

# Robeco Institutional Asset Management B.V.



Annual Report

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## General information

### Supervisory Board

J.J.M. (Jeroen) Kremers (Chairman)  
G. (Gihan) Ismail  
M. (Masaaki) Kawano  
J.J. (Jan) Nooitgedagt

### Executive Committee ('ExCo')

G.O.J.M. (Gilbert) Van Hassel<sup>1</sup>  
I. (Ingo) Ahrens<sup>2</sup>  
K. (Karin) van Baardwijk<sup>1</sup>  
M.C.J. (Maureen) Bal<sup>3</sup>  
M.D. (Monique) Donga<sup>4</sup>  
P.J.J. (Peter) Ferket<sup>1</sup>  
M.O. (Martin) Nijkamp,<sup>3</sup>  
H-Ch.(Christoph) von Reiche,<sup>5</sup>  
R. (Roland) Toppen<sup>1</sup>  
V. (Victor) Verberk<sup>6</sup>

<sup>1</sup> also statutory director

<sup>2</sup> until 1 September 2017

<sup>3</sup> since 1 September 2017

<sup>4</sup> since 20 March 2017

<sup>5</sup> since 2 November 2017

<sup>6</sup> since 12 April 2017

More information on the Supervisory Board and the ExCo can be found on the website [www.robeco.com](http://www.robeco.com).

### Independent Auditor

KPMG Accountants N.V.  
Laan van Langerhuize 1  
1186 DS Amstelveen

### Address

Robeco Institutional Asset Management B.V.  
Weena 850, 3014 DA Rotterdam  
P.O. Box 973, 3000 AZ Rotterdam  
The Netherlands  
Tel: +31 10 224 1224  
Internet : [www.robeco.com](http://www.robeco.com)  
E-mail : [fundinfo@robeco.nl](mailto:fundinfo@robeco.nl)

**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 2017 together with the report of the Executive Committee.

Robeco was established in Rotterdam in 1929. Robeco offers investment management and advisory services to institutional and private investors, and manages UCITS and alternative investment funds. As such, Robeco acts as the manager and director of investment funds in the form of a legal entity in the Netherlands, and also operates as the direct distribution channel in the Dutch retail market for all of the Robeco funds.

Robeco has both an AIFMD license as referred to in Article 2:65 of the Dutch Financial Supervision Act ('Wft') and a license to act as manager of UCITS as referred to in Article 2:69b of the Wft and to offer the additional services within the meaning of Article 2:97 under 3. Total assets under management, including assets managed, sub-advised or distributed by the Company amount to around EUR 132 billion as at 31 December 2017 (EUR 112 billion as at 31 December 2016). Total assets under advice, including fiduciary management, amount to around EUR 29 billion as at 31 December 2017 (EUR 27 billion as at 31 December 2016).

## Corporate structure

The Company is established in the Netherlands. Robeco Holding B.V. holds 100% of the shares of the Company. ORIX Corporation holds all the shares in ORIX Corporation Europe N.V. (until 1 January 2018 called: Robeco Groep N.V.), the domestic parent company of Robeco Holding B.V., which also holds 100% of the shares in Robeco Nederland B.V., the Dutch central service company of Robeco. Robeco Nederland B.V. is the formal employer of all Robeco staff active in the Netherlands, which is provided to Robeco by Robeco Nederland B.V. by way of an inter-company service agreement.

## Corporate governance

In 2016, the activities of Robeco Groep N.V. (presently called ORIX Corporation Europe N.V.) were separated from those of the subsidiaries Robeco (including Corestone), Boston Partners, Harbor Capital Advisors, Transtrend, RobecoSAM and joint venture Canara-Robeco. As a result, the former Robeco Groep N.V. was changed into financial holding company ORIX Corporation Europe N.V. The changes to the formal governance structure of Robeco were finalized at the end of October 2016. Further operational transition, in which tasks and responsibilities were disentangled and staff was allocated between Robeco and the former Robeco Groep N.V. was completed in the first part of 2017.

Since 2016, the Company has a two-tier board: an Executive Committee (also referred to as the 'ExCo') of which four members are also statutory directors, and a Supervisory Board. The governance principles of the Company are laid down in its Articles of Association, Supervisory Board Rules, Management Board Rules and ExCo Rules and the charters of the Supervisory Board committees: the Audit & Risk Committee and the Nomination & Remuneration Committee. In addition, a governance protocol was agreed in 2016 between ORIX Corporation Europe N.V., Robeco Holding B.V., Robeco Nederland B.V. and Robeco. One of the agreements in this protocol is that the management boards of Robeco Holding B.V., Robeco Nederland B.V. and Robeco are personally aligned.

As of the Robeco Group's new governance structure that has been implemented in 2016, the so-called moderate version of the 'Large Company Scheme' ('structuurregime', Article 2:155 of the Dutch Civil Code) became applicable. As a result, a Supervisory Board has been established at the level of Robeco. Certain resolutions of

the ExCo are subject to the approval of the Supervisory Board, next to its general duties relating to supervision and advice.

#### *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, composed 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 per 31 December 2017, the ExCo consists of Gilbert Van Hassel (Chairman and CEO), Karin van Baardwijk (COO), Maureen Bal (Company Secretary), Monique Donga (Head of Human Resources), Peter Ferket (Head of Investments), Martin Nijkamp (Head of Strategic Product & Business Development), Christoph von Reiche (Head of Marketing & Sales), Roland Toppen (CFRO) and Victor Verberk (Deputy Head of Investments). One-third of the ExCo members are women and two-thirds are men, thus meeting the legal requirement to aim for at least a 30%/70% ratio of women to men in the management bodies of larger companies.

Statutory directors are appointed by the General Meeting of Shareholders. The Supervisory Board must be consulted in connection with an intended appointment, which is subject to the prior approval of the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, 'AFM'). Appointment of ExCo members by the Management Board requires prior approval of AFM because an ExCo member is considered to be a 'daily policymaker' of Robeco. An intended appointment of an ExCo member must be submitted to the Works Council for advice. In all occasions positive advice of the Works Council has been given.

#### *Supervisory Board*

By law, (and according to the Articles of Association of the Company) the role of the Supervisory Board is to supervise the policies of the Management Board and of the general course of the Company's affairs and its business operations and to support the Management Board with advice. There are two Supervisory Board committees in place: 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 per 31 December 2017, the Supervisory Board consists of Jeroen Kremers (Chairman), Gihan Ismail, Masaaki Kawano and Jan Nooitgedagt.

According to the 'Large company scheme' ('structuurregime'), the General Meeting of Shareholders, as well as the Works Council, may recommend to the Supervisory Board nominees for the position of supervisory director. With regard to one-third of the number of supervisory directors, the Works Council has an enhanced right of recommendation. This means that the Works Council candidate can only be rejected as a candidate in exceptional circumstances. Given the total number of members, one member of the Supervisory Board, Jan Nooitgedagt, was appointed on the Works Council's recommendation.

## **Strategy 2017 – 2021**

In June 2017, Robeco announced its strategy for the period 2017 – 2021. This strategy aims to monetize the company's intellectual property in combination with a continued focus on providing our clients with the best possible investment performance and services. It will further build on the foundations laid in the previous strategy period (2014 – 2017).

During the previous strategy period, Robeco's assets under management and assets under advice have grown from EUR 108 billion at the start of 2014 to EUR 139 billion at the end of 2016, of which 71.5% are institutional

and 28.5% retail assets. Robeco has also been successful in realizing attractive investment returns and outperformance for clients; as at 31 December 2016 81% of its investment portfolios outperformed their benchmark (over a three-year period, gross of fees). Total net inflows in 2014 – 2016 amounted to EUR 5.4 billion; during 2017 a total net inflow of EUR 11.0 billion has been realized.

In the coming years, Robeco strives to accelerate its growth in the UK, US, Italy, Australia and Japan, and among key accounts in other countries in the Asia-Pacific region. These countries offer the best opportunities for growth in the coming years. In other countries, regions and market segments where the company has a sales presence the aim is to maintain current growth levels. In China Robeco will continue to strengthen its presence, in order to be ready when the market opens up further. Accelerating sales via global financial institutions is one of the cornerstones of the strategy for 2017 – 2021.

In terms of products and solutions, the focus will be on further increasing the scale of those investment capabilities that are currently among the world's best in terms of performance, investment process and consultant ratings. These include Quant Equities (including Factor Investing), Investment Grade Credits, Emerging Markets Equities, Asia-Pacific Equities and Sustainability Investing (in close collaboration with sister company RobecoSAM). Robeco remains strongly committed to servicing its fiduciary management clients and intends to further grow its fiduciary management business in the Netherlands.

Robeco's Fundamental Global Equities, Global Macro Fixed Income, Fundamental Multi Asset and Quant Allocation capabilities will be further strengthened in the coming years, anticipating an expected increase in client interest. In addition, Robeco intends to build or buy capabilities that institutional investors are looking for in their search for yield and for strategic partnerships. Some examples are private-loan products (such as the Dutch Business Loans Fund), private markets/debt and mortgages.

