



## Advancing Sustainable Development Goals through Investing Robeco's Approach Towards SDGs

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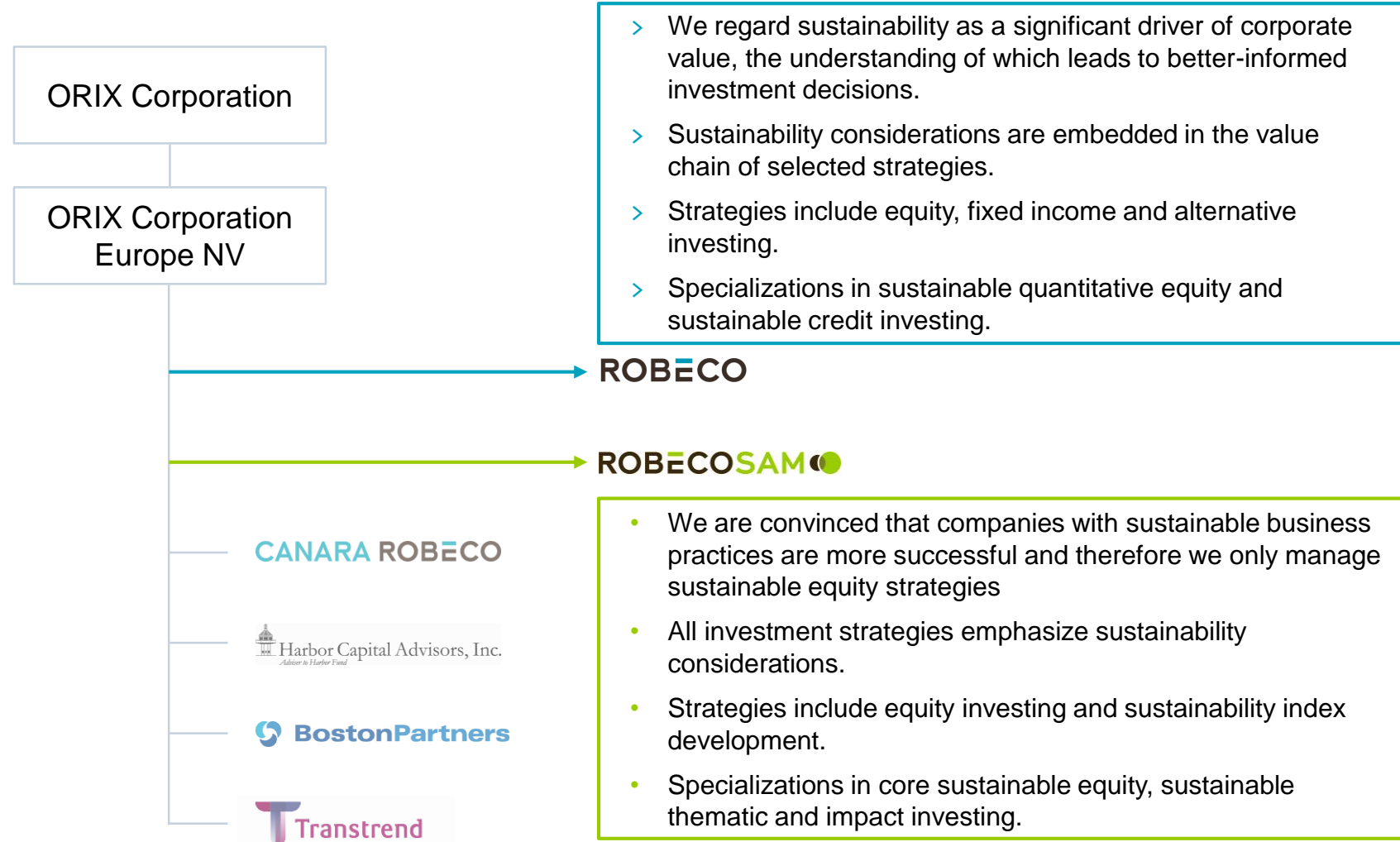
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## Sustainability Investing at Robeco

## Sister companies with a shared goal: to deliver superior and sustainable performance



Shared convictions, research, engagement, people and ownership: clients benefit from the best of both worlds.

