engagement	As of Q3 2021	Focus on improving a company's contribution to the SDGs	Adobe Systems, Inc. Alphabet, Inc. Amazon.com, Inc. Amgen Apple Aptiv PLC Banco BTG Pactual S.A. Bank of Montreal Boston Scientific Corp. Capital One Financial Corp. CB Richard Ellis Group, Inc. Charter Communications, Inc. Companhia de Concessoes Rodoviarias SA Deutsche Boerse eBay Elanco Animal Health, Inc. Electronic Arts, Inc. Elevance Health Inc F5 Networks, Inc. Grupo Bimbo SAB de CV Jeronimo Martins JPMorgan Chase & Co., Inc. L Oréal Meta Platforms Inc Mr. Price Group Ltd. NASDAQ OMX Group, Inc. Neste Oil Oyj Novartis OTP Bank Nyrt Rio Tinto Salesforce.com, Inc. SalMar ASA Samsung Electronics Sandvik AB Sony STMicroelectronics NV Total Union Pacific United Parcel Service, Inc. Volvo Group Zoetis, Inc.

Enhanced engagement

Engagement theme	Period	Global challenge/focus	Companies under engagement
Global Compact Breaches	Continuous	Engaging on breaches of international standards like the UN Global Compact and OECD Guidelines.	Not disclosed due to the sensitive nature of the engagement topics
Palm Oil	Q1 2019 - Q4 2024	Addressing both the environmental and social challenges of palm oil and aligning with the best practices of the RSPO.	MP Evans Group PLC REA Holdings PLC Wilmar International
Acceleration to Paris	As of Q4 2021	Triggering climate action at 200 companies that have a large carbon footprint and are lagging in their efforts to transition towards a low-carbon business model.	African Rainbow Minerals Ltd Anhui Conch Cement Co. Ltd. Caterpillar, Inc. China Petroleum & Chemical Formosa Plastics Corp. ITOCHU Corp. Lukoil Holdings OAO Marubeni Corp. Mitsubishi Mitsui & Co Ltd Nippon Steel & Sumitomo Metal Corp. PetroChina POSCO Rosneft NK OAO SAIC Motor Corp Ltd Sumitomo Corp. Toyota Industries Corp WH Group Ltd. (HK)

Appendix B: Our spectrum of solutions on sustainability (legend)

Exclusions	Please see Robeco's Exclusion Policy for more details: https://www.robeco.com/docm/docu-exclusion-policy.pdf
Negative screening	Involves screening out the companies with the worst ESG scores or the worst SDG scores (-3 and -2) or the governments and government-related holdings with the worst WGI corruption scores from the investment universe.
ESG integration	Integration of financially material ESG information in the investment decision-making process. You can find explanations by strategy in the Robeco Sustainability Risk policy.
ESG / CSR score parameters	The portfolio has binding limits for these parameters, such as a maximum limit it can invest in companies that involve very high ESG risk. You can find an explanation of our elevated risk procedure in the Robeco Sustainability Risk policy. Other funds target a better-than-benchmark ESG score. For government and government-related holdings, the fund does not invest in bonds of governments that have a score lower than the defined minimum score in our Country Sustainability Ranking (CSR). For an explanation of our CSR, please refer to our website.
Engagement	The fund uses engagement. Please see our Stewardship Policy for more information.
Proxy voting	The fund uses proxy voting. Please see our Stewardship Policy for more information.
Significant environmental footprint reduction	The fund targets a weighted average carbon, water and waste footprint that is at least 20% lower than that of its benchmark.
Positive screening on SDGs	The investment universe only contains companies with a neutral or positive SDG score.
Specific sustainability-themed universe	The investment universe consists of companies that offer products and services addressing specific sustainability challenges related to the theme in question.
Sustainable benchmark (PAB or CTB)	The portfolio's sustainability characteristics are at least as good as those of the sustainable benchmark it follows - either a Paris-aligned benchmark or a climate transition benchmark, as defined by the EU's Benchmarks Regulations.

About Robeco

Robeco is an international asset manager offering an extensive range of active investments, from equities to bonds. Research lies at the heart of everything we do, with a ‘pioneering but cautious’ approach that has been in our DNA since our foundation in Rotterdam in 1929.

Developing superior solutions requires an innovative nature and a pioneering spirit. That’s why we nurture a culture in which new ideas are welcomed and embraced, from investing in Peru in 1930 and Hong Kong in 1968, to launching our first sustainable fund in 1995.

Today, we are a pure-play global asset manager and a world leader in sustainable Investing, with a strong range of client propositions in quant, thematic, credits and emerging market investing. We push our boundaries because we know that we provide greater value to our clients if our innovation is grounded in the same commitment to research that launched the firm almost a century ago.

We are the Investment Engineers. We are Robeco.

Important Information
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