# Robeco Institutional Asset Management B.V.


## Annual Report

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# General information

**Executive Committee ('ExCo')**
G.O.J.M. (Gilbert) Van Hassel (CEO)*
K. (Karin) van Baardwijk (Deputy CEO)*
A.J.M. (Lia) Belilos – Wessels
M.C.W. (Mark) den Hollander*
M.F. (Mark) van der Kroft (since 1 September 2020)
M.O. (Martin) Nijkamp
H-Ch.(Christoph) von Reiche
V. (Victor) Verberk
P.J.J. (Peter) Ferket (until 22 May 2020)

* also statutory director

**Supervisory Board**
M.F. (Maarten) Slendebroek (since 13 August 2020, Chair)
S. (Sonja) Barendregt – Roojers (Vice Chair)
S.H. (Stanley) Koyanagi (since 13 August 2020)
M.A.A.C. (Mark) Talbot
R.R.L. (Radboud) Vlaar
J.J.M. (Jeroen) Kremers (until 30 March 2020)

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 2020 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 are in the form of Dutch legal entities) in the Netherlands, and for its Luxembourg-based investment funds from 1 January 2021. It also operates as the direct distribution channel in the Dutch retail market for 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 (3). Total client assets[2] (assets managed, sub-advised or distributed by the Company) amounted to approximately EUR 176 billion as at 31 December 2020 (EUR 172 billion on 31 December 2019).

## Corporate structure

The Company is established in the Netherlands. Robeco Holding B.V. holds 100% of the shares of the Company and also holds 100% of the shares in Robeco Nederland B.V., the Dutch central service company of Robeco. ORIX Corporation in Japan is the sole shareholder of ORIX Corporation Europe N.V., the domestic parent company of Robeco Holding B.V.
Robeco Nederland B.V. is the formal employer of almost 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 (without limitation): Boston Partners Global Investors Inc., Gravis Capital Management Ltd., Harbor Capital Advisors Inc. and Transtrend B.V.

## 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 (members of the Management Board), and a Supervisory Board. The governance principles of the Company are laid down in its Articles of Association, Supervisory Board Rules, Management Board and ExCo Rules and in the Charters of the Supervisory Board committees: the Audit & Risk Committee and the Nomination & Remuneration Committee. In addition, ORIX Corporation Europe N.V., Robeco Holding B.V., Robeco Nederland B.V. and the Company agreed a governance protocol in 2016. One of the agreements in this protocol is that the management boards of Robeco Holding B.V., Robeco Nederland B.V. and Robeco have the same composition.

As the so-called 'moderate version' of the 'Large Company Scheme' (*Structuurregime*, Article 2:265 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 Management Board/ExCo.

[1] Undertaking for Collective Investment in Transferable Securities
[2] Related to all Robeco entities

*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, to support the Management Board in performing its tasks. Based on this provision, five 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 2020, the ExCo consisted of Gilbert Van Hassel (Chairman and CEO), Karin van Baardwijk (COO and Deputy CEO), Lia Belilos-Wessels (Chief Human Resources Officer), Mark den Hollander (Chief Financial & Risk Officer), Mark van der Kroft (CIO Fundamental and Quant Equity), Martin Nijkamp (Head of Strategic Product & Business Development), Christoph von Reiche (Head of Global Distribution & Marketing) and Victor Verberk (CIO Fixed Income and Sustainability).
Statutory directors are appointed by the General Meeting of Shareholders. The Supervisory Board must be consulted on an intended appointment, which is subject to the prior approval of the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten,* '*AFM*'). The appointment of ExCo members by the Management Board also needs prior approval from 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 2020, the Supervisory Board consisted of Maarten Slendebroek (Chairman), Sonja Barendregt-Roojers, Stan Koyanagi, Mark Talbot 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 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 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 the meetings of the Supervisory Board; however, the Supervisory Board may also decide to meet without (one or more of) these members.

**Strategy 2017-2021**
Robeco's strategy for the period 2017-2021 is aimed at monetizing the company's intellectual property in combination with a continued focus on providing our clients with the best possible investment performance and services. During this strategic period, Robeco is striving to accelerate its growth in the UK, US, Italy, Australia, Japan and in the Asia-Pacific region. These countries offer the best opportunities for growth in the years to come.

Global financial institutions are also an important growth segment. 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 continues to strengthen its presence so that it will be prepared when the market opens up further. Total net inflows of client assets in 2017 – 2020 amounted to EUR 42.1 billion.

In terms of products and solutions, the focus is 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), credits, emerging markets equities, Asia-Pacific equities and trends & thematic investing. Also, in response to an increase in client interest, Robeco's fundamental global equities, global macro fixed income, fundamental multi-asset and quant allocation capabilities will continue to be strengthened. In addition, Robeco intends to build, buy or seek strategic partnerships for capabilities that institutional investors are looking for in their search for yield. Due to strong inflows, it was announced in July 2020 that Robeco's High Yield bonds fund had reached maximum capacity, and would therefore close.

Sustainable investing (SI) is also a key strength, and sustainability is integrated across Robeco's investment capabilities. We have historically carried this out in close collaboration with RobecoSAM, and together we have a leading position in this area. In 2020, a number of changes took place that have brought our two companies ever closer. In January 2020, the successful completion was announced of the sale of RobecoSAM's ESG ratings and benchmarking business to S&P Global, including the SAM Corporate Sustainability Assessment (CSA). We continue to have access to the CSA data for use in investment strategies, and continue to provide advice on the CSA methodology. The transaction allows us to focus on the interpretation and application of ESG data, as well as sustainable investing research for our core asset management activities.

In November 2020, it was announced that Robeco would integrate the name "RobecoSAM" into its global brand strategy. As a result, "RobecoSAM" will no longer be used as a corporate brand, but will serve as a Robeco ingredient brand to reflect how Robeco uses RobecoSAM SI expertise in its investment processes. And, while there was no change to the business activities in Switzerland, these are now carried out under a new legal name: Robeco Schweiz AG. Robeco Schweiz AG is a sister company of Robeco Institutional Asset Management B.V. Also in November, all RobecoSAM-named funds were transferred to the Robeco Capital Growth Fund platform, so that both Robeco and RobecoSAM-named funds run on one strong, unified platform. The RobecoSAM name is used for our thematic, equity and fixed income Impact Investing strategies.

Robeco also decided to exclude investments in companies that derive 25% or more of their revenues from thermal coal (power generation or mining) or oil sands, or 10% from Arctic drilling. The process of excluding fossil fuel companies engaged in these activities was completed by the end of Q4 2020. The move is aimed to contribute to Robeco's efforts to lower the carbon footprint of its investments.

Sustainability will be further integrated throughout our entire company, not only in our products and services but also in our operations and our people. To set the next step, our SI focused investment professionals were united in a single SI Center of Expertise in May 2020. This Center will help to improve alignment and expand our expertise and thought leadership in SI. It will also improve information flows to our investment professionals and communication with clients. The Center consists of four pillars: SI Thought Leadership, SI Client Portfolio Managers (CPMs), SI Research, and Active Ownership:

- A new team will maintain and advance our SI thought leadership position, with specific attention to climate change and the SDGs. We will also strengthen our connections with academia and even more robustly embed our SI work in academic research.
- SI CPMs will aim to increase alignment in communication towards clients regarding our SI activities, and build SI knowledge in the existing CPM teams and across the broader organization.
- SI Research will continue to focus on generating high-quality sustainability research related to companies and sectors.
- Active Ownership is responsible for our global voting and engagement activities.

Besides analyzing and integrating climate-related risks, we also seek opportunities to contribute positively with our investment strategies to mitigate climate change. In December 2020, we launched two fixed income funds which apply the EU Regulation on Paris-aligned Benchmarks.

A number of strategic organizational changes were made or completed in 2020. The outsourcing of Robeco's operations and administration activities to JP Morgan, announced in 2018, was completed in July. The outsourcing of operations activities did not lead to changes in investment policies and teams. Client portfolios continue to be managed according to their investment policies by the responsible portfolio managers and portfolio management teams. Furthermore, Robeco decided to merge Robeco Luxembourg S.A. into Robeco Institutional Asset Management B.V., which took effect per 1 January 2021. As of that date, the responsibilities for managing and overseeing Robeco's Luxembourg domiciled funds was transferred to the Netherlands. There will be no change to the services provided to Robeco's investors.

Finally, following a review of the strategic positioning of its private equity business, Robeco announced in June 2020 that Stafford Capital Partners had acquired its private equity business.

