ROBECO
The Investment Engineers

Robeco Institutional Asset Management B.V.

Annual Report

Contents

General information

Executive Committee ('ExCo')
G.O.J.M. (Gilbert) Van Hassel*
K. (Karin) van Baardwijk*
M.C.J. (Maureen) Bal (until 1 April 2018)
M.D. (Monique) Donga
P.J.J. (Peter) Ferket*
M.O. (Martin) Nijkamp
H-Ch. (Christoph) von Reiche
R. (Roland) Toppen* (until 5 September 2018)
V. (Victor) Verberk

* also statutory director

Supervisory Board
J.J.M. (Jeroen) Kremers (Chairman)
S. (Sonja) Barendregt - Roojers (since 1 April 2018)
Y. (Yoshiko) Fujii (since 1 May 2018)
G. (Gihan) Ismail (until 1 July 2018)
M. (Masaaki) Kawano (until 1 May 2018)
J.J. (Jan) Nooitgedagt (until 1 April 2018)
R.R.L. (Radboud) Vlaar (since 18 September 2018)

More information on the Supervisory Board and the ExCo can be found on the website www.robeco.com.

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KPMG Accountants N.V.
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Rotterdam Chamber of Commerce number 24123167

Report of the Executive Committee

General

We are pleased to present the financial statements of Robeco Institutional Asset Management B.V. (also referred to as 'Robeco' or 'the Company') for the financial year 2018 along with the report of the Executive Committee.

Established in Rotterdam in 1929, Robeco offers investment management and advisory services to institutional and private investors, and manages UCITS[1] and alternative investment funds. As such, Robeco acts as the manager of investment funds (and as director in case the funds have the form of legal entities) in the Netherlands, and also operates as the direct distribution channel in the Dutch retail market for all of the Robeco funds.

Robeco has both an AIFMD license as referred to in Article 2:65 of the Dutch Financial Supervision Act ('Wft') and a license to act as manager of UCITS as referred to in Article 2:69b of the Wft and to offer the additional services within the meaning of Article 2:97 under 3. Total client assets (assets managed, sub-advised or distributed by the Company) amounted to around EUR 131 billion as at 31 December 2018 (EUR 132 billion as at 31 December 2017). Total assets under advice, including fiduciary management, amounted to around EUR 31 billion as at 31 December 2018 (EUR 29 billion as at 31 December 2017).

Corporate structure

The Company is established in the Netherlands. Robeco Holding B.V. holds 100% of the shares of the Company. ORIX Corporation is the sole shareholder of ORIX Corporation Europe N.V., the domestic parent company of Robeco Holding B.V., which also holds 100% of the shares in Robeco Nederland B.V., the Dutch central service company of Robeco. Robeco Nederland B.V. is the formal employer of all Robeco staff based in the Netherlands, who are provided to Robeco by Robeco Nederland B.V. on the basis of an intercompany service agreement.
ORIX Corporation Europe N.V. is also the direct or indirect (unless otherwise indicated) sole shareholder of the following other main operating companies within the ORIX Europe group: Boston Partners Global Investors Inc., Harbor Capital Advisors Inc. and RobecoSAM AG.

Corporate governance

The Company has a two-tier board: an Executive Committee (also referred to as the 'ExCo') of which three members are also statutory directors, and a Supervisory Board. The governance principles of the Company are laid down in its Articles of Association, Supervisory Board Rules, Management Board Rules and ExCo Rules and in the Charters of the Supervisory Board committees: the Audit & Risk Committee and the Nomination & Remuneration Committee.

As the so-called 'moderate version' of the 'Large Company Scheme' (*Structuurregime*, Article 2:155 of the Dutch Civil Code) applies, a Supervisory Board has been established for Robeco. In addition to performing general duties relating to supervision and advice, the Supervisory Board must also approve certain resolutions of the ExCo.

Executive Committee
According to its Articles of Association, the Company is managed by the Management Board under the supervision of the Supervisory Board. The Articles of Association also provide that the Management Board may establish an Executive Committee, consisting of one or more statutory directors and one or more other members,

[1] Undertaking for Collective Investment in Transferable Securities

to support the Management Board in performing its tasks. Based on this provision, four persons have been appointed, who, together with the members of the Management Board, constitute the ExCo. The ExCo is responsible for the daily management of the Company.

As of 31 December 2018, the ExCo consisted of Gilbert Van Hassel (Chairman and CEO), Karin van Baardwijk (COO), Monique Donga (Head of Human Resources), Peter Ferket (Head of Investments), Martin Nijkamp (Head of Strategic Product & Business Development), Christoph von Reiche (Head of Global Distribution & Marketing) and Victor Verberk (Deputy Head of Investments). As Roland Toppen (CFRO) left the Company on 5 September 2018, we are in the process of recruiting someone for the vacant CFRO position. Until a successor will have been appointed, the CFRO's responsibilities have been taken over by the CEO. Daniel Wild (co-CEO of RobecoSAM) has been appointed advisor to the ExCo. Two of the seven ExCo members are women, demonstrating the Company's commitment to meeting the legal requirement to strive for at least a 30%/70% ratio of women to men in the management bodies of larger companies.

Statutory directors are appointed by the General Meeting of Shareholders. The Supervisory Board must be consulted in connection with an intended appointment, which is subject to the prior approval of the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, 'AFM'). ExCo members cannot be appointed by the Management Board without the prior approval of the AFM because an ExCo member is considered to be a 'daily policymaker' of Robeco. An intended appointment to the ExCo must be submitted to the Works Council for advice. So far, the Works Council has always issued a positive opinion on proposed appointments.

Supervisory Board
By law, (and according to the Company's Articles of Association) the role of the Supervisory Board is to oversee the policies of the Management Board and the general course of the Company's affairs and its business operations and to support the Management Board by providing advice. The Supervisory Board has two committees: the Audit & Risk Committee and the Nomination & Remuneration Committee. The tasks and responsibilities of the committees are laid down in their respective Charters. In summary, the role of the committees is to prepare decisions to be taken by the Supervisory Board and to take decisions and carry out responsibilities that are delegated to them by the Supervisory Board. As of 31 December 2018, the Supervisory Board consisted of Jeroen Kremers (Chairman), Sonja Barendregt-Roojers, Yoshiko Fujii and Radboud Vlaar.

According to the 'Large Company Scheme', the General Meeting of Shareholders and the Works Council may recommend nominees for the position of supervisory director to the Supervisory Board. The Works Council's has an enhanced right of recommendation for one-third of the supervisory directors. The Works Council's nominee can only be rejected in exceptional circumstances. Given the total number of members, one member of the Supervisory Board (Sonja Barendregt-Roojers) was appointed on the Works Council's recommendation.

The Supervisory Board and the Executive Committee are required to meet regularly. The meetings can include all members or, if desired, only the Chairman of the Supervisory Board, the CEO and the relevant member of the Executive Committee responsible for the specific topics or matters to be discussed. Members of the Executive Committee will be invited to and will in principle attend each meeting of the Supervisory Board, however the Supervisory Board may also decide to meet without (one or more of) these members.

Strategy 2017-2021

In June 2017, Robeco announced its strategy for the period 2017-2021. This strategy aims to monetize the company's intellectual property in combination with a continued focus on providing our clients with the best possible investment performance and services. It will continue to build on the foundations laid in the previous strategy period (2014-2017).
In the strategic period, Robeco strives to accelerate its growth in the UK, US, Italy, Australia and Japan, and among key accounts in other countries in the Asia-Pacific region. These countries offer the best opportunities for growth in the years to come. In other countries, regions and market segments where the Company has a sales

presence, the aim is to maintain current growth levels. In China, Robeco will continue to strengthen its presence, so that it is prepared when the market opens up further. Accelerating sales via global financial institutions is one of the cornerstones of the strategy for the 2017-2021 period. We have noted first successes in terms of net inflows in 2017 of EUR 11.0 billion and net inflows 2018 of EUR 14.1 billion.

In terms of products and solutions, the focus will be on further increasing the scale of those investment capabilities that are currently among the world's best in terms of performance, investment process and consultant ratings. These include Quant Equities (including Factor Investing), Investment Grade Credits, Emerging Markets Equities, Asia-Pacific Equities, and Sustainability Investing ('SI', in close collaboration with sister company RobecoSAM). In 2018, this collaboration was further strengthened in order to fully unlock the potential between the two companies and to maintain their leading position in SI, an area where both companies have been successful since the 1990s. Part of this collaboration was the introduction of a joint mission statement: 'To enable our clients to achieve their financial and sustainability goals by providing superior investment and returns and solutions'.

In anticipation of an expected increase in client interest, Robeco's Fundamental Global Equities, Global Macro Fixed Income, Fundamental Multi Asset and Quant Allocation capabilities will be further strengthened in the coming years. In addition, Robeco intends to build or buy capabilities that institutional investors are looking for in their search for yield and for strategic partnerships.

Sustainability investing and corporate responsibility

Our corporate mission is to enable our clients to achieve their financial and sustainability goals by providing superior investment returns and solutions. We are convinced that integrated sustainability leads to better-informed investment decisions and enhanced risk-adjusted returns. We also believe that exercising our voting rights and engaging with the companies in which we invest will have a positive impact on both our investment results and on society. As part of our sustainability investing approach, Robeco aims to contribute to the Sustainable Development Goals (SDG) and we are convinced that we can create socioeconomic benefits in addition to competitive financial returns. Robeco has also implemented an exclusion policy for companies involved in the production of, or trade in, controversial weapons such as cluster munition and anti-personnel mines, along with tobacco and companies that structurally and severely breach the United Nations Global Compact (UNGC).

Sustainability investing in figures (year end 2018)		
Assets in sustainability focused funds	EUR	5.9 billion
Assets for which ESG integration has been implemented	EUR	100.0 billion
Assets 'under dialogue' [2]	EUR	382.3 billion
Assets 'under voting' [3]	EUR	69.9 billion

ESG integration into the investment process
Robeco considers the integration of ESG factors into investment-analysis and decision-making processes to be one of the most important elements of sustainability investing. We apply ESG integration in our investment process for equity, credit and sovereign-bond portfolios because we believe that this leads to better informed investment decisions.

All Robeco's investment activities comply with the United Nations Principles for Responsible Investing (UNPRI). In 2018, Robeco was awarded the highest possible score (A+) for all seven UNPRI modules of Sustainability

[2] A total of 240 engagement cases covering 21 different themes were handled in 2018.
[3] In 2018, Robeco voted at 5,291 shareholder meetings

Investing. This was the fifth year in a row that Robeco obtained the highest score for the majority of the modules assessed by UNPRI.

At the end of 2018, ESG integration was applied to EUR 100 billion of Robeco's assets under management. Our main supplier for sustainability research, ESG data and impact analysis with regard to SDGs is group company RobecoSAM, which has used ESG assessments to compile one of the world’s largest sustainability databases. RobecoSAM’s proprietary research and sustainability data are also integrated into the range of investment products it offers and power the Dow Jones Sustainability Indices (DJSI).

Engagement and enhanced engagement
Robeco is involved in engagement activities with companies worldwide, in relation to both equity and credit portfolios. Our engagement program is focused on financially material ESG issues and executed in collaboration with analysts and portfolio managers. RobecoSAM’s knowledge of and expertise in ESG factors is used to determine the most material issues so that we can then address these with the companies concerned. One part of Robeco's active ownership strategy focuses on companies that structurally and severely breach the UN Global Compact. This engagement approach is called enhanced engagement. If an enhanced engagement dialogue does not lead to the desired result, the Sustainability and Impact Strategy Committee (SISC) can decide to make an addition to the exclusion list[4]. The process for enhanced engagement is a formal part of Robeco's exclusion policy.

Managing Robeco’s own operations
Robeco's sustainability policy describes our attitude and approach towards stakeholders, the environment and society as a whole. In this policy, we address sustainability investing, our sustainability governance structure and the integration of sustainability in Robeco’s own operations. We recognize that our people are key to achieving our goals and employee relations is therefore a key focus. We actively promote diversity, equal opportunity and human capital development to ensure a positive working environment for our employees. We value and support initiatives by our employees to support societal projects and have introduced The Robeco Foundation[5] with the aim to offer children equal future opportunities. We are conscious of our use of resources and therefore strive to reduce our use of energy, water and paper. Sustainability is also a key feature of Robeco’s housing policy and is integrated in our purchasing decisions. By offsetting the remaining footprint, we are able to conduct our operations in a carbon-neutral manner. Our efforts to integrate sustainability in our own operations are governed by our commitment to the UN Global Compact and progress is reported yearly in our sustainability report.