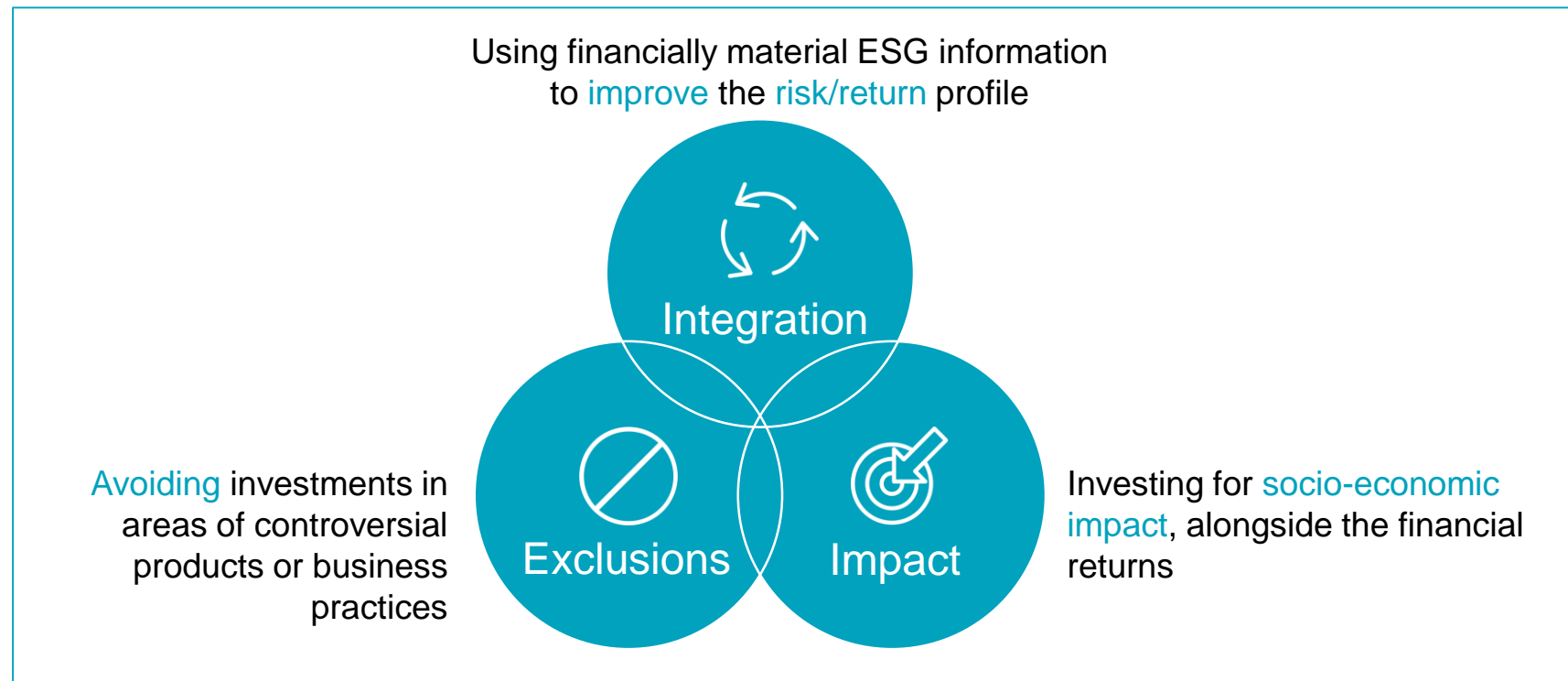
## Global presence



## How investors can address ESG issues in their portfolios

### Three broad approaches

- Investors have different aims and objectives regarding sustainability
- Impact investing is becoming more and more important
- Our engagement programmes are supporting the different approaches







