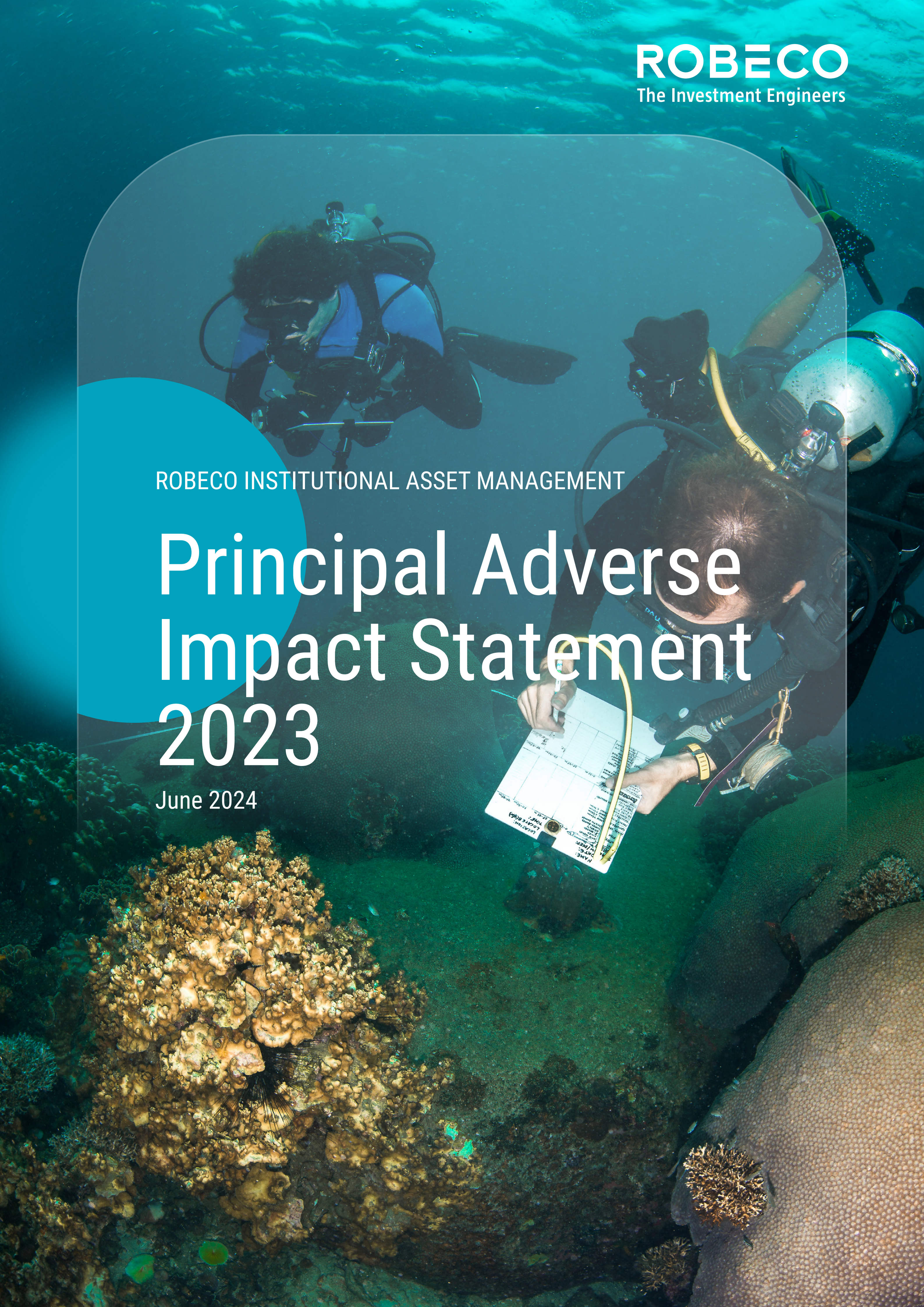
ROBECO
The Investment Engineers

ROBECO INSTITUTIONAL ASSET MANAGEMENT

Principal Adverse Impact Statement 2023

June 2024



Contents

1. Summary

Robeco Institutional Asset Management (IS8DZW1TZSQ8YPXVRC46) considers principal adverse impacts (PAI) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Robeco Institutional Asset Management (RIAM). This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023.

A summary of Principal Adverse Impacts considered by Robeco is presented in Table 1.

Table 1: Summary of Principal Adverse Indicators prioritized by Robeco

Applicable to	Theme	PAI indicator	SFDR Table[1]	Number
Investee companies	Climate and other environment-related indicators	GHG emissions	1	1
		Carbon footprint	1	2
		GHG intensity of investee companies	1	3
		Exposure to companies active in the fossil fuel sector	1	4
		Share of non-renewable energy consumption and production	1	5
		Energy consumption intensity per high-impact climate sector	1	6
		Activities negatively affecting biodiversity sensitive areas	1	7
		Emissions to water	1	8
		Hazardous waste ratio	1	9
		Investing in companies without carbon emission reduction initiatives	2	4
		Deforestation	2	15
		Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	2	16
	Social and Employee, Respect for Human Rights, Anti-corruption and Anti-bribery matters	Violations of UN Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	1	10
		Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises	1	11
		Unadjusted gender pay gap	1	12
		Board gender diversity	1	13
		Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	1	14
		Excessive CEO pay ratio	3	8
Sovereigns and supranationals	Climate and other environment-related indicators	Share of bonds not certified as green under a future EU act setting up an EU Green Bond Standard	2	17
		GHG intensity	1	15
	Social and Employee, Respect for Human Rights, Anti-corruption and Anti-bribery matters	Investee countries subject to social violations	1	16
		Average corruption score	3	21

1. Reporting on the indicators for adverse impacts of Table 1 and any relevant indicators of Table 2 and 3 of Annex I of the SFDR Delegated Act takes place in 2024, following the measurement of the reference periods (Q1 2023 - Q4 2023).