### **Outsourcing part of the operations to J.P. Morgan**

On 24 January 2018, Robeco announced that it is outsourcing part of its operations and administration activities to J.P. Morgan. The decision to outsource is part of the company's strategic plan for 2017-2021, which envisages further international growth in both investment and client-servicing activities. J.P. Morgan will become Robeco's service provider for fund accounting, operations, custody, depositary, transfer agency and securities lending.

Robeco's operations, based in Rotterdam, currently perform well within competitive cost levels. However, given industry developments and Robeco's global ambitions, new and ongoing investments would have to be made to keep its operations activities cutting edge. The outsourcing process, after approval of the relevant regulatory authorities, may take up to two years to complete. Around 70 employees based in Rotterdam whose positions are in scope for the outsourcing, will become redundant once the process has been completed. Those employees will be entitled to Robeco's social plan, which includes outplacement counseling.

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

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

A dedicated program organization, including a steering committee in which CEO, COO and CFO hold a seat, has been set-up to manage amongst others operational risks related to the outsourcing project. The main identified operational risk is related to ensuring the employees in scope of the outsourcing remain motivated and equipped to perform their tasks up until the formal transition to the new provider.

## **Product development**

Within the strategic framework, Robeco product development focuses on:

- building new strategies to invest in future growth opportunities for Robeco clients
- growing existing investment capabilities and products, to optimally leverage Robeco's current strengths for its clients and prospects
- enhancing the global appeal of Robeco's investment strategies for investors by exploring new fund structures, domiciles or other means of distributing Robeco's intellectual property, and professionally catering to specific client preferences
- (co-)developing new customized products together with clients
- bringing institutional clients on board via single client mandates or funds
- key maintenance of products and fund processes, including product reviews and product quality procedures.

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

## **Staff**

All staff of Robeco active in the Netherlands is provided by Robeco Nederland B.V. by way of an intercompany service agreement. Thus, the staff that carry out the Company's activities in the Netherlands are legally employed by Robeco Nederland B.V. In 2017, the average number of staff active on behalf of Robeco in the Netherlands was 702. In addition, the Company also directly employs a number of staff that are active abroad at its international branch offices. In 2017, the average number of employees formally and directly employed by Robeco at the international branch offices of the Company was 53 (2016: 47).

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

Following on from the new strategy 2017-2021, a number of adjustments to the performance management cycle and the HR policies were implemented in 2017. The changes aim to establish the desired high-performance organization to aid managers to differentiate more readily on the basis of employee performance. Demonstrating the behavior that is desired at Robeco and collecting feedback from colleagues has become more prominent in the appraisal process.

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

On 16 and 17 November 2017, the annual Robeco Leadership Conference was held in the Netherlands and attended by 70 senior managers and direct reports of the Executive Committee. The main topic of this year's conference was the execution of the Robeco Strategy 2017-2021 and how to create and keep a learning and high performance culture.

## Financial results

The Company's gross margin over the reporting year was EUR 352.8 million, EUR 52.0 million (17%) higher than in 2016. The increase was mainly due to a 16% increase of assets under management (including subadvised or distributed assets). The main part of the revenues (98%) is acquired in Europe.

The operating result increased from EUR 70.2 million in 2016 to EUR 98.5 million in 2017, mainly due to an increase in the Company's gross margin of EUR 52.0 million and an increase of total operating expenses of EUR 23.6 million. The increase of the operational expenses from EUR 230.6 million in 2016 to EUR 254.2 million in 2017 is mainly a result of EUR 18.7 million restructuring expenses recognized in 2017.

The tax expense in 2017 was EUR 24.0 million (2016: EUR 17.0 million) implying an effective tax rate of 24% (2016: 24%). The result for the year 2017 after tax was EUR 78.5 million, an increase of EUR 18.6 million (32%) compared to the previous year.

Management considers the financial position of the Company to be sound. During the financial year, a EUR 75 million dividend was distributed to the shareholder and, in anticipation of the approval of the proposed profit appropriation by the General Meeting of Shareholders, the 2017 net result of EUR 78.5 million is presented as equity, which amounted to EUR 184.7 million as at 31 December 2017 (2016: EUR 181.2 million).

The Company reports to the Dutch Central Bank (De Nederlandsche Bank, 'DNB') on a quarterly basis the FINREP and COREP reports as required by CRD IV rules, most recently per 31 December 2017. Furthermore the Company reports to the AFM on a semi-annual basis the information required by the Alternative Investment Fund Managers Directive ('AIFMD'). The most recent reporting was also done as of 31 December 2017. All capital requirements were met as per these reporting dates and are continuously met.

## Financial markets environment

The financial markets have a significant influence on Robeco's business in terms of assets under management. As it happened, 2017 was a year in which the global economy took a decisive turn towards strong, synchronized growth. After a prolonged episode of negative surprises in real activity, growth outcomes generally turned out stronger than consensus expectations in the first half of the year, with many leading indicators in developed economies reaching cycle highs in the second half. Fears of secular stagnation faded as global growth was forecast to reach 3.7% in 2017 (IMF estimate).

Stronger business and consumer confidence coupled with improved trade and investment activity underpinned the global cyclical upswing. However, despite higher capacity utilization rates in the global economy, inflation remained surprisingly sluggish and has not yet moved to levels close to central bank inflation targets. While corporate earnings have made a strong comeback, raising the profit share in the overall economy, compensation for workers has lagged the rebound in real activity and subsequent decline in unemployment. Still sizeable underemployment, the rise in part-time work, automation and the emergence of the 'gig' economy partly explain the apparently weaker trade-off between unemployment and wage-led core inflation. With oil prices falling to USD 45 per barrel during the first half of 2017, headline inflation remained modest, as well, while providing a favorable backdrop for consumer spending and aggregate demand.

All sectors contributed to economic growth in the Eurozone, which is set to expand by 2.3% in 2017 (y-o-y, IMF estimate). Unemployment dropped to 8.7%, the lowest level since January 2009.

In the US, consumer demand contributed to overall gross domestic product growth of 2.3% (y-o-y, IMF estimate). The manufacturing sector saw strong inflows in the order book, while the energy sector recovered with increasing rig counts in the shale oil sector on the back of new investments. Strong job creation, with an average of 171,000



new jobs added in the non-farm sector of the economy on a monthly basis, led to a 4.1% decrease in US unemployment.

Japan saw a strong uptick in producer confidence and investment activity spurred by improving domestic demand and exports, while Japanese labor markets tightened to levels not seen since the early 1990s. Unemployment fell to 2.7% while gross domestic product increased at a rate of 1.8% (y-o-y, IMF estimate).

In China, policies aimed at reducing excessive capacity in real estate and the industrial sector were reflected by a stabilization in producer prices and corporate pricing power. Money growth cooled, but did not choke off real economic activity which was sustained at a rate of 6.8% (IMF forecast). As for other emerging markets, higher external demand lifted Brazil out of a deep recession while growth momentum in India struggled as a result of new taxes and authorities' efforts to curb money laundering. Overall, despite enjoying the global cyclical upswing, emerging economies lagged the notable uptick seen in the activity levels of advanced economies.

After deciding to leave the EU in 2016, the UK made formal progress in 2017 as Article 50 of the Lisbon Treaty, governing the exit procedure, was triggered. The UK will leave the EU in March 2019, after which a transitory deal is likely, pending more definite arrangements over future trade relations, which could easily extend many years into the future. Any exit deal has to be approved by British members of parliament and by a qualified majority of the 27 remaining EU member states. Difficult issues like an open Northern Ireland border are as yet unresolved, though the probability of there being 'no deal' by the March 2019 deadline, a so-called "hard Brexit", is low given the dire economic impact it would have. Future economic arrangements with the EU could take the form of the UK remaining a member of the EU's single market for years to come and becoming a rule-taker.

The lack of any significant inflationary pressure in the global economy has given central banks the leeway to maintain excess liquidity in the financial system. Inflation has not yet proved to be self-sustaining given the absence of a classic wage-price spiral. While the economic slack has been reduced as capacity utilization rates have increased on the back of aggregate demand, emerging capacity constraints and longer delivery times have not ended up accelerating consumer price pressures. In the US, core inflation remained subdued at 1.5% (y-o-y). Nevertheless, the Federal Reserve (Fed) implemented three additional rate hikes, noting the ongoing tightening of the labor market. The Fed also started to wind down its balance sheet by decreasing its reinvestments of principal bond payments. In turn, The European Central Bank (ECB) slowed down its bond buying activity in the course of 2017 from EUR 60 billion per month to EUR 30 billion per month as ECB board members felt confident inflation was set to return to levels "close to, but below 2%". However, it pledged to keep policy rates on hold well past the end of its quantitative easing program. The Bank of Japan proved to be the most reluctant to transition to quantitative tightening. The new monetary policy instrument, yield curve control, remained in place with a yield target of 0% for Japanese 10-year government bonds as the 2% inflation target remained out of sight. But the country also engaged in policy discussions about the detrimental consequences of ultra-low interest rate policies for the domestic banking sector. China's central bank, the PBOC, has kept its prime lending rate unchanged, but tightened financial regulations and liquidity to curb excessive lending. The profitability of domestic companies improved last year, reducing the pressure on capital outflows. The yuan has appreciated relative to the dollar.