Product development

Within the strategic framework, Robeco product development focuses on:
- client suitability of new and existing products and services
- devising new strategies to invest in future growth opportunities for Robeco clients
- growing existing investment capabilities and products, to optimally leverage Robeco's current strengths for its clients and prospects
- enhancing the global appeal of Robeco's investment strategies for investors by exploring new fund structures, domiciles or other means of distributing Robeco's intellectual property, and professionally catering to specific client preferences
- developing/co-developing new customized products in collaboration with the commercial departments and clients
- onboarding institutional clients via single client mandates or funds

[4] https://www.robeco.com/docm/docu-exclusion-policy-and-list.pdf
The joint SISC was established in July 2018 as one of the initiatives to drive the evolution of Robeco and RobecoSAM and aims to support decision making on SI topics. The governance of the exclusion policy rests with the ExCo of Robeco.
[5] https://www.robeco.com/nl/over-ons/robeco-foundation/

- ensuring high-quality processes and operational excellence as a prerequisite for effective product development and life cycle management, together with an up-to-date framework of fund structures to support commercial growth
- performing key maintenance of products and fund processes, including product reviews and product quality procedures.

Sustainability investing is an integral part of Robeco's investment strategies and is an important component of the product development responsibilities. Robeco collaborates closely with RobecoSAM in the development of the ESG-tilted[6] strategies, products and solutions, thus leveraging on the combined sustainability expertise of Robeco and RobecoSAM for the benefit of investors.

Staff

All Robeco staff active in the Netherlands is provided by Robeco Nederland B.V. by way of an intercompany service agreement. Thus, from a legal standpoint, the staff that carries out the Company's activities in the Netherlands is employed by Robeco Nederland B.V. In 2018, the average number of staff active on behalf of Robeco in the Netherlands was 690 (2017: 702). In addition, the Company also directly employs a number of staff that are active abroad at its international branch offices. In 2018, the average number of employees formally and directly employed by Robeco at the international branch offices of the Company was 49 (2017: 53).

The Company can only successfully achieve its strategic goals if employees are committed and empowered to carry out its long-term ambitions and core values.

Following on from the Strategy 2017-2021, our learning and development programs and Performance Management Cycle were further aligned with the strategic objectives. In order to enable our staff to continuously improve its skills and abilities in line with Robeco's high performance culture, two improvements were made to the Performance Management Cycle. We strongly believe in an open and safe environment in which employees can give each other feedback at any time during the year. At minimum, employees receive feedback once per year as part of the year-end appraisal process. This gives the manager additional input, allowing them to view the employee's performance from multiple angles. Secondly, the year-end appraisal meeting is, in our view, a great opportunity to increase motivation, commitment and growth potential through recognition of employees' strengths and areas for development. In order to enable management to be effective performance mentors, the management tools available to managers have been enhanced in support of fruitful and constructive appraisal meetings.

The extent to which the employee has acted according to the core values – client-centered, innovative, sustainable and connecting – remains a fundamental part of assessing individual performance.

On 5 and 6 November 2018, the annual Robeco Leadership Conference was held in the Netherlands and was attended by 90 senior managers and direct reports to the Executive Committee. The key topic of this year's conference was 'To be a consistent winner, we need to work together', as part of the execution of the Robeco Strategy 2017-2021 and how to maintain a learning and high-performance culture.

Financial results

The Company's gross margin over the reporting year was EUR 363.1 million, EUR 10.3 million (3%) higher than in 2017. The increase was mainly due to an increase of assets under management (including sub-advised or distributed assets) during the first nine months of the year, resulting in an increase of total average assets under management from EUR 150 billion in 2017 to EUR 167 billion in 2018. Most of the revenues are acquired in Europe.

[6] ESG: Environmental, Social and Governance

The operating result increased from EUR 98.6 million in 2017 to EUR 110.0 million in 2018, due to an increase in the Company's gross margin of EUR 10.3 million and a decrease in total operating expenses of EUR 1.1 million. The decrease in operational expenses of EUR 1.1 million to EUR 253.1 million in 2018 is mainly a result of the one-off effect relating to the restructuring expenses recognized in 2017 of EUR 18.7 million, increased operating costs recharged by Robeco Nederland B.V. of EUR 11.2 million and increased other costs of EUR 6.3 million in 2018. The increased costs relate to the outsourcing project, increased trading costs due to MiFID II and the negative impact from changes in foreign currency.

The tax expense in 2018 was EUR 27.5 million (2017: EUR 24.0 million) implying an effective tax rate of 25.0% (2017: 24.3%). The result after tax for the year 2018 was EUR 87.5 million, an increase of EUR 9.0 million (11%) compared to the previous year.

Management considers the financial position of the Company to be sound. During the financial year, a EUR 78.5 million dividend was distributed to the shareholder. The equity of the Company, before profit appropriation, amounts to EUR 193.8 million as at 31 December 2018 (2017: EUR 184.7 million).

The Company submits the FINREP and COREP reports to the Dutch Central Bank (De Nederlandsche Bank, 'DNB') on a quarterly basis as required by CRD[7] IV rules, and did so most recently as at 31 December 2018. Furthermore, the Company reports the information required by the Alternative Investment Fund Managers Directive ('AIFMD') to the AFM on a semi-annual basis. The most recent reporting relates to 31 December 2018 and has been submitted to both DNB and AFM through one combined filing. All capital requirements were met as at these reporting dates and are met continuously.

Financial markets environment

The financial markets have a significant influence on Robeco's business in terms of assets under management and assets under advice. The year 2018 has proven to be an inflection point for global financial markets and the global economy, as the expansion phase of the business cycle, which started in 2009, reached its peak in late 2018. Whereas 2017 saw exceptionally strong and synchronized growth, the expansion of global economic activity in 2018 became less balanced and shifted from acceleration to deceleration mode. This is typical of a late cycle economic environment. Nevertheless, global activity remained firmly in the expansion phase, with the global growth forecast reaching 3.7% in 2018 (IMF estimate).

The year under review got off to a promising start with investment spending making a solid contribution to global growth. Industrial capacity constraints became more noticeable, with actual growth levels remaining above trend in advanced economies. With output gaps gradually closing and unused economic capacity dwindling, especially in the US labor market, inflationary pressures picked up. In the US, pro-cyclical fiscal stimulus in the form of corporate tax cuts boosted private sector activity and business confidence further and the US economy was firing on all cylinders with Q2 2018 US GDP growth reaching an annualized pace of an impressive 4.2%, significantly above its long-term 2% growth path. Strong US growth (3.0% overall in 2018) and inflation close to the 2% target, allowed the Federal Reserve to remain on 'autopilot' for the entire year. The Fed raised policy rates every quarter by 25 basis points towards a level that it considers neutral for the US economy. Consequently, US yields remained attractive versus the rest of world with the dollar well bid. The resulting decline in dollar liquidity put severe market pressure on emerging countries in spring 2018, especially those in need of dollars to finance current account deficits.

A major theme that hampered global economic growth in the second half of 2018 was the impact of trade disputes, notably between the US and China. Since January, the US has levied tariffs on a number of Chinese export products as it has accused China of unfair practices, which in the course of 2018 led to the imposition of tariffs on more than EUR 300 billion of bilateral trade. The US administration managed to revise the existing

[7] Capital Requirements Directive

NAFTA trade agreement with trade partners Canada and Mexico and agreed an armistice on trade with the EU. However, the divide between China and the US, both vying for global supremacy, runs deeper than trade alone. Therefore, a swift and all-encompassing resolution for the trade dispute remained out of sight as 2018 progressed. As a consequence, fear of an escalating trade war started to impact overall business confidence and the contribution to global activity from global trade and investments declined.

Increased political/geopolitical risk has been a running theme throughout 2018. In the UK, the twists and turns in the debate around Brexit have been relentless. At the time of writing, uncertainty remains high. The chances of a no-deal, 'hard' Brexit, have diminished markedly though, now that the European Court of Justice has ruled that the UK government has the right to unilaterally withdraw its invocation of Article 50. In that case, the UK would remain a member of the EU based on the current conditions, though this option is probably a last resort. It's more likely that the UK will enter a transitional period after leaving the EU in March or somewhat later, as a short delay for legislative reasons has become more likely, this would come down to a Brexit in name only. At the time of writing, the path to this solution was still unclear**.** In Italy, a new populist government challenged the EU budget rules safeguarding debt sustainability, threatening to exceed the budget deficit norm in order to deliver on promises made to their electorate. In France, a populist backlash against the Macron-led government emerged with the protest of the '*gilets jaunes*' on the streets of Paris.

Consumption seemed to be the most stable factor contributing to global growth in 2018, despite the drag from rising oil prices in the first half of the year. In the US, consumer confidence rose to its highest level in 18 years as wage growth accelerated to a level of 3.2% towards the end of year. Secular forces still weigh on the contribution of labor income to the economy, such as underemployment, the rise in part-time work, automation and the emergence of the 'gig' economy. However, from a cyclical point of view, the global economy has reached a mature phase where a further decline in unemployment progressively leads to higher wage growth. In China and other emerging markets, consumer spending was lackluster and the Chinese economy weakened in 2018. In terms of economic growth, emerging markets failed to catch up to advanced economies to any noticeable degree.

From a monetary policy point of view, 2018 has also been a transitional year in which monetary policy changed more decisively from unequivocally accommodative to more neutral. Three factors have contributed to tightening financial conditions. First, the Fed remained on autopilot with regard to setting conventional policy rates. Second, the Fed balance sheet is being unwound by USD 50 billion per month. Third, dollar appreciation had a tightening effect in the course of 2018. In addition, the ECB ended its monthly net bond purchases (which started back in early 2015) at the end of 2018, citing balanced risks to economic growth in the Eurozone while expressing confidence that the inflation target of 'below, but close to 2%' is achievable in the medium term. As a result of tightening financial conditions, short-term yields caught up with longer-dated yields and (portions of) US yield curves even inverted in the last quarter of 2018. This yield curve inversion (the situation in which shorter-term Treasuries have higher yields than longer-dated Treasuries), has proven to be a reliable recession indicator since the end of World War II, albeit with long and variable lags (with the time from a medium lag until recession being 17 months).

Outlook for the equity markets

In a macroeconomic environment of decelerating global activity and central banks reducing excess liquidity, equity markets experienced a turbulent year, especially in the last quarter of 2018 as the inverted yield curves pointed to a heightened recession risk. The MSCI World Total Return Index experienced a loss of 4.1% in euro terms, the first annual calendar year loss since 2011. The MSCI Emerging Markets Total Return Index lagged with a return of -10.3% in euro terms. Peak to trough moves of major indices show that the equity bull market that started in March 2009 has morphed into a bear market. Rather than a sell-off of a technical nature, we are faced with a more fundamental shift in expectations and risk perception as a result of coinciding inflection points, both in the business cycle and in monetary policy. Given the currently stretched level of risk premiums in the equity market, the recession risk for 2019 seems overpriced. We maintain that the US is unlikely to drift downwards into a recession in 2019, as it usually still takes up a year to cascade from peak growth to a standstill in economic activity. Valuations (outside the US) suggest there is limited upside for equity markets in 2019. The upside for equities in 2019 seems to be capped, however, as we have arrived in a late phase of the global expansion and a recession occurring sometime after 2019 seems inevitable. In this limited window of opportunity for equity investors, the Fed will likely move from a neutral stance towards net restrictive monetary policy, a transition that has often coincided with the peak in the global earnings cycle.