2. Description of principal adverse impacts of investment decisions on sustainability factors

The mandatory and voluntary principal adverse impact indicators required by the EU Delegated Regulation 2022/1288 are set out in Table 2 below. Robeco reports on 24 adverse impact indicators, of which 18 are mandatory to consider for investment decisions and to report on, and 6 are voluntary. Each PAI indicator is applicable/relevant to a certain type of issuer (Corporates, Sovereigns or Real Estate) and in some cases applicable/relevant to a subset of it (PAI 1.6 Energy consumption intensity per high-impact climate sector). Robeco does not have direct investments in real estate assets, therefore the PAI indicators 1.17 (Exposure to fossil fuels through real estate assets) and 1.18 (Exposure to energy-inefficient real estate assets) are not applicable.

Following Sustainable Finance Disclosure Regulation (SFDR) guidelines, Robeco identifies datapoints necessary to calculate the PAI indicators. For each of the indicators, Robeco has included information to describe the actions taken, actions planned and/or targets set in relation to the PAI indicator.

Robeco acknowledges that our clients have diverse investment preferences and objectives, based on which they choose different investment products. The PAI data value presented in this statement on the entity level is derived from Robeco's assets under management and represents the sum of PAIs from the underlying assets of Robeco-managed products. Consequently, the aggregate PAI data is primarily influenced by two factors: client preferences and market conditions, which both affect the assets held in, and weightings of assets within, Robeco's investment products.

Table 2: Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Adverse sustainability indicator		**Metric**	**Impact (2023)**[2]	**Impact (2022)**[3]	**Explanation**[4]	**Actions taken, and actions planned, and targets set for the next reference period**
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	6,603,328 tons	7,984,216 tons	The increase in emissions is likely due to the increase in our Asset under Management (AuM), improved Scope 3 reporting data, and market development. Emissions, however, still remain within our net zero commitment.	*General approach* Robeco published a net-zero roadmap, including interim carbon reduction targets for 2025 and 2030. Initially confined to the majority of Robeco funds only, the in scope AuM of our decarbonization strategy will gradually increase. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement. *Engagement* Our climate engagement program aims to help accelerate climate action by companies and countries, and focuses on high emitters that are lagging in the energy transition. In 2023 we had 54 engagement cases through our climate engagement program. *Proxy Voting* For companies in high emitting sectors that do not sufficiently address the impact of climate change on their businesses, Robeco will oppose the agenda item most suitable for that issue. Robeco also generally supports reasonable shareholder proposals that ask companies to prepare and plan for mitigating climate change risks. *Exclusions* • Robeco's Exclusion Policy covers the exclusion of activities with high negative climate impacts. The thresholds and scope can be found d in **Robeco's Exclusion Policy**. • A number of Robeco funds use a Paris-aligned benchmark (PAB) or climate transition benchmark (CTB) and apply the exclusion criteria as set out in Article 12(1) of the EU Climate Transition Benchmarks, EU Paris-aligned benchmarks and sustainability-related disclosures for benchmarks
		Scope 2 GHG emissions	2,049,100 tons	2,566,216 tons		
		Scope 3 GHG emissions	100,702,666 tons	79,328,847 tons		
		Total GHG emissions	109,355,094 tons	89,879,279 tons		
	2. Carbon footprint	Carbon footprint	746.17/ EUR 1 million EVIC	632.16/EUR 1 million EVIC		
	3. GHG intensity of investee companies	GHG intensity of investee companies	1,914.54/ EUR 1 million revenue	1,428.30/ EUR 1 million revenue		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	3.57%	4.09%		
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	64.17%	64.87%		

2. Robeco has started measuring performance on Principal Adverse Impact as of 2022. The 2023 results are published in this statement.
3. Reporting year 2023 is the first year in which we provide impact data for multiple years.
4. This column provides an explanation on the development of the process of generating the specific principal adverse impact indicator against the previous reference periods.

		Share of non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	58.45%	51.29%		
	6. Energy consumption intensity per high-impact climate sector	Sector	Energy consumption in GWh per million EUR of revenue of investee companies			
		Agriculture, forestry & fishing	0.0006	Not available	In 2023, we revised our methodology for calculating the energy consumption intensity per high-impact climate sector indicator. We now break out energy consumption per sector to reflect the data more accurately. Therefore, no direct comparison can be made with previous year.	
		Mining & quarrying	0.0294	Not available		
		Manufacturing	32.7767	Not available		
		Electricity, gas, steam, & air conditioning	0.0484	Not available		
		Water supply, sewerage, waste management & remediation	0.0021	Not available		
		Construction	0.0004	Not available		
		Wholesale & retail, trade & repair of motor vehicles and motorcycles	0.0026	Not available		
		Transportation & storage	0.0171	Not available		
		Real estate activities	0.0044	Not available		

Biodiversity	7. Activities negatively affecting biodiversity sensitive areas	Share of investments in investee companies with sites/operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	4.31%	5.43%		*General approach* Robeco is committed to assessing biodiversity impacts in our portfolios, setting targets and reporting on biodiversity matters by the end of 2024. Robeco has been addressing biodiversity issues through active ownership activities and integrating material biodiversity risks in our investments. *Engagement* Biodiversity engagement is one of our core engagement themes and a key pillar of our sustainable investing (SI) strategy. Through the biodiversity engagements, we aim to help investee companies mitigate their negative impacts on biodiversity. *Proxy Voting* For companies that have a high exposure to deforestation risk commodities, but either don't have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, Robeco opposes the agenda item most suitable for that issue. Robeco also generally supports reasonable shareholder resolutions requesting increased disclosures on biodiversity risk management and proposals that ask companies to mitigate deforestation risks. *Exclusions* **Robeco's Exclusion Policy** outlines the approach to investment in palm oil producers and related exclusions thresholds.
Water	8. Emissions to water	Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.045 tons	0.016 tons	Due to the low base value of the PAI figure, small year-on-year changes can result in large differences. This is because minor changes in absolute terms appear significant when the starting figures are small.	*General approach* For relevant sectors, the water footprint is considered in SI research profiles, and other company reports in the fundamental investment domain. *Engagement* • In 2022, Robeco launched an engagement program on natural resource management that will screen all water and waste-related principal adverse impact indicators • Within Robeco's controversial behavior program, companies are screened for a potential violation in relation to water. When Robeco deems a company to cause a significant negative impact on local water supply or waste issues, which is a breach of UN Global Compact principle 7, it will either apply enhanced engagement or directly exclude the company from the universe.