## The UN Sustainable Development Goals

## United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a set of 17 goals aimed at ending all forms of poverty, fight inequalities and tackle climate change

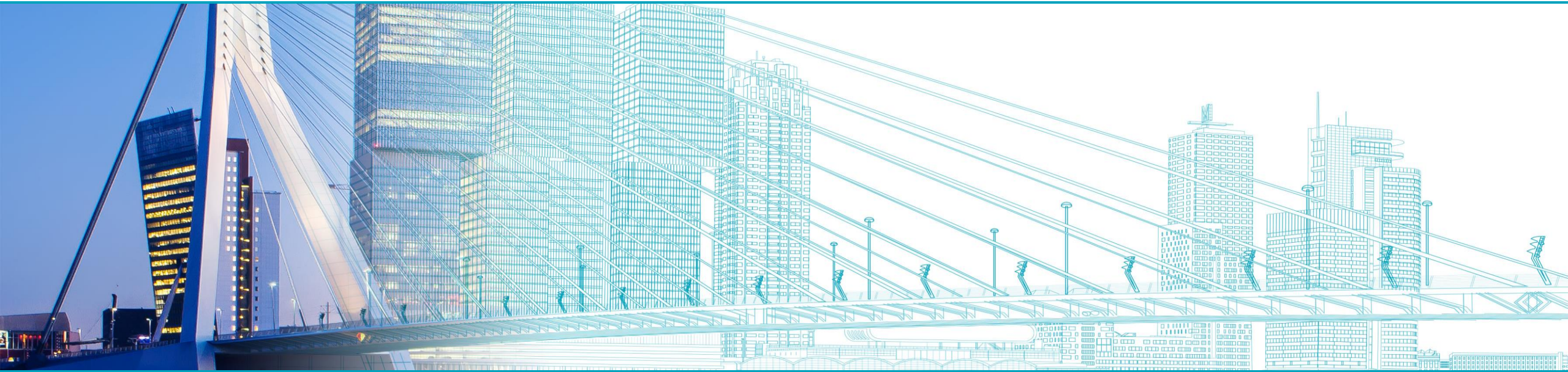




## The SDG Investment Case

*Why should investors care about SDGs?*





## SDGs Linked Investment Strategy

## Assessing company's contribution to SDGs

The challenge is in evaluating and quantifying individual company's contributions to the SDGs

Three-step SDG framework developed jointly by Robeco and RobecoSAM:

Step 1:

### What do companies produce?

- > Do products or services contribute positively or negatively to SDGs?

#### Positive contribution examples:

- > Medicine, water, healthcare

#### Negative contribution examples:

- > Shale gas, fast food, gambling

Step 2:

### How do companies produce?

- > Does the company's business conduct contribute to SDGs?

#### Assess a company's:

- > Governance factors
- > Pattern of questionable conduct?
- > Differentiate between firms with highest SDG impact

Step 3:

### Check on controversies

- > Has the company been involved in controversies?

#### Examples of controversies

- > Spills
- > Bribery and fraud
- > Mis-selling

The outcome is quantified in RobecoSAM's proprietary SDG rating methodology

Source: Robeco, RobecoSAM



## Step 1: What do companies produce?

### Extensive set of rules and KPIs

- > Clear, objective and consistent decision rules to determine contribution to SDGs

### Part of RobecoSAM's extensive rulebook:

		Starting point		KPI - 1				KPI - 2		---
Sector	SDGs	Contribution	Impact	Measure	Threshold	Contribution	Impact	Measure	Threshold	---
Banks	1, 8, 9	Positive	Low	%SMEloans/ total loans	>25%	Positive for SDG1, 8, 9	Medium	%EM loans/ total loans	<25% >25% >50%	---
Energy (E&P)	7, 13	Negative	Low	%natural gas	>65% 45-65% 30-45% <30%	Positive for SDG7, 13 Neutral Negative for SDG7, 13 Negative for SDG7, 13	Low  Low Medium	%Fracking+oil sands	>80% 50-80% 20-50% <20%	---
Automotives	11	Negative	Medium	%Alternative power trains	>5% >10% >20% >30%	Neutral Positive for SDG11 Positive for SDG11 Positive for SDG11	 Low Medium High			---
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Source: Robeco, RobecoSAM  
 These examples are for information purposes only and not intended to be an investment advice in any way