In February 2021, Robeco announced its new strategy for the coming 5-year period which aims to build on the success of our current trajectory and further focus on our key strengths: Sustainable Investing, Quant, Credits, Trends & Thematic and Emerging Markets. Robeco will also establish an ambitious climate strategy, including a decarbonization trajectory and forward-looking indicators. Carbon objectives will be set for all our funds, aiming for an average of 7% reductions per annum, to help meet our net-zero 2050 ambition. Also, new areas of growth potential have been identified to support the acceleration achieved in our key distribution markets. We will aim to grow our penetration of the insurance market, and broaden our coverage of wholesale markets in targeted areas.

**Sustainable 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 sustainable 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, controversial behavior in relation to the production of palm oil and companies that structurally and severely breach the United Nations Global Compact (UNGC) and/or the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. In 2020, we extended our exclusions to fossil fuels.

| ***Sustainable investing in figures (year end 2020)*** | | |
|---|---|---|
| Assets in Sustainability Inside | EUR | 138.5 billion |
| Assets in Sustainability Focus | EUR | 9.1 billion |
| Assets for Impact Investing | EUR | 12.7 billion |
| Assets 'under engagement [3] | EUR | 259.3 billion |
| Assets 'under voting' [4] | EUR | 114.9 billion |

*ESG integration into the investment process*

In 2020, we continued to see a strong demand for sustainability solutions from clients, despite the challenging social and economic circumstances. We offer our clients a consistent sustainability approach across three ranges:

- Sustainability Inside: the majority of Robeco strategies fall into this category, which includes full ESG integration, proprietary research, exclusions and voting and engagement.

[3] A total of 246 engagement cases covering 23 different themes were handled in 2020.
[4] In 2020, Robeco voted at 7,802 shareholder meetings

- Sustainability Focus: these strategies have more specific sustainability targets for ESG profiles and seek environmental footprints that are better than their benchmarks.
- Impact Investing: these strategies invest in sustainable themes such as energy or mobility, and/or the UN's Sustainable Development Goals.

All Robeco's investment activities comply with the United Nations Principles for Responsible Investing (UNPRI). In 2020, Robeco was awarded the highest possible score (A+) for all PRI modules of sustainable investing. Robeco obtained the highest score for the majority of the modules assessed by PRI for the seventh year in a row.

At the end of 2020, ESG integration was applied to EUR 160.3 billion of Robeco's assets under management.

*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. One part of Robeco's active ownership strategy focuses on companies that structurally and severely breach the UN Global Compact and/or the OECD Guidelines. 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[5]. 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 sustainable 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 initiatives by our employees to support societal projects and have programs in place for financial support and/or active participation. 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:
- suitability of new and existing products and services for clients
- devising new strategies to invest in future growth opportunities for 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 clients
- onboarding institutional clients via single client mandates or funds
- 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.

[5] 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.

Sustainability and impact investing are an integral part of Robeco's investment strategies and important components of the product development responsibilities. Robeco aims to further grow the offering and development of ESG-integrated[6] strategies, products and solutions, thus leveraging on the combined sustainability expertise within Robeco for the benefit of investors.

*Sustainable Finance Disclosure Regulation*
In March 2018, the European Commission announced the adoption of the European Union's Sustainable Finance Action Plan, set out in response to the landmark signing of the Paris Agreement, and the United Nations 2030 Agenda for Sustainable Development. This plan aims to bring in harmonized rules on sustainability related disclosures and policies, and to make it easier for end investors to ultimately assess the underlying sustainability criteria of an individual investment vehicle. In 2020, Robeco has been preparing for the implementation of Level 1 of the Regulation on sustainability-related disclosures in the financial services sector (SFDR), that sets out which sustainability related disclosures must be made for an investment product. These disclosures have been made as of 10 March 2021 in the prospectus and other key investor documents, on the website and in annual reports.

**Financial results**
The Company's gross margin over the reporting year was EUR 375.6 million, EUR 16.3 million (5%) higher than last year. The main drivers for this are higher performance and service fees combined with a shift to higher fee-generating assets under management. This is partly compensated by fee compression and the discontinuation of Robeco's fiduciary management services.
The operating result increased from EUR 78.5 million in 2019 to EUR 99.7 million in 2020, due to lower travel costs, lower severance costs, less financial support costs and more recharges to group companies partly off set by higher project-related costs. The financial markets in 2020 were mostly bullish and the related market impact on the assets under management of the Company were positive. This made up for the significant market downturn in February and March 2020 due to the Covid-19 pandemic. Total client assets (assets managed, sub-advised or distributed by the Company) amounted to around EUR 176 billion as at 31 December 2020 (EUR 172 billion as at 31 December 2019).

The tax expense in 2020 was EUR 25.1 million (2019: EUR 20.5 million) implying an effective tax rate of 25.3% (2019: 26.2%). Due to the sale of Robeco's private equity business the result from investments in group companies in 2020 was nil (2019: EUR 8.1 million).

The result after tax 2020 was EUR 74.4 million, an increase of EUR 8.3 million (13%) compared to the previous year.

Management considers the financial position of the Company to be sound. During the financial year, a EUR 33 million dividend was distributed to the shareholder. The equity of the Company, before profit appropriation, amounts to EUR 235.2 million as at 31 December 2020 (2019: EUR 193.8 million).

The Company submits FINREP and COREP reports to the Dutch Central Bank (De Nederlandsche Bank, 'DNB') on a quarterly basis as required by CRD IV rules, and did so most recently as at 31 December 2020. Furthermore, the Company reports the information required by the Alternative Investment Fund Managers Directive ('AIFMD') to the AFM. The most recent reporting relates to 31 December 2020 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.

[6] ESG: Environmental, Social and Governance

**Financial markets environment**
The end of 2019 saw the global economy in a late phase of economic expansion. The pickup in leading indicators early on in January 2020, spurred by the long awaited Phase 1 trade agreement between the US and China on 15 January, seemed promising. Unfortunately, later that month an exogenous shock emerged as the Covid-19 virus, which had begun at the end of 2019, started to spread across the globe. At the end of the first quarter of 2020, the economy plunged into the deepest global recession since the 1930s, peaking around April as a result of a widespread economic and social lockdown. This was the result of governments attempting to contain the spread of the virus, after the WHO declared a pandemic on 11 March. Real GDP declined by 6.8% in China in the first quarter, and 31.4% at an annual rate in the US GDP in the second quarter. As the Covid-19 infection curves started to flatten in response to severe lockdowns, subsequent gradual re-openings led to economic activity picking up in May and June, with an early, lopsided recovery extending into the third quarter of 2020. However, as the virus re-emerged to kick off a second Covid-19 wave in August, the policy pendulum began to swing back and forth between re-openings and lockdowns, leading to economic momentum stalling in the fourth quarter. The IMF estimates that global GDP contracted by 3.5% in 2020 despite the global rebound in activity observed since April, with China already fully recovering lost output by the fourth quarter of 2020. The economic recovery from the Covid-19 pandemic remained uneven and incomplete at the end of 2020.

In the absence of herd immunity, governments continue to face a 'trilemma' between solving the health crisis, maintaining economic momentum, and safeguarding personal freedoms. The policy stimulus to mitigate the damage to the real economy from lockdowns has been significant, with central banks lowering interest rates to the effective lower bound, and governments stimulating their economies to such an extent that global sovereign debt to GDP levels for advanced G20 economies is now the highest it has been in 150 years.

In addition to Covid-19, 2020 witnessed a number of other major events. Donald Trump lost the US presidential election in November, and with the run-off Senate election in Georgia the Democrats now enjoy a majority in the House of Representatives and effective control of the Senate. On Christmas Eve, British Prime Minister Boris Johnson managed to announce a post-Brexit trade deal. The new trade relations between the EU and the UK will resemble the Canadian model with tariff-free flows of goods between the EU and the UK. However, services are subject to import and export duties.

**Outlook for the equity markets**
In 2020 financial markets have clearly been rewarding countries that addressed the pandemic quickly and effectively. Though the MSCI World Index only gained 6.3% (unhedged, EUR), countries that managed Covid-19 well such as South Korea (+ 32.5%) and China (+ 29.5%) enjoyed strong outperformances. As they wait for the arrival of vaccines and ensuing herd immunity, the quality of government responses to Covid-19 will remain a pricing determinant in cross-country financial market outcomes. 2020 was a truly historic year for many equity indices, with a massive, tech-led relief rally after the global recession peaked in March. After falling 34%, the S&P500 rallied 47% since the bottom of 23 March. Abundant global liquidity from central banks and swift fiscal stimulus from governments led to strong multiple expansion even as the recession lingered.