From an investment perspective, the year 2017 will go down in the Wall Street history books as one of exceptional tranquility. The implied volatility in the major S&P 500 index, the VIX, recorded the lowest levels since its inception in 1990. Daily price swings were limited, with small daily gains compounding into double digit equity returns for most markets. This subdued equity market volatility corroborates exceptionally low macro-economic volatility, though the increased popularity of volatility selling (speculating on low volatility) has also contributed to the low VIX.

#### *Outlook for the equity markets*

Equity markets showed strong positive returns, with the MSCI World Developed returning 18.5% in local currency. The MSCI Emerging markets had a return of 30.6% in local currency. From a macro-economic perspective, the bull market in equities should have further room to run given the very limited global recession risk. Momentum

in equity markets could continue to be underpinned by the lack of alternative investments as the economic cycle matures. Solid earnings per share growth on the back of a continued economic expansion could sustain high valuations in the near term, spurred by tax cuts and buybacks. Risks will come mainly from stretched equity valuation levels of leveraged market segments as central banks are about to reduce excess liquidity. In our view, investors are playing in extra time with valuations in the US equity market that have only been higher twice before in modern history (1929 and 1997), while emerging capacity constraints demand corporate sector investments instead of buyback activity. Nevertheless, pockets of value in the equity market remain, with global earnings likely to accelerate further if macro momentum is sustained and central banks keep erring on the side of caution. Also, equities are fairly resilient to a scenario of mild inflation and moderate interest rate rises. From a relative valuation point of view, global equities are still less expensive compared to government bonds, enticing equity inflows.

The risks reside in an unanticipated inflation shock, leading to an overshoot in bond yields which would hinder the global economy and hurt corporate earnings. A marked slowdown in China, a flare-up in geopolitical tensions or a melt-up in equities could trigger further corrections, even in the absence of any acute recession risk.

#### *Bond markets outlook*

Volatility in the bond market has remained remarkably subdued given the strong, synchronized economic growth. Bond yields barely moved in the course of 2017, with 10-year Treasury yields moving between 2.0% and 2.6%. For an investor hedged in euro's, global government bonds delivered 0.6% in 2017. Looking ahead, rising inflation expectations, increased government supply and increasing productivity growth could leave this expensive class vulnerable as bond investors become aware of these risks. Government bond-pricing has been influenced by central bank bond-buying in recent years, which has aggravated valuations which, as it was, were already stretched. This is especially true of the German Bund market. As central banks transition from a quantitative easing to a quantitative tightening mode, a landmark shift in bond investor orientation could be triggered. Government bond markets will be susceptible to a sizeable interest rate risk if inflation picks up more than is reflected in the actual inflation expectations.

The global cyclical upswing in combination with subdued inflation remained benign for corporate bonds in 2017. US High Yield in USD returned 7.5%, while European High Yield in EUR returned 6.8%. Rising earnings kept interest coverage of corporate issuers healthy, while investor sentiment remained positive. Investment grade lagged high yield returns with European investment grade in EUR returning 2.4%. The erosion of protection for corporate bond investors, as measured by the continued deterioration in covenant quality is a worrisome development in the credit market. Looking ahead, valuation in the corporate bond markets will be stretched, as well, with global high yield spreads now trading in the lowest 15% percentile. This implies that the resistance to future interest rate shocks has weakened considerably, especially given the increased duration in segments of the asset class.

Local emerging market bonds unhedged in euros had a disappointing year with a modest return of 1% as a result of strong euro appreciation versus emerging market currencies. From a valuation perspective, bonds issued in local currencies remain attractive. Carry remains considerably higher than in developed markets, while many emerging currencies are still cheap on a purchasing power parity basis. A more aggressive than anticipated Fed remains a particular risk for this asset class.

#### **Investment performance**

Of all portfolios managed or sub-advised by the Company, 79%<sup>1</sup> (2016: 79%<sup>2</sup>) outperformed compared to the relevant benchmark over a three-year period. Over a one-year period this figure is 60% (2016: 50%). For detailed information, please refer to the annual reports of the respective investment funds.

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<sup>1</sup> All returns are gross of fees

<sup>2</sup> Unlike in the Annual report of 2016, this year also products for which Robeco is sub-adviser are included. The comparative figures are adapted accordingly.

In the year 2017, the equity markets of the developed and emerging economies posted positive returns, with 52% of the equity portfolios outperforming their benchmark. The percentage of outperforming equity portfolios over the past three years was 82% (78% over 2016).

For Fixed Income, the year 2017 was a positive year in absolute terms and relative terms. At Company level, 75% of fixed-income portfolios outperformed the benchmark over a three-year period (2016: 84%). Over a one-year period this figure is 75% as well.

In the table below, the returns and relative performance of the most relevant funds are shown, as examples of the statistics mentioned above. The outperformance (+) or underperformance (–) compared to the relevant benchmark is mentioned between brackets.

	Fund	Performance	Compared to relevant benchmark
<i>Equities</i>	Robeco Asia-Pacific Equities (EUR)	14.4%	(- 1.3%)
	Robeco BP Global Premium Equities (EUR)	7.2%	(- 0.3%)
	Robeco BP US Large Cap (USD)	19.6%	(+ 6.0%)
	Robeco BP US Premium Equities (USD)	18.6%	(+ 5.5%)
	Robeco BP US Select Opportunities (USD)	16.3%	(+ 2.9%)
	Robeco Chinese Equities (EUR)	34.5%	(- 0.8%)
	Robeco Emerging Markets Equities (EUR)	23.8%	(+ 3.2%)
	Robeco Emerging Stars Equities (EUR)	19.7%	(- 0.9%)
	Robeco Global Consumer Trends Equities (EUR)	23.3%	(+ 14.4%)
	Robeco Global Stars Equities Fund (EUR)	13.2%	(+ 5.7%)
	Robeco New World Financial Equities (EUR)	20.2%	(+ 11.2%)
	Robeco QI Emerging Conservative Equities (EUR)	13.1%	(Sharpe ratio +1.7) <sup>3</sup>
	Robeco QI Emerging Markets Active Equities (EUR)	24.1%	(+ 3.5%)
	Robeco QI European Conservative Equities (EUR)	9.7%	(Sharpe ratio +1.4)
	Robeco QI Global Multi-Factor Equities (EUR)	9.1%	(+ 0.2%)
	Robeco QI Institutional Emerging Markets Enhanced	23.2%	(+ 2.6%)
	Robeco QI Institutional Global Developed Conservative	4.6%	(Sharpe ratio +0.8)
	RobecoSAM Sustainable European Equities (EUR)	11.1%	(+ 0.9%)
	Rolinco (EUR)	21.3%	(+ 12.4%)
<i>Fixed income</i>	Robeco All Strategy Euro Bonds (EUR)	0.7%	(0.0%)
	Robeco Euro Credit Bonds (EUR)	3.4%	(+ 0.9%)
	Robeco Euro Government Bonds (EUR)	0.2%	(0.0%)
	Robeco Euro Sustainable Credit Bonds (EUR)	3.3%	(+ 0.9%)
	Robeco Financial Institutions Bonds (EUR)	10.2%	(+ 2.3%)
	Robeco Global Credits (EUR)	4.9%	(+ 1.2%)
	Robeco Global Total Return Bond Fund (EUR)	0.9%	(- 0.5%)
	Robeco High Yield Bonds (EUR)	6.7%	(+ 1.3%)
	Robeco Investment Grade Corporate Bonds (EUR)	2.0%	(+ 0.2%)
	Robeco QI Global Dynamic Duration (EUR)	0.4%	(0.0%)
<i>Multi-Asset</i>	Robeco ONE Neutral	9.2%	No official benchmark

<sup>3</sup> Sharpe ratio is a measure of the risk-adjusted return. It is calculated by the annualized return minus the annualized return of the risk free rate divided by the annualized volatility of the portfolio.

## Remuneration policy

### *Introduction and scope*

This is a summary of the Remuneration Policy of Robeco. The Remuneration Policy applies to all employees who work for Robeco.

### *Goals of the Remuneration Policy*

The Robeco Remuneration Policy has the following objectives:

- to stimulate employees to act in the best interests of clients and avoid taking undesirable risks
- to stimulate 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 remuneration committee ('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 experience according to the Robeco salary ranges and with reference to the benchmarks of the investment management industry in the relevant region. The fixed salary is deemed to be adequate remuneration for the employee to properly execute his or her responsibilities, regardless of whether or not variable remuneration is received.