Waste	9. Hazardous waste and radioactive waste ratio	Tons of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	51.7 tons	27.1 tons	Due to the low base value of the PAI figure, small year-on-year changes can result in large differences. This is because minor changes in absolute terms appear significant when the starting figures are small.	*General approach* For relevant sectors, the waste footprint is considered in SI research profiles, and other company reports in the fundamental investment domain. . *Engagement* • In 2022, Robeco launched an engagement program on natural resource management, which covers waste-related topics. Robeco started with a small number of companies under engagement and will increase the number of companies in the future when further screening on this indicator. This engagement program is still on-going. • In addition, within Robeco's controversial behavior program, companies are screened for potential violations in relation to waste. When Robeco deems a company to cause a significant negative impact on local water supply or waste issues, which is a breach of UN Global Compact principle 7, it will either apply enhanced engagement or directly exclude the company from the investment universe.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.06%	0.11%		*General approach* The UN Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises underpin our approach to considering human rights issues in our investment and active ownership processes. In order to mitigate violations, an enhanced engagement process is applied where Robeco deems a severe breach of the abovementioned principles and guidelines has occurred. *Proxy voting* For companies that are faced with significant human rights or social issues and that do not provide any evidence of having adequate human rights due diligence processes in place, Robeco will oppose the agenda item most appropriate for that issue.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or the OECD Guidelines for Multinational Enterprises	52.68%	52.14%[5]	Robeco transitioned to a new SFDR data provider with the aim of improving data quality. This impacts the historical data comparison.	*General approach* Robeco supports the principles described in the UN Universal Declaration of Human Rights (UDHR) and detailed in the Guiding Principles on Business and Human Rights (UNGP), the OECD Guidelines for Multinational Enterprises, the UN Global Compact and the eight fundamental International Labour Organization (ILO) conventions. Our commitment to these principles means Robeco will expect companies to formally commit to respect human rights, have in place human rights due diligence processes, and, where appropriate, ensure that victims of human rights abuses have access to remedy. *Engagement* The UN UDHR, the ILO's labor standards, the UNGPs, the UNGC and the OECD Guidelines for Multinational Enterprises outline minimal behavioral standards that serve as the basis for our engagement program. *Proxy voting* For companies that are faced with significant human rights or social issues and that do not provide any evidence of having adequate human rights due diligence processes in place, Robeco will oppose the agenda item most appropriate for that issue.
		Share of investments in investee companies without grievance/ complaints handling mechanisms to address violations of the UNGC principles or the OECD Guidelines for Multinational Enterprises	0.88%	6.12%[6]	The improvement is likely due to changes in the data provider's methodology. Additionally, companies are improving their disclosures on social issues, which can lead to improvements in the PAI data in general.	

5. In the FY 2022 Principal Adverse Impact statement, the share of investments in investee companies without policies to monitor compliance with the UNGC principles of OECD Guidelines for Multinational Enterprises for the period from 1 January 2022 to 31 December 2022 was stated to be 6.12%. This is incorrect, and has been restated to 52.14%.
6. In the FY 2022 Principle Adverse Impact statement, the share of investments in investee companies without grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises for the period from 1 January 2022 to 31 December 2022 was stated to be 52.14%. This is incorrect, and has been restated to 6.12%.

	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	19%	15%	Robeco transitioned to a new SFDR data provider with the aim of improving data quality. This impacts the historical data comparison. Notably, there is a significant reduction in gender pay gap data coverage.	*General approach* We conduct a dedicated diversity and inclusion engagement program, which includes a focus on addressing inequalities based on gender and other aspects of diversity. *Engagement* In 2022, Robeco launched a D&I engagement program, which includes elements in relation to the gender pay gap. *Proxy voting* Robeco usually supports reasonable shareholder resolutions requesting disclosure of specific diversity targets and disclosure on gender pay gaps within companies.
	13. Board gender diversity	The average ratio of female to male board members in investee companies expressed as a percentage of all board members	33%	31%	Robeco transitioned to a new SFDR data provider with the aim of improving data quality. This impacts the historical data comparison.	*General approach* Assessment of board gender diversity is a component of the fundamental investment process, reflected in SI research profiles. *Engagement* In 2022, Robeco launched a D&I engagement program, which includes elements in relation to inequalities in gender, company diversity policies, and equal opportunities for promotion at the companies we invest in. *Proxy voting* Robeco supports the election of a director nominated by management, unless either the nominee adds to a sub-standard composition compared to local best practices in terms of tenure, diversity, skills and external commitments, or the board fails to incorporate basic considerations for gender diversity. In all markets, an against vote is warranted if there is no gender diversity.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.07%	0.10%		*General approach/exclusions* Robeco deems anti-personnel mines, cluster munitions, chemical and biological weapons, white phosphorus, depleted uranium weapons and nuclear weapons that are tailor-made and essential to be controversial weapons. Details on criteria and scope can be found in **Robeco's Exclusion Policy**.

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS						
Environmental	15. GHG intensity (sovereign)	GHG intensity of investee countries	12.1 tons/ EUR 1 million GDP	10.8 tons/ EUR 1 million GDP		*General approach* Robeco monitors a set of country data on climate performance. These include GHG intensity (such as CO2/GDP), CO2 per capita data, emission trends and policy metrics. *Engagement* Robeco engages with several sovereigns on their performance on climate. The engagement is aimed at improving transparency on concrete policies and short- and medium-term targets. Engagement is never intended to unduly influence political processes, and Robeco only conducts engagement on public policy where it is deemed appropriate and transparent
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0	0		*General approach* The PRS Group's political risk data used for the measurement of this indicator, are an important component of Robeco's Country Sustainability Ranking. The PRS Group's internal conflict score is used as an instrument to detect countries that run the risk of getting involved in serious internal conflict. *Exclusions* Robeco deems investing in government bonds (federal or local) of countries where serious violations of human rights or a collapse of the governance structure take place as unsustainable. In addition, Robeco will follow applicable sanctions of the UN, EU or US to which it is subject and follows any mandatory (investment) restrictions deriving therefrom, as described in **Robeco's Exclusion Policy**.
INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	NA	NA	NA	NA
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	NA	NA	NA	NA