Bond market outlook
US Treasury yields ground higher in early 2018, underpinned by rises in real yields, reflecting a strong US economy and the Fed's forward guidance. Global government bonds (hedged in euro) nevertheless made a comeback during the flight to safety in the last quarter, but generated an overall loss (-0.3%) in 2018. Dollar hedging costs have risen as yield differences between the US and Eurozone bond yields are now at their highest level in 30 years. While the US Treasury market is trading close to fair value, the German Bund market still looks very expensive from a macro-economic point of view. Some normalization in US yield differentials relative to the rest of world is to be expected in the course of 2019. The German Bund market, in particular, looks vulnerable now that the ECB has left the bond market as a net technical buyer and is preparing a return to conventional rate-setting policy in 2019. This could also cause the US dollar to lose strength.

The change in sentiment and increased fear of recession also hit the credit markets in late 2018. The global high yield index (hedged in euro) lost 5.5% in 2018. The global investment grade credit markets were also faced with late credit cycle dynamics and lost 3.8% (hedged in euro). Market concerns about stretched levels of corporate leverage, liquidity and weak covenant protection in high yield markets surfaced and took their toll, resulting in widening credit spreads. Higher credit spreads have made the asset class somewhat more appealing in the meantime, also because interest coverage ratios (the ability to service debt) are still decent. However, in our view, a further rise in risk-free rates will keep this duration sensitive asset class under pressure, as will concern about an upcoming peak in the earnings cycle, inhibiting the ability to service corporate debt burdens. A brighter spot for upcoming year can be found in emerging market debt in local currency, which generated a flat return (0.0%, unhedged) in euro terms in 2018. Emerging market currencies are generally cheap on a purchasing power parity basis while carry remains attractive.

Investment performance

Of all portfolios managed or sub-advised by the Company, 51%[8] (2017: 79%) outperformed compared to the relevant benchmark over a three-year period. For a one-year period this figure was 52% (2017: 60%). For detailed information, please refer to the annual reports of the respective investment funds.

In the year 2018, the equity markets of the developed and emerging economies posted negative returns, with 44% of the equity portfolios outperforming their benchmark. The percentage of outperforming equity portfolios over the past three years was 39% (82% for 2017).

In 2018, Fixed Income had a negative year in absolute terms but results were positive in relative terms. At Company level, 76% of fixed-income portfolios outperformed the benchmark over a three-year period (2017: 75%). Over a one-year period this figure was 74%.

[8] All returns are gross of fees

In the table below, the returns and relative performance of the most relevant funds are shown, as examples of the statistics mentioned above. The outperformance (+) or underperformance (–) compared to the relevant index is indicated and the Sharpe[9] ratio is shown for conservative funds investing in low volatility stocks with lower expected downside risk.

	Fund	*Performance*	*Outperformance / underperformance*
Equities	Robeco Asia-Pacific Equities (EUR)	-13.0%	- 3.9%
	Robeco BP Global Premium Equities (EUR)	-8.6%	- 4.5%
	Robeco BP US Large Cap (USD)	-9.0%	- 0.8%
	Robeco BP US Premium Equities (USD)	-11.5%	- 2.9%
	Robeco BP US Select Opportunities (USD)	-14.4%	- 2.1%
	Robeco Emerging Markets Equities (EUR)	-12.6%	- 2.3%
	Robeco Emerging Stars Equities (EUR)	-11.9%	- 1.7%
	Robeco Global Consumer Trends Equities (EUR)	3.1%	+ 7.9%
	Robeco Global Fin Tech Equities (EUR)	2.7%	+ 7.6%
	Robeco Global Stars Equities Fund (EUR)	-1.6%	+ 2.5%
	Robeco New World Financial Equities (EUR)	-9.3%	+ 2.1%
	Robeco QI Emerging Conservative Equities (EUR)	-2.4%	+ 7.8% (Sharpe ratio -0.2 vs -0.9)
	Robeco QI Emerging Markets Active Equities (EUR)	-10.6%	- 0.3%
	Robeco QI European Conservative Equities (EUR)	-6.4%	+ 4.2% (Sharpe ratio -0.8 vs -0.9)
	Robeco QI Global Multi-Factor Equities (EUR)	-6.7%	- 1.9%
	Robeco QI Institutional Emerging Markets Enhanced	-9.4%	+ 0.8%
	Robeco QI Institutional Global Developed Conservative	-3.4%	+ 0.7% (Sharpe ratio -0.3 vs -0.3)
	RobecoSAM Sustainable European Equities (EUR)	-5.1%	+ 5.5%
	Rolinco (EUR)	-4.4%	+ 0.5%
Fixed income	Robeco All Strategy Euro Bonds (EUR)	0.0%	- 0.4%
	Robeco Euro Credit Bonds (EUR)	-1.1%	+ 0.1%
	Robeco Euro Government Bonds (EUR)	0.4%	- 0.6%
	Robeco Euro Sustainable Credit Bonds (EUR)	-1.1%	+ 0.1%
	Robeco Financial Institutions Bonds (EUR)	-4.0%	- 0.7%
	Robeco Global Credits (EUR)	-3.5%	+ 0.3%
	Robeco Global Multi-Factor Credits (EUR)	-3.2%	+ 0.6%
	Robeco Global Total Return Bond Fund (EUR)	-3.1%	- 1.9%
	Robeco High Yield Bonds (EUR)	-3.9%	+ 0.7%
	Robeco Investment Grade Corporate Bonds (EUR)	-0.2%	+ 0.9%
	Robeco QI Global Dynamic Duration (EUR)	1.7%	+ 2.0%
Multi-Asset	Robeco ONE Neutral	-5.2%	no official index

[9] The Sharpe ratio is a measure of the risk-adjusted return. The Sharpe ratio of the portfolio and the benchmark is shown for conservative funds investing in low volatility stocks with lower expected downside risk. It is calculated by taking the annualized return minus the annualized return of the risk-free rate divided by the annualized volatility of the portfolio or index.

Remuneration policy

Introduction and scope
The remuneration policy of Robeco as described below applies to all of the Company's employees.

Goals of the Remuneration Policy
The Robeco Remuneration Policy has the following objectives:
- to stimulate employees to act in our clients' best interests and avoid taking undesirable risks
- to promote a healthy corporate culture, focused on achieving sustainable results in accordance with the long-term objectives of Robeco and its stakeholders
- to attract and retain good employees, and to reward talent and performance fairly.

Responsibility for and application of the policy
The Robeco Remuneration Policy is determined and applied by and on behalf of Robeco with the approval, where applicable, of the Supervisory Board on the advice of the Nomination & Remuneration Committee, a committee of the Supervisory Board.

Fixed remuneration
Each individual employee's fixed salary is determined on the basis of their role and experience according to the Robeco salary ranges and with reference to the benchmarks of the investment management industry in the relevant region. The fixed salary is deemed to be adequate remuneration for the employee to properly execute his or her responsibilities, regardless of whether the employee receives any variable remuneration.

Besides the fixed salary, a temporary allowance may be granted for a maximum of three to five years. The purpose of such an allowance is to attract and retain employees, for example, in a scarce labor market (market-driven scarcity allowance), to set up business activities in new countries or markets (new business market allowance) or to secure key staff for a strategic investment capability. The temporary allowance is solely role-based and is not related to the performance of the employee or Robeco.

Variable remuneration
The amount of the variable remuneration pool is determined annually by and on behalf of Robeco and approved by the Supervisory Board. The pool is, in principle, determined by taking a certain percentage of the operational profit. To ensure that the total variable remuneration is an accurate reflection of performance and does not adversely affect Robeco's financial situation, the total amount of variable remuneration is determined with due consideration of the following factors:
- the financial result compared to the budgeted result and long-term objectives;
- the required risk-mitigation measures and the measurable risks.

To the extent that the variable remuneration pool allows, each employee's variable remuneration will be determined at the reasonable discretion of Robeco, taking into account the employee's behavior and individual and team and/or the department's performance, based on the pre-determined financial and non-financial performance factors (business objectives). Poor performance or unethical or non-compliant behavior will reduce individual awards or can even result in no variable remuneration being awarded at all.

The business objectives for investment professionals are mainly non-financial and are based on the risk-adjusted excess returns over one, three and five years. For sales professionals, the financial business objectives are related to the net run rate revenue, whereas non-financial business objectives are mainly related to client relationship management. The targets for business objectives should not encourage excessive risk-taking. The business objectives for support professionals are mainly non-financial and role specific. At least 50% of all employees' business objectives are non-financial. The variable remuneration of all Robeco staff is appropriately balanced with the fixed remuneration.

Payment and deferral of variable remuneration and conversion into instruments

Unless stated otherwise in this paragraph, variable remuneration up to EUR 50,000 is paid in cash immediately after being awarded. If an employee's variable remuneration exceeds EUR 50,000, 60% is paid in cash immediately and the remaining 40% is deferred and converted into instruments, as shown in the table below. The value of this non-cash instrument is limited to the EBIT[10] of Robeco and RobecoSAM. These instruments are 'Robeco Cash Appreciation Rights' (R-CARs), the value of which reflects the financial results over a rolling eight-quarter period.

	Year 1	*Year 2*	*Year 3*	*Year 4*
Cash payment	60%			
R-CARs redemption		13.34%	13.33%	13.33%

Until 2017, Robeco occasionally granted 'long-term incentives' ('LTI') to staff who was key to achieving the group's strategic goals. The awarded LTIs were converted in full into CARs / R-CARs and they were redeemed four years after the date on which they were granted, provided the employee was employed with the Company without interruption and several other conditions were met.

Additional rules for Identified Staff and Monitoring Staff

The rules below apply to Monitoring Staff and Identified Staff. These rules apply in addition to the existing rules as set out above and will prevail in the event of inconsistencies. Monitoring Staff refers to senior employees who perform control functions (Human Resources, Compliance, Risk Management, Business Control, Internal Audit and Legal). Identified Staff is defined as employees who can have a material impact on the risk profile of Robeco and/or the funds it manages.

Identified Staff includes:

- members of the statutory management board, senior management, (senior) portfolio management staff and the heads of the control functions
- other risk-takers as defined in the AIFMD and UCITS V, whose total remuneration places them in the same remuneration bracket as the group described above.

Monitoring Staff

The following rules apply to the fixed and variable remuneration of Monitoring Staff:

- The fixed remuneration is sufficient to guarantee that Robeco can attract qualified and experienced staff.
- The business objectives of Monitoring Staff are predominantly role-specific and non-financial.
- The financial business objectives are not based on the financial results of the part of the business that the employee oversees in his or her own monitoring role.
- The appraisal and the related award of remuneration are determined independently of the business they oversee.
- The above rules apply in addition to the rules which apply to the Identified Staff if an employee is considered to be part of both the Monitoring Staff and Identified Staff.
- The remuneration of the Head of Compliance and the Head of Risk Management falls under the direct supervision of the Nomination & Remuneration Committee.

Identified Staff

The following rules apply to the fixed and variable remuneration of Identified Staff:

- The fixed remuneration is sufficient to guarantee that Robeco can attract qualified and experienced staff.
- Part of the variable remuneration is paid in cash and part of it is deferred and converted into instruments, based on the payment/redemption table below. The threshold of EUR 50,000 does not apply. In the rare event that the amount of variable remuneration is more than twice the amount of fixed remuneration, the percentages between brackets in the table below will apply.
- Individual variable remuneration is approved by the Supervisory Board.

[10] Earnings Before Interest and Tax

	Year 1	Year 2	Year 3	Year 4	Year 5
Cash payment	30% (20%)	6.67% (10%)	6.66% (10%)	6.66% (10%)	
R-CARs redemption		30% (20%)	6.67% (10%)	6.66% (10%)	6.66% (10%)

Risk control measures
Robeco has identified the following risks that must be taken into account in applying its remuneration policy:

- misconduct or a serious error of judgement on the part of employees (such as taking undue risks, violating compliance guidelines or exhibiting behavior that conflicts with the core values) in order to meet business objectives or other objectives
- a considerable deterioration in Robeco's financial result becomes apparent
- a serious violation of the risk management system is committed
- evidence that fraudulent acts have been committed by employees
- behavior that results in considerable losses.

The following risk control measures apply, all of which require the approval of the Supervisory Board.