Looking ahead, the enhanced coordination between monetary and fiscal policy, with central banks acting as credible fiscal financiers, will be supportive for equity markets. Excess liquidity and increasingly targeted fiscal stimulus will likely sustain equity valuations. Nonetheless, the easy gains have been realized. The onus now is on earnings growth to accelerate in order to boost equity returns. We think earnings growth around the 20% mark in 2021 is a realistic assumption given the early expansion phase of the business cycle. High private savings, increasing optimism among CEOs, positive wealth effects from a resilient housing market, and the continuing low interest rate environment will boost consumption and investments as herd immunity against Covid-19 becomes within reach. Upside risk to our equity outlook is that the global economic recovery is more swift and highly synchronized compared to consensus expectations. In the current environment of abundant excess liquidity and ongoing fiscal stimulus this could catapult market sentiment from rational exuberance into irrational euphoria, stretching valuation levels even further. Downside risks to our equity outlook are an unanticipated slowdown in the trajectory towards herd immunity or an economically unwarranted steep rise in (real) long term interest rates due to a hiccup in central bank forward guidance.

**Outlook for the bond markets**

Central bank and fiscal stimulus and the outlook for the economic recovery due to the vaccine roll-out are now at a level where we expect official interest rates to remain low for several years to come with many government bond yields remaining range-bound. The US may at some point be the first to raise rates, but we do not expect this in 2021. The good news is that inflation is not expected to rise either, as overcapacity in the economy remains significant and digitalization will not be reversed this year.

Still, the reopening of the global economy will lead to a temporary cyclical uplift in inflation due to base effects, pent-up demand, and temporary supply bottlenecks. We largely expect most government bond yields to be range bound, especially in Europe and Japan, but we do note that the cyclical inflation outlook can put some upward pressure on longer dated bond yields. We also expect government bond yields to have more upside potential in US and UK as both economies are more inflation sensitive than Europe and Japan.

There are, however, still several opportunities for bond investors. Duration risk can generate some performance in emerging markets, for example. In many emerging countries, central bank policy rates are positive and central banks still have ample room to lower them. Furthermore, with its new policy framework, the US Federal Reserve will keep interest rates very low and set the tone for a weak US dollar, which will support emerging market assets to a certain degree.

2021 sees us taking a conservative approach in corporate bonds as we think risk premiums in that asset class are insufficient compensation for the risk since credit spreads are approaching multi-year lows at the time of writing. We think high yield bonds are particularly vulnerable as they might suffer much higher default rates than rating agencies are projecting as these companies do not have access to the same government and monetary stimulus that high grade companies have.

As coronavirus fears recede in 2021 and 2022, catching up with the goals of the Paris Agreement means an acceleration of re-allocation of financial resources to green initiatives so we expect that green and social bond financing will be an opportunity of great interest.

**Market impact Covid-19**

Robeco considers the ongoing Covid-19 pandemic as a significant event which may impact the investment funds under management. The impact of the pandemic on people, companies and the economy at large remain uncertain. Pending herd immunity as a result of a substantial vaccination rate, the global economy will, however, still be impacted by opening and closing of (business) operations. Furthermore, a slowdown in the trajectory towards herd immunity as a result of risks relating to vaccine logistics, vaccine side effects, reduced effectiveness, or public resistance to (mandatory) vaccination, may have a negative impact on markets.

**Investment performance**

Of all portfolios managed or sub-advised by the Company, 53%[7] (2019: 62%) outperformed compared to the relevant benchmark over a three-year period; and 42% (2019: 56%) outperformed over a one-year period. For detailed information, please refer to the annual reports of the respective investment funds.

In 2020, equity markets in most developed and emerging economies posted positive returns, with 34% of the equity portfolios outperforming their benchmark. The percentage of outperforming equity portfolios over the past three years was 42% (52% in 2019).

[7] All returns are gross of fees.

Fixed income had a positive year in both absolute and relative terms. At the Company level, 79% of fixed-income portfolios outperformed the benchmark over a three-year period (2019: 88%). Over a one-year period, this figure was 59%.

In the table below, the returns and relative performance of the most relevant funds are shown as examples of the figures mentioned above. The outperformance (+) or underperformance (–) compared to the relevant index is indicated and the Sharpe[8] ratio is shown for conservative equity funds investing in low volatility stocks with lower expected downside risk.

| | Fund | Performance | Outperformance / underperformance |
|---|---|---|---|
| *Equities* | Robeco Asia-Pacific Equities (EUR) | 0.9% | - 8.9% |
| | Robeco BP Global Premium Equities (EUR) | - 3.5% | - 9.8% |
| | Robeco BP US Large Cap (USD) | 1.6% | - 1.2% |
| | Robeco BP US Premium Equities (USD) | 5.2% | + 2.3% |
| | Robeco BP US Select Opportunities (USD) | 6.2% | + 1.2% |
| | Robeco Chinese Equities (EUR) | 51.3% | + 31.3% |
| | Robeco Emerging Markets Equities (EUR) | 7.9% | - 0.7% |
| | Robeco Emerging Stars Equities (EUR) | 1.8% | - 6.7% |
| | Robeco Fin Tech Equities (EUR) | 17.8% | + 11.2% |
| | Robeco Global Consumer Trends Equities (EUR) | 38.5% | + 31.8% |
| | Robeco New World Financial Equities (EUR) | 4.1% | + 15.8% |
| | Robeco QI Emerging Conservative Equities (EUR) | - 11.3% | - 19.8% (Sharpe ratio -0.5 vs 0.4) |
| | Robeco QI Emerging Markets Active Equities (EUR) | 5.4% | - 3.1% |
| | Robeco QI European Conservative Equities (EUR) | - 5.8% | - 2.5% (Sharpe ratio -0.3 vs -0.1) |
| | Robeco QI Global Multi-Factor Equities (EUR) | - 2.4% | - 9.0% |
| | Robeco QI Inst. Emerging Markets Enhanced Fund (EUR) | 6.9% | - 1.6% |
| | Robeco QI Inst. Global Dev. Conservative Equities (EUR) | - 8.0% | - 14.3% (Sharpe ratio -0.4 vs 0.3) |
| | Robeco Sustainable European Stars Equities (EUR) | - 5.8% | - 2.5% |
| | Robeco Sustainable Global Stars Equities Fund (EUR) | 18.1% | + 11.8% |
| | RobecoSAM Smart Energy Equities | 48.5% | + 42.2% |
| | RobecoSAM Smart Materials Equities | 21.2% | + 14.8% |
| | RobecoSAM Sustainable Water Equities | 13.9% | + 7.6% |
| | Rolinco (EUR) | 21.9% | + 15.2% |
| *Fixed income* | Robeco All Strategy Euro Bonds (EUR) | 7.8% | + 3.8% |
| | Robeco Euro Credit Bonds (EUR) | 4.2% | + 1.4% |
| | Robeco Euro Government Bonds (EUR) | 6.2% | + 1.2% |
| | Robeco European High Yield Bonds (EUR) | 2.5% | + 0.1% |
| | Robeco Financial Institutions Bonds (EUR) | 3.2% | + 0.7% |
| | Robeco Global Credits (EUR) | 9.9% | + 3.2% |
| | Robeco Global Total Return Bond Fund (EUR) | 7.7% | + 3.5% |
| | Robeco High Yield Bonds (EUR) | 3.8% | - 0.8% |
| | Robeco QI Global Dynamic Duration (EUR) | 1.5% | - 3.4% |
| | Robeco QI Global Multi-Factor Credits (EUR) | 6.8% | + 0.1% |
| | RobecoSAM SDG Credit Income (EUR) | 6.5% | no official index |
| | RobecoSAM Euro SDG Credits (EUR) | 3.8% | + 1.1% |
| | RobecoSAM Global SDG Credits (EUR) | 9.3% | + 2.6% |
| *Multi-Asset* | Robeco ONE Neutral (EUR) | 5.6% | no official index |

8 The Sharpe ratio is a measure of the risk-adjusted return. The Sharpe ratio of the portfolio and the benchmark is shown for conservative equity 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.

**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 carrying out the Company's activities in the Netherlands is employed by Robeco Nederland B.V. In 2020, the average number of staff active on behalf of Robeco in the Netherlands was 641 (2019: 689). In addition, the Company also directly employs a number of staff that are active abroad at its international branch offices. In 2020, the average number of employees formally and directly employed by Robeco at the international branch offices of the Company was 48 (2019: 51).