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

### *Variable remuneration*

The total available variable remuneration pool is established annually by and on behalf of Robeco and approved by the Supervisory Board. The pool is, in principle, determined as a certain percentage of the operational profit. To ensure that the total variable remuneration is an accurate representation 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 behavior, individual and team and/or department performance, assessed on the basis of pre-agreed financial and non-financial performance factors (business objectives). Poor performance, unethical or non-compliant behavior will reduce individual awards or can even result in no variable remuneration being awarded at all.

The business objectives for investment professionals are mainly non-financial and based on the risk-adjusted excess returns over one, three and five years. For sales professionals, the financial business objectives are related to the net run rate revenue, whereas non-financial business objectives are mainly related to client relationship management. The targets in the business objectives should not encourage excessive risk-taking. The business objectives for support professionals are mainly non-financial and function-specific. At least 50% of all employees' business objectives are non-financial. The variable remuneration of all Robeco staff is appropriately balanced with 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 it is awarded. If an employee's variable remuneration exceeds EUR 50,000, 60% will be paid in cash immediately and the remaining 40% will be deferred and converted into instruments, as shown in the table below. Following the restructuring of ORIX and Robeco a new generation of these instruments is introduced of which the value is limited to the EBIT of Robeco and Robeco SAM. These instruments are 'Robeco Cash Appreciation Rights' (R-CARs), the value of which reflects the financial results over a rolling eight-quarter period.

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>
Cash payment	60%			
R-CARs redemption		13.34%	13.33%	13.33%

In the past, Robeco granted 'long-term incentives' ('LTI') to staff that are key in achieving the group's strategic goals. The awarded LTIs are converted fully into (R-)CARs and their redemption is after four years after grant date and on condition of continuous employment (among other conditions).

#### *Additional rules for Identified Staff and Monitoring Staff*

The rules below apply to Monitoring Staff and Identified Staff. These rules are in addition to the existing rules as set out above and will prevail in the event of inconsistencies.

Monitoring Staff refers to the senior employees of the control functions (HR, Compliance, Risk Management, Business Control, Internal Audit and Legal).

Identified Staff is defined as employees who can have a material impact on the risk profile of Robeco and/or the funds it manages. Identified Staff includes:

- members of the 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-specific and non-financial
- the financial business objectives are not based on the financial results of the part of the business that the employee covers in his or her own monitoring function
- 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 both Monitoring Staff and Identified Staff.

#### *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 is deferred and converted into instruments, as per the payment/redemption table below. The threshold of EUR 50,000 does not apply. In rare cases where the amount of variable remuneration is more than twice the fixed remuneration, the percentages between brackets in the table below will apply
- individual variable remuneration is approved by the Supervisory Board.

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

#### *Risk control measures*

Robeco has identified the following risks to be taken into account in applying its remuneration policy:

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

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

#### *Clawback – for all employees*

Robeco may reclaim all or part of the variable remuneration paid if (i) this payment was made on the basis of incorrect information, (ii) in the event that fraud has been committed by the employee, (iii) in the event of serious improper behavior on the part of the employee or serious negligence in the performance of his or her tasks, or (iv) in the event of behavior that has resulted in considerable losses for the institution.

#### *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 mistake on the part of the employee, such as committing a serious violation of the internal code of conduct, taking non-permitted risks, violating the compliance guidelines or behavior that contradicts the core values
- A considerable deterioration in Robeco's financial results that changes the circumstances as assessed at the time the relevant variable remuneration was awarded
- A serious violation of the risk management system which changes the circumstances as assessed at the time the relevant variable remuneration was awarded
- Fraud committed by the relevant employee as a result of which the award of variable remuneration was based on incorrect and misleading information

#### *Ex-ante test at individual level – for Identified Staff*

Individual variable remuneration for Identified Staff requires the approval of the Supervisory Board, taking into account the advice of the heads of the monitoring functions and the Nomination & Remuneration Committee.

#### *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
Statutory directors	4	4	2.1	2.7	4.8
Other employees	743	780	69.9	27.3	97.2
<b>Total</b>	<b>747</b>	<b>784</b>	<b>72.0</b>	<b>30.0</b>	<b>102.0</b>

★ Based on the situation as per 31 December 2017.

In 2017 in total for 2 employees the remuneration was above EUR 1 million.

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

## Risk management

The following section presents an overview of the Company's approach to risk management and contains a description of the nature of the risks involved. The main risks currently known to the Company are highlighted, but this overview does not include all risks that could potentially affect it.

### Governance

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

Robeco's risk management is built on the 'three lines of defense model'; the primary risk management and compliance responsibility rests with the line management in their day-to-day decision-making process. The second-line functions are fulfilled by Compliance and Risk Management (RM), which develops and maintains compliance and risk policies to enable line management to effectively handle their responsibilities. The second line monitors the business in their risk management practices and regularly reports about it 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 on 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 audit. The A&RC also reviews the process used to monitor compliance with legislative and regulatory requirements and Robeco's own internal policies. In its oversight, the A&RC relies on reporting from RM, Compliance, IA, Finance and the external auditor and on updates from the business.

### *Enterprise Risk Management Committee*

Several risk management committees ensure comprehensive and consistent risk oversight throughout Robeco. The Enterprise Risk Management Committee (ERMC) is the highest body within the Company that focuses on risk and consists of the members of the ExCo and 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 ERM also assesses whether the risks relating to Robeco's activities remain within the defined risk tolerance levels. If risks exceed these levels, the ERM has the power to decide to remediate these. The ERM is supported by a dedicated risk-management committee in respect of the financial risks associated with client portfolios and by (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 the Company body responsible for determining risk policy and for monitoring risk levels in client portfolios. It is chaired by a member of the ExCo and consists of representatives of the relevant staff and investment departments. The RMC reports to the ERM. The objective of the RMC is to ensure completeness and adequacy of risk oversight for client portfolios. The financial risks in client portfolios (funds and mandates) are managed and controlled via the Company's financial risk management policies for client portfolios. For all portfolios, Limit and Control Structures (LCS) and investment restrictions have been established that reflect the clients' risk appetite. LCS and investment restrictions are monitored through the risk management and compliance functions and reported to portfolio managers and the RMC. If risks exceed the pre-defined limits, the RMC can take steps to remedy this.

#### *Other committees*

In addition to the RMC, the Company has established committees focusing on specific types of risk. The Security Board oversees effective governance of all (IT) security topics and decides on information security consistent with the overall risk framework. As part of its approach to Business Continuity Management, Robeco set up a Crisis Management team, which convenes in situations that involve 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 is formed by the members of the ExCo, and representatives of Product Management, Risk Management and Compliance.

#### Risk and control

Robeco 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 building blocks that create a continuous process in which all significant risks are identified, assessed, controlled and monitored. Robeco's defined risk appetite plays a central role in the RCF, as it defines the scope of the framework and provides high-level guidance for determining the significance of risks and defining the appropriate control level. The RCF is assessed regularly to determine whether the identified risks are mitigated by the controls in place and controls are operating effectively.

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

#### *Strategic risks*

Strategic risks can be external or internal. External circumstances such as macroeconomic developments or increasing fee pressure or competition may negatively affect the profitability of the Company. Continuous monitoring of these developments and diversification of clients, assets and products can help mitigate the resulting impact. Underperformance of the Company's products or a dependence on a limited number of key products can pose a strategic risk. The Company is sufficiently able to address this risk through its formal review and approval procedure for new products and business initiatives and by maintaining an adequately diversified product range. In the strategic plan 2017-2021 Robeco tries to bring a focus to a number of points, but these focus points still ensure wide range of products and markets are being targeted, which ensures sufficient diversity.

#### *Operational risk*

Operational risk is defined as the risk of loss resulting from the inadequacy or failure of internal processes, people and systems, or from external events. The Company manages a broad range of services and products for different client types in various regions in 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, the Company continuously searches for ways to simplify processes and reduce complexity. The RCF is assessed periodically to verify that the identified risks are mitigated by the controls in place and that the controls are operating effectively.

Furthermore, the number of regulations and supervisory body policies in the asset-management industry<sup>4</sup> has been increasing since the financial crisis. The quantity and impact of these are not the only challenges the Company has to contend with. Dealing with the uncertainty associated with new regulations is also demanding, as their interpretation and the timeframes for implementation are often not clear. Hence, part of the Company's operational risk stems from the regulatory environment. To manage these risks, the Company is actively involved in the regulatory development process at an early stage, both directly and through representative associations (e.g. EFAMA, DUFAS). Monitoring activities and impact analyses of planned regulations and policies are conducted at an early stage. The relevant staff departments initiate and/or monitor the subsequent implementation of new or amended laws and regulations.

#### *Financial risk*

The Company is exposed to counterparty credit risk in respect of its cash balances and receivables. To mitigate this risk, Robeco's policies prescribe careful selection and monitoring of financial counterparties.

The company has limited exposure to market risk due to fluctuations in foreign currency rates in respect of its financial positions and cash flows, (primarily related to revenue to be received and expenses to be paid), and to interest rate risk in relation to its current account balances.