Clawback – for all employees
Robeco may reclaim all or part of the variable remuneration paid if (i) this payment was made on the basis of incorrect information, (ii) in the event that fraud has been committed by the employee, (iii) in the event of serious improper behavior on the part of the employee or serious negligence in the performance of his or her tasks, or (iv) in the event of behavior that has resulted in considerable losses for the organization.
Ex-post malus – for Identified Staff
Before paying any part of the deferred remuneration, Robeco may decide, as a form of ex-post risk adjustment, to apply a *malus* on the following grounds:

- misconduct or a serious error of judgement on the part of the employee, such as committing a serious violation of the internal code of conduct, taking undue risks, violating the compliance guidelines or exhibiting behavior that conflicts with the core values
- a considerable deterioration in Robeco's financial results that changes the circumstances as assessed at the time the relevant variable remuneration was awarded
- a serious violation of the risk management system which changes the circumstances as assessed at the time the relevant variable remuneration was awarded
- fraud committed by the relevant employee as a result of which the award of variable remuneration was based on incorrect and misleading information.

Ex-ante test at individual level – for Identified Staff
Individual variable remuneration for Identified Staff requires the approval of the Supervisory Board, taking into account the advice of the heads of the monitoring functions and the Nomination & Remuneration Committee.

Shareholder approval
In accordance with our governance, the shareholder has given its approval on the remuneration of the members of the Management Board and high earners.

Annual audit
Internal Audit annually audits the Robeco Remuneration Policy, the implementation of possible amendments to this policy and whether remuneration practice has been in compliance with the policy.

Remuneration figures

	*FTE **	*Headcount **	*Fixed remuneration in EUR million*	*Variable remuneration** in EUR million*	*Total in EUR million*
Current and former statutory directors	4	4	2.1	2.7	4.8
Other employees	737	774	71.0	26.7	97.7
Total	**741**	**778**	**73.1**	**29.4**	**102.5**

** Situation as at 31 December 2018*

***Based on the awarded amounts*

In 2018, remuneration amounting to over EUR 1 million was paid to a total of 1 employee.

The above figures are disclosed on the basis of Article 1:120 of the Dutch Financial Supervision Act. Furthermore, the table above includes the remuneration of the FTEs for the performance of services on behalf of Robeco, either on a full- or part-time basis. The total full-time remuneration for these FTEs is included in the table, which therefore means that for several of them the remuneration for the services performed for mutual funds managed by Robeco or legal entities other than Robeco Institutional Asset Management B.V. has been included.

Risk management

The following section presents an overview of the Company's approach to risk management and highlights the main risks for Robeco.

Governance

At Robeco, risk management is based on the principles of sound management, as formulated in the Netherlands Corporate Governance Code and in the COSO Enterprise Risk Management (ERM) principles. This ensures that risks are managed according to what are currently considered to be the best business practices.

Robeco's risk management is built on the 'three lines of defense' model. The primary risk management and compliance responsibility rests with the line management in their day-to-day decision-making process. The second-line functions are fulfilled by Compliance and Risk Management (RM), which develops and maintains the relevant policies to enable line management to effectively perform their responsibilities. Moreover, the second line monitors the risk management practices of the business and regularly reports about them to various internal committees as well as to external stakeholders. The Internal Audit function (IA) acts as the third line of defense and provides independent assurance of internal control by means of various audits and reviews. Both the second-line and third-line activities operate independently. There are also several cross-functional committees that have specific decision-making powers.

Audit & Risk Committee

Robeco's Supervisory Board has an Audit & Risk Committee (A&RC) in place to supervise the financial reporting process, the control environment, the system of internal controls, risk management and internal audits. The A&RC also reviews the process used to monitor compliance with legislative and regulatory requirements and Robeco's own internal policies. In its oversight, the A&RC relies on reporting from RM, Compliance, IA, Finance and the external auditor and on updates from the business.

Enterprise Risk Management Committee

Several risk management committees ensure comprehensive and consistent risk oversight throughout Robeco. The Enterprise Risk Management Committee (ERMC) is the highest body within the Company that focuses on risks and consists of the members of the ExCo and the relevant staff departments. The ERMC is chaired by the CFRO and is responsible for evaluating and approving company-wide policies relating to risk management and compliance. The ERMC also assesses whether the risks relating to Robeco's activities remain within the defined risk tolerance levels. If risks exceed these levels, the ERMC has the power to decide to remedy the situation. The ERMC is supported by a dedicated risk management committee in respect of the financial risks associated with client portfolios and by committees and sub-committees that focus on specific issues (e.g. valuation, security, crisis management and new products).

Risk Management Committee
The Risk Management Committee (RMC) of Robeco is responsible for monitoring the quality and completeness of risk oversight for Robeco's clients. More specifically, the RMC is responsible for the development of policies and procedures for client portfolio risk management and the implementation of methodologies, systems and infrastructures for the measurement and monitoring of all relevant financial risk types within client portfolios. It is chaired by an ExCo member responsible for Investments and consists of representatives of the relevant staff and investment departments. The RMC reports to the ERMC. The financial risks in client portfolios (funds and mandates) are managed and regulated by means of the Company's financial risk management policies for client portfolios. For all portfolios, Limit and Control Structures (LCS) and investment restrictions have been established that reflect the clients' risk appetite. LCS and investment restrictions are monitored through the risk management and compliance functions and reported to portfolio managers and the RMC. If risks exceed the pre-defined limits, the RMC can take steps to remedy this.

Other committees
In addition to the RMC, the Company has established committees focusing on specific types of risk. The Security Board oversees the effective governance of all (IT) security activities and decides on information security consistent with the overall risk framework. As part of its approach to business continuity management, Robeco set up a Crisis Management team, which is mobilized in cases involving operational crises regarding facilities, IT and staff. The Product Approval Committee (PAC) formally decides on the development and implementation of new products as well as significant changes to existing products. The PAC consists of the members of the ExCo, and representatives of Product Management, Risk Management and Compliance. There is a clear distinction between the assessment of new products performed by the PAC Robeco and the RMC Robeco. The RMC (or sub-RMCs) ensure that a limit and control structure is in place for each individual product prior to the launch, that complies with the relevant rules and regulations and with agreements entered into with clients and is in line with Robeco's internal risk appetite. The PAC assesses the client suitability, the commercial attractiveness and the technical feasibility of the product and reviews the product on the basis of market risk, reputation risk and liability risk.

<u>Risk and control</u>
Robeco has developed a comprehensive control framework (RCF) which enables the Company to maintain integrated control of its operations and helps ensure compliance with laws and regulations. The RCF consists of several components that form a seamless process in which all significant risks are identified, assessed, controlled and monitored. Robeco's risk appetite plays a central role in the RCF, as it provides high-level guidance for determining the significance of risks and defining the appropriate control levels. The RCF is assessed regularly to determine whether the controls in place are adequate to mitigate all material risk and whether they are operating effectively.

The categories of risk described below are regarded by Robeco as the most relevant in terms of their potential impact on the Company's ability to pursue its strategy and business activities and to maintain a good financial status.

Strategic risks
Strategic risks can be external or internal. External circumstances such as macroeconomic developments or increasing fee pressure or competition may negatively affect the profitability of the Company. Continuous monitoring of these developments and diversification of clients, assets and products can help mitigate the resulting impact. Underperformance of the Company's products or a dependence on a limited number of key products can pose a strategic risk. The Company is sufficiently able to address this risk through its formal review and approval procedure for new products and business initiatives and by maintaining an adequately diversified

product range. In the Strategy 2017-2021, Robeco tries to place the focus on a number of points, but these still ensure a wide range of products and markets are targeted, which guarantees sufficient diversity.

Operational risk

Operational risk is defined as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems, or from external events. The Company manages a broad range of services and products for different types of clients in various parts of the world. This means it is an organization which is exposed to risks linked to high operational costs and operational errors. In order to mitigate these risks and achieve excellence in its operations, Robeco continuously searches for ways to simplify processes and reduce complexity. The RCF is assessed periodically to verify that the risks that are identified are mitigated by the controls in place and that those controls are effective.

Furthermore, the number of regulations and supervisory body policies in the asset management industry[11] has been increasing since the financial crisis. Dealing with the uncertainty associated with new regulations is also demanding, as their interpretation and the timeframes for implementation are often not clear. Hence, part of the Company's operational risk stems from the regulatory environment. To manage these risks, the Company is actively involved in the regulatory development process at an early stage, both directly and through representative associations (e.g. EFAMA, DUFAS). The monitoring activities and impact analyses of planned regulations and policies are performed at an early stage. The relevant staff departments initiate and/or monitor the subsequent implementation of new or amended laws and regulations.

Financial risk

The Company is exposed to counterparty credit risk in respect of its cash balances and receivables. Default risk concerns the risk that a counterparty does not honor its obligations towards Robeco. To mitigate this risk, a comprehensive counterparty risk policy is in place, which is maintained by the Risk Management function. The guiding principle is that counterparty risk is mitigated wherever possible, through the selection of counterparties (i.e. banks or other financial institutions) with high creditworthiness (based on strict rating criteria) and diversification.

Market risk is the risk of undesirable fluctuations in market prices of financial instruments that result in financial loss. Robeco has limited direct market risk exposure, resulting fluctuations in foreign currency rates in respect of its financial positions and cash flows, (primarily related to receivables and payables, revenue to be received and expenses to be paid), and from interest rate risk in relation to its current account balances. The interest rate risk in very low given the short duration of these positions and foreign currencies are directly converted to euros to mitigate FX risk.

Indirect market risk is more important as fee income is related to assets under management, which fluctuates in line with financial markets. In case of sharply declining financial markets this can reduce profitability as a result of lower income from management fees. This risk is mitigated among others by offering a broad and diversified range of products and services, in various regions, currencies and asset classes and a sound capital position.

Liquidity risk is the risk that Robeco would be unable to honor short-term obligations due to a lack of liquidity. Robeco has no substantial liquidity risk, as the majority of its obligations are operational liabilities to Robeco Nederland B.V., which (through Robeco Holding B.V.) is a wholly owned operating subsidiary of ORIX Corporation Europe N.V. (called Robeco Groep N.V. until 1 January 2018). To mitigate liquidity risk, cash positions are closely monitored by the Finance department and reported to the ERMC on a periodic basis.

Capital is held to cover counterparty, operational and business- and strategic risk. In respect of both counterparty and operational risk, the capital is calculated based on regulatory requirements. The capital requirement for business risk is based on an internal model that focuses on the key determinants of Robeco's revenues and costs while taking into account extreme market scenarios and flow assumptions.

[11] e.g. Financial Markets Amendment Act 2016 (*Wijzigingswet financiële markten 2016)*, UCITS V, MAR, SFTR, EMIR, MiFID II

Management review

The ongoing monitoring of risk management and internal control systems is embedded in Robeco's risk governance. This provides insight into the key risks affecting the Company. In the ERMC, the relevant staff discusses these risks with the ExCo. In addition, reports are submitted to and discussed regularly with the ExCo and Supervisory Board of the Company.

It is important to note that the proper design and implementation of internal risk management and control systems significantly reduces, but cannot eliminate, the risks associated with poor judgment, human error, control processes being deliberately circumvented, management overriding controls and unforeseen circumstances.

Based on the monitoring of risk management and internal control systems, and an awareness of their inherent limitations as described above, we have concluded that there is reasonable assurance that the Company has sufficient insight into the extent to which its objectives will be realized and the reliability of its internal and external financial reporting.

Outsourcing part of the operations to JP Morgan

On 24 January 2018, Robeco announced that it would be outsourcing part of its operations and administration activities to JP Morgan. The decision to outsource is part of the Company's strategic plan for the 2017-2021 period, which envisages further international growth in both investment and client servicing activities. JP Morgan will become Robeco's service provider for fund accounting, operations, custody, depositary, transfer agency and securities lending. Given industry developments and Robeco's global ambitions, new and ongoing investments would have to be made to keep its operations activities cutting edge. The outsourcing process began in early 2018 and involves a phased migration that is due to be completed in 2020. The first milestones have been realized according to plan. Around 70 employees based in Rotterdam whose positions are in scope for the outsourcing, will become redundant once the process has been completed. Those employees have certain rights under Robeco's social plan, including to receive outplacement counseling.