*Impact of Covid-19*

Robeco's staff were impacted by this year's Covid-19 pandemic and the related measures. We put the health and safety of our people first from the moment the pandemic began. Working from home was facilitated quickly and smoothly; including working flexible hours if necessary. In the Netherlands we had a skeleton crew working from our crisis center office. The challenge was to adapt our way of working: collaborate while working remotely; keep a good work-life balance; and continue to operate effectively for our clients. We paid and continue to pay special attention to our people's (mental) health as they work from home. Their well-being is monitored specifically by their managers, offering special share & learning sessions about working remotely, and giving online advice on ergonomics. Our people rose to the challenge with good spirit and dedication and have been able to adjust, developing effective new ways of working.

*Learning & Development*

Committed and empowered employees are essential for the Company to achieve its long-term goals and adhere to its core values. In 2020 we continued with our existing programs but changed them into remote courses. We also launched a new learning platform which makes online courses and training available to all employees globally. This platform provides more content in different languages for our offices around the world. It also enables the creation of online programs and courses, using our own materials and materials which are available via LinkedIn and other providers.

Part of our learning and development is a mandatory Compliance program for new joiners. It is vital that we continue to build a culture of integrity and compliance, and this course support our aim. All our people are required to complete Compliance awareness training on a regular basis.

*Diversity and Inclusion*

Besides a focus on development, we continue to strive for diversity and inclusion. Robeco recognizes that the ability of a company to attract and retain talent is an important driver for promoting diversity and inclusion. Robeco aims for a diverse global workforce that reflects diversity of all aspects of society. This will lead to much richer debates and help us arrive at better decisions, come up with better ideas and, ultimately, achieve better results for our clients. In 2020 we set up a global Diversity Committee, existing of a diverse group of employees from different Robeco offices around the world, that advises Robeco's Executive Committee on the development and execution of initiatives to further increase diversity and enhance inclusion throughout the Company.

**Remuneration policy**

*Introduction and scope*

The remuneration policy of Robeco as described below applies to all of the employees of Robeco.

*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 function and/or responsibility and experience 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 their responsibilities, regardless of whether the employee receives any variable remuneration.

Besides the fixed salary, a temporary allowance may be granted for a maximum of 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 function and/or responsibility 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-minimization 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 may even result in no variable remuneration being awarded at all.

The business objectives for investment professionals are based on the risk-adjusted excess returns over one, three and five years and are mainly non-financial. 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 function and/or responsibility 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 derived from the EBIT[9] of Robeco. 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% |

[9] Earnings Before Interest and Tax

Until 2017, Robeco occasionally granted 'long-term incentives' ('LTI') to staff who were key to achieving the group's strategic goals. The awarded LTIs were converted in full into CARs/R-CARs and were redeemed four years after the date on which they were granted, provided the employee was employed with Robeco 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 have a material impact on the risk profile of Robeco and/or the funds it manages.

Identified Staff includes:

- members of the governing body, 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 function and/or responsibility-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 their 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 Heads 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 more stringent 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.

| | *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%*) |

* see abovementioned rule 2

*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 their 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 Monitoring Committee and the Nomination & Remuneration Committee.

*Shareholder approval*
Shareholder approval is obtained where required in accordance with the governance.

*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 | 2.2 | 3.8 | 6.0 |
| Other employees | 684 | 715 | 71.0 | 31.1 | 102.1 |
| **Total** | 688 | 719 | 73.2 | 34.9 | 108.1 |

** Situation as at 31 December 2020*
***Based on the awarded amounts*

In 2020, remuneration amounting to over EUR 1 million was paid to a total of 5 employees.
The above figures are disclosed on the basis of Article 1:120 of the Dutch Financial Supervision Act *(Wet op het financieel toezicht, 'Wft')*. 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.

The 2019 remuneration figures have been corrected, the accounting consequences are recorded in 2020. The 2019 variable remuneration awards have been revised to EUR 1.6 million for the current and former statutory directors and to EUR 27.6 million for other employees. Subsequently a total of 2 employees was paid remuneration amounting to over EUR 1 million in 2019.
It was decided to raise the contribution to the Robeco Foundation in 2020 for the same amount for which the 2019 variable remuneration was lowered.

An integral review of the remuneration framework and policy has taken place.

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

<u>Governance</u>
At Robeco, risk management is based on the principles of sound management, as formulated in the Dutch 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, maintains and monitors adherence to 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 Risk Management, Compliance, Internal Audit, Legal Affairs, 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 Information Risk Committee governs the effectiveness of all information risk management activities and makes decisions regarding information security that is consistent with the overall risk framework. As part of its approach to business continuity management, Robeco set up a Crisis Management team that 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 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) ensures 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, 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. Finally, the ORMC is integrated in the organization to serve as a gatekeeper for the ERMC in relation to discussions on operational topics. In this way, the detailed knowledge at hand in the ORMCs is used. While the ERMC Robeco has a strategic role, the ORMCs have a more tactical role.

Risk and control
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. As part of the Strategy 2017-2021, Robeco focuses on a number of points, but these still ensure a wide range of products and markets are targeted, which guarantees sufficient diversity.

*Organizational risk*
Organizational risks consists of operational risk, HR risk, legal and compliance risk and fraud 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[10] 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 such as the European Fund and Asset Management Association (EFAMA), and Dutch Fund and Asset Management Association (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. Having a strong reputation for integrity is crucial for Robeco to safeguard market confidence and public trust. Fraud can undermine this confidence and trust. Therefore it is important to have an effective approach to mitigate fraud risk, including assessments on the effectiveness of internal controls to reduce fraud risk. To further strengthen management of Fraud risk, two Anti-Fraud Officers (AFOs) within Operational Risk Management (ORM) and Compliance have been appointed. The HR risk is defined as the risk of not having an suitable or appropriate employee base – for example, too small, not fit for the job, not trustworthy – to fulfil our services.

*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 will 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. To mitigate liquidity risk, cash positions are closely monitored by the Finance department and reported to the ERMC on a periodic basis.

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

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.

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.

Specific attention: Corona crisis

The Covid-19 pandemic has put markets in unchartered territory. Almost all countries put their societies under different forms of lockdown. As a result, business activities and supply chains are under pressure, causing a severe economic impact.

This has presented Robeco with multiple challenges: we need to ensure that our employees work in a safe environment and meet with local lockdown requirements. Employees worldwide have to work from home. Most of our offices are (partially) closed, including headquarters in Rotterdam. This creates an inherent risk to the efficiency and effectiveness of processes, including processes that ensure that investment portfolios are managed in the best way to protect clients' interests. Also the risk exists that our ability to raise AuM is impacted by risk appetite of clients, travel restrictions and social distancing globally. All of these developments may impact the profitability of Robeco and the capital requirements. Robeco has taken measures to ensure continuation of Robeco's processes and protect our clients' interests.

Crisis organization

Robeco has several governance bodies and processes in place to cope with crisis situations. The Covid-19 outbreak was managed by different bodies including the Robeco Crisis Team, Business and Continuity Management, the Financial Crisis Committee, and the Valuation Committees. Each committee has a different focus and is therefore able to take sufficient and appropriate measures to deal with the situation at hand.

At the end of the first wave, the different crisis bodies were scaled down and the impact of the pandemic is being dealt with by and within the regular governance structure. These bodies can and will of course be scaled up again if necessary.

## 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. As the Company moves into a new strategic period, a new strategy was announced in February 2021. This will build on the solid foundations laid over the past five years, and will aim to successfully steer the Company through the current challenges brought on by the global Covid-19 pandemic, as well as the persistent market challenges facing the asset management industry.

Robeco decided to merge Robeco Luxembourg S.A. into Robeco Institutional Asset Management B.V., which took effect per 1 January 2021. As of that date, the responsibilities for managing and overseeing Robeco's Luxembourg domiciled funds transferred to the Netherlands. There will be no change to the services provided to Robeco's investors.
As a consequence of the merger an amount of EUR 12.9 million will be added to the equity of Robeco Institutional Asset Management B.V. in 2021.

At the beginning of 2020, the implementation started of Workday, a cloud-based software platform to oversee HR management, employee data, procurement, financial accounting, and expense management to replace current HR and finance tooling. Implementation for HR applications was completed globally in early November 2020, followed by the implementation of all finance-related processes in the Netherlands and Switzerland in January 2021. Further roll-out to other offices will take place in the course of 2021.

In 2020, the AFM has determined that Robeco must undertake a number of remedial measures to improve the processes in relation to the Money Laundering and Terrorist Financing (Prevention) Act ('Wwft') and the Sanctions Act ('Sw') in Robeco Retail, Robeco's on-line execution-only platform for Dutch retail customers. The improvements have commenced in 2020 and are scheduled to be completed by the end of 2021.
Subsequent to the above, and as a separate matter, the AFM has indicated that it has concerns about the way in which Robeco has set up its business operations. Robeco has engaged with the AFM to substantiate Robeco's views in this respect.