## Step 2: How do companies produce?

### SDGs are also about how companies operate:

- > Reduce pollution, improve resource efficiency [SDGs 3, 6, 7, 8, 9, 11, 12, 13, 14, 15]
- > No child labor, safe working environment, labor rights [SDG 8]
- > No bribery/corruption, protect fundamental freedoms, accountable institutions [SDG 16]
- > Gender equality [SDG 5]

### More qualitative assessment

- > Firm's governance framework
- > Conduct track record
- > Environmental policies
- > ...

### Adjust SDG rankings:

- > Differentiate between firms with the highest SDG impact
- > Exclude firms in case of serious and structural breaches



## Step 3: Check on controversies

### Correct for controversies

#### Having the right products and the right policies not always sufficient

- > Firms can still be involved in controversies:
  - > Spills, contaminations, mis-selling, fraud, bribery, ....

#### Analyst determines whether company passes

- > Are controversy structural or just a one-off?
- > Adequately dealt with by management?

#### Important inputs

- > Controversy ratings (RobecoSAM, Sustainalytics)
- > Engagement specialists

#### If the assessment isn't satisfactory then company doesn't pass





## SDG rating framework

**Outcome three-step process quantified in SDG rating framework:**

- > Contribution to the SDGs: positive/neutral/negative
- > Extent of the contribution: high/medium/low

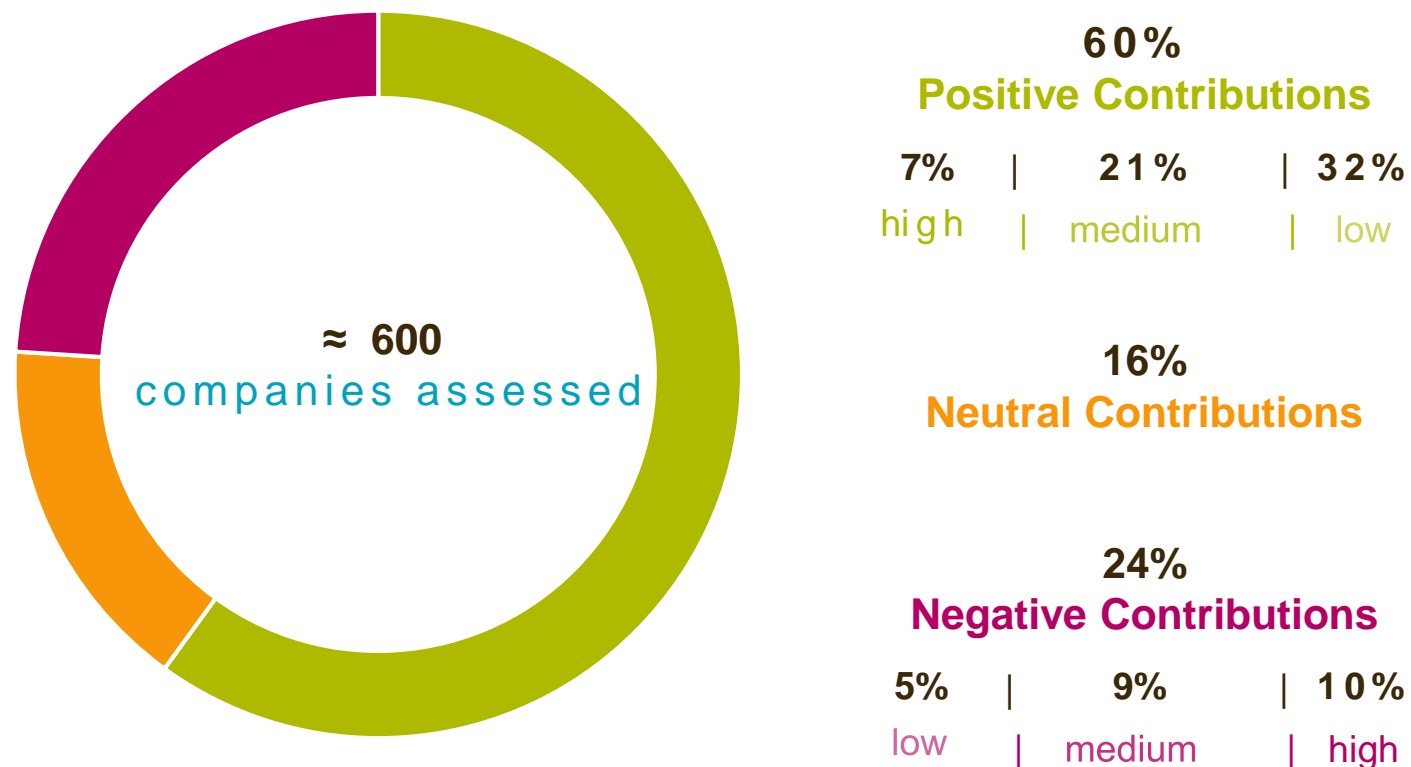
Assessment	Impact	SDG Score
Positive	High	+3
	Medium	+2
	Low	+1
Neutral		0
Negative	Low	-1
	Medium	-2
	High	-3