JP Morgan, with its global network, will provide operations activities to Robeco in multiple locations and time zones. This will enable a smarter deployment of Robeco's global trading support activities. Utilizing JP Morgan's global scale, technology and execution capacity will also increase Robeco's capacity to adapt to a changing market and facilitate the development of more sophisticated instruments and products. This will allow Robeco to continue to provide solutions that are tailored to its clients' needs, now and in the future. In addition, outsourcing will enable Robeco to respond more swiftly to client requests in all the different time zones where the Company's clients are located.

The outsourcing of operations activities will not lead to changes in investment policies and teams. Client portfolios will continue to be managed according to their investment policies by the responsible portfolio managers and portfolio management teams. All portfolio managers will remain fully focused on delivering investment performance for Robeco's clients.

A dedicated program organization, including a steering committee on which the CEO, the COO (chair) and senior representatives from Investments and Product Management hold a seat, has been set up to manage matters including operational risks related to the outsourcing project. The main identified operational risk relates to ensuring the employees in scope of the outsourcing remain motivated and equipped to perform their tasks until the formal transition to the new provider is complete. For all redundant employees, a social plan has been agreed with the Works Council.

Outlook

As mentioned under the heading 'Strategy 2017-2021', Robeco's strategy for these years is aimed at monetizing the company's intellectual property, while also preparing for market headwinds and other challenges, such as ongoing pressure on fees, regulation-driven cost increases and disruptive developments in demographics and technology.

The Strategy 2017-2021 builds on the foundations laid by the previous strategy (for the period 2014-2017) and envisages further internationalization of both the Company's investment and client servicing activities. In this context, the Company decided to outsource part of its operations activities to a global full-service provider, JP Morgan. The outsourcing process began in early 2018 and involves a phased migration that is due to be completed in 2020. The first milestones have been realized according to plan. The risks associated with the outsourcing were investigated in advance and are monitored continuously.

After some eight years of continued market growth the fourth quarter 2018 marked a significant trend reversal resulting in markets losing all realized growth of the preceding year. This downturn combined with high market volatility will affect 2019 revenues and will likely result in revenues growth in 2019 compared to 2018 being close to nil. Furthermore the market challenges such as fee pressure which have been addressed in the strategy present themselves quicker and more severe resulting in present and future profit margins for the global asset management industry decreasing compared to prior years. Nevertheless, the Company is well positioned to face market challenges and remains successful in attracting new clients and additional entrusted funds from existing clients. The Company's financial position in terms of equity and financial resources is sound. For 2019 the ExCo anticipates a positive net result, but most likely lower than 2018 profit.

The ExCo looks to the years ahead with confidence and thanks all employees for their contribution and efforts in 2018.

Rotterdam, 14 March 2019
The Executive Committee

Report of the Supervisory Board

As the so-called 'moderate version' of the 'Large Company Scheme' (*Structuurregime*, Article 2:155 of the Dutch Civil Code) applies to the Company, and also with a wider view to strong governance, a Supervisory Board has been established. The Supervisory Board consists of Jeroen Kremers (Chairman), Sonja Barendregt-Roojers, Yoshiko Fujii and Radboud Vlaar. The Supervisory Board currently has one vacancy. Due to the fact that two of the four members are women and two are men, the legal requirement to strive for at least a 30%-70% ratio of women to men in management and supervisory bodies is met.

According to the Large Company Scheme, the General Meeting of Shareholders and the Works Council may recommend nominees for the position of supervisory director to the Supervisory Board. The Works Council has an enhanced right of recommendation for one-third of the supervisory directors. Pursuant to Article 2:158-6 of the Dutch Civil Code, one member (Sonja Barendregt-Roojers) was appointed on the Works Council's recommendation.

Meetings of the Supervisory Board

In 2018, the Supervisory Board met in person and by way of exception by conference call. During 2018, four SB meetings were held and the Audit & Risk Committee and the Nomination & Remuneration Committee both met eight times. Most of the face-to-face meetings took place in Rotterdam, one was held at Robeco in New York. With just a few exceptions, these meetings were attended by all Supervisory Board members and, where applicable, members of the Executive Committee ('ExCo'). The Supervisory Board also met in closed sessions (four times in 2018), without any of the ExCo members, except for the Company Secretary.

The Supervisory Board oversees the activities of Robeco as well as the activities of other companies that fall within the scope of Robeco's management, in other words, the business conducted by Robeco itself and by other subsidiary legal entities owned directly or indirectly by Robeco, the business conducted by Robeco Nederland B.V. and the part of the business of legal entities owned and controlled by Robeco Holding B.V. (except RobecoSAM AG) and Robeco Asia Holding B.V. (except Canara Robeco).

At the meetings of the Supervisory Board and those of its committees, due consideration was given to developments in the financial markets, the performance of products, the position of clients and the financial results. With regard to changes in rules and regulations, the Supervisory Board endorses the emphasis on regulatory control and ensures due consideration of regulatory developments. The interests of clients are considered to be a key issue and, consequently, an important point of focus. The Supervisory Board has ascertained the application of Robeco's Principles on Fund Governance, which have been defined by Robeco to address conflicts of interest between Robeco as fund manager and the investors in the funds. In this context quarterly reports, thematic reports on specific principles such as 'best execution', 'fair allocation' and 'broker services', as well as an annual overview of fund governance related monitoring activities have been prepared by Robeco's Compliance function, which have been discussed in the meetings of the Supervisory Board. Developments in the financial markets is another subject that comes up on a regular basis in the Supervisory Board's discussions, together with the strategic challenges for Robeco that result from these developments. Also international political developments are discussed, for example the consequences and impact of Brexit. In terms of human resources, the Supervisory Board acknowledges the importance of retaining, training, developing and recruiting talent as a key element in successfully running an asset management company. That means providing professionals with the appropriate opportunities, while pursuing a remuneration policy that is in line with market standards and complies with the applicable laws and regulations. Therefore, developments in human resources are also monitored regularly and discussed in Supervisory Board meetings.

On the basis of periodic reports, the Supervisory Board has discussed the Company's results with the ExCo. It has focused on the realization of the budgetary targets, the investment results, the development of assets under management as a result of market movements and net new money flows, the cost/income ratio, the overall profitability and operational matters.

Supervisory Board committees

There are two Supervisory Board committees: the Audit & Risk Committee ('A&RC') and the Nomination & Remuneration Committee ('N&RC').

Audit & Risk Committee
The members of this committee are Sonja Barendregt-Roojers (Chairman), Yoshiko Fujii, Jeroen Kremers and Radboud Vlaar. Prior to the meetings of the committee, private sessions were held with the independent auditor, KPMG. Audit, risk, compliance and legal matters were discussed a number of times in 2018 in the committee and Supervisory Board meetings. The meetings were attended by members of the ExCo as well as the heads of Internal Audit, Compliance, Risk Management, Legal and representatives of KPMG. The interim financial reports and the independent auditor's reports were regular agenda items. Among other subjects, various risk management-related issues, incident management, the cash management policy and the tax position were discussed. On the basis of quarterly reports from the respective departments, the A&RC discussed various internal audit, compliance, legal and risk management-related issues. Due consideration was given to issues related to fund governance and the role and responsibilities of the Supervisory Board. The following items were on the agenda: monitoring of fund principles, fee split securities lending, principles of fund governance with regard to best execution, fair allocation and brokerage services, a review of Robeco products and the funds' annual reports.

Nomination & Remuneration Committee
The members of this committee are Jeroen Kremers (interim Chairman pending vacancy), Sonja Barendregt-Roojers, Yoshiko Fujii and Radboud Vlaar. Nomination and remuneration matters were discussed several times in 2018. The CEO and the Head of Human Resources also attended the meetings. One of the recurring items on the agenda is fixed and variable remuneration. The results of the Employee Engagement Survey were also reported and discussed, as were the proposed amendments to the Robeco Reward Framework and adopting an N&RC Charter. Amongst others the N&RC reported to the SB regarding KPIs of the ExCo members and periodically assessment of the functioning of the individual members of the ExCo.

Composition of the ExCo

At the start of 2018, the ExCo consisted of Gilbert Van Hassel (Chairman), Karin van Baardwijk, Maureen Bal, Monique Donga, Peter Ferket, Martin Nijkamp, Christoph von Reiche, Roland Toppen and Victor Verberk. During the year, Maureen Bal (on 1 April 2018) and Roland Toppen (on 5 September 2018) stepped down as members of the ExCo. We thank the ExCo as well as the Company's staff for their efforts and dedication.

Recommendation to adopt the annual financial statements

The Supervisory Board has taken note of the contents of the report presented by KPMG, who have issued an independent auditor's report on the annual financial statements. We recommend approval of the annual financial statements by the Annual General Meeting of Shareholders and we concur with the ExCo's proposal to pay out a part of the 2018 profit of EUR 66.0 million as a dividend to the shareholder, which proposal will be submitted to the Annual General Meeting of Shareholders.

Rotterdam, 14 March 2019
The Supervisory Board

Financial Statements 2018

Income Statement

for the year ended 31 December

EUR x million	*Notes*	*2018*	*2017*
Net revenues	1	582.6	567.4
Distribution and subadvisory costs	2	-219.5	-214.6
Gross margin		**363.1**	**352.8**
Administrative expenses	3	219.4	209.7
Employee benefits expense	4	16.1	25.6
Depreciation and amortization	7 - 8	0.8	1.2
Other expenses	5	16.8	17.7
Total operating expenses		**253.1**	**254.2**
Operating result		**110.0**	**98.6**
Finance income		0.3	0.3
Finance expense		-0.4	-0.4
Result before tax		**109.9**	**98.5**
Income tax expense	6	27.5	24.0
Result from investments in group and associated companies after tax	9	5.1	4.0
Result for the year		**87.5**	**78.5**

Balance Sheet as at 31 December

before profit appropriation

EUR x million	*Notes*	*2018*	*2017*
ASSETS			
Fixed assets			
Intangible assets	7	1.0	1.7
Tangible fixed assets	8	0.6	0.5
Investment in group and associated companies	9	5.2	4.8
Loans to related parties	10	1.4	1.4
Deferred tax assets	11	0.9	2.0
Total fixed assets		**9.1**	**10.4**
Current assets			
Trade receivables	12	21.3	16.2
Receivables from group companies	13	129.2	136.7
Other receivables	14	21.5	25.1
Cash and cash equivalents	15	97.5	95.7
Total current assets		**269.5**	**273.7**
Total assets		**278.6**	**284.1**
EQUITY AND LIABILITIES			
Equity	16		
Issued capital		0.1	0.1
Share premium		31.5	31.5
Other reserves		74.7	74.6
Result financial year		87.5	78.5
Total equity		**193.8**	**184.7**
Provisions	17	**11.9**	**18.2**
Non-current liabilities			
Employee benefits	18	2.8	3.3
Total non-current liabilities		**2.8**	**3.3**
Current liabilities			
Liabilities to group companies	19	25.5	37.9
Other liabilities	20	44.6	40.0
Total current liabilities		**70.1**	**77.9**
Total equity and liabilities		**278.6**	**284.1**

Notes to the financial statements

General information

Robeco Institutional Asset Management B.V. (also referred to as "RIAM" or "the Company") is established in the Netherlands, having its legal seat in Rotterdam. The main activities of the Company are regular investment management activities on behalf of clients, including investment funds. The Company receives management fees and other fees for these activities. Offering alternative investments, including private equity and structured investment products, can also be considered as main activities of the Company. The Company also offers investment products to retail clients directly. The product range encompasses equity and fixed-income investments and also facilitates saving products through Rabobank (Coöperatieve Rabobank U.A). In addition, the Company provides clients with Fiduciary Management services in close cooperation with Corestone Investment Managers A.G. Sales relate mainly to funds which are legally located in the Netherlands and Luxembourg.

All shares of the Company are held by Robeco Holding B.V. The domestic ultimate parent of the Company is ORIX Corporation Europe N.V. As of January 1st, 2018 Robeco Groep N.V. has changed its name into ORIX Corporation Europe N.V.

At 31 December 2018, ORIX Corporation (ORIX), with registered office in Tokyo, Japan, holds a 100% stake in ORIX Corporation Europe N.V.

In these financial statements, Robeco Group Companies refer to subsidiaries of ORIX Corporation Europe N.V.