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

The Company furthermore applies various indicators for assessing financial performance, which entails the use of models for individual risk types. Those models express risk in terms of risk capital. Risk capital relates to the total amount of capital buffer required in order to absorb unexpected losses from business activities of the entities. It mitigates the key volatilities that could impact financial performance.

Total risk capital is calculated as the sum of the capital requirements for counterparty credit risk, operational risk and business risk. This is a conservative estimate, as no diversification effects have been taken into account.

#### Management review

Ongoing monitoring of risk management and internal control systems is embedded in Robeco's risk governance. This provides insight into the significant risks that apply to the Company. In the ERM, the relevant staff discusses these risks with the ExCo. In addition, reports are regularly submitted to and discussed 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 fully eliminate, the risks associated with poor judgment, human error, control processes being deliberately circumvented by employees and others, management overriding controls and unforeseen circumstances.

The relative costs and benefits of risk responses place another limitation on risk control. Properly designed and implemented internal risk-management and control systems will provide reasonable, but not absolute assurance that a company will not be hindered in achieving its business objectives, or in conducting its business in an orderly and legitimate way. In this context, reasonable assurance refers to a degree of certainty that would be sufficient for prudent managers to manage their affairs in the prevailing circumstances. Projections or any evaluation of

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<sup>4</sup> e.g. Financial Markets Amendment Act 2016 (*Wijzigingswet financiële markten 2016*), UCITS V, MAR, SFTR, EMIR, MiFID II

effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company's policies, procedures and instructions may deteriorate.

Based on the monitoring of risk-management and internal-control systems, and 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.

## Sustainability investing and Corporate responsibility

Robeco advocates sustainability investing because we believe that good corporate governance and sound environmental and social practices at our investee companies enhance the long-term risk-return profiles of our investment portfolios. We incorporate ESG (environmental, social and governance) factors into our investment process and act as an active owner. This means we establish engagement processes and exercise voting rights for the shares of companies the funds hold in their portfolios. Robeco has implemented an exclusion policy for those companies that are involved in the production of, or trade in, controversial weapons such as cluster munitions and anti-personnel mines and for companies that structurally and severely breach the UN Global Compact.

### *Sustainability investing in figures (year end 2017)*

Assets in sustainability focused funds	EUR	5.5 billion
Assets for which ESG integration has been implemented	EUR	100.2 billion
Assets 'under dialogue' <sup>5</sup>	EUR	235.5 billion
Assets 'under voting' <sup>6</sup>	EUR	63.4 billion

### *ESG integration into the investment process*

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

At the end of 2017, ESG integration was applied to EUR 100.2 billion of Robeco's assets under management. Our preferred supplier for ESG data is group company RobecoSAM, which has used ESG assessments to compile one of the world's largest sustainability databases. RobecoSAM's proprietary research and sustainability data are also integrated into the range of investment products it offers and power the Dow Jones Sustainability Indices (DJSI).

### *Engagement and enhanced engagement*

Robeco's engagement activities cover companies worldwide, in both equity and credit portfolios. Our engagement program is focused on financially material ESG issues and executed in collaboration with analysts and portfolio managers. RobecoSAM's knowledge and expertise on ESG factors is used to determine the most material issues so that we can then address these with the companies concerned. One part of Robeco's active ownership strategy focuses on companies that structurally and severely breach the UN Global Compact, this engagement approach is called enhanced engagement. If an enhanced engagement dialogue does not lead to the desired result, the Robeco ExCo member responsible for Investments can decide to implement the exclusion policy <sup>7</sup>. The process for enhanced engagement is a formal part of Robeco's exclusion policy.

<sup>5</sup> A total of 206 engagement cases covering 14 different themes were conducted in 2017.

<sup>6</sup> In 2017, Robeco voted at 4,733 shareholder meetings

<sup>7</sup> <https://www.robeco.com/docm/docu-exclusion-policy-and-list.pdf>

### *Corporate responsibility*

Robeco's corporate responsibility policy describes our attitude and approach towards stakeholders, the environment and society as a whole. In this policy, we address environmental and social issues, responsible purchasing, and social commitment and donations. We aim to take various measures with regard to the environment, one of which is to reduce our environmental footprint and make our operations carbon neutral. Our responsible purchasing approach includes measures and guidelines to ensure that the best value products and services are purchased in a responsible manner. Robeco's Social Commitment Committee approved numerous requests for social commitment and donations in 2017. We support the active involvement of employees in social projects and provide financial support for these. Our approach towards corporate responsibility is described in a separate Corporate Responsibility Report.

### **Outlook**

As mentioned in the paragraph Strategy, Robeco's strategy for the period 2017 – 2021 is aimed at monetizing the Company's intellectual property, while also preparing for market headwinds and other challenges, such as ongoing fee pressure, regulation-driven cost increases and disruptive developments in demographics and technology.

The 2017– 2021 strategy will build further on the foundations laid in the previous strategy (for the period 2014 – 2017) and envisages further internationalization of both the Company's investment and client-servicing activities. In this context, the company decided to outsource part of its operations activities to a global full-service provider, JP Morgan. Following this decision, a provision for anticipated restructuring expenses is recognized as per 31 December 2017. The transition is expected to be finished in the course of 2019. Risks associated with the outsourcing were investigated in advance and will be monitored continuously.

During the year 2018, we anticipate growth in revenue, and a limited rise in expenses, resulting in a further increase of the Company's profitability. This revenue increase assumes an ambitious net cash inflow of new client assets and positive equity markets.

The ExCo looks to the years ahead with confidence and thanks all employees for their contribution and efforts in 2017.

Rotterdam, 23 March 2018  
The Executive Committee

## Report of the Supervisory Board

In 2016, changes were made to the governance of Robeco, which are described in the paragraph Corporate Governance. As part of these changes, a Supervisory Board was installed at Robeco. The Supervisory Board is composed of Jeroen Kremers (Chairman), Gihan Ismail, Masaaki Kawano and Jan Nooitgedagt. The Supervisory Board currently has one vacancy. One of the members being a woman means that the aim required by law for at least a 30%-70% ratio of women to men is not met on Supervisory Board level. In the past, there was not in all cases a female candidate who fitted the profiles required. In appointing future new members, finding a suitable female candidate will be an important profile item.

Because the Company is subject to the mitigated structure regime, the General Meeting of Shareholders, as well as the Works Council, may recommend to the Supervisory Board nominees for the position of supervisory director. With regard to one-third of the members, the Works Council has an enhanced right of recommendation. Robeco's Works Council has recommended Mr. Nooitgedagt pursuant to Article 2:158-6 of the Dutch Civil Code.

### Meetings of the Supervisory Board

In 2017, the Supervisory Board met in person, as well as by conference call. The meetings in person were all held in Rotterdam and were attended by most of the Supervisory Board members and members of the Executive Committee ('ExCo'). The Supervisory Board also met in closed sessions, without presence of the ExCo members, except for the Company Secretary.

The scope of the Supervisory Board's supervision comprises the activities of Robeco as well the activities of other companies that fall within the management scope of Robeco. This means the business conducted by Robeco itself and by other subsidiary legal entities owned directly or indirectly by Robeco, the business conducted by Robeco Nederland B.V., Robeco Indices B.V. and the part of the business of legal entities owned and controlled by Robeco Holding B.V. (except RobecoSAM AG), Robeco Asia Holding B.V. (except Canara Robeco) or RIAM US Holding B.V. (only Robeco Miami B.V. and Robeco Institutional Asset Management US Inc.).

At the meetings of the Supervisory Board and at those of its respective committees, due attention was paid to developments in the financial markets, the performance of products, the position of clients and the financial results. With regard to changes in rules and regulations, the Supervisory Board understands and endorses the emphasis on regulatory control and ensures that due attention is paid to regulatory developments. The interests of clients are considered to be a key issue and, consequently, an important focus item. The developments in the financial markets are another subject that comes up on a regular basis in the Supervisory Board's discussions. As for the human resources aspect, the Supervisory Board acknowledges the importance of retaining, training, developing and recruiting talent as a key element in successfully running an asset management company. This means providing professionals the appropriate opportunities, while applying a remuneration policy that conforms to market standards and complies with the applicable laws and regulations. Therefore, developments in Human Resources are also monitored regularly and discussed in Supervisory Board meetings.

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

Due attention was paid to the Strategic Plan 2017-2021, presented by the ExCo and discussed extensively in an extra Supervisory Board meeting held in May. The Supervisory Board granted its approval for the Strategic Plan, as did the shareholders, as well as for the strategic policy and actions to be executed in the years to come.