**Framework used to determine Investable universe**

Source: Robeco, RobecoSAM  
 These examples are for information purposes only and not intended to be an investment advice in any way

## Results SDG screening process

Circa 600 companies assessed by the analysts



Source: Robeco, RobecoSAM. Data September 2018  
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## From investable universe to portfolio

### Using eligible universe to build a global SDG credit portfolio

#### Eligible bonds

- > Bonds with a neutral or positive SDG score
- > Green bonds with a positive ESG score

Assessment	Impact	SDG Score	Global SDG Credits
Positive	High	+3	14%
	Medium	+2	40%
	Low	+1	37%
Neutral		0	6%



## RobecoSAM Global SDG Credits: SDG Impact



### Basic Needs

14% in RobecoSAM Global SDG Credits



### Healthy Planet

17% in RobecoSAM Global SDG Credits



### Sustainable Society

70% in RobecoSAM Global SDG Credits



### Equality & Opportunity

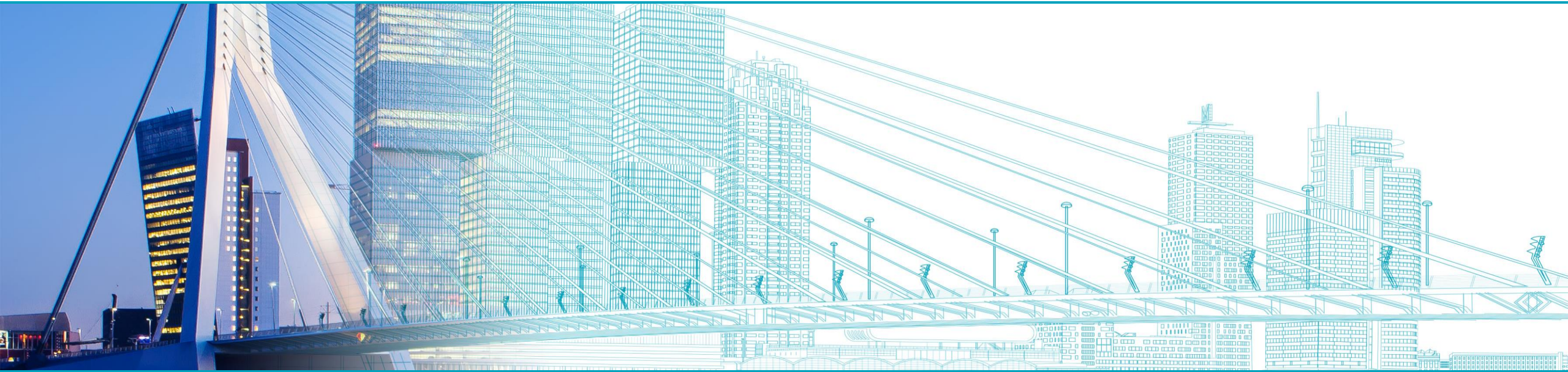
25% in RobecoSAM Global SDG Credits



### Robust Institutions

0% in RobecoSAM Global SDG Credits





## SDGs in Active Ownership

## What is active ownership?

Active ownership is about exercising your rights and using your influence as owner of shares or credits.

This can reduce risks and enhance investment returns. It has two major components:

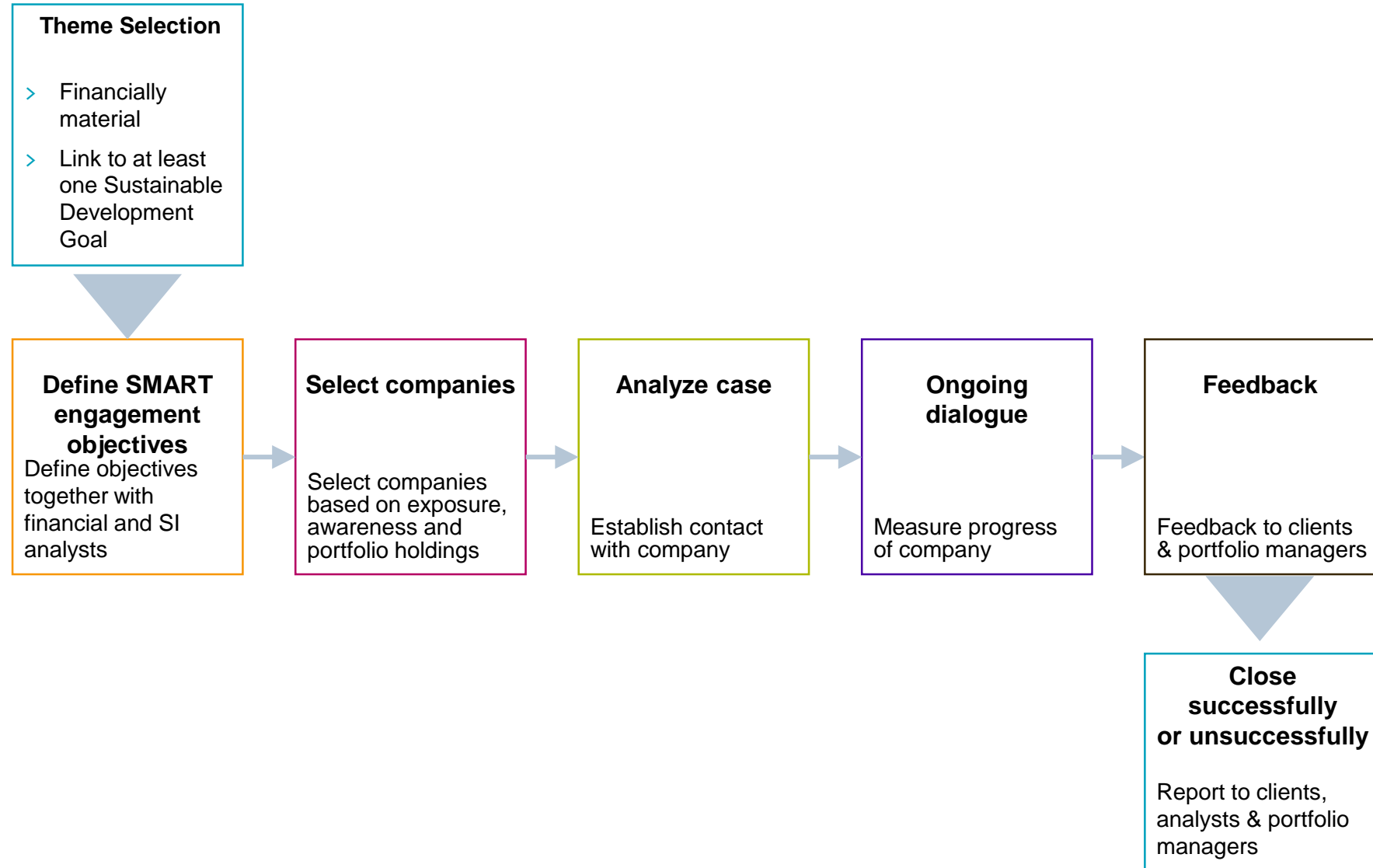


## Voting



## Engagement

## Integrated and focused engagement process



## Engagement themes started in 2018

### Climate Action

- > Focus on biggest carbon emitters
- > PRI collaboration



### Sustainable production: Reducing global waste

- > Focus on technology & solar companies
- > Closing the materials loop



### Cyber Security

- > Focus on ICT & consumer sectors
- > PRI collaboration



### Good Governance

- > Focus on company specific governance problems
- > Specifically includes Brazilian & Chinese companies



### Food Security

- > Focus on agrochemical, seed, fertilizer & palm oil producers
- > Availability and accessibility of food





