STEWARDSHIP REPORT I 2023

Accelerating positive change in companies for economy, environment and society

Contents

Introduction

In times of geopolitical and economic uncertainty, shareholder advocacy is as important as ever, ensuring companies' long-term focus on sustainability does not come at the cost of short-term financial volatility. 2023 continued to put companies to the test, as competing pressures showcase the importance of having sustainability embedded in ones business model.

As we move into a new year, we reflect on the commitments made by companies and governments towards safe- guarding our planet, and evaluate on our part in moving towards a more sustainable future. In 2023, we continued to focus on key SI topics including climate change, biodiversity, human rights and corporate governance, setting new standards for sustainable investing and striving for more transparency and accountability of companies we invest in through our voting and engagement efforts.

In 2023, we further expanded our open access initiative, by making our Company SDG scores and Country Sustainability Rankings available on our websites. In addition, we completed the development of our new Country SDG ranking framework – next to our existing Company SDG framework – as well as an enhanced suite of new climate analytics.

On the topic of climate and the execution of our Net Zero Roadmap, we made steps to further strenghten our climate engagement program, with the aim of helping fuel the transition in the broader economy. We continued the development of our forward looking climate analytics, including our traffic light and sector decarbonisation pathways. We were active in the Climate Action 100+ group, which is focusing on engageing the worlds biggest carbon emitters. Robeco was also a founding signatory of the new collaborative engagement program Nature Action 100, highlighting one of the steps we took forward in our Biodiversity roadmap.

During 2023, we took significant steps in identifying the biodiversity-related risks we are exposed to. We also introduced a deforestation proxy voting policy targeting companies with high exposure to deforestation risk and inadequate procedures to reduce their impact.

Focusing on human rights, in 2023 our Human Rights Task Force developed a draft social framework to improve how we assess human rights and social issues at the companies we invest in. Protecting human rights also remains an important issue in our engagements and voting.

We are pleased with the progress made in 2023, and we are committed to help guide companies to build a more sustainable future for both business and society in 2024.

Mark van der Kroft
Chief Investment Officer,
On behalf of the Robeco
Executive Committee

Robeco's vision

'Safeguarding economic, environmental and social assets is a prerequisite for a healthy economy and the generation of attractive returns in the future. The focus in the investment industry is, therefore, shifting from creating wealth to creating wealth and well-being. We are the leading sustainable asset manager and will continue to improve and innovate.'

Robeco's mission

'To enable our clients to achieve their financial and sustainability goals by providing superior investment returns and solutions'. The mission is supported by our key investment beliefs:

1. As an active asset manager with a long-term investment view, we create added value for our clients.
   a. Our investment strategies are research-driven and executed in a disciplined, risk-controlled way.
   b. Our key research pillars are fundamental research, quantitative research and sustainability research.
   c. We can create socioeconomic benefits in addition to competitive financial returns.
2. ESG integration leads to better-informed investment decisions and better risk-adjusted returns throughout an economic cycle.
   a. Sustainability is a driver of structural change in countries, companies and markets.
   b. Companies with sustainable business practices are more successful
   c. Active ownership contributes to both investment results and society.

Stewardship at a glance

We are convinced that companies that adopt sustainable business practices have a competitive edge and are more successful in the long run. At Robeco, we believe that actively exercising our stewardship responsibilities is an integral part of our sustainable investment approach. Doing so involves using our influence and rights as an investor to improve the behavior of the companies we invest in.

Accelerating positve change in companies
We use engagement and voting to achieve this goal because we are convinced that doing so enhances the financial performance of those firms and benefits society. This approach is aligned with our mission to use research-based, quality-driven processes to produce the best possible results for our clients over the long term.

Please see below key data points for our voting and engagement activities. On the next page, we provide an overview of key collaborative engagements in 2023, and any new initiatives we have joined in 2023.

Figure 1 | Key data points for 2023

EUR 143 BILLION
Assets under engagement

319
Engagement cases

292
Engaged companies

65%
Percentage of cases closed successfully

25
Number of engagement themes

2023

EUR 76 BILLION
Assets under voting

7,042
Number of shareholder meetings voted

73
Number of markets voted

59%
Percentages of meetings with at least one vote against management

72,432
Number of proposals voted on

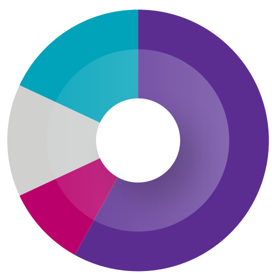
Source: Robeco figures as at 31 December 2023

Figure 2 | Regional breakdown of engagement cases

North America	33%
Europe	27%
Pacific	11%
Emerging Markets	29%

Figure 3 | Regional breakdown of shareholder meetings

North America	18%
Europe	14%
Pacific	10%
Emerging Markets	58%



Source: Robeco, reporting period 1 January – 31 December 2023

The assets-under-engagement/voting figures we show above are based on Robeco's equity and credit portfolios for which we conduct engagements and voting. Robeco also votes and engages for clients whose portfolios are run by other asset managers; we call these 'overlay clients'. In 2023, we had 11 overlay clients, representing roughly EUR 300 billion in assets.

Collaborative engagements and SI memberships in 2023

Recognizing the value of different forms of engagement, Robeco carries out individual engagements as well as collaborative engagements with other investors or institutions. Robeco acts collectively in its engagements with other investors when this is appropriate and is likely to enhance engagement outcomes. Robeco is an active participant of many investor associations and collaborations, where we often take a steering role.

Table 1 | Collaborative engagements in 2023

Main collaborations	Companies under engagements (with Robeco as lead engager)
Climate Action 100+ Initiative An investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.	Anglo American, Berkshire Hathaway, BHP Billiton, Cez, CRH, Ecopetrol, Enel, Hyundai Motor, LyondellBasell, Phillips66, Rio Tinto, Valero Energy
Institutional Investors Group on Climate Change (IIGCC) A collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change	HSBC, ING Groep, JPMorgan
Eumedion A Dutch foundation representing the interests of Dutch and foreign institutional investors with investments in Dutch listed companies	Adyen, Ahold, Arcadis, Signify, Unilever
Asian Corporate Governance Association (ACGA) An independent, non-profit membership organisation dedicated to working with investors, companies and regulators in the implementation of effective corporate governance practices throughout Asia	Hyundai Motors, Shin-Etsu Chemical
Nature Action 100 A global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss	Ahold, Alibaba Group Holding, Britannia Industries, Corteva, LG Chem, Sociedad Quimica y Minera, Wens Foodstuffs

Table 2 | New SI memberships in 2023

SI membership	ESG topic	Why joined
Platform Living Wage Financials (PLWF)	S	This initiative is relevant for the Fashion transition engagement theme. Robeco is part of garment working group.
Global Commission on Mining 2030	E	From 2020-2023, Robeco had a mining-related engagement theme. As of June 2023, Robeco became a formal supporter of this initiative.
Valuing Water Finance Initiative	E	This initiative is relevant for the Natural resource management engagement theme. Robeco has lead roles in 1 or 2 companies; engagement collaboration with Ceres.
PRI Nature Stewardship Initiative (Spring)	E	Collaborative stewardship initiative on nature, in line with Robeco's engagement focus on biodiversity.

For a complete overview of our SI collaborations, memberships and commitments, please refer to the following document: https://www.robeco.com/files/docm/docu-relevant-codes-and-memberships.pdf

Sustainable investing in 2023

During the year, we further expanded our open access initiative, making our scores available via our websites. In addition, we completed the development of our new Country SDG ranking framework, as well as an enhanced suite of new climate analytics. On the topic of climate, steps were also made to further develop our climate engagement program, with the aim of helping fuel the transition in the broader economy. These are just a sample of the many initiatives and development in Robeco's SI approach which took place in 2023.

Executing on our net zero roadmap

In 2023 we continued to execute our net zero roadmap, making further progress towards our short and medium-term targets. We continued our involvement in the Climate Action 100+ group, and Robeco was also a founding signatory of the new collaborative engagement program Nature Action 100, highlighting one of the many steps we took forward in our Biodiversity roadmap.

Finalizing our biodiversity investment framework

In 2023 we finalized the design of our Biodiversity investment framework. We combine sector level impact based on the biodiversity footprint with other data that captures the extent to which companies put or relieve pressure on the material drivers of biodiversity loss through their products, operations and commitments. This approach helps us evaluate how well companies are addressing biodiversity loss and differentiate between leaders and laggards. Experts from our biodiversity partner World Wide Fund for Nature Netherlands (WWF-NL) have provided feedback on our approach to assessing companies' impact on nature loss. In 2024 we will start using this framework in our investment processes

Human rights task force: working towards company-specific scorecards

In 2022 we set up a Human Rights Task Force to contribute to developing our approach to human rights. After assessing our approach with respect to key international human rights frameworks, in 2023 we developed a draft social framework to improve how we assess human rights and social issues at the companies we invest in. We have performed a the sector-level assessment and aim to develop company-specific scorecards in 2024.

SDGs as blueprint for sustainable investing: for companies and countries

Our Country SDG Framework analyzes whether countries' policies support the SDGs, whether investors can help countries gain better access to the capital they need to promote sustainable development, and whether countries are involved in controversies that violate the SDGs. Similar to our SDG Framework for companies, the outcome of this assessment is a Country SDG score that ranges from -3 to +3. These scores help us construct sovereign bond portfolios that contribute towards the SDGs.

Having developed the first version of this framework in 2022, we made a number of improvements in 2023. In particular we applied machine learning techniques to automate the analysis, improve its robustness and perform more in-depth assessments.

Open access: scaling up

In 2023, Robeco expanded its Sustainable Investing Open Access initiative, making information available on our website to anyone who is interested. Previously, this was only available to our clients and academics. In 2023, we also published our Country Sustainability Rankings on the platform. We made this move because we want to foster the debate on sustainability and for people to ask questions about our data. Our aim is to contribute to setting new standards in sustainable investing and improve the quality of sustainable investing data.

Strategies with a range of approaches to sustainability

Providing our clients with a full range of investment solutions that cater to their sustainable investing needs is a key pillar of Robeco's Sustainable Investing strategy. Doing so supports our company's mission to help our clients achieve their financial and sustainability goals by providing superior investment returns and solutions.

We integrate sustainability to different degrees in our range of investment products. We integrate ESG considerations in almost all of our investment strategies. In the figure below we provide an overview of how we internally classify our investment strategies, their naming conventions and some examples of how we integrate sustainability in them. The prospectus of our investment funds contains details of the sustainability profile.

Working towards a combined climate and nature roadmap

Our priorities for 2024 include setting targets to fulfil our Finance for Biodiversity Pledge in line with the published guidelines. We intend to incorporate these targets into our net zero roadmap so that we take an integrated approach to nature which not only addresses climate change but also the related topics of biodiversity loss, pollution, waste and circularity. We aim to release our updated nature and net zero roadmap in 2025.

Contributing to the debate about sustainability investing

In 2023 we published a lot of content and research about sustainable investing. We updated our Big Book on Sustainability Investing, which we first published in 2018 and is intended for sharing our knowledge on sustainable investing rather than promote Robeco's strategies.

Read our Big Book of Sustainable Investing:
https://www.robeco.com/en-int/insights/2023/08/the-new-big-book-of-sustainable-investing

Figure 4 – Integrating sustainability in our products

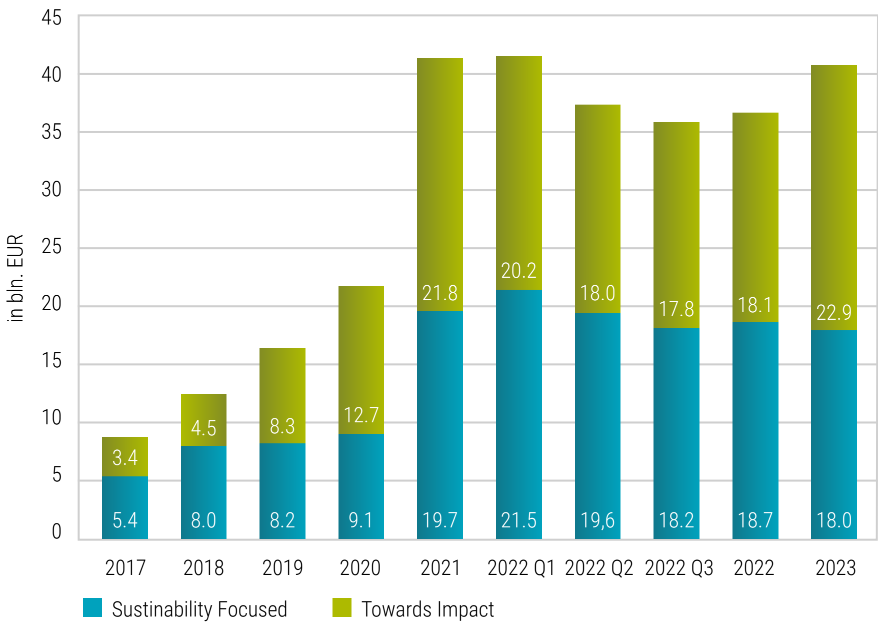
	CONSIDERING SUSTAINABILITY RISK	SUSTAINABILITY INSIDE	SUSTAINABILITY FOCUSED	TOWARDS IMPACT
	Robeco products		Robeco Sustainable products	Climate Net zero 2050 / SDG SDG & climate / (sustainable) thematic
Sustainable content examples	• Level I exclusions • 20-30% sustainable investments • Better than benchmark on ESG risk & carbon emissions • Limited investment in issuers with severe ESG risks		• Level II exclusions • 40-50% sustainable investments • Substantially better than benchmark on ESG risk & carbon emissions • Exclude companies that have (high) negative SDG scores	• Level II exclusions • 80-100% sustainable investments • Sustainable thematic universe • EU climate benchmark • Only (high) positive SDG scores
SFDR classification	6	8	8	9

Source: Robeco

Growth in existing sustainable investment strategies and solutions

Our assets under management in ESG-integrated strategies grew by 6.4% in 2023, primarily due to market movements. As at the end of 2023, 98% of our assets integrated ESG considerations in their investment processes (the remainder invest almost entirely in derivatives, for which it is too complex to integrate ESG). As such, changes in our assets under management in ESG-integrated strategies primarily reflect movements in Robeco's total assets under management, as it is almost impossible to increase the proportion of our total assets that they account for. Assets under management in our Sustainability Inside strategies increased from EUR 129.6 billion at the end of 2022 to EUR 136.1 billion at the end of 2023.

Figure 5 | Assets under management in Sustainability Focused and Towards Impact strategies



Source: Robeco

The assets under management in our Sustainability Focused and Towards Impact ranges of products increased from EUR 37 billion at the end of 2022 to EUR 41 billion at the end of 2023, with market movements once again the main reason for this increase.

In 2023 we experienced net outflows of EUR 1.5 billion from our Sustainability Focused range and received EUR 153 million of net inflows into our Towards Impact range. Our Sustainability Inside range experienced outflows of EUR 8.0 billion. This is very much in line with what we have seen in the market in 2023. Actively managed products generally experienced outflows, but 'dark green' sustainable funds were still attracting inflows. For example, our sustainable multi-thematic strategies received inflows from institutional clients, our sustainable global stars equity strategy attracted new clients and significant inflows, and our global climate credit fund received steady inflows, with more interested clients in the pipeline.

The net result was that the proportion of our total assets under management that our Sustainability Focused and Towards Impact strategies accounted for increased from 22% at the end of 2022 to 23% at the end of 2023.

Developing new solutions

Although most of our clients invest in our Sustainability Inside range, the proportion of our assets under management in our Sustainability Focused and Towards Impact strategies is gradually increasing, as explained earlier. In 2023 we launched several new strategies in our Sustainability Focused and Towards Impact ranges, as we set out below.

In designing our products, we partner with clients and sometimes take advice from NGOs, while meeting the requirements of regional regulations, including SFDR. We aim to offer the best viable solutions to meet our clients' sustainability needs. All our funds are subject to our Product Quality Procedure, which ensures they are all carefully designed and subject to a rigorous approval process.

New sustainable quantitative equity and fixed income strategies

Incorporating sustainability targets fits well with the rules-based nature of quantitative investing. We highlight some of the strategies we developed in 2023 below.

– Green beta strategy for government bonds

Reducing carbon emissions in a government bond portfolio is challenging. The simplest way to create a portfolio with lower emissions is to take a regular index as a starting point and adjust the country weights solely based on emissions. The pitfalls of such a naïve approach to decarbonization are that it changes the portfolio's risk profile in unintended ways, it can reduce the portfolio's yield, and it can worsen the portfolio's profile with respect to other measures of sustainability, which may increase the risk it is exposed to. We have developed a risk-controlled portfolio construction process that avoids these pitfalls and decarbonizes portfolios more efficiently, resulting in increased reduction of emissions for a given tracking error.