## **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 Jan Nooitgedagt (Chairman), Jeroen Kremers, Gihan Ismail and Masaaki Kawano. Prior to the meetings of the committee, private sessions were held with the independent auditor, KPMG. Audit, risk and compliance matters were discussed a number of times in 2017 in the committee and Supervisory Board meetings. The meetings were attended by members of the ExCo as well as the heads of Internal Audit, Compliance, Risk Management, Legal and representatives of KPMG. The regular agenda items were the interim financial reports, as well as the independent auditor's reports. Among the other subjects discussed were various risk management-related issues, incident management, the cash management policy and the tax position. On the basis of quarterly reports from the respective departments, the A&RC discussed various internal audit, compliance and risk management-related issues. Due attention was paid to fund governance-related issues and the role and responsibilities of the Supervisory Board. The following items were on the agenda: fund principles monitoring, fee split securities lending, a review of Robeco products and the funds' voting policy and annual reports.

### *Nomination & Remuneration Committee*

The members of this committee are Gihan Ismail (Chairman), Jeroen Kremers and Masaaki Kawano. Nomination and remuneration matters were discussed several times in 2017. The meetings were held in the presence of the CEO and the Head of Human Resources. Regular remuneration issues on the agenda included discussions regarding the variable remuneration for 2016 and the long-term incentive allocation. The results of the Employee Engagement Survey 2017 were also reported and discussed. Other items on the agenda were proposed amendments to the Robeco Reward Framework and adopting an N&RC Charter.

## **Composition of the ExCo**

At the start of 2017, the ExCo consisted of Gilbert Van Hassel (Chairman), Ingo Ahrens, Karin van Baardwijk, Peter Ferket and Roland Toppen. During the year, the following new ExCo members were appointed: Monique Donga, Victor Verberk, Maureen Bal, Martin Nijkamp and Christoph von Reiche. Ingo Ahrens stepped down from his duties as ExCo member/Interim Head of Distribution & Marketing on 1 September. The Supervisory Board thanks him for his commitment to fulfilling this position.

## **Recommendation to adopt the annual financial statements**

The Supervisory Board has taken note of the contents of the report presented by KPMG, who have issued an independent auditor's report on the annual financial statements and recommends its approval by the Annual General Meeting of Shareholders. We concur with the ExCo's proposal to pay the 2017 result of EUR 78.5 million as a dividend to the shareholder, which proposal will be submitted to the Annual General Meeting of Shareholders.

Rotterdam, 23 March 2018  
The Supervisory Board

# Financial Statements 2017

## ***Income Statement***

for the year ended 31 December

<i>EUR x million</i>	<i>Notes</i>	<i>2017</i>	<i>2016</i>
Net revenues	1	567.4	482.2
Distribution and subadvisory costs	2	-214.6	-181.4
<b>Gross margin</b>		<b>352.8</b>	<b>300.8</b>
Administrative expenses	3	209.7	197.9
Employee benefits expense	4	25.6	12.9
Depreciation and amortization	7	1.2	0.9
Other expenses	5	17.7	18.9
<b>Total operating expenses</b>		<b>254.2</b>	<b>230.6</b>
<b>Operating result</b>		<b>98.6</b>	<b>70.2</b>
Finance income		0.3	0.4
Finance expense		-0.4	-0.2
<b>Result before tax</b>		<b>98.5</b>	<b>70.4</b>
Income tax expense	6	24.0	17.0
Result from investments in group and associated companies after tax	9	4.0	6.5
<b>Result for the year</b>		<b>78.5</b>	<b>59.9</b>

## Balance Sheet as at 31 December

before profit appropriation

EUR x million	Notes	2017	2016
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	7	1.7	0.7
Tangible fixed assets	8	0.5	0.5
Investment in group and associated companies	9	4.8	8.3
Loans	10	1.4	1.5
Deferred tax assets	11	2.0	4.3
<b>Total fixed assets</b>		<b>10.4</b>	<b>15.3</b>
<b>Current assets</b>			
Trade receivables	12	16.2	19.6
Receivables from group companies	13	136.7	133.0
Other receivables	14	25.1	25.4
Cash and cash equivalents	15	95.7	74.1
<b>Total current assets</b>		<b>273.7</b>	<b>252.1</b>
<b>Total assets</b>		<b>284.1</b>	<b>267.4</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	16	0.1	0.1
Share premium		31.5	31.5
Other reserves		74.6	89.7
Result financial year		78.5	59.9
<b>Total equity</b>		<b>184.7</b>	<b>181.2</b>
<b>Provisions</b>	17	<b>18.2</b>	<b>1.6</b>
<b>Non-current liabilities</b>			
Employee benefits	18	3.3	2.9
Deferred tax liabilities	11	-	1.5
<b>Total non-current liabilities</b>		<b>3.3</b>	<b>4.4</b>
<b>Current liabilities</b>			
Liabilities to group companies	19	37.9	44.3
Other liabilities	20	40.0	35.9
<b>Total current liabilities</b>		<b>77.9</b>	<b>80.2</b>
<b>Total equity and liabilities</b>		<b>284.1</b>	<b>267.4</b>



## ***Accounting principles for measurement of assets and liabilities and the determination of the result***

### **General information**

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

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

At 31 December 2017, ORIX Corporation (ORIX), with registered office in Tokyo, Japan, holds a 100% stake in ORIX Corporation Europe N.V.

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

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

The financial statements of the Company are prepared in accordance with Dutch law (section 2:9 of the Dutch Civil Code), the Dutch accounting standards issued by the Dutch Accounting Standards Board and the Dutch Financial Supervision Act (Wft).

The financial statements cover the year 2017, which ended at the balance sheet date of 31 December 2017.

To provide more convenient insight, certain figures within the financial statements are presented differently in comparison with previous year. For comparative reasons, certain 2016 figures have been restated. Restatements have been made to the following notes: Note 1 Net revenues, Note 4 Employee benefits expense, Note 5 Other expenses, Note 18 Employee benefits and Note 20 Other liabilities. More details are specified in the corresponding notes.

### **Accounting policies**

#### **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 2017 of ORIX Corporation Europe N.V., statutory established in Rotterdam.

#### **Basis of preparation**

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

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

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

**Significant accounting judgments, estimates and assumptions**

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

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

**Foreign currencies**

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. Changes in the valuation of derivative financial instruments, which are designated as a hedge against the foreign operations currency risk, are also recorded in equity.

**Cash flow statement**

According to Dutch law, 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.

**Net revenues**

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

**Employee benefits expense**

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

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

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

**Foreign Pension plans**

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

**Finance income and expense**

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

**Taxes**

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

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

The calculation of corporate income tax is made as if the Company is an independent taxpayer. Payable corporate income taxes have been settled, through Robeco Holding B.V., with ORIX Corporation Europe N.V. via the current account under the heading Group companies. The taxes are calculated on the basis of the applicable rate for tax, taking into account tax-exempt profit constituents and deductible items.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement.

The current tax is settled monthly, through Robeco Holding B.V., with ORIX Corporation Europe N.V. The tax rates and laws used to compute taxable amounts are those enacted or substantially enacted at the reporting date.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

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

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

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

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

**Result from investments in group and associated companies after tax**

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

**Recognition 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.

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

**Intangible assets**

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

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

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

**Impairment testing of non-financial assets**

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

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

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

**Tangible fixed assets**

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

**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.

**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.

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

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

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

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

#### **Current assets**

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

#### **Cash and cash equivalents**

Cash and cash equivalents are valued against nominal value.

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

#### **Recognition 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.

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

#### **Provisions**

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

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

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

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

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

**Equity**

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

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

**Carried interest**

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

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

**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.

**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 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:

<i>EUR x million</i>	2017	2016*
Management fees	460.9	389.5
Service fees	43.1	36.6
Administration fees	12.3	12.0
Fees from clients	13.1	11.8
Revenues from marketing and sales activities	10.9	3.6
Securities lending fees	8.2	8.3
Subadvisory fees	6.8	6.7
Performance fees	4.8	5.1
Other income	7.3	8.6
<b>Total management and other fees</b>	<b>567.4</b>	<b>482.2</b>

★ *The categories have been adjusted in comparison to the 2016 financial statements. The total amount of management and other fees remains unchanged. As from 2017, Revenues from marketing and sales activities are presented in a separate category. The figures of 2016 were restated accordingly from Other income in the amount of EUR 3.6 million. The following categories are combined: Other fees (2016: EUR 0.1 million) and Other Income (2016: EUR 12.1 million) into the category Other Income.*

Management fees are collected from funds and mandates directly by the Company and indirectly in the amount of EUR 340.1 million (2016: EUR 271.4 million) from Robeco Luxembourg S.A., also a Robeco Group company. In 2016 this was presented in two separate categories. Service fees are collected from funds directly by the Company and indirectly in the amount of EUR 36.0 million (2016: EUR 30.1 million) from Robeco Luxembourg S.A. As the Company actually performs these activities, the Company is compensated for this by Robeco Luxembourg S.A. In 2016 this was presented in two separate categories as well.