The Company has both an AIFMD license as referred to in article 2:65 of the Dutch Financial Supervision Act ('Wft') and a license to act as manager of UCITS as referred to in article 2:69b of the Wft and to offer the additional services within the meaning of article 2:97 under 3.

General policies, accounting policies applied to the valuation of assets and liabilities and principles for the determination of the result

The financial statements of the Company are prepared in accordance with Dutch law (section 2:9 of the Dutch Civil Code) and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The financial statements cover the year 2018, which ended at the balance sheet date of 31 December 2018.

The valuation principles and method of determining the result are the same as those used in the previous year.

Consolidation
For the annual financial statements of Robeco Institutional Asset Management B.V. a company balance sheet and income statement will suffice. In accordance with the provisions in article 2:408 of the Dutch Civil Code consolidated financial statements are not part of the financial statements of the Company. Consolidation of the financial information of Robeco Institutional Asset Management B.V. and its participating interests in group companies is performed in the financial statements 2018 of ORIX Corporation Europe N.V., statutory established in Rotterdam.

Basis of preparation
These accounting policies describe the valuation methods used. If no explicit accounting policy is given for an individual item on the balance sheet, the item is accounted for at its nominal value.

The financial statements are presented in euros since this is the functional currency of Robeco Institutional Asset Management B.V. Numbers are rounded to the nearest tenth of a million and all amounts disclosed in the notes to the income statement and the balance sheet are in millions, except when explicitly stated otherwise. The financial statements have been prepared on basis of historical cost less accumulated depreciation and amortization and any accumulated impairment losses.

The financial statements have been prepared on the basis of the going concern assumption.

Significant accounting judgments, estimates and assumptions
The preparation of financial statements requires the use of judgment and estimates. This affects the recognition and valuation of assets, provisions and liabilities, the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the actual results may differ ultimately from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Foreign currencies
At initial recognition, transactions denominated in a foreign currency are translated into the functional currency of the Company using the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in other currencies are translated into euros at the spot rates prevailing at the balance sheet date. Non-monetary items measured at historical cost are translated using the exchange rates prevailing at the date of the initial recognition of the transaction. Non-monetary items measured at fair value are converted using the exchange rates at the date when the fair value was determined. The assets and liabilities of foreign operations are translated into euros at exchange rates prevailing at the balance sheet date.

Income and expenses are converted at the average exchange rate of the relevant month. The exchange rate differences are taken to the income statement and are recorded in the other expenses. Changes in the valuation of investments in foreign entities are recorded in equity.

Cash flow statement
According to RJ 360.104, a cash flow statement is not required in the financial statements of the Company since the cash flows are included in the consolidated statement of cash flows of ORIX Corporation Europe N.V., the domestic ultimate parent of the Company.

Income and Expense recognition
Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises, of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises, of which the size can be measured with sufficient reliability. Revenues and expenses are allocated to the respective period to which they relate.

Net revenues
Net revenues include management fees, service fees, subadvisory fees, performance fees, securities lending fees, administration fees, fees from clients, revenues from marketing and sales activities and other fees. Fees are recognized when the services have been performed. Management and service fees are primarily based on predetermined percentages of the market values of the assets under management and are affected by changes in assets under management, including investment performance, net subscriptions or redemptions and fluctuations in exchange rates. Performance fees are calculated as a percentage of the performance of the relevant assets under management and recorded when earned. Securities lending fees, administration fees, fees from clients, revenues from marketing and sales activities and other fees are recognized in the period in which the services are rendered.

Distribution and subadvisory costs
Distribution and subadvisory costs include trailer fees and subadvisory costs payable to third- and related parties. Trailer fees and subadvisory costs are recognized when the services have been provided. Trailer fees are primarily based on predetermined percentages of the market values of the average assets under management of the investments, including investment performance and net subscriptions or redemptions. Subadvisory costs are paid to third party asset managers. These costs are mainly based on predetermined percentages of the market values of the average assets under management of the investments.

Carried interest
The Company, acting directly or through subsidiaries as the General Partner of some Robeco Private Equity vehicles, is entitled to receive a share of the realized profits of the Investee Funds (carried interest). Carried interest is calculated based on a share of profits taking into account the cash already distributed by the Investee Funds and the amount of divestment proceeds receivable or to be received upon disposal as estimated by the General Partner. Proceeds are distributed by the Investee Funds in such a manner that the General Partner will not receive a distribution of carried interest before the Partners have received their Contributed Capital and an agreed upon return on their investments.

Since only the carried interest amounts received in cash are to be regarded as reasonably assured, carried interest is recognized as revenue in the Income Statement as from the actual distribution by the Investee Funds. The paid out carried interest amounts are to be regarded as advances on the final amount calculated upon liquidation of the Investee Funds, since they are subject to claw back until a point in time toward the end of life of the Investee Funds.

Employee benefits expense
Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognized as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

Termination benefits are employee benefits provided in exchange for the termination of the employment. These are included in Employee benefits expenses and are recognized as an expense when the Company is demonstrably and unconditionally committed to make the payment of the termination benefit. If the termination is part of a restructuring, the costs of the termination benefits are part of the restructuring provision. See the policy under the heading 'Provisions'.

Termination benefits are measured in accordance with their nature. When the termination benefit is an enhancement to post-employment benefits, measurement is done according to the same policies as applied to post-employment plans. Other termination benefits are measured at the best estimate of the expenditures required to settle the liability.

Dutch pension scheme
Domestic staff is made available to the Company through an intercompany service agreement. Robeco Nederland B.V. is legally the employer of personnel, recharging related expenses to the Company. Robeco Nederland B.V. has a pension scheme for its employees with Stichting Pensioenfonds Robeco, a company pension fund.

The provisions of the Dutch Pension Act ('Pensioenwet') are applicable for the Dutch pension scheme. Premiums are paid for the Company and are based on (legal) requirements, a contractual or voluntary basis to its pension fund. The Company applies the liability approach for all pension schemes. Premiums are recognised as employee cost when they are due.

Foreign Pension plans
Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (the Company, the fund and its members) are recognized and measured in accordance with Dutch pension plans.

Finance income and expense
Finance income and expense are recognized as earned or incurred. Finance income comprises of income related to cash and short-term loans. Finance expense comprises of interest payable on interest-bearing loans.

Taxes
Robeco Institutional Asset Management B.V. is part of a fiscal unity for Dutch corporate income tax purposes headed by ORIX Corporation Europe N.V. within the meaning of the Dutch Corporate Income Tax Act 1969. The Company is jointly and severally responsible for the resulting tax liability, as are the other companies that are part of the tax group. Some foreign offices of the Company are considered to be permanent establishments. These offices are therefore subject to corporate income tax in the country they operate and file their own corporate income tax returns. The profits made by these foreign offices will not be taxable in the Netherlands due to the existing double income tax treaties.

Tax losses incurred by foreign permanent establishments are not deductible for the Dutch corporate income tax. To prevent double taxation, Robeco Institutional Asset Management B.V. receives a deduction of corporate income tax to the extent that the profits of the Company are part of its Dutch corporate income tax base and to the extent that the accumulated profits of the foreign permanent establishments exceed accumulated losses deducted before 2012.

The calculation of corporate income tax is made as if the Company is an independent taxpayer. Payable corporate income taxes have been settled, through Robeco Holding B.V, with ORIX Corporation Europe N.V. via the current account under the heading Group companies. The taxes are calculated on the basis of the applicable rate for tax, taking into account tax-exempt profit constituents and deductible items. The tax rates and laws used to compute taxable amounts are those enacted or substantially enacted at the reporting date.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement.
Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, at the tax rates that are expected to apply in the year when the asset is realized and the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for tax benefits relating to the carry forward of unused tax losses when it is probable that estimated future taxable profits will be available to offset these losses.

The carrying amount of deferred income tax assets is reviewed annually and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be realized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

A deferred tax liability is provided for the recognized taxable temporary differences between the tax base and the carrying amount for financial reporting purposes at the reporting date. Deferred tax liability is also provided in respect of loss recapture due to double tax relief regulations. The deferred tax liability is recorded at nominal value.

Result from investments in group and associated companies after tax
Income from investments in group and associated companies after tax is the Company's share in the net result of the investments in associated companies determined in accordance with the accounting policies applied in these financial statements.

Recognition and derecognition of assets
An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. It remains on the balance sheet if a transaction (with respect to the asset) does not lead to a major change in the economic reality with respect to the asset. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment.

An asset is no longer recognized in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset being transferred to a third party.

Intangible assets
Intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses determined individually for each asset.

Intangible assets consist of customer relations acquired in business combinations. Intangible assets which have been acquired in business combinations are recognized at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at initial fair value less accumulated amortization and any accumulated impairment losses. The useful lives of customer relations are finite and such assets are amortized on a straight-line basis over their estimated useful lives, with amortization being charged to the income statement.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of the annual reporting period. Amortization is effected on a straight-line basis. The amortization period is 3 years.

Tangible fixed assets
Tangible fixed assets are valued at the acquisition price less accumulated depreciation and impairment losses. Tangible assets are depreciated over their estimated useful lives, on a straight-line basis. The depreciation period is 3 to 10 years.

Investment in group and associated companies
Participating interests where significant influence can be exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interests, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

Loans
Receivables recognised under financial fixed assets are initially valued at the fair value less transaction cost (if material). These receivables are subsequently valued at amortised cost. For determining the value, any impairments are taken into account.

Impairment testing of non-financial assets
In accordance with RJ 121, Impairment of Assets, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment, at each reporting date. If such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share in result of participating interests
The share in the result of participating interests consists of the share of the Company in the results of these participating interests, determined on the basis of the accounting principles of the Company. Results on transactions, where the transfer of assets and liabilities between the Company and the non-consolidated participating interests and mutually between non-consolidated participating interests themselves, are not recognized as they can be deemed as not realized.

Operational leasing
The Company may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the Company. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

Financial instruments
A financial asset or a financial liability is recognized in the balance sheet when the contractual rights or obligations in respect of that instrument arise.

The following financial instruments are recognized: investments in group and associated companies, loans, cash and cash equivalents and current liabilities. Financial instruments are recognized initially at fair value, including discounts/premium and any directly attributable transaction costs, with involving parties who are well informed regarding the matter. If instruments are not subsequently measured at fair value with value changes recognized in the profit and loss account, any directly attributable transaction costs are included to the initial measurement.

After initial recognition, financial instruments are valued in the manner described below. Loans are valued at amortized cost less impairment losses. Current liabilities are stated after their initial recognition at amortized cost on the basis of the effective interest rate method.

A financial instrument is no longer recognized in the balance sheet when there is a transaction that results in a transfer to a third party of all or substantially all of the rights to economic benefits and all or substantially all of the risks related to the position.

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

Current assets
The accounting policies applied for the valuation of the current assets are described under the heading 'Financial instruments'. Current assets are stated at face value, less any allowances for uncollectible accounts. Unless stated otherwise, receivables have a remaining term of less than one year. Trade receivables relate to outstanding invoices.

Cash and cash equivalents
Cash and cash equivalents are valued against nominal value.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. The accounting policies applied for cash and cash equivalents in foreign currencies are described under the heading 'Foreign currencies'.

Recognition and derecognition of liabilities
A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably. It remains on the balance sheet if a transaction (with respect to the liability) does not lead to a major change in the economic reality with respect to the liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken in to account in this assessment

A liability is no longer recognized in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the liability being transferred to a third party.

Provisions
A provision is recognized when the Company has a legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Provisions are stated at the nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses.

A provision for claims, disputes and lawsuits is established when it is expected that the Company will be sentenced in legal proceedings. The provision represents the best estimate of the amount for which the claim can be settled, including the costs of litigation.

A restructuring provision is recognized when at the balance sheet date the entity has a detailed formal plan and ultimately at the date of preparation of the financial statements a valid expectation of implementation of the plan has been raised in those that will be impacted by the reorganization.

A valid expectation exists when the implementation of the reorganization has been started, or when the main elements of the plan have been announced to those for whom the reorganization will have consequences.

The provision for restructuring costs includes the costs that are directly associated with the restructuring, which are not associated with the ongoing activities of the Company.