– Next-generation sustainability-focused equity strategy

After launching the next-generation Quantum product in 2022, which goes beyond the traditional Fama-French factor approach and incorporates novel datasets, machine learning techniques and short-term signals, in 2023 we launched a sustainability-focused next-generation strategy. It revolves around a range of innovative new alpha signals based on alternative data machine learning and natural language processing, which incorporate a sustainability dimension.

– Sustainable high-yield bond strategies

In 2023 we launched a Sustainable High Yield Enhanced Indexing strategy and a

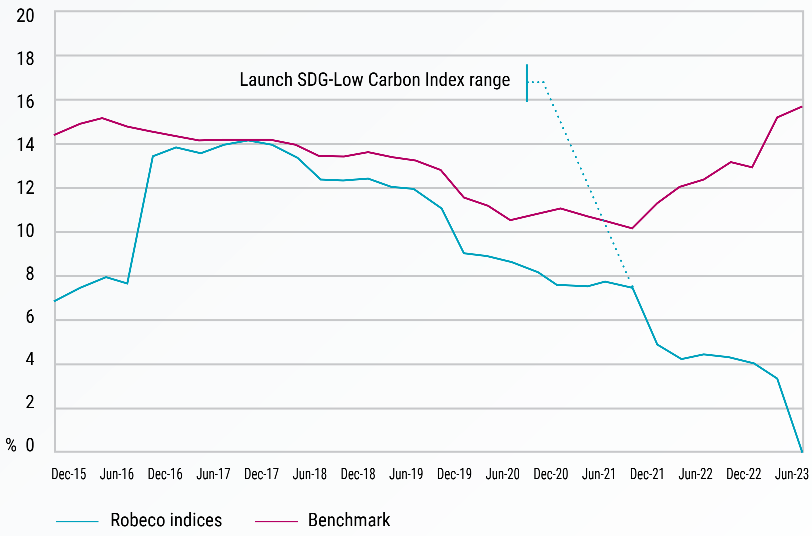
Sustainable Index Solutions

Our expertise in sustainable and factor investing empowers us to deliver custom sustainable index solutions that meet our clients' financial and sustainability objectives. In 2023 we also made progress in our sustainable indices business:

- All clients now incorporate material sustainability elements in their indices.
- We incorporated both the SDGs and a carbon footprint reduction mechanism in our customized multi-factor sustainable indices.
- We integrated "climate beta", a forward-looking measure of climate transition risk, in our flagship sustainable index families and also in several custom client indices.
- One sustainable multi-factor index client also integrated Paris-Alignment criteria.
- We reduced the exposure of our indices to companies with medium and high negative impact on the SDGs (which means an SDG score of -2 or -3) to 0%.

In the graph below you see the development in terms of exposure to companies with a medium and high negative impact on the SDGs in our sustainable indices (blue line). The significant decrease in exposure in 2022 and 2023 are coinciding with moments when large index clients integrated the SDGs explicitly in their custom sustainable multi-factor indices. By the end of 2023, all large clients fully embraced this approach, resulting in a 0% exposure to companies with a −2 or −3 SDG score, whereas the market-cap benchmark (grey line) shows an increase in exposure.

Figure 6 | Percentage of exposure in our sustainable indices to companies with a -2 or -3 SDG score



Source: Robeco Sustainable Index team

Paris-Aligned Global High Yield Bond strategy. The Paris-aligned strategy aims to reduce carbon footprints by investing in high-yield bonds aligned with the decarbonization pathway of the Paris Agreement. The strategy is one of the first of its kind in the world and has already raised EUR 125 million from one seeding client.

Our approach towards transition strategies

In 2023 we developed our approach towards transition investment strategies. This topic is particularly important in emerging markets and Asia. As such, the first equity and bond transition strategies we will launch in 2024 will focus on those regions.

Combining return potential and positive impact in our fashion fund

Fashion is a powerful force in society and the global economy. However, the industry faces some serious social and environmental challenges. Through focused investments and tailored engagement, Robeco's Fashion Engagement Equities Strategy, which we launched in 2023, aims to drive sustainability in fashion while capturing the industry's growth potential. It is the first fund of its kind in the world.

As it stands, the fashion industry is far from sustainable. On average, garment workers are paid 45% below local living wages, and under 1% of garments are recycled. It is critical that sustainable solutions are implemented to transform the sector's operations from a linear, take-make-waste model to a circular model, and that important social issues like workers' rights and wages are addressed.

Robeco sees these challenges as value-generating opportunities. Our fund aims to capture financial returns and drive positive change in the industry through a disciplined, long-term investment approach based on engagement. The strategy invests in, and engages with, 30 to 40 publicly listed companies across the entire fashion value chain, from sourcing, to production and consumption, to end-of-life.

There is no standard definition of transition funds, and the term 'transition' can have different meanings in different countries. In the EU, for example, the term has a strong link to the climate and environmental transitions, whereas draft regulation in the UK includes a broader definition, focusing on improvements in the environmental and/or social sustainability profile of assets over time.

Robeco uses a broad definition of transition, so our transition strategies can be linked to, for example, the climate transition, the social transition, the biodiversity transition or a combination of transitions. All the transition products we launch must adhere to the following principles:

- Intentionality: the objective of the strategy must be to contribute to specific sustainability improvements;
- Measurability: the strategy must have a clear and measurable transition objective;
- Credibility: there must be clear scope for the strategy to meet its transition objectives.

Preferably, the transition we are investing in should relate to international certifications or frameworks. We show the frameworks that our climate transition strategies adhere to, including their intentionality and how we measure their success, in the table below.

Table 3 | Robeco's transition framework

Areas of investment	Asset class	Transition objective	Intention	How eligibility is measured
Transition Solutions	Equity/ Fixed Income	Climate transition	To invest in companies contributing to the goals of the Paris Agreement by providing solutions to mitigate climate change.	Have a positive Robeco Climate Solutions assessment, which aims to identify companies whose activities help mitigate climate change.
Transition Leaders	Equity/ Fixed Income	Climate transition	To invest in companies contributing to the goals of the Paris Agreement by enforcing credible emission reduction targets and demonstrating the credibility of those targets.	Have an 'aligned' or 'aligning' assessment based on Robeco's forward-looking assessment of a company's alignment with the goals of the Paris Agreement.
ESG Bonds	Fixed Income	Climate and/or social transition	To invest in bonds whose proceeds are used to finance or refinance, in part or in full, new and / or existing projects with an environmental and / or social objective. These may include green, social, sustainability and / or sustainability-linked bonds.	Based on the existing Robeco ESG Bond Framework.

Source: Robeco

Enhancing how we integrate financially material ESG issues to make better-informed decisions

Robeco has been routinely integrating financially material ESG issues in its investment processes since 2010. Even though doing so has been part of our day-to-day work for many years, we continuously look for areas of improvement. In 2023 we made the following improvements.

All our fundamental equity and credit teams create investment cases for the companies they invest in, and each investment case contains a paragraph about ESG, with a separate section on climate strategy. Given the importance of this topic in emerging markets, our emerging markets equity team places more emphasis on this section of an investment case, linking the impact of the climate risks and opportunities each company is exposed to with its valuation. Moreover, all our investment teams have incorporated Robeco Climate Scores into their investment processes to improve their climate analysis.

Our sustainable multi-asset team has developed its approach to ESG integration further. It has added a dedicated sustainability section as part of the monitoring process of the underlying Robeco strategies that its strategies invest in. It has also developed a sustainability investing toolkit, which helps them manage and monitor their portfolios' sustainability characteristics.

Our quantitative investment teams have introduced SDG tilting in all their equity and credit strategies. SDG tilting promotes the allocation of capital towards companies that aim to make a positive impact and away from companies that are expected to do significant harm. It may reduce the risk the strategies are exposed to over the long term, as companies making a negative impact on the world's progress towards the SDGs might face increased uncertainty about the long-term sustainability of their business models.

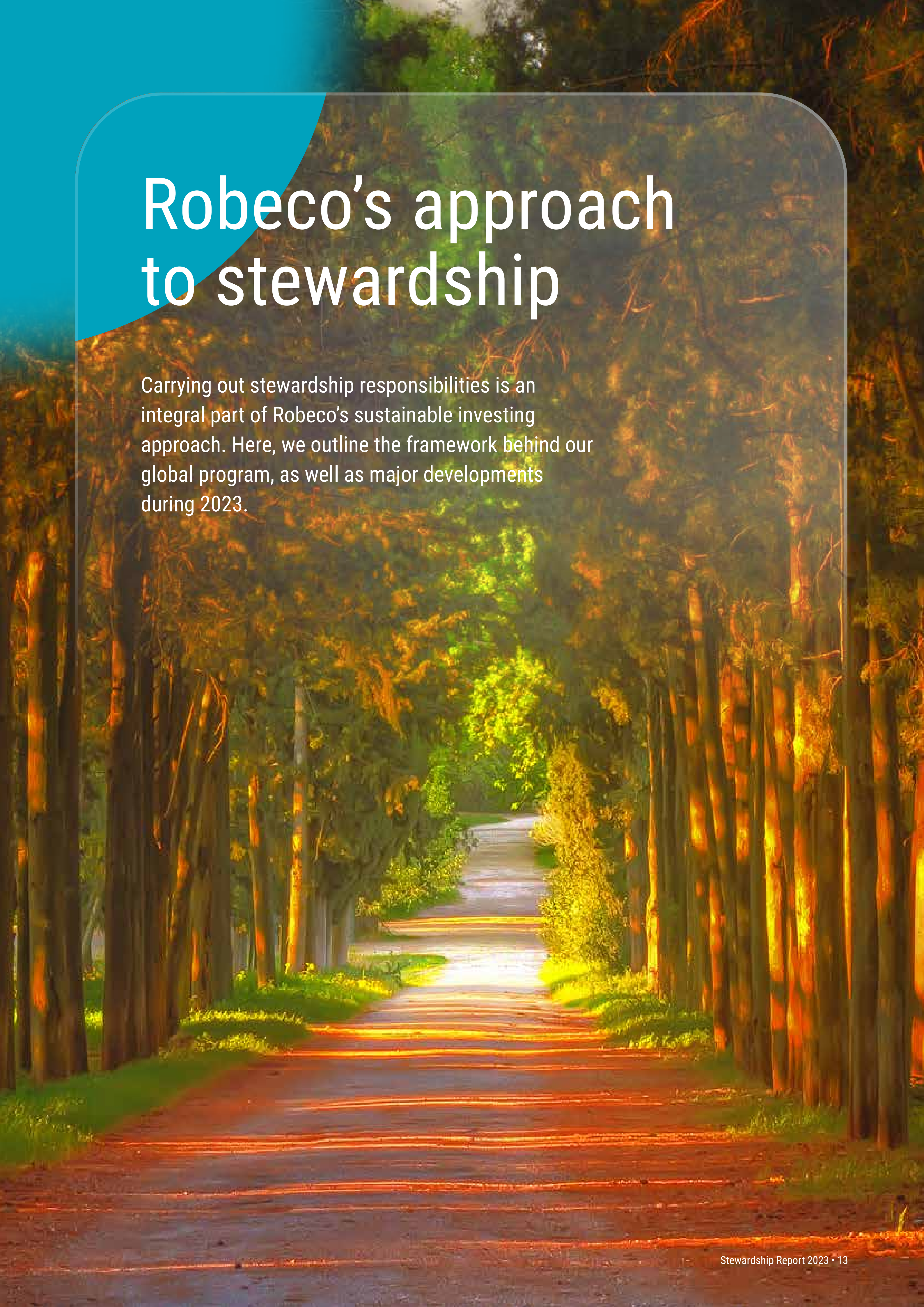
Improving how we report on sustainability to our clients

In 2023 we improved our client reporting on sustainability by adding sustainability information to the factsheets of all of our investment products and the associated product pages on Robeco's websites. The sustainability information we provide includes a portfolio's environmental footprint, its alignment with the SDGs, details of engagements and exclusions, and the product's ESG rating by external data providers such as Sustainalytics.

Our quantitative investment team also improved sustainability disclosure by providing each client for which we run a dedicated mandate with information about its carbon footprint, ESG risk, SDG scores and engagement activities.

Robeco's approach to stewardship

Carrying out stewardship responsibilities is an integral part of Robeco's sustainable investing approach. Here, we outline the framework behind our global program, as well as major developments during 2023.



We are convinced that companies that adopt sustainable business practices have a competitive advantage and are more successful in the long term. Actively exercising our stewardship responsibilities beyond the integration of sustainability criteria in our investment processes is an integral part of Robeco's approach to sustainability investing.

Robeco's Stewardship Approach and Guidelines is closely aligned with our investment mission, which is to use research based, quality-driven processes to produce the best possible long-term results for our clients. Therefore, our stewardship activities are aimed at long-term value creation in our investee portfolio companies, in addition to seeking to create a real-world impact. Our investment and stewardship responsibilities are aligned with our Sustainability Investing strategy, which places a specific focus on climate change, biodiversity and human rights.

Sustainable Investing Center of Expertise

Our Sustainable Investing Center of Expertise is a focal point within the company for all our sustainable investing activities. It delivers sustainable investing expertise and insights to our investment teams, clients and the broader market. The SI Center is led by our Head of Sustainable Investing, Carola van Lamoen, and consists of four pillars:

- active ownership
- thought leadership
- sustainability investing research
- sustainable investing client portfolio management.

Members of the center work closely with the 200+ members of our investment teams, who are responsible for integrating sustainability in their investment strategies.

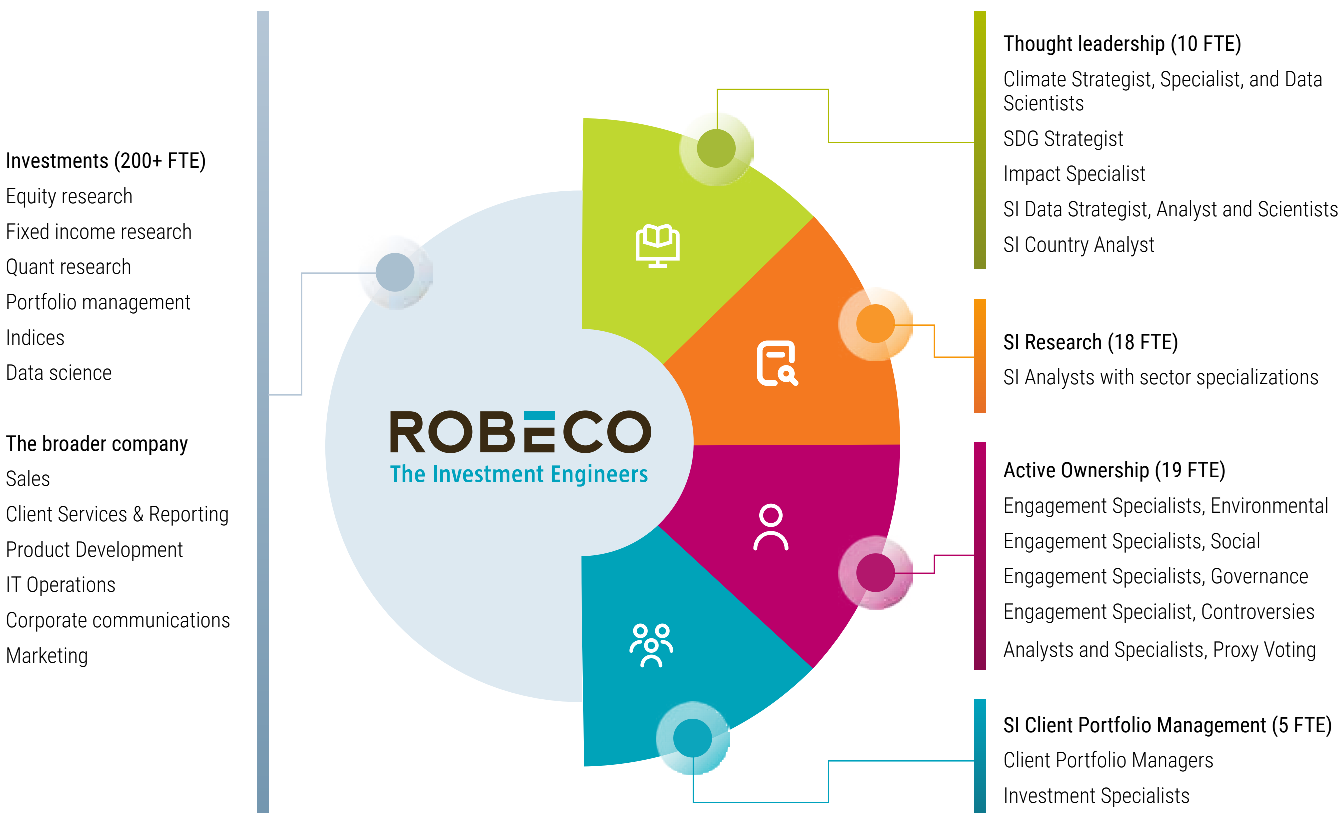
Robeco's dedicated sustainable investing capacity has grown significantly in recent years. As at the end of 2023, there were 52 members in our Sustainable Investing Center of Expertise.