Other indicators for principal adverse impacts on sustainability factors						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Indicators applicable to investments in investee companies						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	36.69%	18.00%	The increase is likely due to changes in the data provider's methodology, portfolio transactions to sectors with fewer carbon reduction initiatives or an increased AuM in portfolios with benchmarks having more exposure to sectors with less carbon reduction initiatives.	*Engagement* Robeco engages with key high emitters that are lagging in the energy transition in our investment portfolios via our climate engagement program. For companies that are not progressing fast enough, divestment may be the ultimate consequence if our engagement is unsuccessful.
Water, waste and material emissions	15. Deforestation	Share of investments in companies without a policy to address deforestation	85.79%	92.54%		*Engagement* Robeco developed a deforestation policy and updated our sustainability policy to pay more attention to soft commodities whose production is linked to deforestation. Robeco continues to focus on deforestation through our core engagement theme 'Biodiversity'.
Green securities	16. Share of securities not issued under EU legislation on environmentally sustainable bonds	Share of securities in investments not issued under EU legislation on environmentally sustainable bonds	92.00%	93.90%		*General approach* The majority of Robeco's fundamental fixed income funds have a target on minimum allocation to green, social, sustainability, and sustainability-linked bonds. Robeco aims to increase this percentage over time.
Indicators applicable to investments in sovereigns and supranationals						
Green securities	17. Share of securities not issued under EU legislation on environmentally sustainable bonds	Share of securities in investments not issued under EU legislation on environmentally sustainable bonds	88.09%	91.17%		*General approach* The majority of Robeco's fundamental fixed income funds have a target on minimum allocation to green, social, sustainability, and sustainability-linked bonds. Robeco aims to increase this percentage over time.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Indicators applicable to investments in investee companies						
Social and employee matters	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	439.39	252.85	In 2023, Robeco transitioned to a new SFDR data provider with the aim to improve data quality. This impacts the historical data comparison. Changes to the average pay ratio across portfolios are likely due to actual changes in company pay practices, shifts in portfolio weights toward sectors or regions with different pay ratios, and changes in the economic cycle.	*Engagement* Robeco engages with a number of companies on executive remuneration as part of our good governance engagement topic and provides feedback to many companies on executive remuneration. *Proxy voting* Robeco uses an assessment framework to judge the merits of a remuneration policy or report, generally seeking alignment of management incentives with shareholder interests and adherence to basic best practices such as claw-back provisions. The framework evaluates the following overarching components: 1. Remuneration structure and incentives (including the inclusion of relevant ESG metrics) 2. Quantum 3. Accountability and transparency
Indicators applicable to investments in investee companies						
Governance	21. Average corruption score	The measure of the perceived level of public sector corruption using a quantitative indicator detailed in the explanation column	1.53	1.65		*General approach* For all countries in a fund's investment universe, we monitor the score on corruption as well as changes in this score as part of our fundamental analysis.

3. Description of policies to identify and prioritize principal adverse impacts on sustainability factors

3.1 Methodology to identify and prioritize principal adverse impacts

Identifying principal adverse impacts

Robeco screens the principal adverse impacts of investment decisions across investment strategies and evaluates the outcomes in the Sustainability & Impact Strategy Committee on a yearly basis (see paragraph 3.2). As part of the Active Ownership program, principal adverse impacts are identified and, if needed, addressed via the different engagement themes. In 2023 we started an engagement theme called 'modern slavery in supply chains.' We also remained active on the environmental side through the 'net-zero carbon emissions' theme and the Nature Action 100 initiative, in which investors collectively work together to protect and restore nature. We continued our engagement on the topics of natural resource management and D&I next to existing climate, biodiversity, and global controversy engagement. More information on Robeco's Active Ownership activities is available in the next chapter.

On a fund level, Robeco makes use of a wide range of processes to identify principal adverse impacts. As a minimum standard, Robeco identifies and mitigates principal adverse impacts by adhering to the Robeco Exclusion Policy. In addition, funds may perform negative screening or the avoidance of the lowest-scoring part of a sustainable investing (SI) metric that includes PAI indicators (for example, on the control of corruption). The Exclusion Policy covers activity-based exclusions with a high occurrence of adverse impacts like controversial weapons, as well as an approach to dealing with companies that breach the UN Global Compact and OECD Guidelines for Multinational Enterprises. These breaches may differ in severity and may be irremediable in character. If the latter is the case, companies will be directly excluded from the investment universe. More information, as well as details on criteria and scope, is available via **Robeco's Exclusion Policy**.

Via the investment process, through either fundamental analysis or quantitative modeling, additional principal adverse impacts can be identified. Tools for the identification include sector-specific materiality frameworks, SI research profiles and company dashboards that combine evaluation of a company's sustainability performance on many aspects, including all PAI for fundamental equities. Fund-specific targets, for example, in relation to carbon, can lead to the identification and subsequent exclusion of principal adverse impacts.

For Robeco funds that make fund-of-fund investments, a tailored due diligence process is applied to the fund selection process, which includes due diligence on principal adverse impact and good governance.

More information is available via **Robeco's Sustainability Risk Policy**.

For sustainable investments, Robeco's proprietary Sustainable Development Goal (SDG) Framework identifies and incorporates relevant and material principal adverse impacts (see Annex 1), similar to Robeco's frameworks for ESG-labeled bonds. For Robeco's climate funds, the climate-related principal adverse impacts are prioritized.

Given the evolving ESG data landscape, there may be challenges in identifying adverse impacts. More information on how Robeco deals with these challenges can be found via **Robeco's SFDR Data Disclosures document**. All Robeco policies, procedures and data sources are evaluated and, when required, improved on at least an annual basis.

Prioritizing principal adverse impact

The starting point of Robeco's prioritization to mitigate principal adverse impacts is the Sustainable Investing strategy, which outlines Robeco's ambition in relation to climate change, biodiversity, human rights and avoiding negative impact on the SDGs. More information on Robeco's Sustainable Investment Strategy can be found in our **Integrated Annual Report**.

All of Robeco's funds apply the minimum standards of the Exclusion Policy. In addition to this, based on the sustainable objective or characteristics of the fund, additional principle adverse impacts can be prioritized. For client mandates that do not apply Robeco's standard approach, the client determines the principle of adverse impact prioritizatioN.