## Integrating SDGs in our engagement activities

### Practical example: Reducing Global Waste

**Scope:** Small and mid-cap companies related to solar energy, industrial waste management and technology.

**Engagement objectives:**

1. Environmental impact assessment
2. Environmental strategy
3. Sustainability reporting
4. Corporate Governance
5. Social impact



## Integrating SDGs in our engagement activities

### Practical example: Reducing Global Waste

Engagement objectives linked to SDG sub-target:



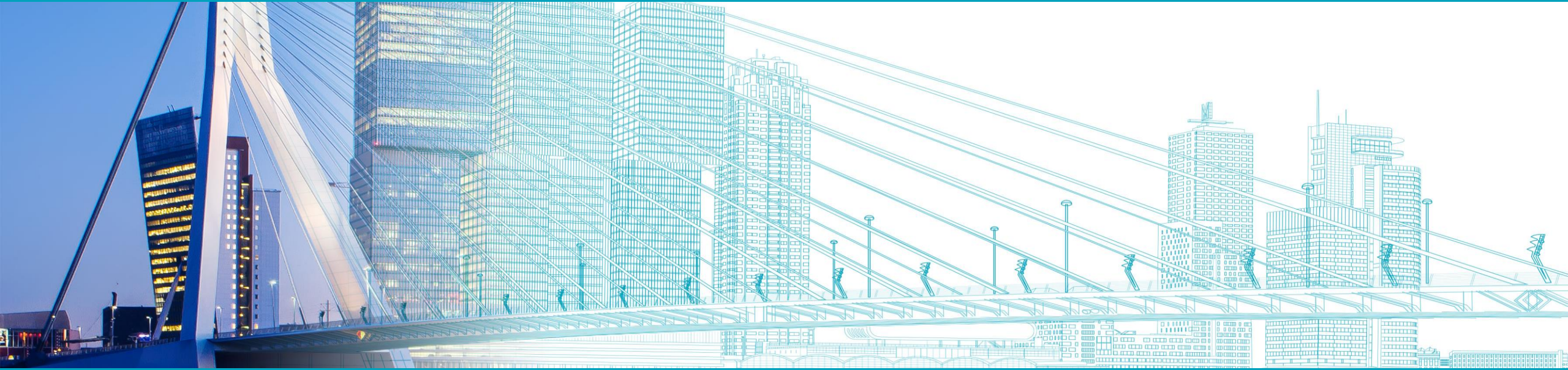
**Environmental Impact  
Assessment**



**Environmental Strategy**



***“12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle [...] and significantly **reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment**”***



## Contact details

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