Different parts of the organization have varying responsibilities in executing and overseeing Robeco's sustainable investing and stewardship efforts. The responsibility for sustainable investing is allocated to the most senior level within the Investment department at Robeco. The CIO is ultimately responsible for sustainable investing, and is a member of the Executive Committee (ExCo). The ExCo has overall responsibility for defining Robeco's sustainability approach, including company-wide values, policies, initiatives and actions. Robeco's Supervisory Board monitors the execution of the company policy and advises the executive committee.

Sustainability and Impact Strategy Committee (SISC)

The ExCo is supported in these tasks by the Sustainability and Impact Strategy

Figure 7 | Overview of focus areas within the SI Center of Expertise



Committee (SISC), which acts as a sub-committee overseeing all matters related to sustainability and sustainable investing. The SISC includes members of the ExCo as well as senior managers and sustainability specialists who oversee and drive sustainable investing across the company. This allows Robeco to coordinate sustainability matters from a company-wide perspective. The SISC has the authority to approve policies and set practical guidelines for the implementation of Robeco's sustainable investing strategy.

The Committee is chaired by the Head of Sustainable Investing and consists of the CIO and Head of marketing and sales (ExCo members) and senior executives from investments (including the SI Center of Expertise) and the COO and CFRO domains. Additionally, seven committees oversee the individual core components of Robeco's sustainable investing activities (Climate, Biodiversity, Human rights, SDGs, SI Research, Controversial Behavior). Each committee is composed of senior members of the organization, including senior sustainability experts and members of our investment teams.

Significant changes to our stewardship practices and policies require approval by the SISC. Annual reviews of our stewardship commitments are also presented to and reviewed by this committee.

Figure 8 | Sustainability commitees

SUSTAINABILITY & IMPACT STRATEGY COMMITTEE

12 members, consisting of members of the executive committee, senior managers and sustainability specialists who oversee and drive sustainable investing.
Chair: Head of Sustainable Investing

Climate Change Committee	**Responsibility:** Oversight of climate change-related topics, adapting existing investment strategies, risk management, and active ownership activities, as well as developing new products. *Chair: Climate and Biodiversity Strategist*
Biodiversity Committee	**Responsibility:** To act as central group of competence on biodiversity related topics. Its purpose is to oversee, coordinate and drive Robeco's approach to biodiversity in an overarching and leading strategy. *Chair: Climate and Biodiversity Strategist*
SDG Committee	**Responsibility:** Maintaining and updating SDG mapping framework, systems and processes that are of the highest quality, including the assessment of proposed amendments to the framework. *Chair: SDG Strategist.*
Human Rights Taskforce	**Responsibility:** To further institutionalize our human rights approach and develop a human rights framework and roadmap to ensure that we implement our commitments consistently. *Chair: Human Rights Specialist*
Sustainable Investing Research Board	**Responsibility:** To ensure a close connection between research and investment activities, the research board discusses and monitors focus, prioritization and quality of SI research. *Chair: Head SI Research*
Controversial Behavior Committee	**Responsibility:** Oversight decision-making body for controversial Behaviors of companies and implications to Robeco's investments and outcomes of other Enhanced Engagement processes. *Chair: Controversy Specialist*

Sustainability in the investment process

Robeco's portfolio managers and investment analysts are responsible for ESG integration into the investment process. Robeco offers clients a suite of different investment solutions. This covers various asset classes, investment approaches and sustainable investing building blocks, which includes various types of sustainability analysis, data and the impact of ESG matters on investment decisions and the investment universe. As such, the investment processes, risks, opportunities and exposures differ between these solutions. The investment teams have developed and customized ESG integration processes that add value to their own investment processes, as outlined in Robeco's Sustainability Policy.

Even though assets are managed using different strategies and investment objectives to fit clients' preferences, there is a Robeco-wide philosophy that companies and countries that act in a sustainable way towards the environment, society and all its stakeholders are more likely to be able to deal with problems in the future. As an asset manager, we give shape to this philosophy via a set of policies that ensure our adherence to our stewardshipresponsibilities. These policies are documents outlining and guiding our behavior on ESG integration; sustainability risk integration including climate change; voting; engagement with investee companies; and exclusions, as well as our own Code of Conduct. These policies are subject to a formalized annual review process. This aims to evaluate whether our policies continue to meet best practices in the industry and reflect our internal processes accurately.

Active Ownership

Robeco believes that companies that have strong sustainability and governance policies in place are more likely to act in the best interest of all their stakeholders, and are better positioned to deal with a variety of issues, such as non-financial risks and changing regulations. Subsequently, these companies are also better prepared to address long-term trends such as climate change. On such issues, we believe that engagement and voting are critical elements of a successful sustainable investing strategy and can improve a company's risk-return profile and/or address adverse impacts on the environment and society.

Active ownership involves using our influence and rights as an investor where needed. At Robeco we use engagement and voting to improve the behavior of the companies we invest in because we are convinced that doing so enhances the financial performance of those firms and benefits society. We engage with companies worldwide, in both our equity and credit portfolios, applying the same approach. In addition to corporate engagement, we also conduct public policy engagement.

Dedicated Active Ownership team

The Active Ownership team lies at the core of Robeco's stewardship activities. The team is responsible for all engagement and voting activities undertaken by Robeco on behalf of our clients. This team was established as a centralized competence center in 2005 and currently consists of 18 qualified voting and engagement professionals based in Rotterdam, London, Hong Kong, Singapore, and, as of 2023, also in Zürich.

The team is multinational and multilingual – a key benefit when we have operations globally and across diverse markets. This diversity provides an understanding of the financial, legal and cultural environment in which the companies we engage with operate. The engagement team is split into the following specializations: environmental, social and governance, and controversies.

Engagement and voting objectives

What is engagement?
Engagement consists of a constructive dialogue between institutional investors and investee companies or sovereigns to discuss how they manage ESG risks and adverse impacts, as well as seize business and economic opportunities associated with sustainability challenges. We engage with companies worldwide, in both our equity and credit portfolios, applying the same approach.

What is voting?
As a shareholder Robeco is co-owner of many companies and has a right to vote on shareholder meetings for those companies. We use our voting rights with the aim of influencing the company's corporate governance and other relevant investment-related decisions in the best interest of our clients.

The Active Ownership team works closely together with investment teams and the other members of Robeco's SI Center of Expertise, who contribute significantly with their expertise to the voting and engagement approach.

Robeco's investment teams are consulted in our annual engagement theme selection process, ensuring that the engagement approach is relevant to their portfolios. They provide input for the analysis of engagement cases, adding to the quality and depth of the engagement process, and the investment teams are invited to and informed of ongoing engagement activities and progress. This ensures they have the most up-to-date information on the status of our current engagements, the information from which can subsequently be factored into investment cases to make better-informed decisions.

For our voting activities, the investment teams are consulted on relevant agenda items before we cast our vote, next to reaching out to the SI Thought Leadership team, engagement specialists and/or SI Research analyst.

Focused, constructive dialogues with companies

We focus our engagement efforts on the most material ESG factors and themes. This means we undertake multiple interactions with a company via e-mail, letter, phone calls, meetings or shareholder meetings per year, with a view to changing the company's behavior. These engagements are systematic and begin with clear engagement objectives. Our SMART engagement objectives are designed to focus on evidence-based, concrete engagement outcomes.

We avoid engaging with too large a universe of companies at any one time, as this allows us to undertake extensive, focused and in-depth engagement with the companies with which we do engage.

Our active ownership approach is built on three building blocks:

1. **A long track record:** The experience of the Active Ownership team goes back more than 17 years to 2005.
2. **Multi-dimensional collaboration:** We leverage the knowledge of the entire SI Center of Expertise, from SI Research on companies, to thought leadership on climate change, biodiversity, and the SDGs, to retrieving feedback from our Client Portfolio Management team.
3. **An integrated approach with the wider Investment domain:** We collaborate with the investment teams to enhance the quality of our engagements and make the most of our engagement efforts.

This integrated approach, focused on knowledge sharing and leveraging our financial and sustainable investing expertise, places us in a leading position within the asset management field.

This method has allowed us to build long-term relationships with the companies under engagement and leads to open and fruitful discussions.

Three types of corporate engagement

We distinguish between three types of corporate engagement: value, enhanced and portfolio engagement. In all these types, Robeco aims to improve a company's behavior on ESG issues in order to improve long-term performance of the company and ultimately the quality of investments for our clients. Please refer to the table below for more information.

Public policy engagement

In addition to corporate engagement, Robeco also conducts sovereign engagement. Sovereign engagement is a proactive and collaborative policy engagement approach focusing on strategic and long-term sustainability issues of sovereigns we finance with sovereign debt. Governments have a pivotal role to play in creating sustainable development, as such sovereign engagement aims to create value for both sovereign and corporate investors by improving sustainable business environments within the respective countries. Sovereign engagement follow specific focus areas, aligned with Robeco's sustainable investment strategy and are set up and executed in close consultation with our SI Country experts and global macro investment team.

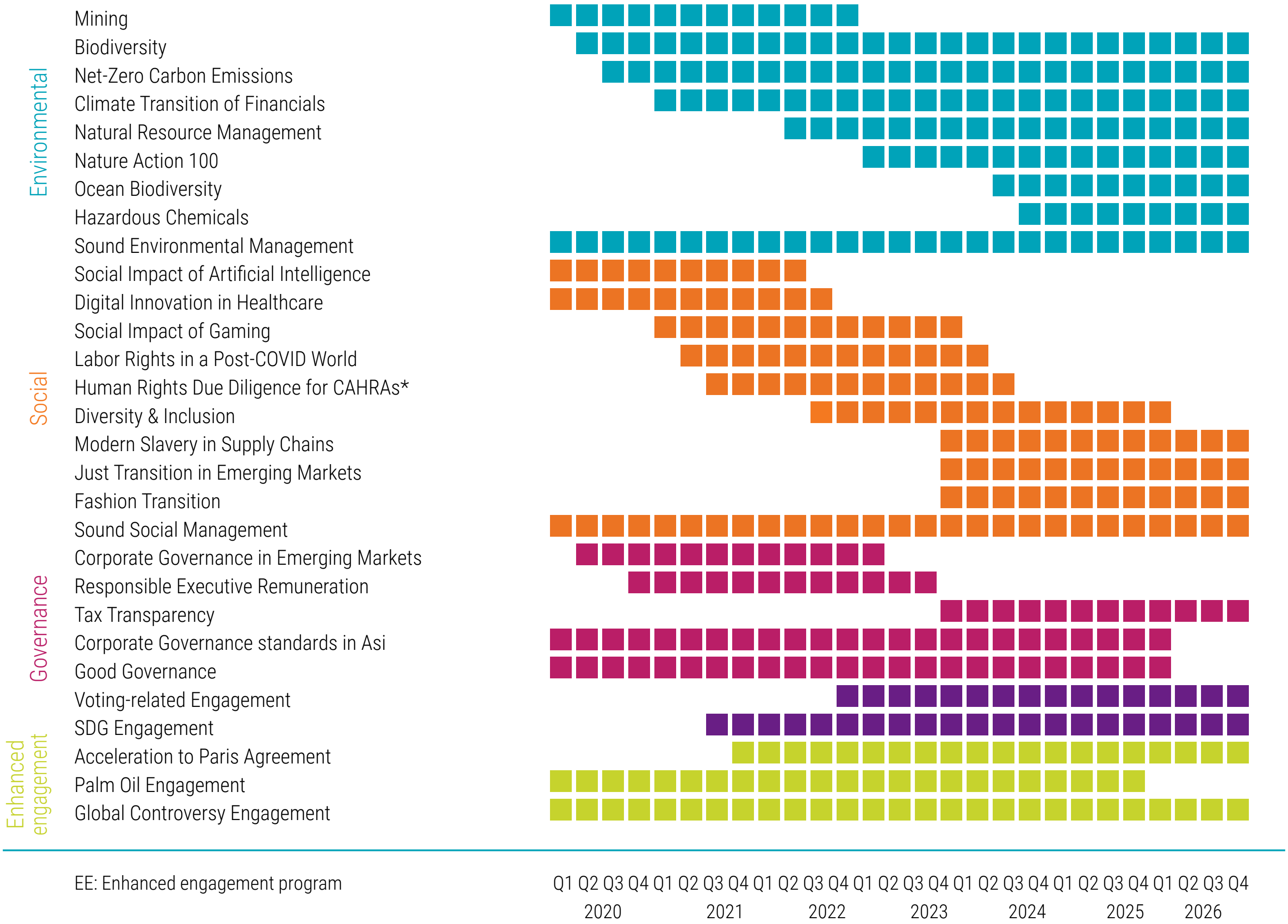
Finally, Robeco actively provides feedback around its voting decisions for a set of focus companies when it votes against one of the agenda items related to its shareholder meeting. Feedback calls are often conducted together with Robeco's Equity analysts or portfolio managers.

Table 4 | Overview of engagement types

Engagement type	Purpose	Process
Value engagement	Value engagement is a proactive approach focusing on long-term issues that are financially material and/or causing adverse sustainability impacts. The primary objective is to create value for investors and mitigate adverse impacts by improving the sustainability conduct and corporate governance of companies.	We identify potential areas for engagement using our knowledge of sustainability and corporate governance , 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. Our value engagement program includes core and focus themes. Core engagement themes are ongoing themes that are aligned with our Sustainability Investing strategy, focusing on climate change, biodiversity and human rights, and ensuring that companies meet basic corporate governance standards. Within these evergreen themes, individual three-year engagements can be initiated as needed. Our focus engagement themes, by contrast, have a defined time horizon of three years, during which we engage with a set number of companies on specific sustainability topics..
Enhanced engagement	Enhanced engagement focuses on companies that severely and structurally 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.	In evaluating corporate behavior, we expect companies to comply with 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. 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. The process for enhanced engagement is a formal part of Robeco's Exclusion Policy.[1]
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 Sustainable Development Goals (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.	Our portfolio engagements target some or all of the companies in our engagement funds and aim to drive a clear and measurable improvement in companies' contributions to the funds' sustainability aims. The engagements take a holistic approach to sustainability, often focusing on companies' contribution to one or more of the UN SDGs.

1 For more information, please refer to 'Robeco Exclusion Policy', on our website: https://www.robeco.com/files/docm/docu-exclusion-policy.pdf

Figure 9 | Overview of Robeco's engagement program & themes



*CAHRAs: Conflict-Affected and High Risks Areas.