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

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

### Segment information

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

<i>EUR x million</i>	2017		2016	
<b>Total revenue by region</b>				
Netherlands	30%	170.5	35%	168.1
Luxembourg	66%	376.2	62%	302.1
Rest of Europe	2%	8.1	1%	3.7
Outside Europe	2%	12.6	2%	8.3
<b>Total management and other fees</b>	<b>100%</b>	<b>567.4</b>	<b>100%</b>	<b>482.2</b>

## 2 Distribution and subadvisory costs

The costs can be broken down as follows:

<i>EUR x million</i>	2017	2016
Distribution costs	133.0	106.5
Subadvisory costs	81.6	74.9
<b>Total distribution and subadvisory costs</b>	<b>214.6</b>	<b>181.4</b>

Distribution costs paid to other Robeco Group Companies amounts to EUR 49.2 million (2016: EUR 42.2 million). Subadvisory costs paid to other Robeco Group Companies amounts to EUR 81.5 million (2016: EUR 74.8 million).

## 3 Administrative expenses

Robeco Nederland B.V. charges operating costs in the amount of EUR 209.7 million (2016: EUR 197.9 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. On average, the charge concerns 702 FTE's (2016: 698 FTE's) direct and indirect personnel. These expenses also include disbursements by other entities within Robeco Group. Robeco Nederland B.V. is a wholly-owned subsidiary of ORIX Corporation Europe N.V., the domestic ultimate parent company of Robeco Institutional Asset Management B.V.

## 4 Employee benefits expense

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

<i>EUR x million</i>	2017	2016
Wages and salaries	12.6	10.8
Social security and pension costs	1.2	0.9
Other employee benefits expenses	11.8	1.2
<b>Total employee benefits expense</b>	<b>25.6</b>	<b>12.9</b>

Other employee benefits expenses includes costs for outplacement and redundancy, based on terms and conditions of an existing social plan, related to a restructuring plan that was formalised in 2017 (EUR 11.0 million).

During 2017, on average 53 FTE's (2016: 48 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:

<i>Average FTE's</i>	<b>2017</b>	<b>2016*</b>
Germany	15	15
United Kingdom	14	10
Spain	8	8
Dubai	7	7
Shanghai	5	3
Norway	1	1
Korea	-	2
Italy	3	2
<b>Total average number of employees</b>	<b>53</b>	<b>48</b>

★ *The numbers of 2016 are restated to include Norway in this overview.*

In 2017 the process has been initiated to close the Korean Office, expectation is that this will be finalized in the first quarter of 2018.

During 2016, the activities of the branch office in Shanghai were continued in a new entity, Robeco Investment Management Advisory (Shanghai) Limited Company, which is indirectly a wholly-owned subsidiary of ORIX Corporation Europe N.V., the domestic ultimate parent company of Robeco Institutional Asset Management B.V. As a consequence, the personnel involved is no longer employed by the Company.

## 5 Other expenses

Other expenses can be specified as follows:

<i>EUR x million</i>	<b>2017</b>	<b>2016*</b>
Fund and client related costs	11.0	10.8
Marketing	1.2	1.3
Housing and furniture	1.3	1.2
Information technology	1.2	0.3
Advisory	0.8	0.8
Temporary staff	0.6	-
Other	1.6	4.5
<b>Total other expenses</b>	<b>17.7</b>	<b>18.9</b>

★ *Comparative figures have been restated and the following categories are combined into Other: Travel and accommodation, Operational claims, Charged and other personnel costs and Other for the amount of EUR 4.5 million.*

Fund and client related costs include fund administration costs of Private Equity funds. Total Other expenses of EUR 17.7 million includes EUR 5.7 million related to restructuring costs, consisting of contract termination fees and other unavoidable irrevocably expenses, temporary staff and information technology.

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.

<i>EUR x million</i>	<b>2017</b>	<b>2016</b>
Audit financial statements	0.3	0.2
Other audit engagements	1.0	1.1
<b>Total</b>	<b>1.3</b>	<b>1.3</b>

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 Dutch statutory tax rate in 2017 was 25% (2016: 25%). The current tax is settled monthly, through Robeco Holding B.V., with ORIX Corporation Europe N.V., the head of the Dutch fiscal unity (see note 19).

The income tax expense in 2017 was EUR 24.0 million (2016: EUR 17.0 million). In 2017 the effective tax rate was 24% (2016: 24%). The effective tax rate is lower than the statutory rate (25%) in 2017, this is mainly due to utilisation of tax incentives in the Netherlands.

## Notes to the balance sheet

### 7 Intangible assets

Movements in intangible assets were as follows:

<i>EUR x million</i>	2017	2016
<b>Cost at 1 January, net of accumulated amortization and impairment</b>	<b>0.7</b>	<b>1.4</b>
Additions	2.0	-
Amortization	-1.0	-0.7
<b>Net carrying amount at 31 December</b>	<b>1.7</b>	<b>0.7</b>

#### At 31 December

Cost	3.8	2.1
Accumulated amortization and impairment	-2.1	-1.4
	<b>1.7</b>	<b>0.7</b>

The intangible assets include the Italian client relationships transferred from RobecoSAM AG to the Company as per 1 January 2015 which have been fully amortized as of 31 December 2017.

The intangible assets also relate to an addition for a transfer of Austrian client relationships from Robeco Switzerland AG to the Companies branch Robeco Germany as of 1 July 2017 and is to be fully depreciated within 3 years.

### 8 Tangible assets

Movements in tangible assets were as follows:

<i>EUR x million</i>	2017	2016
<b>Cost at 1 January, net of accumulated amortization and impairment</b>	<b>0.5</b>	<b>0.5</b>
Additions	0.2	0.2
Depreciation	-0.2	-0.2
<b>Net carrying amount at 31 December</b>	<b>0.5</b>	<b>0.5</b>

#### At 31 December

Cost	1.0	0.8
Accumulated depreciation	-0.5	-0.3
	<b>0.5</b>	<b>0.5</b>

## 9 Investment in group and associated companies

The following subsidiaries are included in the financial statement caption Investment in group and associated companies of Robeco Institutional Asset Management B.V.:

		2017	2016
Robeco Bestuurder Bewaarder B.V.	Netherlands	100%	100%
Robeco General Partner European II B.V.	Netherlands	100%	100%
Robeco General Partner Funds B.V. <sup>1</sup>	Netherlands	100%	100%
Robeco General Partner Global II B.V.	Netherlands	100%	100%
Robeco General Partner Sustainable B.V.	Netherlands	100%	100%
Robeco Manager BSR B.V.	Netherlands	100%	100%
Robeco Manager Clean Tech II B.V.	Netherlands	100%	100%
Robeco Manager European III B.V.	Netherlands	100%	100%
Robeco Manager Global III B.V.	Netherlands	100%	100%
Robeco Manager Responsible II B.V.	Netherlands	100%	100%
Robeco Private Equity European Mid Market IV General Partner B.V.	Netherlands	100%	100%

<sup>1</sup> Robeco General Partner Funds B.V holds a 26.7% membership interest in RGS Capital LLC, 100% of RobecoSAM Clean Tech III General Partner LLC and 100% of RobecoSAM Private Equity IV European General Partner LLC.

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

<i>EUR x million</i>	2017	2016
<b>Book value of investments in group and associated companies at 1 January</b>	<b>8.3</b>	<b>6.6</b>
Dividend distribution	-7.5	-4.8
Result current year	4.0	6.5
<b>Book value of investments in group and associated companies at end of period</b>	<b>4.8</b>	<b>8.3</b>

## 10 Loans

For cash management purposes, the Company has granted a loan to Stichting Robeco Funds of EUR 0.4 million (2016: EUR 0.4 million) and to Stichting Effectengiro RAM of EUR 1.0 million (2016: EUR 1.0 million). Both loans are non-interest-bearing.

## 11 Deferred tax assets and liabilities

The deferred tax asset mainly relates to the offset of future taxable profits with remaining cumulative tax losses of EUR 4.7 million brought forward in branch office Robeco Germany. The deferred tax asset is expected to be fully utilized in 2018 (utilized 2017: EUR 2.3 million). As per 31 December 2017 the deferred tax asset balances to EUR 1.5 million (2016: EUR 3.7 million) based on a for Robeco Germany implied effective tax rate of 31.9%.

The deferred tax asset also relates to temporary differences in other branches that are deductible in determining taxable profit of future periods in total of EUR 0.6 million (2016: EUR 0.5 million).

In 2016 the deferred tax liability related to the future profits in Germany which will be taxable in the Netherlands at a different tax rate than the recognized deferred tax asset. The deferred tax liability is fully utilized in 2017 (utilized in 2016: EUR 2.1 million).

## 12 Trade receivables

Trade receivables relate to outstanding invoices and fees from funds, which are collected without invoicing. Since all amounts are expected to be received within 12 months, no provision is deemed necessary.

## 13 Receivables from group companies

This item relates to current accounts and current account loans with Robeco Group entities. The current accounts are settled periodically.

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 2017 (2016: EUR 95.0 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 2017 was 0.4% (2016: 0.4%).

## 14 Other receivables

Other receivables 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. For comparative purposes, the 2016 figures have been restated accordingly.