3.2 Governance

The Executive Committee is responsible for defining Robeco's approach to sustainability, including our company-wide values, policies, initiatives and actions, as well as overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment, and people. It is also responsible for assessing the sustainability risks connected to our business activities. The Executive Committee is supported in these tasks by the Sustainability & Impact Strategy Committee (SISC), which acts as a sub-committee delegated by the Executive Committee and oversees all matters related to sustainability and sustainable investing. It has the authority to approve policies and set practical guidelines for the implementation of our Sustainable Investing strategy, which includes the approach to the PAI indicators.

The SISC oversees Robeco's performance regarding the PAI indicators and the reporting thereof. The committee evaluates and approves the PAI Statement on a yearly basis.

3.3 Data sources

Robeco emphasizes the significance of high-quality ESG data, as it influences critical processes such as securities selection, risk management and stakeholder relations. However, ESG data quality, data coverage, and consistency levels currently present challenges in reporting PAI indicators accurately. Regulatory frameworks like the Corporate Sustainability Due Diligence Directive (CSDDD) and Corporate Sustainability Reporting Directive (CSRD) in Europe, along with initiatives by the Securities and Exchange Commissions (SEC) in the US, are still evolving.

ESG metrics face several limitations:

- Emerging sustainability corporate reporting standards across issuers, regions, and sectors can affect the availability and coverage of some PAI indicators.
- Inconsistent reporting and estimation of PAI data across different providers and time periods hinder comparability. Estimated data can differ from actual figures due to underlying assumptions.
- ESG data disclosures lag financial data, typically occurring annually, and there may be a delay between company disclosures and their inclusion in Robeco's datasets.
- Market volatility affects PAI values based on asset volumes and underlying asset values, which can create the appearance of fluctuations in PAIs.

Data processes

Robeco has adopted a 'best of breed' approach for data sourcing, combining what we deem to be the strongest provider for each category of information. For data, where Robeco already had data acquisition processes in place, we choose to use that data in our reporting. This choice was made given the extensive assessments already undertaken in selecting each source. For previously untracked indicators, we performed a request for proposal (RfP) process and carried out thorough due diligence of the vendors in the market. Through this process, we purchase data packages from multiple providers and use the data where coverage and quality were most suitable for our investment universe. In this way, Robeco has a selection of several data vendors for our PAI reporting.

We perform periodic reviews of the available products on the market to ensure that we continue to have the best quality data available. In addition, Robeco has robust data management processes in place to automate ingestion and quality control. We map data from each vendor to Robeco identifiers, which provide consistent views that allow individuals to perform assessments at the product and entity levels. In addition, Robeco performs quantitative analysis across providers and metrics over time to identify outliers or other potential errata in the incoming data sets. In the event of such a discovery, or in the case of a manually flagged issue, we engage the data provider responsible for validating and understanding the figure in question.

Robeco remains vigilant in monitoring regulatory developments and commits to ensuring appropriate reporting on PAIs. As the regulatory landscape evolves and ESG data quality improves, Robeco is poised to enhance its reporting capabilities accordingly.

4. Engagement policies

Robeco believes that engagement with investee companies' sustainability issues can have a positive impact on investment results and on society. Robeco's SI Center of Expertise and investment teams work closely together in engagement. Robeco focuses on a wide range of themes jointly determined by the SI Center for Expertise, investment teams, and our clients.

Robeco distinguishes two target groups for engagement: corporate engagement and public policy engagement.

4.1 Corporate Engagement

Robeco actively uses its ownership rights to engage with companies on behalf of our clients in a constructive manner. Robeco engages with companies worldwide in both our equity and credit portfolios. The outcomes of our engagement efforts are communicated to analysts, portfolio managers, and clients, enabling them to incorporate this information into their investment decisions as part of Robeco's integrated Sustainable Investing framework.

Engagement consists of a constructive dialogue between investors and investee companies to discuss how they manage ESG risks and opportunities, as well as stakeholder impact. Robeco carries out three different types of corporate engagement with companies in which we invest: value engagement, portfolio engagement and enhanced engagement.

Value engagement

Value engagement is a proactive approach focusing on long-term issues that are financially material and/or cause adverse sustainability impacts. The primary objective is to create value for investors and mitigate adverse impacts by improving sustainability conduct and corporate governance of companies. Robeco identifies potential areas for engagement using our knowledge of trends in the sustainability and corporate governance arenas, assisted by the SI Center of Expertise and service providers. The final selection of engagement areas focuses on financial materiality and engagement impact and is made following consultation with portfolio managers, analysts and clients. Based on our research, we set SMART (Specific, Measurable, Attainable, Relevant, Time-bound) objectives for all engagement cases.

Portfolio engagement

Portfolio engagement aims to drive a clear and measurable improvement in a company's contribution to the sustainability vision set out by the fund in question, generally linked to one or more of the SDGs. By ensuring that companies continue to reinforce their social license to operate through improved sustainability performance, the engagements aim to create value for both investors and society at large.

Enhanced engagement

Enhanced engagement focuses on companies that severely breach minimum behavioral norms in areas such as human rights, labor, the environment, biodiversity and corruption. The primary objective of enhanced engagement is to address reported shortfalls against internationally accepted codes of conduct for corporate governance, social responsibility, the environment and transparency such as the UN Global Compact and OECD Guidelines for Multinational Enterprises. In the areas of climate change and biodiversity, we expect companies to make sufficient progress against Robeco's climate traffic light score or against the Roundtable of Responsible Palm Oil (RSPO) certification, respectively. The process for enhanced engagement theme selection is a formal part of our Exclusion Policy. The enhanced engagement program includes the themes 'Global Controversy', 'Acceleration to Paris', and 'Palm Oil'. We set SMART objectives for all engagement cases. An enhanced engagement may finally be escalated with a company's exclusion from Robeco's or our clients' investment universe if it does not improve its ESG behavior after the engagement has concluded.

Within our engagement programs, we consider the principal adverse impacts in relation to greenhouse gas emissions, biodiversity, water, and social and employee matters. Please see Table 3 for more details on the principal adverse impact indicators considered in our engagement program.

More information can be found in our **Stewardship Approach and Guidelines**, and the results of our engagement can be found via our **Active Ownership** page. The process for enhanced engagement is a formal part of **Robeco's Exclusion Policy**.