Engagement results 2023	319 Engagement Cases	292 Companies Engaged	65% Closed successfully	1,013 # Engagement Activities

Feedback from clients

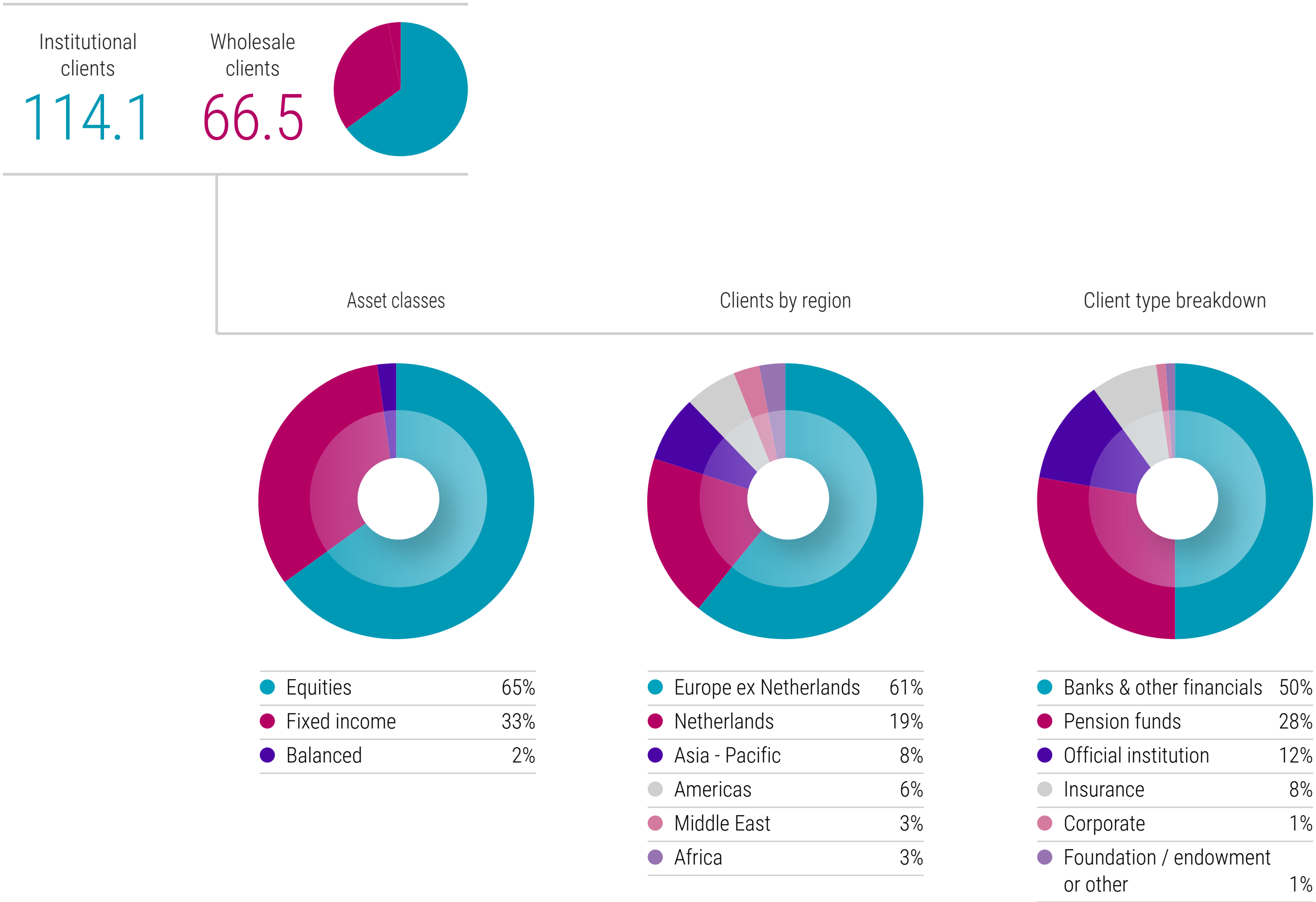
On a bi-annual basis, we conduct an Active Ownership survey, focused on our services provided, relevance of engagement themes, quality of reporting, etc. The next survey will be conducted in 2024. Throughout the year, when we are in contact with our Active Ownership clients, we also collate feedback which is used to make improvements to our engagement program and overall Active Ownership service.

The main feedback that we receive from (potential) clients related to engaging with companies on the topic of climate change. Institutional investors by and large have set up their own climate policies, of which engagement is an important element. Due to this, amongst other reasons, we have implemented the concept of core and focus themes, whereby climate is one of the core themes. By selecting fewer new focus themes to launch each year, the Active Ownership team has additional capacity to take on climate related engagement cases, which could result in higher coverage for our clients, hence assisting them to achieve their decarbonization ambitions.

The feedback related to reporting remains the same as highlighted in our survey last year, clients require more engagement example cases to share with their beneficiaries. We have made some progress on this front in our public engagement reporting, however additional steps could be made here.

Concerning the feedback receive last year on the need from clients to have more general knowledge-sharing sessions on sustainability topics, we have initiated the so-called 'SI Insight Sessions' late last year. These sessions focus on a specific sustainability topic, which is presented by one of Robeco's SI content specialists. We will continue rolling this out in 2024.

Figure 10 | Robeco's clients in figures



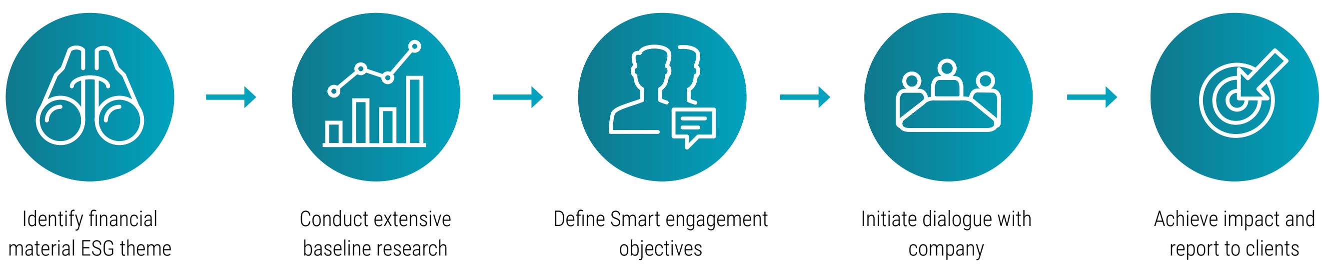
Value engagement

Our value engagement activities focus on a limited number of sustainability themes that we believe have the greatest potential to create financial value for the companies we invest in and address adverse sustainability impacts.

Our value engagement program includes core and focus themes. Core engagement themes are ongoing themes that are aligned with our Sustainability Investing strategy, focusing on climate change, biodiversity and human rights, as well as ensuring that companies meet basic corporate governance expectations. Within these evergreen themes, individual three-year engagements can be initiated as needed. Our focus engagement themes, in contrast, have a defined time horizon of three years, during which we engage with a set number of companies on specific sustainability sub-topics.

All of our engagements, core and focus, adopt a structured approach that consists of five steps.

Figure 11 | The five steps of engagement



1. Identify financial material ESG theme

Our Active Ownership team typically decides on one or two new focus engagement themes every year in close collaboration with our engagement specialists, portfolio managers, analysts and clients. For each focus theme, we prioritize engagements with about 10 companies we invest in that have the highest exposure to the selected theme. Individual engagements typically run for three years, and at the end of the engagement we assess whether it was successful or unsuccessful based on the company's progress towards our predefined *objectives*.

2. Conduct baseline research

Each theme is refined by conducting a baseline research on the engagement topic. This research is used to establish the starting point for individual companies, to keep the engagement focused, and to efficiently address the most material ESG factors. Robeco's investment teams, together with our SI research team, play a key role in the research stage of our engagement themes.
The baseline research report ensures that we begin each engagement with a thorough understanding of each engaged copies sector, markets and company specific circumstances.

Theme selection process

Before starting a new engagement theme, we involve investment teams and institutional clients in our thought process, selection and design of engagement themes.

- **Scope and coverage.** As the starting point for our value engagement theme selection process, we begin with a list of all Robeco internal and client external holdings across both equity and credit portfolios. This provides us with a long list of all potential companies which can be considered engagement candidates.
- **Long-list generation.** Robeco's Active Ownership team determines a long list of financial materially ESG themes with the potential to affect long-term company performance, and matches those to the sectors where they are most relevant. The long list is created in close cooperation with Robeco's sustainability investing research team and investment teams. The SI research team provides analysis such as SDG research, while the investment teams provide valuable insight into the long-term materiality of ESG themes, and their impact on specific sectors. Client input sought throughout the year during client meetings and events is also incorporated at this stage.
- **Client panel.** Following the creation of a definitive long list, ideas are tested during a client panel, open to Active Ownership clients. During this event, the long list of potential engagement themes is presented, along with a high-level engagement plan. Clients are invited to ask questions and/or provide feedback. Based on this feedback, the long list will become a shortlist.
- **Definitive engagement list.** As a final step, the shortlist is reviewed, and two to three final engagement themes for the year are chosen based on their financial materiality and demand by both clients and investment teams. We then select the companies for engagement based on two key factors: i. each company's exposure to the engagement topic, favoring those with the highest exposure for the program, and ii. the overall position to be engaged upon (i.e. total number of clients invested plus size of holding), and individual client holdings.

Another means with which to ensure relevant engagement case selection is through our collaborative work with other institutional investors in joint initiatives such as Nature Action 100+.

3. Define SMART engaegment objectives

For all of our dialogues, we establish SMART (Specific, Measurable, Attainable, Relevant, Time-bound) engagement objectives at the start of the engagement process. This forms a key part of the engagement theme research stage, and ensures that we begin engagement with a thorough understanding of the materiality of the ESG issue in question, the company's current performance on and exposure to the issue, and its baseline performance on the engagement objectives set. These objectives are shared with investee companies.

Both value and enhanced engagements typically run over a three-year period, during which we have regular contact with company representatives, while portfolio engagements run over a period of three to five years.

Each time we are in contact with a company, we discuss the engagement objectives and assess the progress that is being made towards each of the objectives.

4. Initiate dialogue with company

Engagement usually start by explaining our objectives to a company's Investor Relations department via email, letter or phone call, followed by conference calls or meetings with technical experts. Examples of such experts are the Head of Risk Management, Head of Sustainability, Head of Supply Chain Management and a wide variety of other operational specialists. Senior management or non-executive board members are also involved in our discussions.

Escalation strategies

As an investor, we can exercise several rights for stewardship purposes. The right to vote and to engage are the preferred options. We believe that a constructive dialogue with the companies in which we and our clients invest is more effective than exclusion. However, there are instances where escalation may be necessary, such as a lack of responsiveness or progress. In all of our engagements, a lack of responsiveness or progress by the company can be addressed by seeking collective engagement, attending a shareholder meeting in person, or sharing written concerns with the board. This can also lead to adverse proxy voting instructions on related agenda items at a shareholder meeting.

An additional escalation measure is added to our enhanced engagement program. If enhanced engagement does not lead to the desired change, Robeco or our clients can decide to exclude a company from its investment universe. Robeco considers exclusions from the investment universe to be an action of the last resort, applicable only after engagement – our first and preferred option – has been undertaken.

5. Achieve impact and report to clients
Based on the defined engagement objectives at the start of the engagement process, and the baseline assessment of each company under engagement against these objectives, we are able to track a company's progress during the engagement period. Each time we are in contact with a company, we discuss the engagement objectives and assess the progress a company has made towards each one.

To record, process and report on our engagement activities, we make use of a proprietary software solution called the Platform Active Ownership (PLATO). PLATO is used to set engagement objectives and track progress on engagement cases. All activities and progress assessments are logged in the system. To ensure consistency in our engagement approach, and evaluate stewardship standards and quality, the specialists in the Active Ownership team discuss the engagement activity in a monthly meeting. In this meeting, the specialists monitor and evaluate the progress of the engagement activities. The monthly meeting allows for ongoing improvements to the overall engagement process.

When more than half of the engagement objectives have been achieved, we can close an engagement successfully. Whether we close an engagement case successfully or unsuccessfully, we share this information with the company.

Transparency towards our clients and the wider public
Transparency is a key element of Robeco's Active Ownership activities. Robeco's sustainable investing efforts including status updates on voting and engagement are reported publicly on a quarterly and annual basis. Robeco's voting decisions are disclosed on an ongoing basis on our website.[2] With these reports, stakeholders are informed periodically on how Robeco meets its stewardship responsibilities.

A full overview of themes, objectives, and companies under engagement is available in appendix A. Depending on each client's individual requirements, Robeco shares a wide variety of stewardship-related reporting. This includes reports featuring statistics and highlights, which can be publicly shared with clients' individual beneficiaries. We also provide more detailed reporting on individual engagement cases on a confidential basis. With this information, we support our clients in fulfilling their stewardship disclosure requirements through various channels.

New engagement themes in 2023:

- **Just Transition in Emerging Markets.** Launched in Q3, this theme adds a social perspective to our ongoing climate engagements, raising awareness about the impact of companies' climate transition pathways on workers, communities and customers in emerging markets. This engagement theme covers companies in various sectors, starting off with mining and energy. As part of the theme we expect companies to define socially just transition ambitions and strategies, conduct social transition risk analyses and find sustainable solutions.
- **Modern Slavery in Supply Chains.** Launched in Q3, this theme focuses on companies involved in five areas – food, retail, technology, mining and automotive – and aims to strengthen their supply chain human rights due diligence and improve disclosures and practices linked to the detection, prevention and remediation of forced labor.
- **Tax Transparency.** This theme was launched in Q4 and focuses on companies using aggressive tax optimization strategies. The engagements will encourage companies to be more transparent when it comes to their taxation practices, to set up responsible tax policies and create strong accountability and governance systems.
- **Fashion Transition.** Launched at the end of 2023, this theme sets out our expectations with respect to issues including decent work, natural resource stewardship and circular business models and aims to unlock sustainability opportunities across the fashion value chain, from sourcing to end-of-life management.

Enhanced engagement
Our enhanced engagement program acts to address the misconduct of companies related to human rights, labor, the environment and corruption. If a company does not improve its practices during our engagement, our Controversial Behavior Committee can decide to exclude it from our investment universe. We re-evaluate the practices of excluded companies at least once a year and only reinstate them if they have made significant improvements. The process for enhanced engagement theme selection is a formal part of our Exclusion Policy.

– Global Controversy/UN Global Compact breach: these engagements focus on companies that severely and structurally breach minimum behavioral standards outlined in the United Nations Universal Declaration of Human Rights, the International Labor Organization's labor standards, the United Nations Guiding Principles for Business and Human Rights, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. If a company does not improve its practices during our engagement, it could become a candidate for exclusion from our investment universe.

– Palm Oil: these engagements contribute to the establishment of a sustainable palm oil industry. They cover five issues:

- promoting better environmental management
- fauna and flora restoration and conservation
- adopting circular economy principles within companies' production lines
- disclosures of product certifications and traceability
- he social aspect of the production process.

The desired outcome is for companies that we are engaging with to reach 80% Roundtable on Sustainable Palm Oil land certification by the end of 2025. If a company does not achieve this goal, we will add it to our exclusion list.

2 https://www.robeco.com/en-int/sustainable-investing/influence/proxy-voting-record

– Acceleration to Paris: these engagements focus on companies that are lagging in terms of aligning with the Paris Agreement to keep the rise in the average global temperature well below 2°C / 1.5°C above pre-industrial levels and the largest emitters in our investment universe, with the aim of helping them ramp up their decarbonization efforts and set up robust transition plans. Failure to make progress will be regarded as a breach of global standards, with exclusion from our investable universe as a potential consequence.

Portfolio engagement

Our engagement funds invest money and engagement time in companies with the potential to become tomorrow's sustainability leaders. Our portfolio engagement targets the majority of the companies in our engagement funds and aim to drive a clear and measurable improvement in companies' contributions to the funds' sustainability aims. The engagements take a holistic approach to sustainability, often focusing on companies' contribution to one or more of the UN Sustainable Development Goals (SDGs). By strengthening companies' social license to operate, focusing on sustainable solutions and operational models, the engagements aim to create value for both investors and society at large.

Our three current portfolio engagement themes are as follows:

– Sustainable Development Goals (SDGs): Launched in 2021, we engage with all of the companies that the RobecoSAM Global SDG Engagement Equities Fund invests in. The engagements aim to increase companies' positive contributions to the SDGs, using Robeco's proprietary SDG framework as a starting point to identify and engage on key impact opportunities.
– Biodiversity: Launched in 2022, these engagements cover upwards of 25% of the holdings in the RobecoSAM Biodiversity Equities Fund, helping them to move towards more sustainable use of natural resources and ecosystem services and to scale biodiversity solutions. The theme sets out our expectations about bio-diversity-friendly sourcing and operational practices and explores how portfolio holdings can take meaningful steps towards halting and reversing nature loss.
– Fashion Transition: Launched at the end of 2023, the Fashion Transition theme covers all the companies that our Fashion Engagement Equities Fund invests in, helping them move to more responsible and future-proof business models. The theme sets out our expectations with respect to issues including living wage and decent work, natural resource stewardship and circular business models and aims to unlock sustainability opportunities across the fashion value chain, from sourcing to end-of-life management.

Collaboration with other institutional investors

Recognizing the value of different forms of engagement, Robeco carries out individual engagements as well as collaborative engagements with other investors or institutions. Robeco acts collectively in its engagements with other investors when this is appropriate and is likely to enhance engagement outcomes. Robeco is an active participant of many investor associations and collaborations, where we often take a steering role.

Most of our engagements are individual engagements. We know from experience, however, that specific collaborative engagements can be very effective. For topics that Robeco has defined as engagement priorities, we assess if effective collaborative engagement platforms are available. Forms of collaborative engagement includes investor group engagement meetings, co-signing letters to boards of engaged companies or co-filing shareholder proposals.