The Corona virus, which emerged at the beginning of 2020, developed into a global Pandemic in mid-February 2020, followed by sharp declines in the stock markets worldwide. In the remainder of 2020, the equity markets have recovered strongly, prompted, amongst others, by the result of the presidential election in the United States and positive reports on the progress in developing vaccines. As a result of the Covid -19 Pandemic and the decisions taken by the Dutch government, Robeco decided in mid-March 2020 to let all staff (in the Netherlands) work from home and this still applies today. Despite these difficult and challenging developments, Robeco managed to achieve a higher operating result in 2020. This has been a result of positive net client flows, increasing fee income due to a shift to high fee generating equity assets and cost measures taken.

Given the still ongoing Covid -19 Pandemic, it remains difficult to predict what the equity markets will do in 2021 and the possible consequences for our revenues and results in 2021. Other industry developments will have impact on the future profitability of the Company such as ongoing fee pressure due to the rise of passive asset management, regulatory pressure and an increasing competition amongst active managers. Furthermore, costs face an upward pressure, amongst others because of increasing regulation affecting the industry, necessary investments in e.g. new technology and a war for talent. Nevertheless, the Company is well positioned to face the almost unprecedented market challenges under the Covid-19 Pandemic. The Company's financial position in terms of equity and financial resources is sound, but will carefully monitor the impact of the Pandemic on our capital position. For 2021 the ExCo anticipates a positive net result.

The ExCo thanks all employees for their commitment and resilience in challenging times throughout 2020.

Rotterdam, 22 April 2021

The Executive Committee

# Report of the Supervisory Board

**Composition of the Supervisory Board**

As the so-called 'moderate version' of the Large Company Scheme (*Structuurregime*, Section 2:265 of the Dutch Civil Code) applies to the Company, and also with a wider view to strong governance, a Supervisory Board has been established. In 2020, the Supervisory Board consisted of Maarten Slendebroek (Chair; appointed 13 August 2020), Sonja Barendregt-Roojers (Vice-chair since 30 March 2020), Stan Koyanagi (appointed 13 August 2020), Mark Talbot, Radboud Vlaar, and Jeroen Kremers (Chair until 30 March 2020).

Members of the Supervisory Board are appointed by the General Meeting of Shareholders upon nomination by the Supervisory Board. 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 to make a binding recommendation for one-third of the supervisory directors. Pursuant to Section 2:268-6 of the Dutch Civil Code, one member (Sonja Barendregt-Roojers) was appointed on the Works Council's recommendation.

**Supervision by the Supervisory Board**

The Supervisory Board supervises the duties with respect to the general affairs of the Company and its business as executed by the Management Board and Executive Committee and the policy of the Company and its businesses. 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 RIAM itself and other subsidiary legal entities owned directly or indirectly by RIAM, as well as the business conducted by Robeco Nederland B.V. ("RNL"), and certain parts of the business of legal entities owned and controlled by Robeco Holding B.V.

**Meetings of the Supervisory Board**

In 2020, the Supervisory Board met in person as well as remotely when necessary, due to Covid-19 restrictions. Ten Supervisory Board meetings were held throughout the year. The Audit & Risk Committee and the Nomination & Remuneration Committee met six and nine times respectively. The meetings were attended by all Supervisory Board members and, where applicable, by members of the Executive Committee (ExCo) and other guests. The Supervisory Board also met in closed sessions, mostly without any of the ExCo members and sometimes without the Company Secretary.

At the meetings of the Supervisory Board and those of its committees, due consideration was given to developments in the financial markets – especially in the exceptional market conditions resulting from the Covid-19 crisis. Performance of products, and the financial results were also discussed. With regard to changes in rules and regulations, the Supervisory Board adheres to 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 ensured 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 and an annual overview of fund governance-related monitoring activities have been prepared by Robeco's Compliance function and have been discussed by the Supervisory Board.

Another subject that comes up on a regular basis in the Supervisory Board's discussions is the developments on the financial markets in connection with the strategic challenges for Robeco that result from these developments. International political developments are also discussed, for example, the consequences and impact of Brexit. In terms of human resources, the Supervisory Board acknowledges the importance of recruiting, training, developing and retaining talent as a key element in successfully running an asset management company. That means providing professionals with appropriate opportunities while pursuing a remuneration policy in line with market standards and complying with applicable laws and regulations. Developments in human resources are therefore also monitored and discussed regularly in Supervisory Board meetings.

The Supervisory Board has discussed the Company's results with the ExCo on the basis of periodic reports. 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 risk management, compliance, legal and operational matters. The Supervisory Board was regularly updated on and involved in Robeco's strategic projects throughout the year.

We have been informed that in 2020 the AFM has determined that Robeco must undertake a number of remedial measures to improve the processes in relation to the Money Laundering and Terrorist Financing (Prevention) Act ('Wwft') and the Sanctions Act ('Sw') in Robeco Retail, Robeco's on-line execution-only platform for Dutch retail customers. Robeco has informed us that the improvements have commenced in 2020 and are scheduled to be completed by the end of 2021.
Subsequent to the above, and as a separate matter, we understand that the AFM has indicated that it has concerns about the way in which Robeco has set up its business operations. Robeco has informed us that they have engaged with the AFM to substantiate Robeco's views in this respect.

**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 (Chair), Stan Koyanagi (since 13 August 2020), Maarten Slendebroek (since 13 August 2020), Mark Talbot, Radboud Vlaar, and Jeroen Kremers (until 30 March 2020). Prior to some of the meetings of the committee, closed sessions were held with the independent auditor, KPMG. Audit, risk, compliance and legal matters were discussed in the committee and where relevant also in the Supervisory Board meetings. The meetings were attended by some of the members of the ExCo as well as the heads of Internal Audit, Compliance, Risk Management, Legal and by representatives of KPMG. On the basis of quarterly reports from the respective departments, the A&RC discussed various internal audit, compliance, legal and risk management related issues. The (interim) financial reports and the independent auditor's reports were regular agenda items. Among other subjects, various risk management-related issues were discussed, as well as monitoring of fund principles, investment results, internal and external audit plans, a review of Robeco products, and the Robeco funds' annual and semiannual reports. In the context of the Covid-19 pandemic, the A&RC was informed on matters of health and safety and other aspects of business continuity. The improvement of the compliance framework regarding client due diligence and related requirements in the area of our retail fund distribution activities was closely monitored.

*Nomination & Remuneration Committee*
The members of this committee are Mark Talbot (Chair), Sonja Barendregt-Roojers, Stan Koyanagi (since 13 August 2020, Maarten Slendebroek (since 13 August 2020), Radboud Vlaar, and Jeroen Kremers (until 30 March 2020). Nomination and remuneration matters were discussed several times in 2020. The CEO and the Chief Human Resources Officer 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. Amongst other items, the N&RC reported to the Supervisory Board regarding KPIs of the ExCo members and periodically assessed the performance of the individual members of the ExCo.

**Composition of the ExCo**
During the year 2020, the ExCo consisted of Gilbert Van Hassel (Chair), Karin van Baardwijk (Vice-Chair), Lia Belilos-Wessels, Mark den Hollander, Mark van der Kroft (appointed 1 September 2020), Martin Nijkamp, Christoph von Reiche, Victor Verberk and Peter Ferket (until 22 May 2020). We thank Peter Ferket for his loyalty

and valuable contribution to the Company during the more than twenty years he worked for Robeco in several roles, and 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 issued an independent auditor's report on the 2020 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 the 2020 profit of EUR 74.4 million as a dividend to the shareholder, which proposal will be submitted to the Annual General Meeting of Shareholders.