4.2 Public Policy Engagement

Robeco engages in public policy. Engagement with governments, government-related agencies, or regulators can add value to our engagement program. Therefore, we participate in consultations and provide feedback on regulations that facilitate a better or level playing field for ESG issues. Engagement is never intended to unduly influence the political process, and Robeco only conducts engagement on public policy where it is deemed appropriate and transparent. Most of our engagement activities on this topic are coordinated through the various investor associations and collaborative groups of which we are members (for example, ACGA and Eumedion). Policy engagements that are done via these collaborative platforms can be relevant from an equity investor perspective, from a bondholder perspective, or from both perspectives.

Within our public policy engagement, we focus on the principal adverse impacts in relation to greenhouse gas emissions, biodiversity and human rights. Please see Table 3 for more details on the PAI indicators considered in our engagement program.

More information can be found in our **Stewardship Approach and Guidelines**, via our **Active Ownership** page and in our **Integrated Annual Report** 2023.

4.3 Proxy Voting

Robeco has the right to vote in shareholder meetings for our portfolio companies. We use our voting rights to influence a company's corporate practices in line with best governance practices, the interest of our clients and the investing public at large. The Robeco voting policy consists of principles, guidance, and example scenarios to assist in determining our voting instructions. Via the Proxy Voting Policy, we aim to promote good governance practices, for example, by voting against management resolutions that are not aligned with best practice or by supporting shareholder resolutions that ask for reporting, policy and target setting on important sustainability issues. We might also vote against management proposals to flag where we believe that there is significant room for further improvements on governance and sustainability issues. In our Proxy Voting Policy, we outline our principle with regard to several PAI indicators – among other things – in relation to board diversity and separation of the chairperson/CEO roles.

With our proxy voting activities, we take into account a number of principal adverse impacts in relation to greenhouse gas emissions and social and employee matters, including gender pay gap, board gender diversity and executive remuneration. On an annual basis, our voting policy, additional PAI indicators and further escalation strategies are reviewed and updated. Material changes to Robeco's voting policy are subject to SISC approval.

Please see Table 3 for more details on the PAI indicators considered in our proxy voting activities.

More information can be found in our **Stewardship Approach and Guidelines**.

4.4 Adaption of the policies

Every reporting period, Robeco will conduct a review of whether there is enough progress in relation to the principal adverse impacts. When there is insufficient progress, the engagement policies described above will be adapted in terms of the selection of engagement themes, selection of companies for engagement and/or voting, as well as the process during engagements, including escalation strategy and objective-setting. In addition, when enhanced engagement cases are closed without the envisioned improvements having materialized, Robeco can exclude companies from our investment universe.

Table 3: Overview of Robeco's active ownership program and link to the principal adverse impacts (as of June 2024)

Type	Engagement theme or activity	Link to Principal Adverse Impact	Type of contribution (Direct/Indirect[7])	Actions if engagement is not successful in mitigating adverse impact
Climate and environment	Acceleration to Paris Agreement	Table 1, 1 Table 1, 2 Table 1, 3 Table 1, 4	Direct	Exclusion after 5 years
	Biodiversity	Table 1, 7	Direct	NA
	Climate Transition of Financials	Table 1, 3	Direct	NA
	Net-Zero Carbon Emissions	Table 1, 1 Table 1, 2 Table 1, 3 Table 1, 4 Table 1, 5 Table 1, 6	1,1 – 1,4: Direct 1,5 – 1,6: Indirect	NA
	Palm Oil	Table 1, 7	Direct	Exclusion after 3 years
	Natural Resource Management	Table 1, 8 Table 1, 9	Direct	NA
	Nature Action 100	Table 1, 7	Direct	NA
Social and Employee	Enhanced Human Rights Due Diligence	Table 1, 11	Indirect	NA
	Global Controversy Engagement	Table 1, 10 Table 1, 11	1, 10: Direct 1, 11: Indirect	Exclusion after 3 years with the potential for an escalation strategy and earlier exclusion

7. This indicates whether a given engagement theme directly or indirectly addresses the Principal Adverse Impacts indicators. 'Indirect' means that a successful engagement outcome may contribute to a reduction of the adverse impacts, however, the engagement objectives are not explicitly related to the metrics under the adverse impacts.

	Good Governance[8]	Table 1, 13 Table 3, 8	Direct	NA
	Diversity and Inclusion	Table 1, 12 Table 1, 13	Indirect	NA
	Modern Slavery in Supply Chain	Table 1, 11	Indirect	
Environment and Social	Proxy voting	Table 1, 1 Table 1, 2 Table 1, 3 Table 1, 4 Table 1, 5 Table 1, 6 Table 1, 10 Table 1, 11 Table 1, 12 Table 1, 13 Table 3, 8	1,1 – 1,4; 1,12 – 1,13; 3,8: Direct 1,5 – 1,6; 1,10 – 1,11: Indirect	NA
	Just Transition	Table 1, 11	Indirect	
	SDG Engagement	Table 1, 11	Indirect	
	Fashion Transition	Table 1, 11	Indirect	

8. This theme is based on the ICGN framework and is different from (though overlapping with) Robeco's **Good Governance Policy** required as part of the SFDR regulation

5. Reference to international standards

As part of Robeco's commitment to making financial markets more sustainable, Robeco works together with a diverse range of institutions. Our active contribution to these important global platforms for collaborative action on sustainability issues enables us to help shape the global investment agenda. The document **Sustainable Investing Memberships, Statements, and Principles** lists the SI memberships Robeco participates in, statements signed, as well as principles and best practices adhered to.

In the next paragraphs, the internationally recognized standards with a concrete link to the PAIs are outlined.

5.1 Paris Agreement

Link to sustainability indicators:
Table 1: PAI 1-6 (Greenhouse gas emissions)

Methodology and data used:
Robeco is committed to contributing to the goals of the Paris Agreement and to achieving net-zero carbon emissions by 2050. To this end, in October 2021, Robeco published a net-zero roadmap with targets and actions, including interim portfolio decarbonization targets for 2025 and 2030.

Our ambition for net zero depends on all sectors of society and the economy doing their part: policy, industry, investors and consumers. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement.