For instance, we believe that the best way to promote improved market practices is through active membership in collaborative platforms such as the International Corporate Governance Network (ICGN), United Nations Principles for Responsible Investment (UN PRI), Eumedion, European Fund and Asset Management Association (EFAMA), and regional Corporate Governance associations. For each of these platforms, we identify and prioritize our collaborative engagement activities within these memberships. We look for collaborative engagements that are focused and well organized, and which add more power to our engagement approach. Where this is the case, we pursue collaborative engagement where it can improve engagement outcomes within a certain engagement theme. This way, we combine our individual and collaborative engagement efforts to achieve the best possible engagement result. We prioritize collaborative engagement where we can combine these engagements with our individual engagements. Under these circumstances, we will take an active role in collaborative engagement in the form of (co-)leadership, contribution to policy documents, and outreach.

Engagement with governments, government related agencies, or regulators can add value to our engagement program. Therefore we take part in consultations and provide feedback on regulations that facilitate a better or level playing 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. The majority of our engagement activities on this topic are coordinated through the various investor associations and collaborative groups of which we are members. Policy engagement that is conducted via these collaborative platforms can be relevant from an equity investor perspective, from a bondholder perspective, or from both perspectives. For more information, please refer to chapter 'Public policy and partnerships'.

Sovereign engagement

Robeco engages not just with corporate but also sovereign debt issuers. We are involved in collaborative investor dialogues with the Brazilian and Indonesian governments coordinated by the Investor

3 https://www.robeco.com/files/docm/docu-relevant-codes-and-memberships.pdf

Policy Dialogue on Deforestation (IPDD) , and with Australia, coordinated by the PRI-led Collaborative Sovereign Engagement on Climate Change[5]. These engagements encourage and support the countries in question to safeguard and invest in the environmental assets and services that their economies depend on.

In 2023, these engagements focused on strengthening our relationships with these countries, with our engagement specialists travelling to Australia, Brazil and Indonesia to meet government officials, civil society organizations and companies to discuss climate change and deforestation.

Transparent policy framework

The policy framework guiding Robeco's stewardship activities is publicly available via our website[6]. Our overarching Stewardship Approach and Guidelines covers our approach towards transparency in our stewardship activities, our policy for managing conflict of interests and ethical conduct, how we monitor investee companies, and the verification of our stewardship procedures and activities. The Stewardship Approach and Guidelines lives side by side with our Sustainability Policy, covering the processes for ESG integration in our investment strategies and positions on thematic sustainability issues, as well as internal sustainability. On an annual basis our policies are reviewed, and changes can be made based on three reasons:

- due to changes in regulations or stewardship commitments,
- based on new insights or market trends and
- to reflect current practices more accurately.

Robeco's Engagement Policy is integrated within our Stewardship Approach and Guidelines and provides further information on what we expect from investee companies, how we engage with them, and how we communicate on our progress. The Stewardship Approach and Guidelines also includes our Proxy Voting Policy, which sets out guidelines that ensure we vote in the best interests of our clients. These guidelines apply to all proxies voted on behalf of Robeco funds and the majority of discretionary mandates. For some mandates, we implement a client's own voting policy.

Key updates during the past year

Our stewardship and sustainability policy frameworks, including all individual policies on engagement, proxy voting, thematic approaches, and organizational sustainability, are subject to a formalized annual review process. This aims to evaluate whether our policies continue to meet best practices in the industry and reflect our internal processes accurately.

The Active Ownership team coordinates the review within the SI Center of Expertise, monitoring any updates to signed stewardship codes or SI-related memberships that may imply certain commitments.

During 2023, there were no material changes to the policy from changes to stewardship codes we signed, nor from any regulatory changes or feedback from external stakeholders, such as the FRC and the PRI. The main changes to the policy were based on Robeco's own insights and reflection of changes in market practices.

- In our engagement policy, we changed the label of 'SDG engagement' to 'Portfolio engagement' to reflect engagement themes that are directly tied to a portfolio (e.g. Fashion Transition Equities, SDG Engagement Equities, and Biodiversity Equities). We include a description of the engagement work we do in relation to feedback received from companies when voting at shareholder meetings ('AGM engagement').
- In our voting policy, we made incremental changes to the implementation of governance guidelines, such as board tenure, diversity and remuneration. We also reviewed our voting policy on Climate change, Biodiversity and Human Rights. Also no material changes here, with the exception of adding additional biodiversity data sources for screening purposes.

The SI Center reviews trends and changes in stewardship commitments on an annual basis and proposes required updates to policies and reporting in order to meet Robeco's stewardship responsibilities. These proposals are reviewed discussed and approved in the SISC. Compliance department is informed of the results of the annual update cycle.

It is important to us that clients and other external stakeholders have an accurate view of Robeco's stewardship and sustainable investing practices. We believe these amendments have further improved their ability to understand Robeco's approaches and how they have been put into practice by providing all our stewardship-related policies in a single place. Updates in the coming year will continue to be driven by compliance with EU regulations.

In 2023 we screened companies on their performance on several key sustainability priorities for Robeco. Climate change, biodiversity and human rights. For climate change we used benchmarks such as Climate Action 100+ and the Transition Pathway initiative and an internally developed assessment framework to identify companies that have not sufficiently started addressing climate change risks. We have voted against the re-election of the Chair or other agenda items for 208 companies.

Stewardship across asset classes

Robeco's active ownership program spans several asset classes. Our engagement approach is similar across equity and fixed income portfolios, though there may be certain circumstances where the approach

4 The IPDD is an investor-led coalition consisting of over 65 investors from 19 countries with a combined USD 10 trillion of assets. The goal of the initiative is to coordinate a public policy dialogue on halting deforestation.

5 The Collaborative Sovereign Engagement on Climate Change is a pilot PRI-led investor initiative to support governments to act on climate change. The engagement with Australia consisted of 25 international investors that are collectively responsible for USD 8 trillion of assets under management as at August 2023

6 For more information, please refer to the sustainability policies on our website: https://www.robeco.com/ en-int/ sustainable-investing/sustainability-policies-andpositions

may differ. Our enhanced engagement program does not differentiate between investment styles or asset classes. For our value and portfolio engagement approach, our aim is to add value to improve the risk/return profile for our investments and/or address adverse impacts. In all cases, we take the approach of a long-term investor, either from a shareholder or a credit perspective, or both. The majority of our engagement objectives are intended to add value for a broad set of investment portfolios and stakeholders. Our focus areas for engagement as a long-term shareholder and as a bondholder are often aligned.

However, in some instances there may be a difference in focus. For example, differences in engagement objectives between different investment styles or asset classes can be identified. At the start of new engagement themes/projects key stakeholders are identified, which include clients and portfolio managers. Depending on the relevant stakeholders, engagements may have a specific portfolio approach. Engagements for credit portfolios are likely to be focused on downside ESG risks, whereas engagements for equity portfolios are more likely to focus on both ESG risks and opportunities, along with shareholder rights. The SI Center of Expertise is embedded in Robeco's investments domain. This integration allows both equity and fixed income portfolio managers and analysts to routinely join engagement dialogues.

Our day-to-day processes incorporate the need for close scrutiny of the bond market's prospectuses and covenants. All fixed income analysts are trained in reading and interpreting covenant language, and are directly responsible for analyzing the terms and conditions of transactions. Building expertise in this field is vital, so Robeco organizes regular trainings for analysts conducted by external experts from ratings agencies and law firms.

For ESG-labelled bonds, our ESG bond analysts may engage with companies issuing new debt to provide feedback on ESG Bond Framework of the issuer, their sustainability disclosures, and their sustainability strategy. For green bonds in particular, climate considerations for the use of proceeds, net zero plans and the alignment with decarbonization pathways are often the focus.

Robeco carefully evaluates the terms of any potential transaction. In addition to our in-house legal expertise, we retain an external legal advisory firm for in-depth analysis where needed. Our one-on-one relationship with specialized lawyers gives us full access to their thorough analysis of the weaknesses and strengths of proposed terms. Their recommendations provide useful input for our assessment.

Incentivizing stewardship

Our investment teams are responsible for incorporating sustainability considerations into their investment analysis, and their remuneration framework features sustainability-related KPIs. The strategic importance of sustainability is made clear through internal and corporate communications and the significant expansion of SI-related capacity.

In 2023, we updated the content of our internal Sustainable Investing Academy (SI Academy) with the new content set to be released in 2024, in line with our ambition to 'walk the talk' when it comes to acting sustainably. The SI Academy provides online courses on sustainability and enables each of our employees to be a sustainable investing ambassador. There are three levels in the course: essentials, advanced and expert. The essentials level provides information about key elements of sustainable investing and the SDGs. The advanced level explains the details of Robeco's sustainable investing strategy, and the expert content digs deeper into the ins and outs of sustainable investing and sustainable development through external courses from leading universities.

Our employees can include SI Academy courses in their sustainability KPI as part of their annual appraisals. As sustainable investment and stewardship are key elements of Robeco's strategy, all employees have had at least one SI-related KPI included in their annual performance review since 2021. The sustainability KPIs contribute to the execution of Robeco's sustainability investing strategy, which includes explicit measures to promote transparency and prevent greenwashing. In order to build further awareness about greenwashing risks, we developed an anti-greenwashing e-learning module for inclusion in the SI Academy in 2024.

Building confidence through our audit framework

Robeco's stewardship activities are audited on a regular basis. As part of Robeco's annual ISAE report, the external auditor audits our active ownership controls. During this audit, it is assessed whether these processes are robust enough to mitigate potential risks, and the effectiveness of the controls is tested.

In addition, our internal audit department is intensively involved in SI and stewardship activities due to these topics' strategic importance for Robeco. SI and stewardship themes are fixed elements of the annual internal audit plan. Internal audits are conducted on a risk-based approach through periodic departmental audits, such as on Active Ownership's voting and engagement processes, investment teams' integration of ESG factors, or Investment Restrictions' implementation of our exclusion policy. Project-based internal audits on SI-related projects, such as Robeco's implementation of the European Sustainable Finance Action Plan, are also conducted.

The assessment concluded that our voting process and engagement process are well in control and operational risks are sufficiently mitigated.

External recognition

Robeco participates in several governance and sustainability related investor platforms such as the UN Principles for Responsible Investing (PRI), the Asian Corporate Governance Association, the Eumedion Dutch Corporate Governance Platform and many others. Several of these organizations monitor our compliance to their principles or require

Robeco to report on the implementation of their active ownership principles. Further, our annual PRI assessment response is audited by our internal audit department each year.

In 2023, Robeco received external recognition of its sustainable investing strength from various sources. Morningstar again awarded Robeco with an ESG Leader rating for Sustainable Investing at the asset-manager level. Morningstar's ESG Commitment Level is an annual assessment of the strength of the ESG investment program at the asset-manager level and strategy level. Robeco is referenced in the report as one of the 8 ESG leaders.

The PRI's framework and scores are an important external benchmark for sustainable investing. For the PRI 2023 assessment, Robeco has top scores in most modules, and above median scores in all modules.

PRI assessment report 2023

Top scores across modules:

Module	Robeco	Robeco	Median
Policy Governance & Strategy	95%	★★★★★	★★★
Confidence building measures	100%*	★★★★★	★★★★
Direct - Listed Equity	**Robeco**	**Robeco**	**Median**
Active Quantitative	93%	★★★★★	★★★
Active Fundamental	93%	★★★★★	★★★★
Direct – Fixed Income	**Robeco**	**Robeco**	**Median**
SSA	95%	★★★★★	★★★
Corporate	95%	★★★★★	★★★★
Securitised	98%	★★★★★	★★★

Source: Robeco, PRI. Robeco's 2023 PRI Assessment Report can be accessed by searching for Robeco in the PRI Portal. Note that due to methodology changes by the PRI, scores are not comparable with previous years. More information on methodology update is available herere.

Robeco's commitment to excercise its voting rights was recognized in January 2024 by ShareAction, the UK-based research group. Its latest survey assessing how 69 of the world's largest asset managers voted at company AGMs in 2023 ranked Robeco among the best for voting on shareholder resolutions addressing environmental and social issues. It follows ShareAction's 2023 report in which Robeco was the only one of 77 asset managers given an AA rating for sustainable investing.

Managing conflicts of interest

Robeco's Stewardship Approach and Guidelines outlines our approach to identifying and managing conflicts of interest. The approach is based on Robeco's Conflict of Interest procedure.

In 2023, in the normal course of the Active Ownership team's stewardship activities, some potential conflicts of interest were identified and managed according to the Stewardship Approach and Guidelines. These involved, for example, executing proxy votes at the AGMs of (prospective) clients or affiliates of Robeco. Robeco's approach to identifying and mitigating (potential) conflicts of interest related to voting is applied uniformly across our client base. For example, it could be the case that Robeco has voting rights at the shareholder meeting of a company, where the pension fund is also an asset management client of Robeco's. Where such cases occurred during the year, Robeco voted in line with our standard voting policy on behalf of all of our clients, with the exception of the client where the relationship existed, and where a conflict could subsequently be perceived to exist. For these clients, we advised the client that we had identified a conflict and that we suggested not to cast any votes. In these cases, Robeco's Compliance department was also notified of the potential conflict of interest.

In order to ensure ethical conduct in our engagement with companies, Robeco also follows a clearly defined process if material non-public information is obtained. During the year 2023, we had no instances where trading restrictions had to be enforced because engagement work had resulted in obtaining non-public material information.

Our Compliance department is also consulted in the early stages where engagement dialogues might lead to the possession of non-public information, for example the filing of shareholder resolutions that could result in withdrawal agreements. There were no reported instances where this occurred during engagement activities in 2023.

Data providers that support smart stewardship choices

Our Active Ownership team acts as Robeco's in-house competence center on stewardship in the form of voting and engagement. In our stewardship activities, we also use proprietary SI intelligence and research delivered by our SI Research team and our Thought Leadership team. Besides internal resources, we also take into account information received from various service providers in carrying out our responsibilities to meet clients' stewardship needs. Externally sourced data is only used as a starting point for further analysis within Robeco's investment and Active Ownership teams. This is the case, for example, for research and voting recommendations provided by our proxy voting advisor, Glass Lewis. Robeco has implemented a rule-based custom voting policy that drives recommendations in line with the guidelines set out in our Proxy Voting Policy. The Active Ownership team then reviews and validates these recommendations to ensure the incorporation of company-specific circumstances and accurate implementation of policy. Insights from portfolio managers and sustainability specialists are proactively taken into account depending on the content of the agenda. Additionally, in-house developed governance and sustainability frameworks and focus lists are applied by Robeco's voting team to inform voting. Constant review is used to see where these frameworks can be further incorporated into voting advice from the proxy provider.

Within our investment strategies, we use a blend of internal and external data as the inputs to our sustainable investment processes. Our approach is to take the 'best of breed' for each given characteristic or objective. Our preference is to purchase commoditized data where relevant, such as for commonly disclosed ESG data and ratings. Examples of major service providers we use for data and analytics include Sustainalytics, MSCI, S&P, Bloomberg and Glass Lewis. These data sources are supplemented by proprietary content which our expert analysts within the SI research and Active Ownership teams generate. We carry out due diligence of all potential providers as a matter of course in our data procurement process. This involves qualitative and quantitative analysis to ensure it fits within our investible universe, sustainability preferences and relevant technical requirements.

These high expectations are also embedded in our approach to monitoring our proxy voting advisor. Glass Lewis was selected after a thorough benchmarking and RFP process that included the three major providers of proxy voting services. We perform annual due diligence to ensure operational integrity, quality of research and implementation of both Robeco's custom voting policy and our clients' voting policies. Our due diligence with Glass Lewis this year focused on assessing differences between methodologies that are applied by Glass Lewis to deliver voting advice for different markets. We also provided feedback on the implementation of remuneration assessments, recommendations on proposals that are aimed to reverse ESG practices, We also worked closely with Glass Lewis to further align our custom voting advise in line our voting policy in order to reduce the degree of bespoke analysis and manual overrides from Robeco's active ownership team. For Sustainalytics we also increased the frequency of feedback calls given the regulatory developments.

In 2023 we formed a Biodiversity Data Working Group under our Biodiversity Committee. Its task was to look for sources of biodiversity data to further support our investment framework and decisions. It consists of representatives from various departments in our company, including various departments in our investment domain. We evaluated 20 providers and ultimately narrowed them down to a shortlist of two, performing thorough bottom-up company-level and top-down sector-level analyses to identify those which most closely reflect our own fundamental view on nature. This informed our procurement decision. We will publish a paper in 2024 to share our findings with the broader stakeholder community.