Rotterdam, 22 April 2021
The Supervisory Board

# Financial Statements 2020

## *Income Statement*

for the year ended 31 December

| *EUR x million* | *Notes* | *2020* | *2019* |
|---|---|---|---|
| Net revenues | 1 | 571.0 | 565.2 |
| Distribution and subadvisory costs | 2 | -195.4 | -205.9 |
| **Gross margin** | | **375.6** | **359.3** |
| Administrative expenses | 3 | 227.6 | 240.7 |
| Wages and salaries | 4 | 13.2 | 14.2 |
| Social security expenses | 4 | 1.4 | 1.5 |
| Depreciation and amortization | 7-9 | 2.3 | 2.2 |
| Other expenses | 5 | 31.4 | 22.2 |
| **Total operating expenses** | | **275.9** | **280.8** |
| **Operating result** | | **99.7** | **78.5** |
| Finance income and similar income | | 0.2 | 0.3 |
| Finance expense and similar expenses | | -0.4 | -0.3 |
| **Result before tax** | | **99.5** | **78.5** |
| Income tax expense | 6 | 25.1 | 20.5 |
| Result from investments in group and associated companies after tax | 10 | 0.0 | 8.1 |
| **Result for the year** | | **74.4** | **66.1** |

## *Balance Sheet as at 31 December*

before profit appropriation

| *EUR x million* | *Notes* | *2020* | *2019* |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| Intangible assets | 7 | 1.4 | 2.6 |
| Tangible fixed assets | 8 | 0.5 | 0.6 |
| Right-of-use assets | 9 | 2.0 | 1.3 |
| Investment in group and associated companies | 10 | - | - |
| Loans | 11 | - | 1.6 |
| Deferred tax assets | 12 | 2.6 | 0.8 |
| **Total fixed assets** | | **6.5** | **6.9** |
| **Current assets** | | | |
| Trade receivables | 13 | 15.2 | 18.0 |
| Receivables from group companies | 14 | 126.4 | 136.2 |
| Other receivables | 15 | 15.5 | 24.8 |
| Cash and cash equivalents | 16 | 168.6 | 106.4 |
| **Total current assets** | | **325.7** | **285.4** |
| **Total assets** | | **332.2** | **292.3** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 17 | | |
| Issued capital | | 0.1 | 0.1 |
| Share premium | | 31.5 | 31.5 |
| Other reserves | | 129.2 | 96.1 |
| Unappropriated result financial year | | 74.4 | 66.1 |
| **Total equity** | | **235.2** | **193.8** |
| **Provisions** | 18 | **12.9** | **7.6** |
| **Non-current liabilities** | | | |
| Employee benefits | 19 | 1.9 | 2.1 |
| Lease liabilities | 9 | 1.3 | 0.5 |
| Other liabilities | | - | 0.9 |
| **Total non-current liabilities** | | **3.2** | **3.5** |
| **Current liabilities** | | | |
| Liabilities to group companies | 20 | 31.9 | 46.7 |
| Lease liabilities | 9 | 0.6 | 0.7 |
| Other liabilities | 21 | 48.4 | 40.0 |
| **Total current liabilities** | | **80.9** | **87.4** |
| **Total equity and liabilities** | | **332.2** | **292.3** |

# Notes to the financial statements

## General information

Robeco Institutional Asset Management B.V. (also referred to as "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 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). 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. 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 those subsidiaries of ORIX Corporation Europe N.V. that have transactions with the Company.

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 2020, which ended at the balance sheet date of 31 December 2020.

The valuation principles and method of determining the result are the same as those used in the previous year, except for the effects of changes in accounting policies.

### Changes in accounting policies
The accounting policies adopted are consistent with those of the previous financial 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 2020 of ORIX Corporation Europe N.V., statutory established in Rotterdam.

### Basis of preparation
The accounting policies applied for measurement of assets and liabilities and determination of results are based on the historical cost convention, unless otherwise stated in the further accounting principles.

The financial statements are presented in euros. The euro is the functional and presentation 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 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.

The following accounting policy is in the opinion of management the most critical in preparing these financial statements and require judgements, estimates and assumptions:
- Restructuring and other provisions.

### 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 as part of the translation reserve. Translation reserves are restricted by nature (and according to Dutch law).

### 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 are available at with the Dutch Chamber of Commerce.

### Income and Expense recognition
Income is recognized 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 recognized 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, administration fees, fees from clients, revenues from marketing and sales activities and other fees. Revenues from services rendered are recognised in the profit and loss account when the amount of the revenue can be determined reliably, collection of the related compensation to be received is probable, the extent to which the services have been performed on the balance sheet date can be determined reliably, and the costs already incurred and (possibly) yet to be incurred to complete the service can be determined reliably. 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 is entitled to receive a share of the realized profits of certain Private Equity 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 Company. Proceeds are distributed by the Investee Funds in such a manner that the Company will not receive a distribution of carried interest before the Partners of the Investee Fund 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.

Relating to the deferred variable remuneration of employees the projected costs are taken into account during the employment e.g. service period. The following main assumptions are taken into consideration for the costs accrued:

- The service period is split into 75% (current year) and 8,33% for the next three years (deferred part).
- The value of the deferred variable remuneration – predominantly 'Robeco Cash Appreciation Rights' (R-CARs) – is based on a rolling eight-quarter period of Robeco's operational result.

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 recognized 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 and similar income and expenses

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.

### Corporate income tax

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 participation exemption rules avoiding double (corporate income) taxation.

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 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. In such cases, the results of the transaction are directly recognized in the profit and loss account, taking into account any provisions related to the transaction. If assets are recognized of which the Company does not have the legal ownership, this fact is being disclosed.

### Intangible assets
Intangible assets are measured at acquisition 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.

The accounting principles for the determination and recognition of impairments are included under the section Impairments of fixed assets.

### Tangible fixed assets

Tangible fixed assets are measured at acquisition cost 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.

The accounting principles for the determination and recognition of impairments are included under the section Impairments of fixed assets.

### Impairment testing of fixed 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 higher 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.

Reversal of a previously recognized impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset is increased to its recoverable amount, but not higher than the carrying amount that would have applied if no impairment loss had been recognized in previous years for the asset.

### 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.

### 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. Financial instruments (and individual components of financial instruments) are presented in the separate financial statements in accordance with their legal form.

The following financial instruments are recognized in the financial statements: investments in group and associated companies, loans, trade and other receivables, cash items and (other) financial liabilities. Financial instruments are initially measured 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 and (other) receivables are valued at amortized cost on the basis of the effective interest method less impairment losses. (Other) financial liabilities are measured after their initial recognition at amortized cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

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.

Trade and other receivables found not to be individually impaired are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default and the increase of the number of receivables in its portfolio that are past due for more than 90 days. The outcome is adjusted when management is of the opinion that current economic and credit conditions are such that it is probable that actual losses will be higher or lower than the historical trends are suggesting. The carrying amount of receivables is reduced by an allowance for doubtful debts. Receivables that appear to be irrecoverable are written off against the allowance. Other additions to and withdrawals from the allowance are recognized in the profit and loss account.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

### 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.

### Current assets
The accounting policies applied for the valuation of the current assets are described under the heading 'Financial instruments'.

### 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'.

### 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 nominal value of the best estimate of the expenditures that are expected to be required to settle the liabilities and losses. In case the duration of the provision is more than one year and the time value is material, provisions are stated at the present value.

A provision for claims, disputes and lawsuits is established when it is expected that the Company will be sentenced in legal proceedings. The provision 'possible loss of income' represents the best estimate of the amount for which the claim can be settled, including the costs of litigation. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise.

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.

### Leasing
The Company leases various offices at its branch offices. Robeco Nederland B.V. leases the office in the Netherlands and recharges the housing costs to the Company based on the intercompany service agreement. Lease accounting of this office is limited to Robeco Nederland B.V. Rental contracts are typically made for fixed periods of 3 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- (if applicable) amounts expected to be payable by the lessee under residual value guarantees,
- (if applicable) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- (if applicable) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Company uses the incremental borrowing rate for calculating the discounted value of future lease payments.

Assets arising from a lease are initially measured on a cost basis. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.
unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by
impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture. The Company uses the practical expedients and therefore not to recognize the amounts in regard to short-term leases, non-lease components and low-value assets on balance.

Extension and termination options are included in several lease agreements across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. None of the lease payments made in the current year were optional.

**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. In such cases, the results of the transaction are directly recognized in the profit and loss account, taking into account any provisions related to the transaction.

### Equity
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 recognized 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* | **2020** | **2019** |
|---|---|---|
| Management and service fees | 515.3 | 513.4 |
| Fees from clients | 15.3 | 14.0 |
| Revenues from marketing and sales activities | 13.2 | 11.3 |
| Subadvisory fees | 9.1 | 13.1 |
| Performance fees | 8.2 | 3.9 |
| Administration fees | 2.0 | 2.4 |
| Other income | 7.9 | 7.1 |
| **Total net revenues** | **571.0** | **565.2** |

The Company receives the management fees and service fees for its asset management activities directly from funds and mandates or (in case of sub advisory activities) indirectly from group companies in the amount of EUR 393.5 million (2019: EUR 364.1 million). Service fees increased because of the introduction of the fixed service fee model during 2020, also increasing fund (related) costs in 2020 (note 5).

Revenues from marketing and sales activities and Subadvisory fees are received from other Robeco Group companies.

Administration fees decreased due to revised contract terms as of October 2020.