The portfolio decarbonization targets are derived from the P2 illustrative pathway from the International Panel on Climate Change's (IPCC) 1.5-degree scenario of 2018. This is an ambitious scenario without overshoot, which disrupts business-as-usual but is also well aligned with the broader SDGs. The P2 pathway is composed of the following emission milestones: 49% reduction of GHG emissions in 2030 and 89% reduction of GHG emissions in 2050, both relative to the 2010 baseline.

To assess alignment, we measure the carbon footprint of portfolios (Scope 1 and 2 scaled over the Enterprise Value Including Cash [EVIC]) relative to the carbon footprint of their benchmark in the baseline year 2019. Our decarbonization targets are tracked at the level of capabilities (fixed income, fundamental equity, and quant equity), with all underlying funds jointly contributing to the target of the capability. Our default data source is Trucost, but for some funds, we use other sources to comply with benchmark requirements.

Our decarbonization strategy is initially confined to Robeco funds only (where we have discretion over the investment process) and excludes sovereign bonds, derivates, cash and green bonds for which no established carbon accounting methodologies are available yet. Through a review of targets which will take place at least every five years, the scope of our net-zero strategy will gradually increase to include client mandates and reach 100% of AuM.

Complementary to our decarbonization targets, we aim to accelerate the alignment of investee companies with the Paris Agreement. With a focus on the top 250 emitters in our investment universe, we analyze investee companies' current carbon performance, the ambition of their climate targets, and the credibility of their implementation strategy. Based on this, we classify investee companies as aligned/aligning/partially aligning/misaligned. We refer to this as the Robeco Climate Traffic Light. We communicate our assessment and expectations to the companies in scope, and we focus our engagement on the climate laggards. In 2022, we strengthened our voting policy to enable us to use our votes as an escalation strategy when companies do not meet our expectations on climate change. We base this judgment on our traffic light model and external benchmarks, including the Climate Action 100+ initiative's Net Zero Benchmark, the Transition Pathway Initiative and Urgewald's Coal Exit List. As a result, in 2023, we voted against management resolutions at 208 shareholder meetings due to our concerns about companies' climate change performance.

Robeco's efforts in relation to climate change focus on principal adverse impacts in relation to greenhouse gas emissions and emission reduction plans.

5.2 UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights.

Link to sustainability indicators:

Table 1: PAI 10 (Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises) and 11 (Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises)

Methodology and data used:

Robeco has signed the United Nations Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises. Overall, the UN Universal Declaration of Human Rights, the International Labour Organization's labor standards, the UN Guiding Principles for Business and Human Rights (UNGPs), the UNGC, and the OECD Guidelines for Multinational Enterprises outline minimal behavioral standards that serve as the basis for the enhanced engagement program as well as the Exclusion Policy. These standards also guide our broader sustainability investing processes, including our social voting approach and value engagement program.

Screening of the investment universe occurs on an ongoing basis; the external exclusion list is updated twice a year. Relevant data sources include the Sustainalytics Global Standards Screening and Controversy Screening.

5.3 Biodiversity

Link to sustainability indicators:

Table 1: PAI 7 (Activities negatively affecting biodiversity sensitive areas)

Methodology and data used:

Biodiversity is declining faster than ever before in human history, and the pressures driving this decline continue to increase. Over half of the global economy is dependent on well-functioning ecosystems. Further loss of biodiversity could pose risks to financial markets.

Robeco participated in COP15 in Montreal, where the Global Biodiversity Framework (GBF) was adopted. This set of biodiversity targets will form the starting point for Robeco to develop a target-setting process with other global institutional investors to align our investment framework with the **GBF**.

For several years, Robeco has been addressing biodiversity issues through active ownership activities and integration of material biodiversity risks in our investments. In September 2020, Robeco signed the Finance for Biodiversity Pledge. As a signatory, we commit to collaborate, assess biodiversity impacts in our portfolios, and set targets and report on biodiversity matters by 2024 at the latest. To build this capability, we are partnering with academics and peers to develop methods and data. This includes collaborations with the University of Cambridge (CISL) and the Taskforce for Nature-related Financial Disclosure (TNFD).

In November 2021, during COP26, we signed on to the Financial Sector Commitment on Eliminating Agricultural Commodity-Driven Deforestation. Signatory financial institutions commit to working toward eliminating agricultural deforestation risks in investment portfolios by 2025. To live up to this commitment, we apply different active ownership instruments, including corporate engagement, proxy voting and collaboration with NGOs and ESG data providers. We prioritize our deforestation approach in key forest risk commodity supply chains. We have used the Global Canopy Forest500 assessment to identify investee companies with exposure to at least one of these high deforestation-risk commodities and use Forest500, CDP Forest, Sustainalytics Global Standards Screening and RSPO data for palm oil to understand investee companies' current level of management of deforestation risk.

5.4 Corporate Governance

Link to sustainability indicators: PAI 12, 13

Table 1: PAI 12 (Unadjusted gender pay gap), 13 (Board gender diversity)
Table 2: PAI 8 (Excessive CEO pay ratio)

Methodology and data used:

Robeco takes its responsibility as a shareholder seriously. We disclose all voting decisions for our investment funds on our website one day after a shareholder meeting has taken place. Our proxy voting disclosure complies with the requirements of the Dutch Stewardship Code and Shareholder Rights Directive II (SRDII). Our voting policy is based on the principles set by the International Corporate Governance Network, and our stewardship policy, practices and reporting are aligned with several local stewardship codes. More information can be found in our **Stewardship Approach and Guidelines**. Data is derived from internal processes, aided by content from Glass Lewis and ISS.

6. Historical comparison

Robeco has been integrating relevant sustainability factors in all aspects of its investment strategies, investment processes, client solutions and organization for decades, partly as a form of risk and negative impact avoidance.

PAI indicator values are sensitive to market volatility; they can increase or decrease based on volumes of assets under management and the underlying value of those assets, which may give the appearance of PAIs improving or deteriorating. Furthermore, coverage and applicability of data across asset classes and indicators may vary. Limited data availability will require additional consideration when drawing conclusions on the data disclosed.

In this year's report, we disclose the PAI indicators for the period of 1 January 2023 to 31 December 2023. With regard to the voluntary PAI indicators selection, we did not make any changes compared to 2023. Below we elaborate on three relevant developments that impacted the reported indicators.