## 15 Cash and cash equivalents

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

## 16 Equity

At 31 December 2017, the Company's authorized share capital amounted to EUR 91 thousand (200 shares), of which EUR 41 thousand is placed and paid in full.

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

	Issued capital	Share premium	Other reserves	Result financial year	Total
<i>EUR x million</i>					
<b>At 1 January 2016</b>	<b>0.1</b>	<b>31.5</b>	<b>72.5</b>	<b>67.2</b>	<b>171.3</b>
Result 2015	-	-	67.2	-67.2	-
Dividend distribution	-	-	-50.0	-	-50.0
Add: result 2016	-	-	-	59.9	59.9
<b>At 31 December 2016</b>	<b>0.1</b>	<b>31.5</b>	<b>89.7</b>	<b>59.9</b>	<b>181.2</b>

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 2017. All capital requirements were met.

Furthermore, the Company reports to the AFM on a semi-annual basis the information required by the Alternative Investment Fund Managers Directive. The most recent reporting was done as of 31 December 2017. All capital requirements were met.

## 17 Provisions

Movements in provisions were as follows:

<i>EUR x million</i>	Possible loss of income	Restructuring	Total
<b>Cost at 1 January 2017</b>	1.6	-	1.6
Additions	-	16.7	16.7
Usage	-	-	-
<b>Net carrying amount at 31 December 2017</b>	<b>1.6</b>	<b>16.7</b>	<b>18.2</b>

★ *The net carrying amount does not reconcile with the total of the components due to rounding.*

The provision for restructuring pertains to a plan to outsource backoffice operations to a third party. This plan was formalised in 2017 and is expected to be executed during 2018 and 2019. The provision covers the estimated costs for outplacement and redundancy based on existing social plan terms and conditions (EUR 11.0 million; Note 4 Employee benefit expenses), contract termination fees related to service providers (EUR 3.8 million; Note 5 Other general expenses) and other unavoidable expenses irrevocably related to the restructuring (a total of EUR 1.9 million included in Note 5 in the items Temporary staff, Information technology and Advisory).

Approximately EUR 5.5 million of the restructuring provision is due within one year.

In 2016 the Company has recorded a provision of EUR 1.6 million for an estimated loss of income. The provision relates to the Company's estimate of the potential reimbursement of a particular group of clients for loss of income. Whether the Company will have to pay this reimbursement, and the amount thereof, is dependent on the outcome of certain legal proceeding to which the Company is not directly a party. It is expected that the period of uncertainty is between one to five years. As per 31 December 2017 no amounts were used.

## 18 Employee benefits

Employee benefits consists of deferred incentives. The comparative figures have been restated. For more details, we refer to Note 20 Other liabilities.

## 19 Liabilities to group companies

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

## 20 Other liabilities

Other liabilities can be specified as follows:

<i>EUR x million</i>	2017	2016*
Distribution costs, subadvisory costs, and other accrued liabilities	29.2	27.9
Employee benefits	5.3	4.7
Current tax liabilities	1.8	1.3
Social security cost, wage tax and sales tax payable	0.2	0.1
Other liabilities	3.5	1.9
<b>Total other liabilities</b>	<b>40.0</b>	<b>35.9</b>

★ *As of December 2017, Employee benefits with a maturity longer than one year are classified under Note 18 Employee benefits. The figures of 2016 are restated accordingly (EUR 2.9 million).*

Following the actual invoicing to clients, as of 2017 the management fee related costs are netted with the management fee in Other receivables, instead of other accrued liabilities. As of 2017 the Employee benefits are split in current and Non-current liabilities. For comparative purposes, the 2016 figures have been restated accordingly.

All outstanding liabilities are expected to be paid within 12 months. Other liabilities include employee benefits obligations.

## **21 Contingent assets and liabilities**

The paid out carried interest amounts are to be regarded as advances on the final amount calculated upon liquidation of the Investee Funds, since they are subject to claw back until a point in time toward the end of life of the Investee Funds. The amount of accrued carried interest, which is not yet distributed by the Investee Funds, is to be marked as a contingent asset of EUR 5.5 million as per 31 December 2017 (as per 31 December 2016: EUR 5.8 million). The final amount of the carried interest to be distributed by the Investee Funds may be significantly different from the amount earlier marked as contingent assets.

The Company acts as guarantor for fulfilling the obligations of Stichting Effectengiro RAM (SER) relating to the obligations to account holders regarding Dutch funds. At 31 December 2017, SER has an obligation to clients of EUR 0.9 billion (2016: EUR 0.8 billion). In the same amount SER has receivables on the funds composed of deposited securities.

The Company has issued a guarantee in which the Company commits itself to fulfill the obligations of Stichting Robeco Funds towards their clients. As per 31 December 2017, Stichting Robeco Funds has cash in the amount of EUR 0.4 million (2016: EUR 1.8 million) that relate to items to be settled in the short term.

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

The Company has entered into commercial leases of EUR 0.1 million (2016: EUR 0.1 million) regarding the car fleet. The term of these leases is between 1 and 4 years.

The Company has rental commitments regarding buildings of EUR 4.5 million (2016: EUR 1.8 million). The increase is mainly due to new engagement for office rental commitment in the Robeco UK branch. These rental commitments have remaining terms of between 1 and 8 years.

The Company has commitments regarding IT-related contracts of EUR 0.0 million (2016: EUR 0.1 million). These commitments have remaining terms of between 1 and 4 years. The Company has irrevocable credit facilities related to guarantees of EUR 0.1 million (2016: EUR 0.1 million).

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

## **22 Financial risk management objectives and policies**

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

### **Credit risk**

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

As the Company manages assets on behalf of clients and funds and management fees are typically charged to and paid from the underlying funds managed by the Company, there is a very low credit risk of default on management fees and other third parties' revenues.

### **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 department on a regular basis, so that cash positions can be optimized when necessary. Cash and cash equivalents balances are reported to the CFO and to ERM 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. Next to currency risk the Company is exposed to interest rate risk on its cash position and on the current account loan granted to Robeco Holding B.V. The interests received on the bank accounts and the current account loans are based on market rates.

### 23 Related parties

ORIX Corporation and entities under common control of ORIX Corporation Europe N.V. form a related party. During 2017 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 Pensioenfond 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 22.

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

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

The Company has not created a provision for doubtful debts relating to amounts owed by related parties (2016: EUR nil), because the risks involved are not considered to be material.

### 24 Remuneration of statutory directors

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

<i>(EUR x thousand)</i>	2017	2016
Base salary <sup>1</sup>	2,070	1,546
Variable remuneration (short- and long-term components)	2,361	665
Pension costs	469	308
Other costs <sup>2</sup>	214	178
<b>Total</b>	<b>5,114</b>	<b>2,697</b>

1 Includes vacation allowance.

2 Includes social-security costs, social allowance, mortgage suppletion and lease (allowance) cars.

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.

As a consequence of the governance changes in the course of 2016, the new statutory directors of RIAM B.V. are solely and fully dedicated to serve RIAM B.V. The associated remuneration package is aligned to these changed circumstances and expenses are fully for the account of RIAM B.V.; hence total expenses 2017 have increased significantly compared to 2016.



## **25 Remuneration of members of the Supervisory Board**

The total remuneration for the members of the Supervisory Board amounted to EUR 0.3 million (2016: EUR 0.3 million). The remuneration costs are included in Administrative expenses.

### ***Subsequent events***

There are no subsequent events to be reported.

### ***Proposed profit appropriation***

The Executive Committee, with consent of the Supervisory Board, proposes to distribute the result for the financial year of EUR 78.5 million 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, 23 March 2018

The Executive Committee:

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

Supervisory Board:

Jeroen Kremers  
Gihan Ismail  
Masaaki Kawano  
Jan Nooitgedagt

## Other information

### **Articles of Association rules regarding profit appropriation**

According to article 14 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:

<b>Branch</b>	<b>Country</b>
Robeco Germany	Germany
Robeco United Kingdom	United Kingdom
Robeco Spain	Spain
Robeco Dubai	Dubai
Robeco Shanghai	Shanghai
Robeco Italy	Italy
Robeco Korea	Korea

## Independent auditor's report

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

### Report on the accompanying financial statements

#### *Our opinion*

We have audited the financial statements 2017 of Robeco Institutional Asset Management B.V., based in Rotterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Robeco Institutional Asset Management B.V. as at 31 December 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2017;
2. the profit and loss account for 2017; 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 financial statements' section of our report.

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

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

### Report on the other information included in the annual report

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

- the Report of the Executive Committee;
- the Report of the Supervisory Board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

The Executive Committee is responsible for the preparation of the other information, including the Executive Committee's 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 financial statements

### *Responsibilities of the Executive Committee and the Supervisory Board for the financial statements*

The Executive Committee is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Committee is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Committee should prepare the 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 financial statements.

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

### *Our responsibilities for the audit of the financial statements*

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

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

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

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

- identifying and assessing the risks of material misstatement of the 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 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 financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Amstelveen, 23 March 2018

KPMG Accountants N.V.

J.J.A. van Nek RA