Outlook

We expect the ESG data market to continue to mature as more participants in the financial markets scrutinize providers' offerings and processes. We support the introduction of regulation that will govern the activities of ESG rating providers in Europe: it will improve transparency as providers sometimes use models that operate as a black-box, and it will ensure that providers are held accountable for the quality of their output.

In the coming years we expect to see new sources of biodiversity and geospatial data. The launch of the Task Force on Nature-related Financial Disclosures (TNFD) in 2023 set out the standards that financial market participants need to follow to better understand their impacts and dependencies on nature. We expect data providers to position themselves to help meet these requirements, but it will be important to evaluate new datasets critically given the current paucity of corporate reporting on these issues and companies' overreliance on highly modelled, proxy content.

Climate change

As responsible steward of our clients' assets, Robeco is committed to achieving net-zero emissions for 100% of our assets under management by 2050. We are convinced that the low-carbon transition is not only a moral imperative – it is also the prime investment opportunity of our generation. To capture these opportunities, in 2023 we worked to expand our range of investment strategies that enable our clients to invest in the transition towards a net zero economy, as well as expand our climate engagement program.

2023 was the hottest year on record, with extreme weather events causing damage around the world. Examples include massive wildfires in Canada and the US, a prolonged heatwave in Europe and record typhoons and floods in Africa. These events confirm the insights from climate science that the world needs to act now to minimize climate change, as the costs and impact of inaction are increasing by the year.

Robeco supports the objectives of the Paris Agreement and we are a founding signatory of the Net Zero Asset Managers Initiative. Based on these commitments we have set out clear policies and a roadmap for reducing the greenhouse gas emissions associated with both our investment portfolios and our own operations. We also endorse the Dutch National Climate Agreement and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Committed to reaching net zero by 2050

Our net zero strategy focuses on reducing emissions in the real economy. Divesting from high-carbon assets does not mean that they go away – they simply reappear in other portfolios. For the net zero transition to be successful, we need to decarbonize high-emission sectors. This will require considerable capital. We believe our role as investors is to invest in and accelerate the transition by decarbonizing the assets that we invest in. To do so effectively, we need to work alongside governments, companies and consumers. Governments need to set a price for carbon emissions, companies need to increase their green capital expenditure and consumers need to shift to sustainable consumption patterns.

Incorporating climate considerations in our investment processes and strategies

We believe that systematically considering climate change in our investment processes is essential for the future success of our investment strategies.

In 2023, we further expanded our research program on sector-level decarbonization pathways. As part of this research, we analyzed how different sectors need to decarbonize over time to keep their carbon budget well below the 2°C pathway and the types of technologies and policies that are needed to help them do so. We went on to analyze how individual companies are performing against their sector benchmark, considering both their current carbon emissions and their forward-looking transition plan. Our analysts use this knowledge to assess the financial implications for each company, taking into account factors such as capital expenditure.

Based on this research, we have developed proprietary forward-looking climate measures that we can use in our investment strategies. These include:

- Climate Traffic Light: measures the alignment of a company's targets with the Paris Agreement and the credibility of these targets.
- Climate Metric: measures a company's total impact on climate change, including its current emissions and the future mitigation of these emissions.

In 2023 we incorporated these new measures in the dashboards and systems that our investment teams use on a day-to-day basis. In 2024 we will work on geographical adjustments to these measures as the Paris Agreement acknowledges that the climate transition will occur at different speeds in different regions. For example, companies in emerging markets have more time to reduce their emissions.

Working with clients

We offer our clients a broad range of climate-oriented investment strategies. As part of Robeco's net zero strategy we will launch new low-carbon investment

SI dilemma : A tale of two court cases

The discussion on sustainability seems to become more polarized by the day.
Two recent litigation cases against financial companies illustrate this phenomenon.

The financial industry is under pressure to do more on sustainability
In recent years, we have seen companies being sued because of their lack of sustainable practices. The case from Friends of the Earth Netherlands against Shell was on another level, when they held the company responsible for climate change. Now it's the financial industry's turn. The NGO is suing ING Bank in the Netherlands for financing companies with poor climate plans. According to Friends of the Earth, under the same duty of care obligation, ING must ensure that its climate policy is in accordance with the 1.5°C target of the Paris Agreement, reducing its absolute emissions of CO2e by at least 43% in 2030 compared to 2019 levels.

The financial industry is under pressure to do less on sustainability
In another case, the roles are reversed, with ExxonMobil taking an investor and an NGO to court. The oil giant filed a lawsuit in Texas against Follow This, an activist shareholder initiative, and Arjuna Capital, an investment manager in Massachusetts, after a shareholder proposal asked Exxon to set the same kind of Scope 3 emission reduction targets, that Shell had been told to adopt by the Dutch court.

Regardless of the outcome of the court case against ING Bank, it seems clear that at least in the Netherlands, having a good climate policy that also covers Scope 3 emissions is no longer just 'nice to have'.

And regardless of the outcome of the lawsuit against Follow this and Arjuna, the practice of bypassing the SEC and taking direct legal action via a court might make shareholders hesitate to exercise their rights.

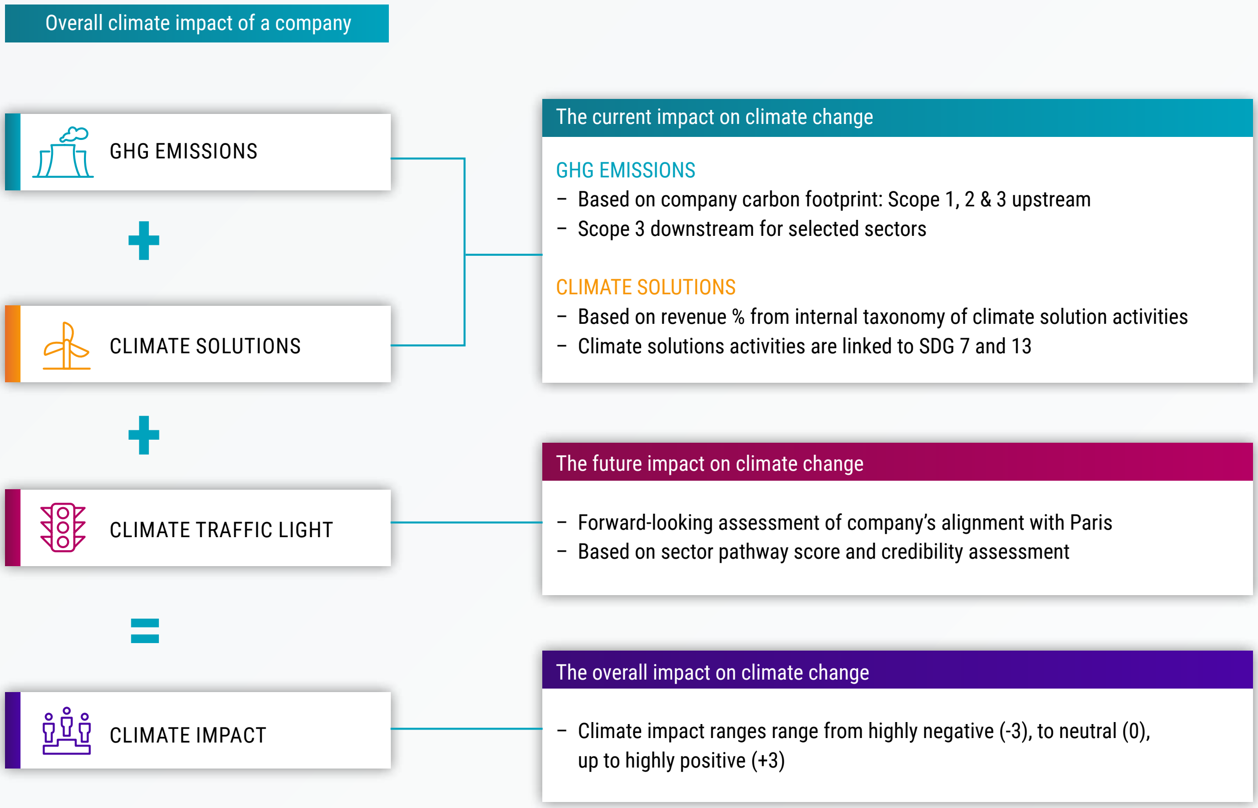
ESG topics over the last two years have become increasingly politicized. Taking shareholder cases to court might further escalate the debate on already sensitive topics. And even though this has happened before, it exhibits poor governance practices.

Full article:
https://www.robeco.com/en-int/insights/2024/02/si-dilemma-a-tale-of-two-court-cases

Climate impact

Robeco has developed a proprietary climate analytics, which is intended to measure the impact of a company on climate change. More specifically, it considers its contribution to climate change and its mitigation.

Figure 12 | Robeco Climate Impact Framework



Source: Robeco

- **GHG Emissions component.** This component focuses on the current impact that companies have on climate change, through their greenhouse gas emissions and role in activities which are known to be incompatible with a 1.5°C degree scenario. Specifically, for each company, the score is based on:
  - Carbon footprint (tCO2e/EVIC): Scope 1, 2 and 3 upstream for all sectors; Scope 1, 2 and 3 (upstream and downstream) for sectors where the level of complicity with their Scope 3 downstream emissions is considered high (as defined by Robeco)
  - % revenues from thermal coal (includes power generation, extraction and supporting products & services).
- **Climate solutions component.** This component aims to reward companies which are providing solutions to enable climate change mitigation. These companies are often in industrial sectors and therefore may have reasonably carbon intensive processes. Activities are defined as climate solutions if they are considered to contribute to SDG13 Climate Action. Revenue thresholds are defined by the SDG Committee in line with the SDG KPIs.
- **Paris Alignment component.** This component aims to reward companies for taking positive steps towards reducing their emissions from current levels. It also punishes companies which are lagging. The score is based on the traffic light assessment developed by Robeco. The traffic light is composed of an alignment assessment of company's targets relative to their sector pathway and of a credibility assessment which assesses the likelihood of a company delivering on their targets.

The Paris Alignment component rewards companies for setting ambitious and credible targets to reduce their emissions, whilst also recognizing the current carbon footprint as the starting point. The level of reward depends on the absolute scope of emissions reductions:
- For high and very high emitters: the level of uplift is highest based on the positive impact their emissions reductions could have on global emissions.
- For medium emissions: the level of uplift is slightly lower because the level of impact they will have is lower than the high emitters.
- For low emitters: These get the lowest uplift because of the small impact their alignment would have on global emissions. We still like to reward the aligned companies as there can be indirect impacts through employee and supply chain engagement for example.

The final climate impact assessment is the sum of the three underlying component scores, with a lower bound of -3 and upper bound of +3.

products. We will also help clients who invest with us via mandates to achieve their individual decarbonization goals. We estimate that nearly two-thirds of our mandate assets are managed on behalf of clients that have made a commitment to net zero. However, most of these assets do not yet have a formal decarbonization target. In 2024 our teams will reach out to our clients to discuss their net zero plans and how to integrate them into the mandates that we run for them.

Climate collaborations

If a net-zero economy is to be achieved, global markets need to price carbon emissions and climate risks into the value of goods, services and assets. Robeco works in partnership with asset owners, other asset managers, standard-setters such as PCAF, policymakers and academics in support of this outcome. Our collaborations in 2023 included:

- initiating a collaboration with Mirova and 10 other investors to set up an industry standard and database for measuring avoided emissions from investments in climate solutions;
- participating in various working groups of the Institutional Investor Group on Climate Change (IIGCC) to develop guidance and solutions for investors on, for example, climate solutions and Scope 3 emissions (see IIGCC);
- working with the Glasgow Financial Alliance for Net Zero (GFANZ) to develop guidance on a just transition in Asia (see GFANZ);
- working with the Dutch financial sector commission on implementing the Dutch Climate Accord (see Climate Accord).

Climate engagement program

Our climate engagement program aims to capitalize on our influence as an investor to help accelerate climate action by companies and countries. Our climate engagements with companies focus on high emitters that are lagging in the energy transition. For some of these companies, divestment may be the ultimate consequence if our engagements prove unsuccessful. We include banks in our climate engagement program so that we can engage with the sources of funding for projects (such as new oil fields) that generate emissions as well as the companies that are directly involved.

Our proprietary climate traffic light model helps us identify companies that represent priorities for engagement. This model assigns companies a color of dark green (aligned), light green (aligning), amber (partially aligning) or red (misaligned) based on their level of alignment with the goals of the Paris Agreement. In 2023 we assessed the top 250 emitters in our equity investment universe according to our traffic-light model. We found that only a small proportion of these companies are transitioning their business models in line with the Paris Agreement. Most of the companies remain misaligned.

In 2023 our climate engagement program consisted of 54 engagement cases. Overall, we have seen progress in companies committing to net zero emissions by 2050 and setting intermediate emission reduction targets for their direct emissions (scopes 1 and 2). However, significant challenges remain for most companies in implementing credible decarbonization strategies and setting targets for scope 3 emissions, particularly for companies in the oil & gas, chemical and mining industries.

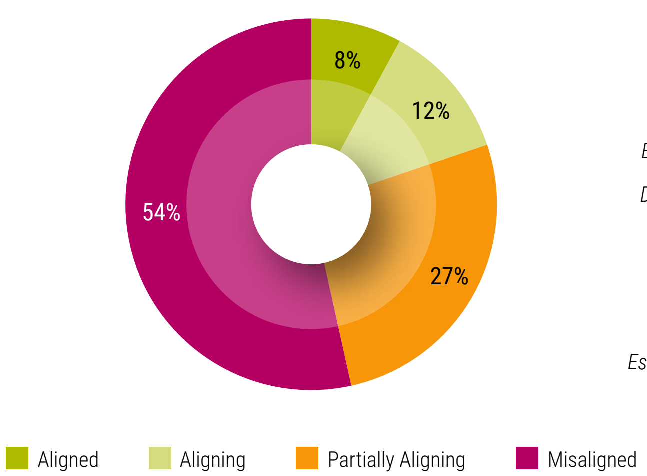
Robeco participates in collaborative engagement dialogues whenever possible and deemed to be of added value. In 2023 Robeco participated in collaborative engagement at over 20 of the Climate Action 100+ initiative's focus companies, either as a lead or a contributing investor.

In 2024, we further enhanced our climate engagement approach, by incorporating minimum climate expectations.

Figure 13 | Robeco's engagement approach to climate change: prioritizing Misaligned and Partially-aligning companies

Assessment of 250 emitters in our investable universe

Distribution traffic lights scores



	Absolute Climate Laggards	High-emitters	Banks
No. companies	15	32	8
Engagement type	Enhanced	Value	Value
Dialogue duration	4 years	3 years	3 years
Collaboration	Climate Action 100+ 1 Leading 2 Collaborating	Climate Action 100+ 11 Leading 6 Collaborating	IIGCC
Escalation strategy	Voting, Divesting	Voting	Voting

Source: Robeco. Assessment per November 2023.

Table 5 | Climate-related engagement themes

Engagement theme	Targeted outcome
Net-zero carbon emissions	Our engagement program focuses on achieving decarbonization for the four key emitting industries: oil and gas, electric utilities, steel and cement that are regarded as hard-to-abate. It encourages the companies under engagement to take climate change mitigation action and secure their long-term license to operate.
Acceleration to Paris	Our engagement program focuses on decarbonization of sectors that are the most exposed to the energy transition. These companies have been selected based on their overall emissions footprint as well as the maturity of their climate strategies. By selecting those companies that are furthest behind, we aim to optimize the potential for improvement over the timeline of the engagement program. For companies that are not progressing towards our minimum standard, divestment may be the ultimate consequence if our engagement is unsuccessful.
Climate transition of financials (to be renamed to 'Climate and nature transition of financials' in 2024)	The main aim of this engagement program is to support financial institutions in managing climate change-related risks and opportunities, in light of their clients' climate transition. We will focus our engagement on the banking sector, which has a vital role to play in financing the climate transition and helping their clients achieve their climate strategy.
Just transition in Emerging Markets	This theme adds a social perspective to our ongoing climate engagements, raising awareness about the impact of companies' climate transition pathways on workers, communities and customers in emerging markets. This engagement theme covers companies in the mining and energy sector. As part of the theme we expect companies to define social just transition ambitions and strategies, conduct social transition risk analyses and incorporate this into their operations.
Australia (sovereign engagement)	We are involved in collaborative investor dialogues with the Australian government coordinated by the PRI to take action on climate change by improving climate policy and target-setting.

We expect companies in scope of our top-250 emitters list to meet the following criteria:

1. Disclosing GHG emissions data, at least Scope 1 and 2.
2. Having GHG emissions reduction targets, at least in Scope 1 and 2.
3. For companies with upstream Oil & Gas activities: Having methane emissions reduction targets.
4. For owners of coal power generation >300MW: Having a coal phase-out plan or at least a Net Zero commitment.