1. Data quality: the overall data quality has improved due to the increase in data coverage as well as the automation of the PAI calculation process.
2. Data provider selection: during the year, we switched data provider for several PAI indicators, ensuring high quality reporting. This change limits the possibility of data historical comparison.
3. Reporting approach adjustment for PAI 6 Table 1 energy consumption breakdown: we revised our methodology for calculating the energy consumption intensity per high-impact climate sector indicator. We now specify energy consumption per sector to reflect the data more accurately. Due to this change in methodology and data provider, comparing the year-on-year value of this PAI indicator is not feasible.

Annex 1: Integration of mandatory PAI indicators in the SDG Framework

Mandatory Principal Adverse Impact and the SDG Framework		
#	**Mandatory PAI**	**Summary**
1	GHG emissions	Robeco's SDG Framework assesses whether companies cause significant adverse impacts on climate change. The framework considers both the GHG emissions associated with the use of a company's products/services and its own operations. Companies whose products/services are associated with high GHG emissions, such as those active in the fossil fuel sector (see PAI 4) or the airline and automo-tive industries, are likely to get negative SDG scores and will there-fore not classify as sustainable investments. Companies that have high GHG emissions while simultaneously delivering products that significantly contribute to sustainable development can receive neutral or positive SDG scores.
2	Carbon footprint	See PAI 1.
3	GHG intensity of investee companies	Robeco's SDG Framework assesses the greenhouse gas intensity of companies active in sectors that can support sustainable development yet are associated with high GHG emissions, such as cement producers and utilities. Issuers in these sectors with a high GHG intensity will get neutral or negative SDG scores and will, therefore, not be eligible as sustainable investment. Companies that have high GHG intensity while delivering products that significantly contribute to sustainable development may receive neutral or positive SDG scores.
4	Exposure to companies active in the fossil fuel sector	Robeco's SDG Framework measures to what extent companies are active in the fossil fuel sector. For an extensive set of sub-sectors, including Energy (exploration and production; oil and gas storage and transportation; refineries; services), Utilities (electric and gas), and Metals and Mining, key performance indicators measure to what extent an issuer has significant exposure to the fossil fuel sector. Additional checks are made to gauge whether issuers also have exposure to unconventional oil and gas activity. Companies with significant exposure to thermal coal, oil, unconventional oil and gas, and to some extent, natural gas, will obtain neutral or negative SDG scores and therefore will not qualify as sustainable investments.
5	Share of non-renewable energy consumption and production	Robeco's SDG Framework assesses the share of nonrenewable energy production of companies active in the Energy (exploration and production) and the Utilities (electric and gas) sectors. Companies in these sectors with a high share of nonrenewable energy production will get a neutral or negative SDG score and therefore fail to classify as a sustainable investment. Robeco's SDG Framework does not assess the share of nonrenewable energy consumption of issuers in other sectors as this is a highly context-dependent indicator that primarily signals a supply (production) rather than demand (consumption) issue in many markets.
6	Energy consumption intensity per high-impact climate sector	Robeco's SDG Framework assesses whether companies cause significant adverse impacts on climate change by gauging the GHG emissions associated with the products they deliver and their operations (see PAIs 1-4). Although the SDG Framework does not directly screen for investee companies' energy consumption intensity, screening for greenhouse gas intensity for high-impact climate sectors (e.g. cement, utilities) is expected to have a high correlation with energy consumption.
7	Activities negatively affecting biodiversity-sensitive areas	Robeco's SDG Framework gauges the adverse impacts on biodiversity-rich areas of companies operating in sub-sectors with a negative influence on ecosystems. This includes the paper and pulp sector, where companies with low rates of recycling and sustainability certification get neutral SDG scores; the food sector, where companies producing significant volumes of beef, lamb, and mutton get negative SDG scores; and the fish sector, where companies with low rates of sustainability certification get negative or neutral SDG scores. Such companies with neutral or negative SDG scores will not classify as sustainable investments.
8	Emissions to water	Robeco's SDG Framework assesses whether companies are involved in controversies. This also applies to companies that cause significant adverse impacts through emissions to water. When this occurs, and in case the company lacks a convincing management approach to remediating and avoiding such adverse impacts from occurring in the future, a negative SDG score will follow, and the company will not be eligible for a sustainable investment.
9	Hazardous waste and radioactive waste ratio	Robeco's SDG Framework assesses the hazardous waste that is generated by companies active in the utilities sector. Companies significantly involved in nuclear energy without convincing management policies for dealing with nuclear waste will get a negative SDG score. This will lead to such companies not qualifying as sustainable investments.

10	Violations of UNGC and OECD Guidelines for Multinational Enterprises	Robeco's SDG Framework assesses whether companies are respecting international guidelines for responsible behavior, including the UNGC principles or OECD Guidelines for Multinational Enterprises. Companies violating such guidelines and principles are assigned a negative SDG score and will, therefore, not qualify as a sustainable investment.
11	Lack of processes and compliance mechanisms to monitor compliance with UNGC and OECD Guidelines for Multinational Enterprises	Robeco's SDG Framework assesses whether companies are respecting international guidelines for responsible behavior, including the UNGC principles or OECD Guidelines for Multinational Enterprises. Companies violating such guidelines and principles, or companies for which there is serious concern that they lack policies to ensure compliance with them, can be assigned a negative SDG score and will therefore not qualify as a sustainable investment.
12	Unadjusted gender pay gap	Robeco's SDG Framework applies a multidimensional gender screening. Good performers are assigned a positive SDG score and can therefore classify as a sustainable investment. Poor performers are not assigned a negative SDG score.
13	Board gender diversity	Robeco's SDG Framework applies a multidimensional gender screening. Good performers are assigned a positive SDG score and can therefore classify as a sustainable investment. Poor performers are not assigned a negative SDG score.
14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Robeco's SDG Framework screens whether companies are involved in the manufacture or selling of controversial weapons. Companies generating any amount of revenue from controversial weapons are assigned a negative SDG score and will, therefore, not qualify as a sustainable investment.
15	GHG intensity (sovereign)	N/A
16	Investee countries subject to social violations (sovereign)	N/A
17	Exposure to fossil fuels through real estate assets (real estate)	N/A
18	Exposure to energy-inefficient real estate assets (real estate)	N/A

The Investment Engineers

Please visit the Robeco website
for more information

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