Other income also 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* | | **2020** | | **2019** |
|---|---|---|---|---|
| **Total revenue by region** | | | | |
| Luxembourg | 69% | 394.0 | 65% | 365.0 |
| Netherlands | 27% | 156.5 | 31% | 177.3 |
| Rest of Europe | 1% | 8.3 | 1% | 7.8 |
| Outside Europe | 2% | 12.2 | 3% | 15.1 |
| **Total net revenues** | **100%** | **571.0** | **100%** | **565.2** |

## 2 Distribution and subadvisory costs

The costs can be broken down as follows:

| *EUR x million* | **2020** | **2019** |
|---|---|---|
| Distribution costs | 151.0 | 140.3 |
| Subadvisory costs | 44.4 | 65.6 |
| **Total distribution and subadvisory costs** | **195.4** | **205.9** |

Distribution costs paid to other Robeco Group companies amount to EUR 46.4 million (2019: EUR 43.9 million). Subadvisory costs paid to other Robeco Group companies amount to EUR 43.7 million (2019: EUR 56.9 million).

## 3 Administrative expenses

Administrative expenses consist of costs charged from other group companies in the amount of EUR 227.6 million (2019: EUR 240.7 million). These costs are mainly charged from Robeco Nederland B.V. Robeco Nederland B.V. charges operating costs in the amount of EUR 222.8 million (2019: EUR 222.9 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. The charge concerns 641 FTE's as per 31 December 2020 (2019: 689 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 (indirect) subsidiary of ORIX Corporation Europe N.V., the domestic ultimate parent company of Robeco Institutional Asset Management B.V.

Administrative expenses also include EUR 7.9 million expenses to support the set-up of distribution opportunities in China, Japan, Singapore and the US, recharges of Robeco entities of EUR 4.9 million to the company and vice versa of EUR 8.0 million (2019: EUR 14.0 million, EUR 3.8 million respectively nil).

## 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* | **2020** | **2019** |
|---|---|---|
| Wages and salaries | 13.0 | 12.4 |
| Social security and pension costs | 1.4 | 1.5 |
| Other employee benefits expenses | 0.2 | 1.8 |
| **Total employee benefits expense** | **14.6** | **15.7** |

In 2020 there was a release of EUR 0.6 million related to a restructuring plan was included under Other employee benefits expenses (2019: addition of EUR 1.0 million).

During 2020, on average 48 FTE's (2019: 51 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* | 2020 | 2019 |
|---|---|---|
| Germany | 14 | 14 |
| United Kingdom | 16 | 18 |
| Spain | 8 | 8 |
| United Arab Emirates | 4 | 5 |
| Italy | 6 | 5 |
| Norway | 0 | 1 |
| **Total average number of employees** | **48** | **51** |

### 5 Other expenses

Other expenses can be specified as follows:

| *EUR x million* | 2020 | 2019 |
|---|---|---|
| Fund and client related costs | 13.8 | 11.4 |
| Marketing | 2.4 | 4.0 |
| Housing and furniture | 0.5 | 0.6 |
| Audit costs | 1.2 | 1.6 |
| Travel and accommodation | 0.3 | 1.1 |
| Advisory | 8.1 | 0.5 |
| Information technology | 0.5 | 0.5 |
| Foreign exchange rate differences | 0.1 | 0.0 |
| Other | 4.5 | 2.5 |
| **Total other expenses** | **31.4** | **22.2** |

The increase in fund and client related costs relate to the outsourcing of operations and administration activities to JP Morgan and related to the introduction of the fixed service fee model in the course of 2020. The advisory costs increased and is explained in note 18 provisions.

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* | 2020 | 2019 |
|---|---|---|
| Audit financial statements | 0.2 | 0.3 |
| Other audit engagements | 1.0 | 1.3 |
| **Total** | **1.2** | **1.6** |

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 25.1 million, can be specified as follows:

| *EUR x million* | 2020 | 2019 |
|---|---|---|
| **Result before tax** | **99.5** | **78.5** |
| Tax at the Netherlands tax rate of 25% (2019 – 25%) | 24.8 | 19.6 |
| Difference in overseas tax rates | 0.2 | 0.7 |
| Non-deductible costs | -0.1 | -0.1 |
| Deferred corporate income tax | 0.1 | - |
| Corporate income tax previous financial years | 0.1 | 0.3 |
| **Tax on result** | **25.1** | **20.5** |
| | | |
| Effective tax rate | 25% | 26% |
| Applicable tax rate | 25% | 25% |

The Dutch statutory tax rate in 2020 was 25% (2019: 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 21).

The income tax expense in 2020 was EUR 25.1 million (2019: EUR 20.5 million). In 2020 the effective tax rate was 25% (2019: 26%).

## *Notes to the balance sheet*

### 7 Intangible assets

Movements in intangible assets were as follows:

| *EUR x million* | 2020 | 2019 |
|---|---|---|
| **Cost at 1 January, net of accumulated amortization and impairment** | **2.6** | **1.0** |
| Additions | - | 2.8 |
| Amortization | -1.2 | -1.2 |
| **Net carrying amount at 31 December** | **1.4** | **2.6** |
| | | |
| **At 31 December** | | |
| | | |
| Cost | 2.0 | 2.8 |
| Accumulated amortization and impairment | -0.6 | -0.2 |
| **Net carrying amount at 31 December** | **1.4** | 2.6 |

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 and a transfer of Austrian and German client relationships from RobecoSAM AG to the Company's branch Robeco Germany as of 1 July 2019 and is to be fully depreciated within 3 years.

## 8 Tangible assets

Movements in tangible assets were as follows:

| *EUR x million* | 2020 | 2019 |
|---|---|---|
| **Cost at 1 January, net of accumulated amortization and impairment** | **0.6** | **0.6** |
| Additions | 0.1 | 0.2 |
| Depreciation | -0.2 | -0.2 |
| **Net carrying amount at 31 December** | **0.5** | **0.6** |
| | | |
| **At 31 December** | | |
| Cost | 1.4 | 1.4 |
| Accumulated depreciation | -0.9 | -0.8 |
| **Net carrying amount at 31 December** | **0.5** | **0.6** |

The tangible assets fully relates to leasehold improvements and hardware.

## 9 Leases

This note provides information for leases where the Company is a lessee.

### Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

| *EUR x million* | 2020 | 2019 |
|---|---|---|
| **Right-of-use assets related to property (office buildings)** | | |
| Cost at 1 January, net of accumulated amortization and impairment | 1.3 | 2.1 |
| Additions | 1.5 | 0.0 |
| Depreciation | -0.8 | -0.8 |
| **Net carrying amount at 31 December** | **2.0** | **1.3** |
| | | |
| **At 31 December** | | |
| Cost | 3.0 | 2.1 |
| Accumulated depreciation | -1.0 | -0.8 |
| **Net carrying amount at 31 December** | **2.0** | **1.3** |
| | | |
| **Lease liabilities** | | |
| | | |
| **Contractual (undiscounted) maturities at 31 December** | | |
| Less than 1 year | 0.7 | 0.7 |
| Between 1 and 5 years | 1.4 | 0.6 |
| Over 5 years | - | - |
| **Total contractual cash flows** | **2.1** | **1.3** |
| | | |
| **Carrying amount at 31 December** | | |
| Current | 0.6 | 0.7 |
| Non-current | 1.4 | 0.5 |
| | **2.0** | **1.2** |

### Amounts recognized in the income statement
The income statement shows the following amounts relating to leases:

| *EUR x million* | **2020** | **2019** |
|---|---|---|
| Depreciation of right-of-use assets (office buildings) | 0.8 | 0.8 |

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Extension options in office leases have not been included in the lease liability, because the Company can replace the assets without significant cost or business disruption.

## 10 Investment in group and associated companies
The Company had 100% shareholdings in 11 subsidiaries, being the general partner entities of its Private Equity business. In May 2020 Robeco sold its Private Equity business to a third party, including the mentioned subsidiaries.

The book value of the investments in group and associated companies developed as follows during the year:

| *EUR x million* | **2020** | **2019** |
|---|---|---|
| **Book value of investments in group and associated companies at 1 January** | **0.0** | **5.2** |
| Dividend distribution and capital reduction | 0.0 | -13.3 |
| Result current year | 0.0 | 8.1 |
| **Book value of investments in group and associated companies at end of period** | **0.0** | **0.0** |

The Company holds two shares in Canara Robeco Asset Management Co. Ltd.

## 11 Loans to related parties
For cash management purposes, the Company granted loans to Stichting Effectengiro RAM of EUR 1.2 million and to Stichting Robeco Funds of EUR 0.4 million. These loans have been repaid in 2020.