We are using these criteria to identify climate laggards. In 2024, we have launched enhanced engagement with seven companies that fail to meet these expectations. To remain eligible for investments, the companies must meet the relevant minimum expectations by the end of the engagement period.

Net-zero carbon emissions: the 1.5°C goal

Investor engagement is a critical tool to ensure that companies are on a transition pathway that limits global warming to 1.5°C. In order to more effectively achieve this, in 2020 we grouped all our ongoing climate change engagement efforts under our consolidated 'Net-Zero Carbon Emissions' engagement program.

In March 2022, we expanded the Net-Zero Carbon Emissions theme, adding 15 new companies, bringing our total to 27. These companies have been selected following an assessment of the transition readiness of the top-250 emitters in our investment universe.

Our results after three years of engagement

It is still too early in the process to comment on the success of our engagement with the companies that we added in March 2022. However, of the original 12 companies that we began engaging with in 2020, we closed five engagements successfully and three unsuccessfully by the end of 2023. The remaining four were extended, with the aim to drive further necessary improvements to meet our standards.

Overall, we registered positive progress for almost all the companies under engagement. The industries which registered the highest level of progress were the steel and cement sectors. Considered as hard-to-abate industries, these companies showed meaningful improvements, especially in disclosing detailed capital alignment and decarbonization strategies.

Although the oil and gas industry has taken several initiatives to address the net-zero transition, we feel that there is room for improvement, especially in outlining reduction targets for Scope 3 emissions, and reallocating capex away from potentially stranded fossil fuel assets. Indeed, as we witnessed in the last three years, setting targets for Scope 3 emissions has been one of the main challenges on the net zero pathway for oil and gas companies.

Acceleration to Paris: paving the road

Since the start of the Acceleration to Paris program in 2020, there have been a number of events that are material to our engagement with companies. The most significant are the passing of the Inflation Reduction Act (IRA) in the US, a law which allocates significant attention and capital towards scaling clean energy, as well as the invasion of Ukraine by Russia. Both have had dramatic, long-term impacts on the energy transition, and subsequently how companies should respond to managing these risks and opportunities going forward.

These events create added impetus for companies to appropriately manage their climate-related risks and opportunities, and it supports the need for continued, targeted engagement with companies that are failing to do so. Acceleration to Paris is classified as an enhanced engagement program, and, as such, we take a more proactive approach to escalation throughout the engagement. This ultimately leads to the potential for divestment if we do not see significant progress.

An area of focus for the engagement program is thermal coal power. As the most polluting fossil fuel, and one which has economically available low-carbon substitutes in the form of wind and solar, it is critical that no more unabated thermal coal power generation units are constructed. This is also a lens that was applied in company selection. The focus of our engagement is to limit new construction of coal-fired power plants and ensure that companies put in place a transition plan for phasing out their exposure to these assets. We encourage companies to close down thermal coal assets and transition into low-carbon power sources, utilizing the benefits that the site offers in terms of grid connections and access to water. We have seen positive progress so far from a number of companies in cancelling thermal coal power projects and clarifying the timelines for phasing out their exposure to these assets.

As we continue to monitor companies on their climate performance, we have expanded the Acceleration to Paris program by adding new cases to the theme over the last couple of months.

Engagement on the just transition in emerging markets

Climate action requires a holistic approach. While limiting environmental impacts is key, doing so should not come at a cost to vulnerable workers, local communities or other stakeholders. Socially adverse impacts of companies' climate actions, such as jobs lost due to the downscaling of polluting activities, need to be taken into account. As part of our new 'Just Transition in Emerging Markets' engagement theme that was launched in Q3 2023 we are engaging with companies in the mining and energy sector, about their just transition ambitions and strategies. Our approach includes assessing and managing their transition risks, engaging with stakeholders (such as labor unions and community representatives) to find long-term solutions for job loss due to the transition of business operations, and developing best practices that can serve as examples for other companies.

CASE STUDY

Heidelberg Materials – Net-zero carbon emissions theme

Heidelberg Materials is a German building company. Its products are cement, ready-mixed concrete, and aggregates. The company's core business is the production and marketing of cement and aggregates which are the essential raw materials for concrete. It is currently the number one global aggregates producer and number two global cement producer. It serves customers in 60 countries across 5 continents.

Reason to engage

The company has historically had a large climate footprint due to its activities in the hard-to-abate cement sector.

Our baseline research has assessed Heidelberg's performance against our eight engagement objectives. Heidelberg has SBTi approved decarbonization targets and a strong decarbonization strategy. Its climate change governance and capital alignment methods are also strong. We see room for improvement in its climate change policy advocacy. Furthermore, the alignment of its sustainability report with the TCFD disclosures could also be improved. Our engagement will mainly prioritize these areas. Nevertheless, we also intend to discuss with the company how it could improve its decarbonization ambitions and strategy.

Engagement efforts

Having engaged with the company both individually and as a supporting investor under the Climate Action 100+ initiative, the company has showcased not only good awareness of climate-related risks, bit also a very pro-active approach to addressing them.

Over the course of the engagement, the company's emissions reduction targets were validated by the Science-Based Targets initiative against a 1.5°C pathway, and the company presented a detailed decarbonization strategy to meet its medium- and long-term targets. Among this were the in July 2023 announced plans to open its first fully decarbonized cement plant in Germany. The company furthermore included climate change performance elements it its executive remuneration and appointed a sustainability officer to the Executive Board.

We successfully closed the engagement in the fourth quarter of 2023.

Climate voting policy

We use voting power 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 and Urgewald's Coal Exit List.

As a result, in 2023 we voted against management recommendations at 208 shareholder meetings due to our concerns about companies' climate change performance. The management resolutions relate primarily to the nomination of the chair of the board and other relevant directors.

A growing number of companies are putting their climate transition plans up for vote at annual general meetings. In 2023 we voted against 65% of the transition plans put to vote. We expect these management resolutions to include greenhouse gas emission reduction targets that are aligned with the goals of the Paris Agreement, covering all material scopes of emissions, and a decarbonization strategy for how the targets will be met. In particular, we did not support plans with significant gaps in their emission reduction targets, such as the emissions they cover, or that lacked credible decarbonization strategies.

We also use our voting rights to support shareholder proposals that help address risks linked to climate change. In 2023 we supported 78% of climate-related shareholder resolutions. We assess shareholder resolutions on their merit. In general, we support resolutions requesting enhanced climate-related disclosures or risk management and the setting of targets in line with the goals of the Paris Agreement.

Public policy engagement on climate change

Robeco also calls on governments to fulfill their vital roles in the transition toward net zero. Governments are in the unique position of being able to steer the behavior of companies and consumers through their legislative power, and they also have a duty to protect their citizens from the adverse effects of climate change.

In 2023, there were two climate-related policy engagement activities worth highlighting:

1. Robeco supported a letter by the Institutional Investor Group on Climate Change (IIGCC) sent to UK Prime Minister, Rishi Sunak following the government's announcement on key net zero policies. The letter signaled deep concern with the recent proposals to 'backtrack on vital policy measures that support the UK's transition to net zero'. The letter was supported by 31 other investors and financial institutions.
2. Robeco supported a collective letter by 36 financial institutions sent to the International Seabed Authority (ISA) asking it to postpone granting permits to dredge the seabed for valuable minerals, until the full risks and opportunities are known.

CASE STUDY

Nippon Steel – Acceleration to Paris

Nippon Steel Corporation is the largest steel producer in Japan and one of the top five producers globally. The company supplies steel products such as steel sheets, pipes, and stainless steels. It is mainly exposed to the auto, construction, and energy sectors. Steelmaking accounts for around 85%-90% of its revenue, while the remainder stems from engineering and construction, chemicals, new materials, and system solutions. Around 35%-40% of its revenue is from exports.

Reason to engage

Our analysis of Nippon Steel's climate strategy indicated that there were gaps in the company's commitment to improve energy efficiency and climate action. In our engagement with the company, we prioritized three of the eight engagement objectives, namely 'Coal Transition Plan, 'Emissions Reduction Targets' and 'Decarbonization Strategy'. Under these targets we will request the company to set clear short-, medium- and long-term targets for all material scopes of emissions, which are aligned with the goals of the Paris Agreement. Furthermore, we will work to ensure that the company has a robust plan in place for transitioning away from the use of thermal coal in its operations.

Engagement efforts

The Japanese company Nippon Steel is one of the world's largest steel producers. Japan's steel industry had only been offered 10% of the country's Green Innovation Fund subsidies aimed to finance the climate transition.

During our engagement with the company, we encouraged Nippon Steel to lobby for more policy support in its transition. The company is now part of the industry lobbying for more government support. And although Japan has announced a larger transition fund to include subsidies for increased energy costs and production –expanding on the scope of its Green Innovation Fund – the amount designation for the steel industry has not yet been confirmed.

Climate voting in practice

We apply a set of thresholds using established independent benchmarks such as Climate Action 100+ and the Transition Pathway Initiative company scores to identify companies making poor progress towards achieving net zero emissions and whose boards do not seem to recognize the risks that climate change involves. For these companies, we vote against the Chairman of the Board. If this individual is not up for election, we oppose the election of the Chair of the Audit Committee or the approval of the accounts. We also consider ESG-related issues in remuneration when making decisions on compensation votes.

Biodiversity

Biodiversity in our ESG integration process in cases where it is a financially material topic. Through engagement and stewardship, we have been addressing drivers of nature loss, such as plastics, resource use and commodity-driven deforestation, by engaging with and voting on companies with exposure to these drivers in their value chains.

The decline in biodiversity has significant implications for businesses. Companies depend on the services nature provides and at the same time business activities contribute to the drivers of biodiversity loss, reducing nature's ability to provide the services. The 2023 update of the Stockholm Resilience Centre's planetary boundaries, which define the safe operating space needed to keep our planet's systems resilient and stable for humanity, shows that six of the nine boundaries have already been transgressed. These developments confirm the status of biodiversity as a material topic for Robeco and our clients. In 2023 we took significant steps in identifying and managing the biodiversity-related risks we are exposed to and capitalizing on the opportunities.

Committed to protect and restore biodiversity

Robeco is a founding signatory of the Finance for Biodiversity Pledge. By signing the pledge, financial institutions are calling for and committing to take ambitious action on biodiversity and to set targets before the end of 2024. To deliver on this commitment, Robeco established a Biodiversity Committee with representatives across the company's various departments. Its aim is to drive progress on our biodiversity roadmap.

Delivering on our 2020 commitment to the Finance for Biodiversity Pledge, our biodiversity roadmap sets out our plans to analyze and disclose our exposure to nature-related risks and opportunities and develop a comprehensive biodiversity policy including metrics and targets. The updated policy will include targets for reducing our negative impact and increasing our positive impact on biodiversity by the end of 2024, and will also specify how we report on our progress towards these targets.

Biodiversity investment framework

In 2023 we finalized the design of our Biodiversity investment framework (illustrated in the figure below). We combine sector level impact based on the biodiversity footprint with other data that captures the extent to which companies put or relieve pressure on the material drivers of biodiversity loss through their products, operations and commitments. This approach helps us evaluate how well companies are addressing biodiversity loss and differentiate between leaders and laggards. Experts from our biodiversity partner World Wide Fund for Nature Netherlands (WWF-NL) have provided feedback on our approach to assessing companies' impact on nature loss.

Figure 14 | Our Biodiversity investment framework

Biodiversity outlook – 2024 priorities

Our priorities for 2024 include setting targets to fulfil our Finance for Biodiversity Pledge in line with the published guidelines. We intend to incorporate these targets into our net zero roadmap so that we take an integrated approach to nature that not only addresses climate change but also the related topics of biodiversity loss, pollution, waste and circularity. We will start using our Biodiversity Investment Framework in our investment processes and in addition to our ongoing

SI dilemma: Is it impossible to invest in biodiversity?

The financial sector has recently been showing a growing interest in investing in biodiversity-related financial instruments. In Robeco's annual climate survey of 300 global investors, respondents shared that they are actively seeking to invest in biodiversity-orientated strategies within the next year.

Admittedly, much of biodiversity is hard to invest in through listed securities, and a comprehensive bottom-up analysis is required to map those businesses that are providing the gateway to improved outcomes. To help nature, the focus of companies and investors must be on bending the curve of biodiversity loss, by concentrating on reducing and eliminating the key pressures behind biodiversity loss, such as deforestation, draining wetlands, burning fossil fuels, or polluting rivers and oceans. In line with the Global Biodiversity Agreement signed by nearly 190 countries in December 2022 in Montreal, they must drive a transition to reduce the environmental footprint of production and consumption.

The goal of the Global Biodiversity Framework is to reach a point of no further nature loss in 2030, and from there onward realize a pattern of economic growth that goes hand in hand with the growth of nature.

To achieve this systemic change, we need to rethink what companies are part of the transition toward a nature positive economy. What companies have business models that help reduce the pressure on biodiversity and hence assist nature in its recovery?

Full article: https://www.robeco.com/en-int/insights/2023/10/si-dilemma-is-it-impossible-to-invest-in-biodiversity?ite=41636&ito=2848&itq=394502d1-9c22-41fe-8bea-48b23468a8fe&itx%5Bidio%5D=3553846

engagements we will begin the Nature Action 100 engagement for the companies for which Robeco is the lead engagement investor.

We will also continue to enhance our biodiversity data capability, focusing on our priority sectors. This process will include looking for sector-specific biodiversity data and information specific to particular biological communities (such as forests and oceans), where there are big knowledge gaps. We will continue our research combining the location of company assets and biodiversity data and intend to explore conducting scenario analysis.

Biodiversity collaborations and external commitments

- Our WWF-NL partnership continues to provide expert input for our work: experts from WWF-NL provided detailed input for our biodiversity investment framework and feedback on the initial scores. We developed our deforestation risk assessment with WWF-NL's support. WWF and Robeco jointly presented at events in Australia, Belgium and the Netherlands.
- Finance for Biodiversity Foundation. As the co-chair of the Target-Setting working group, Robeco is taking an active role in developing industry-wide guidelines for investors to set nature targets in line with our pledge.
- Supporting a moratorium on deep sea mining. In 2023 Robeco was a signatory[8] to a letter sent to the International Seabed Authority asking it to postpone the granting of permits to dredge the seabed for minerals. While it may be economically attractive to source minerals from the deep sea, we share the concerns of the scientific community about the irreversible impact this could have on deep ocean ecosystems.
- **Part of the collaborative engagement under Nature Action 100**, targeting 100 companies in eight sectors that are deemed to have an important role to play in reversing nature and biodiversity loss by 2030.

Biodiversity engagement program

Our biodiversity engagements concentrate on companies in sectors that have a high impact on biodiversity loss. In 2023 we continued our Natural Resource Management engagement program, which focuses on the responsible management of natural resources and the mitigation of significant adverse impacts on the environment. We also continued our engagement on behalf of our RobecoSAM Biodiversity Equity strategy, focusing on how companies involved in the apparel, packaged consumer product and animal protein sectors manage biodiversity risks and opportunities. These companies are exposed to high-risk commodities through the materials they source and also stand to benefit from innovation both in products and operational processes that could eventually reduce their impacts on biodiversity.

The collaborative engagement under Nature Action 100 officially started at the end of 2023. It is targeting 100 companies in eight sectors that are deemed to have an important role to play in reversing nature and biodiversity loss by 2030. This includes companies in the chemical, food and metals & mining industries, which are major drivers of nature loss due to their large impacts on habitat loss, overexploitation of resources, and their contribution to soil, water and solid waste pollution.