Equity
Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under Equity. Payments to the holder of these instruments are deducted from Equity as part of the profit distribution.

Amounts contributed by the shareholder of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire or acquire shares of the Company.

Related parties
Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Subsequent events
Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognized in the financial statements.

Events that provide further information on the actual situation at the balance sheet date and that appear after the financial statements have been prepared but before the adoption of the financial statements, are recognised in the financial statements only if it is essential for the true and fair view.

Events that provide no information on the actual situation at the balance sheet date are not recognized in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

Notes to the income statement

1 Net revenues

The net revenues can be specified as follows:

EUR x million	**2018**	**2017**
Management fees	480.5	460.9
Service fees	44.6	43.1
Fees from clients	13.8	13.1
Subadvisory fees	10.7	10.0
Administration fees	7.1	12.3
Securities lending fees	6.9	8.2
Revenues from marketing and sales activities	8.2	7.7
Performance fees	4.5	4.8
Other income	6.3	7.3
Total net revenues	**582.6**	**567.4**

Management fees are collected from funds and mandates directly by the Company and indirectly in the amount of EUR 349.4 million (2017: EUR 340.1 million) from Robeco Luxembourg S.A., also a Robeco Group company. Service fees are collected from funds directly by the Company and indirectly in the amount of EUR 35.9 million (2017: EUR 36.0 million) from Robeco Luxembourg S.A. As the Company actually performs these activities, the Company is compensated for this by Robeco Luxembourg S.A.

Subadvisory fees and Revenues from marketing and sales activities are received from other Robeco Group companies. To provide better insight we reclassed the comparative figures from revenues from marketing and sales activities to subadvisory fees for an amount of EUR 3.2 million.

Other income includes revenues from third parties for marketing and sales activities.

Segment information

The following information about revenues is included to comply with Section 380 of Book 2 of the Dutch Civil Code. The revenues are allocated based on the legal entities where the revenues are recognized.

EUR x million		**2018**		**2017**
Total revenue by region				
Luxembourg	66%	384.3	66%	376.2
Netherlands	30%	177.2	30%	170.5
Rest of Europe	2%	7.4	2%	8.1
Outside Europe	2%	13.7	2%	12.6
Total net revenues	**100%**	**582.6**	**100%**	**567.4**

2 Distribution and subadvisory costs

The costs can be broken down as follows:

EUR x million	**2018**	**2017**
Distribution costs	138.8	133.0
Subadvisory costs	80.7	81.6
Total distribution and subadvisory costs	**219.5**	**214.6**

Distribution costs paid to other Robeco Group companies amounts to EUR 50.5 million (2017: EUR 49.2 million). Subadvisory costs paid to other Robeco Group companies amounts to EUR 77.7 million (2017: EUR 81.5 million).

3 Administrative expenses

Robeco Nederland B.V. charges operating costs in the amount of EUR 219.4 million (2017: EUR 209.7 million), relating to the management of investment funds and mandates and related financial services. The cost allocation includes indirect organizational costs and direct business related costs, which, amongst others, include costs for staff, information technology, marketing and housing. Part of the operating costs charged by Robeco Nederland B.V. is disbursed to other group companies.

Domestic staff is made available to the Company through an intercompany service agreement. Robeco Nederland B.V. is legally the employer of personnel, recharging related expenses to the Company. On average, the charge concerns 690 FTE's (2017: 702 FTE's) direct and indirect personnel. These expenses also include disbursements by other entities within Robeco Group. Robeco Nederland B.V. is a wholly-owned subsidiary of ORIX Corporation Europe N.V., the domestic ultimate parent company of Robeco Institutional Asset Management B.V.

4 Employee benefits expense

The staff of Robeco Institutional Asset Management B.V is employed in two different ways. Domestic staff is located in the Netherlands and is legally employed by Robeco Nederland B.V., the group's domestic service company. See note 3 for the recharge of the domestic staff expenses. International staff is formally employed by the Company and is located in the Company's international offices. Staff costs can be specified as follows:

EUR x million	**2018**	**2017**
Wages and salaries	14.3	12.6
Social security and pension costs	1.2	1.2
Other employee benefits expenses	0.6	11.8
Total employee benefits expense	**16.1**	**25.6**

In 2017 other employee benefits expenses includes costs for outplacement and redundancy, based on terms and conditions of an existing social plan, related to a restructuring plan (EUR 11.0 million). In 2018 a release of EUR 1.4 million is included under Other employee benefits expenses.

During 2018, on average 49 FTE's (2017: 53 FTE's) international staff was executing operational activities on behalf of the Company. The pensions of legally employed staff are based on defined contribution plans. These plans are provided by external insurance companies. The pension costs concern the paid insurance premiums by the Company.

The distribution of the average international staff by country is as follows:

Average FTE's	**2018**	**2017**
Germany	14	15
United Kingdom	15	14
Spain	9	8
United Arab Emirates	6	7
Italy	4	3
Norway	1	1
China	-	5
Total average number of employees	**49**	**53**

The branch Robeco Shanghai has been liquidated as of 13 February 2018.

5 Other expenses

Other expenses can be specified as follows:

EUR x million	**2018**	**2017**
Fund and client related costs	7.6	11.0
Marketing	1.9	1.2
Housing and furniture	1.3	1.3
Audit costs	1.6	1.3
Travel and accommodation	0.8	0.9
Advisory	0.6	0.8
Information technology	0.3	1.2
Temporary staff	0.0	0.6
Foreign exchange rate differences	1.0	-2.7
Other	1.7	2.1
Total other expenses	**16.8**	**17.7**

Fund and client related costs include fund administration costs of Private Equity funds. To provide better insight we show audit costs and travel and accommodation separately and adjusted the comparative figures accordingly for an amount of EUR 1.3 million respectively EUR 0.9 million from Other.

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG (and its network of offices) to the Company.

EUR x million	**2018**	**2017**
Audit financial statements	0.3	0.3
Other audit engagements	1.3	1.0
Total	**1.6**	**1.3**

Other audit engagements mainly comprises of audits of funds and services related to assurance reports on controls at the Company (ISAE 3402).

6 Income tax expense

The tax on the result, amounting to EUR 27.5 million, can be specified as follows:

EUR x million	**2018**	**2017**
Result before tax	**109.9**	**98.5**
Deferred corporate income tax	1.2	0.8
Corporate income tax current financial year	26.4	23.3
Corporate income tax previous financial years	-0.1	-0.1
Tax on result	**27.5**	**24.0**
Effective tax rate	25%	24%
Applicable tax rate	25%	25%

The Dutch statutory tax rate in 2018 was 25% (2017: 25%). The current tax is settled monthly, through Robeco Holding B.V., with ORIX Corporation Europe N.V., the head of the Dutch fiscal unity (see note 19).

The income tax expense in 2018 was EUR 27.5 million (2017: EUR 24.0 million). In 2018 the effective tax rate was 25% (2017: 24%).

Notes to the balance sheet

7 Intangible assets

Movements in intangible assets were as follows:

EUR x million	**2018**	**2017**
Cost at 1 January, net of accumulated amortization and impairment	**1.7**	**0.7**
Additions	-	2.0
Amortization	-0.7	-1.0
Net carrying amount at 31 December	**1.0**	**1.7**
At 31 December		
Cost	1.7	3.8
Accumulated amortization and impairment	-0.7	-2.1
Net carrying amount at 31 December	**1.0**	**1.7**

The intangible assets relates to software and a transfer of Austrian client relationships from Robeco Switzerland AG to the Company's branch Robeco Germany as of 1 July 2017 and is to be fully depreciated within 3 years.

8 Tangible assets

Movements in tangible assets were as follows:

EUR x million	**2018**	**2017**
Cost at 1 January, net of accumulated amortization and impairment	**0.5**	**0.5**
Additions	0.2	0.2
Depreciation	-0.1	-0.2
Net carrying amount at 31 December	**0.6**	**0.5**
At 31 December		
Cost	1.2	1.0
Accumulated depreciation	-0.6	-0.5
Net carrying amount at 31 December	**0.6**	**0.5**

The tangible assets fully relates to leasehold improvements and hardware.

9 Investment in group and associated companies

The following subsidiaries are included:

			2018	2017
Robeco Bestuurder Bewaarder B.V.	Netherlands	Rotterdam	100%	100%
Robeco General Partner European II B.V.	Netherlands	Rotterdam	100%	100%
Robeco General Partner Funds B.V.[1]	Netherlands	Rotterdam	100%	100%
Robeco General Partner Global II B.V.	Netherlands	Rotterdam	100%	100%
Robeco General Partner Sustainable B.V.	Netherlands	Rotterdam	100%	100%
Robeco Manager BSR B.V.	Netherlands	Rotterdam	100%	100%
Robeco Manager Clean Tech II B.V.	Netherlands	Rotterdam	100%	100%
Robeco Manager European III B.V.	Netherlands	Rotterdam	100%	100%
Robeco Manager Global III B.V.	Netherlands	Rotterdam	100%	100%
Robeco Manager Responsible II B.V.	Netherlands	Rotterdam	100%	100%
Robeco Private Equity European Mid Market IV General Partner B.V.	Netherlands	Rotterdam	100%	100%

1. Robeco General Partner Funds B.V holds 100% of RobecoSAM Clean Tech III General Partner LLC and 100% of RobecoSAM Private Equity IV European General Partner LLC. RGS Capital LLC is liquidated as of 19 January 2018 until then a 26.7% membership interest was held.

Investments in associated companies also includes a 27.5% interest in SET Venture Partners B.V., the Netherlands. The book value of the investments in group and associated companies developed as follows during the year:

EUR x million	2018	2017
Book value of investments in group and associated companies at 1 January	**4.8**	**8.3**
Dividend distribution	-4.7	-7.5
Result current year	5.1	4.0
Book value of investments in group and associated companies at end of period	**5.2**	**4.8**

10 Loans to related parties

For cash management purposes, the Company has granted a loan to Stichting Robeco Funds of EUR 0.4 million (2017: EUR 0.4 million) and to Stichting Effectengiro RAM of EUR 1.0 million (2017: EUR 1.0 million). Both loans are non-interest-bearing and have an indefinite duration.

11 Deferred tax assets

The deferred tax asset relates to temporary differences in branches that are deductible in determining taxable profit of future periods in total of EUR 0.9 million (2017: EUR 0.6 million).

The deferred tax asset position of 2017 also related to the offset of future taxable profits with remaining cumulative tax losses brought forward in branch office Robeco Germany for an amount of EUR 1.4 million. This deferred tax asset is fully utilized in 2018.

12 Trade receivables

Trade receivables relate to outstanding invoices and fees from funds, which are collected without invoicing. The fair value of the receivables approximates the carrying amount due to their short-term character. No provisions for bad debt is recognized, trade receivables have no history of non-performance.

13 Receivables from group companies

This item relates to current accounts and current account loans with Robeco Group companies. The current accounts are settled periodically and amounted to EUR 49.2 million at 31 December 2018 (2017: EUR 56.7 million).

The Company has granted current account loans to Robeco Holding B.V. These loans are receivable on demand in order to meet the liquidity requirements of the regulator. The balance was EUR 80.0 million at 31 December 2018 (2017: EUR 80.0 million). The loans are granted for cash management purposes and the interest rate is based on Euribor and a risk premium. The effective interest rate in 2018 was 0.4% (2017: 0.4%). The fair value of the receivables approximates the carrying amount due to their short-term character.

14 Other receivables

Other receivables can be specified as follows:

EUR x million	**2018**	**2017**
Accrued fees	14.1	18.5
Accrued client fees	3.0	2.9
Prepaid expenses	2.4	2.1
Current tax receivable	0.1	-
Other	1.9	1.6
Total other receivables	**21.5**	**25.1**

Accrued fees mainly consist of accruals for management fees, performance fees and other fees. All outstanding amounts are expected to be received within 12 months. Following the actual invoicing to clients, the management fee related costs are netted with the management fee. The fair value of the receivables approximates the carrying amount due to their short-term nature.

15 Cash and cash equivalents

Cash and cash equivalents consist of immediately available credit balances at banks.

16 Equity

At 31 December 2018, the Company's placed and paid in full share capital amounted to EUR 41 thousand (90 ordinary shares).