## 12 Deferred tax assets
The deferred tax asset relates to temporary differences in the company and its branches that are deductible in determining taxable profit of future periods in total of EUR 2.6 million (2019: EUR 0.8 million). The current part amounts of EUR 2.0 million (2019: EUR 0.8 million).

## 13 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.

## 14 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 46.4 million at 31 December 2020 (2019: EUR 56.2 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 2020 (2019: 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 2020 was 0.4% (2019: 0.4%). The fair value of the receivables approximates the carrying amount due to their short-term character.

### 15 Other receivables
Other receivables can be specified as follows:

| *EUR x million* | 2020 | 2019 |
|---|---|---|
| Accrued fees | 10.9 | 18.3 |
| Accrued client fees | 3.2 | 3.2 |
| Prepaid expenses | 0.6 | 0.7 |
| Current tax receivable | 0.4 | 0.1 |
| Other | 0.4 | 2.5 |
| **Total other receivables** | **15.5** | **24.8** |

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.

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

### 17 Equity
At 31 December 2020, 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 2020** | **0.1** | **31.5** | **96.1** | **66.1** | **193.8** |
| Result 2019 | - | - | 66.1 | -66.1 | - |
| Dividend distribution | - | - | -33.0 | - | -33.0 |
| Add: result 2020 | - | - | - | 74.4 | 74.4 |
| **At 31 December 2020** | **0.1** | **31.5** | **129.2** | **74.4** | **235.2** |

| EUR x million | Issued capital | Share premium | Other reserves | Result financial year | Total |
|---|---|---|---|---|---|
| **At 1 January 2019** | **0.1** | **31.5** | **74.7** | **87.5** | **193.8** |
| Result 2018 | - | - | 87.5 | -87.5 | - |
| Dividend distribution | - | - | -66.0 | - | -66.0 |
| Rounding* | - | - | -0.1 | - | -0.1 |
| Add: result 2019 | - | - | - | 66.1 | 66.1 |
| **At 31 December 2019** | **0.1** | **31.5** | **96.1** | **66.1** | **193.8** |

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

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 2020. All capital requirements were met.

## 18 Provisions

Movements in provisions were as follows:

| *EUR x million* | Possible loss of income | Restructuring | Other | Total |
|---|---|---|---|---|
| **Cost at 1 January 2020** | **1.6** | **6.0** | **0.0** | **7.6** |
| Additions | - | - | 9.6 | 9.6 |
| Usage | - | -2.0 | -1.7 | -3.7 |
| Release | - | -0.6 | - | -0.6 |
| **Net carrying amount at 31 December 2020** | **1.6** | **3.4** | **7.9** | **12.9** |

In 2016 the Company has recorded a provision of EUR 1.6 million for an estimated loss of income. It is expected that the period of uncertainty is between one to five years. As per 31 December 2020 no amounts were used.

The provision for restructuring pertains to a plan to outsource back office operations to a third party. This plan, which was formalized in 2017 was completed early in the second half of 2020. The formal end date of the last employment contract expected to be terminated is planned for end of May 2021 (this implies that all payments will be made before the end of 2021). 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. The restructuring provision is due within one year.

In 2020, the AFM has determined that Robeco must undertake a number of remedial measures to improve the processes in relation to the Money Laundering and Terrorist Financing (Prevention) Act ('Wwft') and the Sanctions Act ('Sw') in Robeco Retail, Robeco's on-line execution-only platform for Dutch retail customers. The improvements have commenced in 2020 and are scheduled to be completed by the end of 2021.
Subsequent to the above, and as a separate matter, the AFM has indicated that it has concerns about the way in which Robeco has set up its business operations. Robeco has engaged with the AFM to substantiate Robeco's views in this respect.
The Company has taken a provision based on the estimated, incremental external costs involved. The other provision is due within one year, except for an amount of EUR 1.3 million.

## 19 Employee benefits

Employee benefits consists of deferred incentives of personnel employed by the Company. We refer to Note 21 Other liabilities for the current portion of the Employee benefits.

## 20 Liabilities to group companies

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

## 21 Other liabilities

Other current liabilities can be specified as follows:

| *EUR x million* | 2020 | 2019 |
|---|---|---|
| Distribution costs, subadvisory costs and other accrued liabilities | 37.6 | 30.4 |
| Employee benefits | 6.3 | 6.6 |
| Current tax liabilities | 1.2 | 1.2 |
| Social security cost, wage tax and sales tax payable | 0.3 | 0.4 |
| Other liabilities | 3.0 | 1.4 |
| **Total other liabilities** | **48.4** | **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.

## 22 Contingent assets and liabilities

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 3.2 million as per 31 December 2020 (as per 31 December 2019: EUR 5.3 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.

In a few recent judgments, the Brussels Court of Appeal confirms the previous case law of the Court of First Instance that Belgium is not entitled to levy Belgian subscription tax under the double tax treaties with the Netherlands and Luxembourg. The Belgian state has recently appealed to the Belgian High Court. If the Belgian High Court rules in favor of the asset management industry, the Company is entitled to receive this disputed Belgian tax amounting to EUR 0.7 million (excluding interest) (2019: EUR 0.6 million). Given the uncertain outcome of the legal proceedings this is marked as a contingent asset.

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 2020, Stichting Robeco Funds has cash in the amount of EUR 23.9 million (2019: EUR 1.2 million) that relate to items to be settled in the short term.

As mentioned in note 18 a provision is recorded for the estimated, incremental external costs for a number of improvements that Robeco needs to undertake. Next to these costs, management does not consider other related cash outflow, if any, to be material.

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 commitments regarding IT-related contracts of EUR 0.1 million (2019: EUR 0.1 million). These commitments have remaining terms of between 1 and 2 years.

For a few clients where a sister company acts as formal manager, the Company covers for certain liabilities resulting from that formal manager role.

The Company has irrevocable credit facilities related to guarantees of EUR 0.1 million (2019: 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.

## 23 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 (ERMC) 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.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A-' are accepted. In case eligible counterparties are not available in certain countries ERMC approves these counterparties on an individual basis, with a maximum exposure threshold.

The company also has loans and current account positions with related parties, group companies and the direct parent company.

### 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. 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. The Company does not conclude on derivatives for the incurred interest rate risk.

## 24 Related parties

ORIX Corporation and entities under common control of ORIX Corporation Europe N.V. form a related party. During 2020, 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 25 and 26.

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 loan to its parent, Robeco Holding B.V.

The Company has not created a provision for doubtful debts relating to amounts owed by related parties (2019: EUR nil), because the risks involved are not considered to be material.

## 25 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)* | **2020** | **2019** |
|---|---|---|
| Base salary [1] | 2,183 | 2,006 |
| Variable remuneration (short- and long-term components) | 2,897 | 2,509 |
| Pension costs and other costs [2] | 680 | 572 |
| **Total** | **5,760** | **5,087** |

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 accounting consequences of the revision of the 2019 variable awards of the current and former statutory directors are recorded in 2020.

## 26 Remuneration of members of the Supervisory Board

The total remuneration for the members of the Supervisory Board amounted to EUR 0.5 million (2019: EUR 0.4 million). The remuneration costs are included in Administrative expenses.

## 27 Subsequent events

Robeco decided to merge Robeco Luxembourg S.A. into Robeco Institutional Asset Management B.V., which took effect on 1 January 2021. As of that date, the responsibilities for managing and overseeing Robeco's Luxembourg domiciled funds transferred to the Netherlands. There will be no change to the services provided to Robeco's investors. Because of the merge an amount of EUR 12.9 million will be added to the equity of Robeco Institutional Asset Management B.V. in January 2021.

## *Proposed profit appropriation*

The Executive Committee, with consent of the Supervisory Board, proposes to distribute EUR 74.4 million of the result for the year as dividend.

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, 22 April 2021

The Executive Committee:

Gilbert Van Hassel
Karin van Baardwijk
Lia Belilos – Wessels
Mark den Hollander
Mark van der Kroft
Martin Nijkamp
Christoph von Reiche
Victor Verberk

Supervisory Board:

Maarten Slendebroek
Sonja Barendregt – Roojers
Stanley Koyanagi
Mark Talbot
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 audit of the accompanying company financial statements

### *Our opinion*

We have audited the company financial statements 2020 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 2020, and of its result 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The company financial statements comprise:

1. the income statement 2020;
2. the balance sheet as at 31 December 2020; 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 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 company financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- General information;
- Report of the Executive Committee;
- Report of the Supervisory Board; and
- 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 company 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 company 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 company financial statements.

The Executive Committee is responsible for the preparation of the other information, including the annual report, 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 engagement 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 amongst others:

- 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 those charged with governance 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, 22 April 2021

KPMG Accountants N.V.

G.J. Hoeve RA