EUR x million	**Issued capital**	**Share premium**	**Other reserves**	**Result financial year**	**Total**
At 1 January 2018	**0.1**	**31.5**	**74.6**	**78.5**	**184.7**
Result 2017	-	-	78.5	-78.5	-
Dividend distribution	-	-	-78.5	-	-78.5
Rounding*	-	-	0.1	-	0.1
Add: result 2018	-	-	-	87.5	87.5
At 31 December 2018	**0.1**	**31.5**	**74.7**	**87.5**	**193.8**

*All amounts are rounded to the nearest tenth of a million, the remaining difference is presented under rounding.

EUR x million	**Issued capital**	**Share premium**	**Other reserves**	**Result financial year**	**Total**
At 1 January 2017	**0.1**	**31.5**	**89.7**	**59.9**	**181.2**
Result 2016	-	-	59.9	-59.9	-
Dividend distribution	-	-	-75.0	-	-75.0
Add: result 2017	-	-	-	78.5	78.5
At 31 December 2017	**0.1**	**31.5**	**74.6**	**78.5**	**184.7**

The Company reports to the DNB on a quarterly basis the FINREP and COREP reports as required by CRD IV rules. The most recent reporting was done as of 31 December 2018. All capital requirements were met.

17 Provisions

Movements in provisions were as follows:

EUR x million	Possible loss of income	Restructuring	Total
Cost at 1 January 2018	**1.6**	**16.6**	**18.2**
Additions	-	0.3	0.3
Usage	-	-5.2	-5.2
Release	-	-1.4	-1.4
Net carrying amount at 31 December 2018	**1.6**	**10.3**	**11.9**

The provision for restructuring pertains to a plan to outsource backoffice operations to a third party. This plan, which was formalised in 2017, was originally expected to last until mid-2019. The ExCo has approved to extend the projected timeline of the outsourcing program to an end date of mid-2020. The provision covers the estimated costs for outplacement and redundancy based on existing social plan terms and conditions; contract termination fees related to service providers and other unavoidable expenses irrevocably related to the restructuring.

Approximately EUR 5.2 million of the restructuring provision is due within one year. The remaining EUR 5.1 million is expected to be due in 2020 and 2021.

In 2016 the Company has recorded a provision of EUR 1.6 million for an estimated loss of income. The provision relates to the Company's estimate of the potential reimbursement of a particular group of clients for loss of income. Whether the Company will have to pay this reimbursement, and the amount thereof, is dependent on the outcome of certain legal proceeding to which the Company is not directly a party. It is expected that the period of uncertainty is between one to five years. As per 31 December 2018 no amounts were used.

18 Employee benefits

Employee benefits consists of deferred incentives of personnel employed by the Company. We refer to Note 20 Other liabilities for the current portion of the Employee benefits.

19 Liabilities to group companies

This item relates to current accounts with Robeco Group companies, which are settled periodically.

20 Other liabilities

Other liabilities can be specified as follows:

EUR x million	2018	2017
Distribution costs, subadvisory costs and other accrued liabilities	32.6	29.2
Employee benefits	8.0	5.3
Current tax liabilities	2.0	1.8
Social security cost, wage tax and sales tax payable	0.2	0.2
Other liabilities	1.8	3.5
Total other liabilities	**44.6**	**40.0**

All outstanding liabilities are expected to be paid within 12 months. The fair value of the current liabilities approximates the book value due to their short-term character. Other liabilities include mainly creditors.

21 Contingent assets and liabilities

The paid out carried interest amounts are to be regarded as advances on the final amount calculated upon liquidation of the Investee Funds, since they are subject to claw back until a point in time toward the end of life of the Investee Funds. The amount of accrued carried interest, which is not yet distributed by the Investee Funds, is to be marked as a contingent asset of EUR 6.0 million as per 31 December 2018 (as per 31 December 2017: EUR 5.5 million). The final amount of the carried interest to be distributed by the Investee Funds may be significantly different from the amount earlier marked as contingent assets.

The Company acts as guarantor for fulfilling the obligations of Stichting Effectengiro RAM (SER) relating to the obligations to account holders regarding Dutch funds. At 31 December 2018, SER has an obligation to clients of EUR 1.0 billion (2017: EUR 0.9 billion). In the same amount SER has receivables on the funds composed of deposited securities.

The Company has issued a guarantee in which the Company commits itself to fulfill the obligations of Stichting Robeco Funds towards their clients. As per 31 December 2017, Stichting Robeco Funds has cash in the amount of EUR 0.8 million (2017: EUR 0.4 million) that relate to items to be settled in the short term.

In consideration of the Monetary Authority of Singapore granting a license to Robeco Singapore Private Limited, the Company has confirmed that it accepts full responsibility for all operations of Robeco Singapore and ensures that Robeco Singapore maintains sound liquidity and a sound financial position at all times.

The Company has entered into commercial leases of EUR 0.2 million (2017: EUR 0.1 million) regarding the car fleet. The term of these leases is between 1 and 4 years.

The Company has rental commitments regarding buildings of EUR 2.1 million (2017: EUR 4.5 million). The obligations from operational leases regarding buildings at the end of the reporting period can be specified as follows:

EUR x million	**2018**
Obligations to pay:	
Within one year	0.8
Between one and five years	1.3
After five years	0.0
Total	**2.1**

The Company has commitments regarding IT-related contracts of EUR 0.1 million (2017: EUR 0.0 million). These commitments have remaining terms of between 1 and 4 years.

The Company has irrevocable credit facilities related to guarantees of EUR 0.1 million (2017: EUR 0.1 million).

The Company is part of a tax group headed by ORIX Corporation Europe N.V. and is jointly and severally responsible for the resulting tax liability, as are the other companies that are part of the tax group.

22 Financial risk management objectives and policies

The Company is exposed to several financial risk types which are detailed in this paragraph. For these risk types policies and, where relevant, limits are in place which are subject to approval by the Enterprise Risk Management Committee and endorsed by the Audit & Risk Committee. The financial risk types are discussed below. The Company is not directly exposed to financial risks in client portfolios.

Credit risk

Credit risk is defined as the risk that counterparties cannot fulfil their contractual obligations. A policy is in place prescribing counterparty exposure limits and the careful selection and monitoring of financial counterparties.

As the Company manages assets on behalf of clients and funds and management fees are typically charged to and paid from the underlying funds managed by the Company, there is a very low credit risk of default on management fees and other third parties' revenues and related trade receivables, who do not have a history of non-performance.

Liquidity risk
Liquidity risk is defined as the risk to the Company's earnings or capital arising from its inability to meet its financial obligations as they fall due, without incurring significant costs or losses. Liquidity risk arises from the general funding of the Company's activities and in the management of its assets and liabilities. The Company maintains sufficient liquidity to fund its day-to-day operations. Hence, liquidity is managed in a manner that addresses known as well as unanticipated cash funding needs. The liquidity of the Company is monitored by the Finance function on a regular basis, so that cash positions can be optimized when necessary. Cash and cash equivalents balances are reported to ERMC on a regular basis.

Market risk
Market risk is defined as the potential change in the market value of its financial position due to adverse movements in financial market variables. The Company is exposed to the impact of fluctuations in the prevailing foreign currency rates on its financial positions and cash flows. The Company's exposure relates primarily to the revenue to be received and expenses to be paid denominated in foreign currency. At group, limits are set and monitored on the level of exposure by currency and in total, including the use of forward exchange contracts. Next to currency risk the Company is exposed to interest rate risk on its cash position and on the current account loan granted to Robeco Holding B.V. The interests received on the bank accounts and the current account loans are based on market rates.

23 Related parties
ORIX Corporation and entities under common control of ORIX Corporation Europe N.V. form a related party. During 2018, similar to previous year, there were no operational transactions with ORIX Corporation, outside Robeco Group.

Robeco Group companies are identified as related parties. All transactions and balances with Robeco Group companies are included in the notes to the income statement and the notes to the balance sheet. Transactions are performed at arms' length.

Stichting Robeco Pensioenfonds also is a related party. The client relationship consists of mandate investments and/or direct investments in retail and institutional funds. The fees for these activities are in line with market rates.

In addition to the mentioned companies, the statutory directors can be identified as related parties. The remuneration of the managing and supervisory directors is included in note 24 and 25.

Besides the services of other market parties, the Company also uses the services of several related parties to treasury and custody. Transactions are executed at market rates.

The Company has granted current account loans to its parent, Robeco Holding B.V. and a non-current loan to Stichting Robeco Funds and Stichting Effectengiro RAM.

The Company has not created a provision for doubtful debts relating to amounts owed by related parties (2017: EUR nil), because the risks involved are not considered to be material.

24 Remuneration of statutory directors
The members of the Executive Committee, who are also statutory directors are not entitled to salaries and benefits from the Company, as the members are employed by Robeco Nederland B.V., which is indirect part of ORIX Corporation Europe N.V. The applicable remuneration recharged by Robeco Nederland B.V. and recognized as an expense during the reporting period, was as follows:

(EUR x thousand)	**2018**	**2017**
Base salary [1]	2,055	2,070
Variable remuneration (short- and long-term components)	2,998	2,361
Pension costs and other costs [2]	1,711	683
Total	**6,764**	**5,114**

1 Includes vacation allowance.
2 Includes severance payments, social-security costs, social allowance, mortgage suppletion, car lease and other allowances.

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, are charged in the financial year to the Company. The remuneration costs are included in Administrative expenses and relate to current and former statutory directors.

The statutory directors of RIAM B.V. are solely and fully dedicated to serve the Company.

25 Remuneration of members of the Supervisory Board
The total remuneration for the members of the Supervisory Board amounted to EUR 0.4 million (2017: EUR 0.3 million). The remuneration costs are included in Administrative expenses.

Subsequent events

There are no subsequent events to be reported.

Proposed profit appropriation

The Executive Committee, with consent of the Supervisory Board, proposes to distribute EUR 66.0 million of the result for the year of EUR 87.5 million (2017 EUR 78.5 million) as dividend and to add the remaining EUR 21.5 million to the other reserves.

The Company meets the requirements according to the distribution and balance sheet test as referred to in Section 2:216 of the Netherlands Civil Code.

Rotterdam, 14 March 2019

The Executive Committee:

Gilbert Van Hassel
Karin van Baardwijk
Monique Donga
Peter Ferket
Martin Nijkamp
Christoph von Reiche
Victor Verberk

Supervisory Board:

Jeroen Kremers
Sonja Barendregt - Roojers
Yoshiko Fujii
Radboud Vlaar

Other information

Articles of Association rules regarding profit appropriation

According to article 4.1 of the Articles of Association, the profit shown in the financial statements will be at the disposal of the General Meeting of Shareholders.

Branches

The Company has the following branches:

Branch	Country
Robeco Dubai	United Arab Emirates
Robeco Germany	Germany
Robeco Italy	Italy
Robeco Spain	Spain
Robeco United Kingdom	United Kingdom

Independent auditor's report

To: the General Meeting and the Supervisory Board of Robeco Institutional Asset Management B.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2018 of Robeco Institutional Asset Management B.V., based in Rotterdam.

In our opinion the accompanying company financial statements give a true and fair view of the financial position of Robeco Institutional Asset Management B.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements comprise:

1. the income statement for 2018;
2. the balance sheet as at 31 December 2018; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the company financial statements' section of our report.

We are independent of Robeco Institutional Asset Management B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- General information;
- the Report of the Executive Committee;
- the Report of the Supervisory Board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- Based on the following procedures performed, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Committee is responsible for the preparation of the other information, including the report of the Executive Committee, report of the Supervisory Board and general information, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the company financial statements

Responsibilities of the Executive Committee and the Supervisory Board for the company financial statements

The Executive Committee is responsible for the preparation and fair presentation of the company financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Committee is responsible for such internal control as the Executive Committee determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the company financial statements, the Executive Committee is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Committee should prepare the company financial statements using the going concern basis of accounting unless the Executive Committee either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Executive Committee should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the company financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the company financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the company financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the company financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee;

- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the company financial statements, including the disclosures; and
- evaluating whether the company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Utrecht, 14 March 2019

KPMG Accountants N.V.

G.J. Hoeve RA