Biodiversity – concluding our first phase on deforestation

Our engagement program tackling commodity-driven deforestation came to an end in 2023, and we closed two-thirds of the dialogues successfully. During the engagement we learned about a wide range of challenges and opportunities that companies face in different parts of their supply chains. Some involve corporate deforestation policies and companies'

8 https://www.robeco.com/en-uk/insights/2023/08/call-for-moratorium-on-deep-sea-mining

Table 6 | Biodiversity-related engagement themes

Engagement theme	Targeted outcome
Biodiversity	Our engagement work aims to improve companies' sourcing and production practices, focusing on companies with supply chains exposed to the high-risk commodities. We have also expanded our engagement beyond commodity producers to include companies further downstream supply chains. These companies play a role in setting industry standards, and we will engage to move them along in their management of biodiversity risks and opportunities as the topic develops.
Natural resource management	This theme focuses on companies for whom the management of water and waste is a financially material issue, or where they have a significant actual or potentially negative environmental impact. The aim is to enhance companies' risk management of water and waste issues and avoid or mitigate adverse environmental impacts.
Nature Action 100	A global investor-led engagement initiative focused on driving greater corporate ambition and action to tackle nature and biodiversity loss.
Palm oil	This theme addresses both the environmental and social challenges of palm oil and aligning with best-practices in palm oil production as defined by the RSPO standard.
Brazil & Indonesia	Engagement with the government of Brazil and Indonesia on deforestation in collaboration with the Investor Policy Dialogue on Deforestation, of which Robeco is an active member. Robeco co-chairs the workstream responsible for engaging with the government of Indonesia and is on the advisory board of the workstream with the Brazilian government.

efforts to prevent and manage deforestation risks upstream in their value chains. Regulatory developments such as the Deforestation Regulation that the EU introduced in 2023 have accelerated firms' efforts to eliminate deforestation from their supply chains. Encouragingly, several companies that we engaged have committed to align their disclosures with the TNFD framework and have started to assess their impacts and dependencies on nature, especially for their direct operations. They are also exploring ways to minimize their negative impact on biodiversity or compensate for it such as by encouraging producers to implement sustainable agroforestry farming practices.

Natural resource management – Steering down the river

The Natural Resource Management engagement theme focuses on companies for whom the management of water and waste is a financially material issue, or where they have a significant actual or potentially negative environmental impact. The aim is to improve companies' performance by zooming in on several environmental indicators related to water and waste. One of them is that companies need to account for the amount of fresh water that is needed to make certain products, particularly where it is drawn from places where water is already scarce.

More specifically, we expect companies to set adequate, measurable and quantitative targets to avoid or minimize resource use and pollution in line with the policy program, and adopt appropriate time-bound key performance indicators that allow the assessment of progress towards achieving those targets.

In July 2022, we started engaging with the first batch of companies from three high water use or water scarce sectors: Chemicals (fertilizers and resource extraction); Oil & Gas (shale gas); and Paper & Pulp (operating in South Africa, a water scarce area). Companies were chosen because of their high vulnerability to water and waste risks, and for their operations in water scarce areas. In November 2022, we nearly doubled the companies under engagement by adding cases from the Breweries sector, because of its high-water consumption rate, and the UK water utilities sector, because of controversies around wastewater management in the UK.

Next steps

Until now, we have engaged the companies on their exposure to water risks, with the focus on those operating in high water-stress areas, as well as those deemed to have high water consumption. We plan to steer our engagement more towards waste issues in the remaining 18-months, where the focus is on companies that generate hazardous waste and are at risk of polluting the environment and adversely affecting the communities that host them.

Biodiversity engagement: from focus to core

In 2020 we launched our Biodiversity engagement theme, focusing on one of the key drivers of biodiversity loss – deforestation. Our engagements have focused on companies involved in some of the soft commodities that are among the biggest causes of deforestation: cocoa, pulp and paper, natural rubber, beef and soy.

Between 2020 and 2023, we engaged with 12 companies, urging them to make credible zero deforestation and native vegetation conversion commitments, implement strong monitoring systems and address related social challenges, such as land grabbing, in their supply chains.

After three years and more than 150 company interactions, including two withdrawn shareholder resolutions and a visit to Brazil to visit a company's operations and meet its representatives in person, we successfully closed 66% of the dialogues. Throughout the period of engagement, most companies established and accelerated 'no native vegetation conversion' targets (through which they commit to end the clearing of biodiversity-rich land) to as early as 2025, significantly improved supply-chain monitoring systems, and started the process of scaling up regenerative agriculture models.

According to the Forest Declaration Assessment 2023, deforestation continued to increase in 2022. While regulatory and corporate actions to combat biodiversity loss may take time to take effect, it is clear that there is not enough financing for biodiversity-enhancing initiatives and that there are still deficiencies in traceability and monitoring systems. As biodiversity is a key pillar of our Sustainable Investing Strategy, we changed the status of this theme from a focus to a core engagement theme, enabling us to continue to push companies to improve their impacts on biodiversity, and no longer just focusing on deforestation.

CASE STUDY

Sappi Ltd. – Natural resource management

Sappi is a diversified wood fiber company producing pulp, packaging and paper products. Its raw material is sourced from forests and plantations, mostly in South Africa.

Reason to engage

Its operations are highly dependent on water and have an impact on the rivers near corporate sites. We focused on the topic of water shortages and wastewater discharges, highlighting the potential risks to the business and local stakeholders.

Engagement efforts

In May 2023, the company presented a new Group Water Stewardship Policy, in which Sappi committed to developing water management plans to enhance the protection of water resources and to improve the quality of wastewater discharge.

As we have expanded our engagement asks on a larger number of biodiversity topics beyond water and waste, we continue our engagement under the biodiversity theme.

Nature action 100 – Coming into bloom

Nature Action 100 was launched against the backdrop of aligning investor action to contribute to the Global Biodiversity Framework (GBF)[10]. It mobilizes institutional investors to establish a common high-level agenda for engagements, and a clear set of expectations to drive greater corporate ambition and action to stem biodiversity loss. The initiative targets 100 companies in eight key sectors that are deemed to be systemically important in reversing biodiversity loss by 2030, such as chemicals, food, and metals and mining.

Nature Action 100 was formally launched in September 2023 with more than 200 investors representing collectively USD 26.6 trillion assets under management and advice. As a first step, the 100 companies targeted for engagement have received a letter from the group outlining six timely and necessary corporate actions needed to protect and restore nature. Dialogues have commenced in the first quarter of 2024.

Sectors under scope

We reviewed our investment exposure to biodiversity risks across sectors and markets, as well as took into account our clients investment exposure, before selecting sectors and companies that we wanted to engage with under Nature Action 100. Our results suggested that biodiversity risks are concentrated in three sectors in our portfolios, which are exacerbated in our investment strategies with allocations to emerging markets.

As a result, we prioritized our engagement coverage with eleven companies across these three sectors: Materials (chemicals), Consumer Staples (retail, food and beverage, household and personal products) and Consumer Discretionary (retail). More than half of these companies are based in emerging markets.

Tailored to each company, the engagements will push for a better understanding and strategy to address corporates' biodiversity footprints, including the establishment of meaningful targets and reporting frameworks, such

Navigating the waters: assessing company impact on water scarcity

Water scarcity poses a significant risk to our planet, therefore, capturing the impacts that issuers have on water scarcity is vital. Using the SDG framework to assess and address companies' water footprint is a step towards bringing us back into a safe planetary threshold for water use.

In consonance with the philosophy of our SDG Framework, we want to capture significant impacts that issuers have on water scarcity. Therefore, our assessment focuses on companies with substantial operations in regions experiencing high levels of water stress. In addition, we only include companies that operate in 'critical impact sectors' as defined by the Carbon Disclosure Project.[9] Next, we opt for a forward-looking approach that assesses whether the trends in these companies' water footprint are in line with a trajectory that brings us back within 'safe operating spaces' by 2030, the deadline of the SDG agenda.

Thus, companies whose water consumption declines by >1.417% per year on average can reasonably be perceived as adhering to a global pathway that is in harmony with the SDGs. Conversely, companies that are not reducing, and even in some cases increasing their water consumption, impede the SDGs. In addition, to avoid assigning positive/negative SDG scores to companies that currently have a high/low water footprint, we set thresholds on existing levels of water consumption.

Next steps: Water discharge

Whereas water consumption volumes affect the quantity of available freshwater, discharge of untreated water can influence the quality of natural freshwater sources. Due to the lack of company disclosure on discharge water quality, for the time being our focus is on water consumption. However, we actively monitor new sources of information to improve our understanding of the impacts on water quality.

Full article: https://www.robeco.com/en-int/insights/2023/11/navigating-the-waters-assessing-company-impact-on-water-scarcity

9 https://www.cdp.net/en/investor/water-watch-cdp-water-impact-index

Ocean biodiversity and hazardous chemicals lead 2024 engagement themes

Two new Robeco engagement themes will target ocean biodiversity and hazardous chemicals, next to efforts to address high-carbon companies and drive the transition to sustainable fashion.

The ocean biodiversity theme will involve engaging with about six companies that have a significant impact on sea life, such as aquaculture and fisheries. Overfishing and the pollution of maritime environments are two of the five main drivers of biodiversity loss. The hazardous chemicals theme will also target five companies with a view to phasing out production and use of hazardous chemicals, particularly PFAS, known as 'forever chemicals' because their pollutive capabilities last for thousands of years. The hazardous chemicals theme is developed in collaboration with ChemSec, a Swedish NGO that provides investors with research on sustainability performance of chemical companies. We recently signed a letter on the phase-out of hazardous chemicals to 54 companies that ChemSec has in scope.

The choice of themes follows extensive consultation with clients, for whom Robeco manages sustainable investment strategies and also engages with investee companies on their behalf.

Full article: https://www.robeco.com/en-int/insights/2024/01/ocean-life-and-hazardous-chemicals-lead-2024-engagement-themes

10 Aadopted at COP15, the Kunming-Montreal Global Biodiversity Framework (GBF) provides a blueprint for bold action and policy alignment across economic sectors to halt and then reverse biodiversity loss by 2030. Private sector companies, including financial institutions, must play a key part in realizing this goal by aligning their portfolios with the GBF targets, and rapidly shifting financial flows towards a sustainable and just biodiversity transition.

as adopting the Taskforce for Nature-Related Financial Disclosures.

Palm oil – The journey to sustainable palm oil

The environmental, social and governance (ESG) issues associated with palm oil, led by extensive deforestation to create new plantations, have been subject to one of the longest running engagement programs at Robeco. The Active Ownership team has engaged with plantation owners in Malaysia and Indonesia in various ways for more than 15 years; almost as far back as when the team was founded in 2005.

In 2019, Robeco stepped up its process around palm oil, requiring all investee companies to become a member of the Roundtable on Sustainable Palm Oil (RSPO) and to have at least 50% of their plantations already certified, with a clear pathway to having at least 80% certification by the end of 2024. For those companies that have already achieved the minimum RSPO certification threshold, Robeco set up a structured enhanced engagement program to support them in achieving the certification target to be classified as sustainable palm oil producer. Failing to meet the threshold by the end of 2024 will result in exclusion from the investable universe.

Sovereign engagement: A fresh wind in the Amazon

Home to 60% of the Amazon basin, the world's largest rainforest and land carbon sink, Brazil plays a key role in combating climate change. Traditionally however, safeguarding the value of the rainforest, has stood in contrast to the developmental benefits of expanding Brazil's agricultural sector, which is estimated to represent up to 29% of the country's GDP. While recent studies have shown that expanding agricultural production is possible without further geographic expansion, especially in the cattle sector which is seen as one of the key drivers of deforestation, the lack of incentives and financial streams being directed towards greater efficiency in agriculture is oftentimes hindering the sector's transition.

As such, in 2022, Brazil had the world's highest cover loss rate of tropical trees. Deforestation had surged under former president Jair Bolsonaro's regime (2019-2022) and is only now starting to decrease as new President Lula's administration is working towards eliminating deforestation by 2030.

Focus of engagement

The engagement takes place at many different levels; consulting, connecting and representing the views of local civil society organizations, governmental agencies and even corporates, who can become important allies in the country's environmental transition.

In April 2023, Robeco and other IPDD members travelled to Brazil to discuss deforestation actions under the new government. We met with among other representatives of the Ministry of the Environment, Planning and Indigenous People, as well as with governmental sub-organizations such as IBAMA, the environmental enforcement agency, to understand whether political promises were being upheld. From an incentivization angle, our recent trip to Brazil included numerous discussions focused on unlocking new channels to finance the country's green transition. We engaged with the Brazilian Central Bank and the Bank of Brazil to explore how to strengthen local sustainable credit markets, pushing the development of clearer taxonomies and verification systems.

Overall, with President Lula's environmental commitments and a first fall of 34% in deforestation rates having been witnessed during the first half of 2023, a fresh wind seems to be blowing through the Brazilian rainforest.

Biodiversity voting policy

In 2023 we also introduced a deforestation proxy voting policy targeting companies with high exposure to deforestation risk and inadequate procedures to reduce their impact, and companies that have been involved in repeated severe deforestation-linked controversies. We have voted against the most appropriate agenda items for the companies involved.

Sovereign engagement on deforestation

We are aware that halting deforestation requires more than just engaging with companies – we also need to urge governments to act, as they have the power to drive the change that is needed. We have accordingly been engaging with sovereigns as part of the Investor Policy Dialogue on Deforestation initiative since it was set up in 2020. We co-chair the workstream responsible for engaging with Indonesia's government and actively participate in the Brazilian workstream.

Social and employee matters

Human rights are universal and should apply equally to everyone, everywhere, at all times. Companies have a responsibility to respect human rights within their operations and supply chains. This responsibility extends to investors in those companies and their portfolios.

The concept of human rights encompasses a broad range of topics that vary in terms of priority and implementation throughout the world. The Universal Declaration of Human Rights, adopted by the UN General Assembly in 1948, and for which 2023 marked the 75th anniversary, provides the principles and building blocks of human rights conventions, treaties and other legal instruments.

Protecting human rights remains an important issue in our engagements, particularly for companies operating in or sourcing from high-risk or conflict zones. This is reflected in our 'Human rights due diligence for conflict-affected and high-risk areas' engagement theme, which we expanded in 2023 to include Russia-Ukraine in addition to Myanmar, the Xinjiang province of China and the occupied territories of Palestine. At the November 2023 UN Forum on Business and Human Rights, the UN's High Commissioner for Human Rights spoke of the highest number of ongoing violent conflicts and wars since 1945. This highlights the importance for companies operating in conflict-affected and high-risk areas of having in place adequate human rights due diligence and management systems to mitigate the operational, legal and reputational risks that they are exposed to. Halfway through the three-year period of this engagement theme we have seen some of the companies under engagement hire dedicated human rights specialists and develop effective due diligence processes.

Guiding principles of our approach to human rights

Robeco embraces its responsibility to respect human rights and believes that we can play a role in advancing human rights by engaging with companies we invest in on human rights issues. The UN Guiding Principles on Business and Human Rights, the UN Global Compact and the OECD Guidelines for Multinational Enterprises underpin our approach to considering human rights issues in our investment and active ownership processes. Our approach to human rights is also aligned with the International Labor Organization's labor standards. Input from our data providers and our in-house research highlight the major human rights issues that our portfolios are exposed to. We actively engage with firms we invest in on their implementation of the UN Guiding Principles on Business and Human Rights. We regularly review our policy and procedures on human rights, considering key takeaways from engagements and feedback from both internal and external stakeholders.

Tackling the data challenge

In 2022 we set up a Human Rights Task Force to contribute to developing our approach to human rights. After assessing our approach with respect to key international human rights frameworks, in 2023 we developed a draft social framework to improve how we assess human rights and social issues at the companies we invest in. We developed our social framework in close consultation with our investment teams as it is intended to help them understand the social performance of the companies we invest in.

Our social framework covers the following topics:

1. Workplace practices;
2. Community impact;
3. Product responsibility;
4. Social supply chain management.
   We have performed a the sector-level assessment and aim to develop company-specific scorecards in 2024.

Human rights collaborations

We act with other companies and institutions to further the causes of responsible investment and human rights.

Table 7 | Social-related engagement themes

Engagement theme	Targeted outcome
Human rights due diligence for conflict-affected and high-risk areas	This theme aims to mitigate exposure to human rights violations by focusing on companies operating in three conflict-affected or high-risk areas.
Labor practices in a post Covid-19 world	This engagement theme focuses on protecting workers' rights and upholding appropriate labor practices in labor-intensive sectors. We are engaging with three key sectors: retail, gig economy and hospitality, where the pandemic exposed vulnerability and lack of safeguards for workers.
Social impact of gaming	This theme focuses on the social impacts of gaming for companies operating in the video game industry.
Diversity & inclusion	This theme aims to promote robust corporate D&I practices.
Modern slavery in supply chains	This theme aims to enhance companies' effectiveness in identifying and addressing modern slavery risks. The engagement will also focus on how companies provide impacted stakeholders with effective remediation measures and prevent further recurrences by working closely with suppliers and establishing the right accountability structures within their organization.
Fashion transition	The engagement program on Fashion Transition addresses the operational impact of companies sitting at all stages of the fashion value chain and product lifecycle – from raw material sourcing, preparation, garment production, consumption and end-of-life management – and aims to deliver positive change. Through 5 engagement objectives, we address social, environmental and governance factors: Decent Work, Natural Resources Stewardship, Circular Models, Stakeholder Engagement and Governance and Policies.

For example:
- Robeco is a member of PRI's Human Rights Stewardship initiative's Advisory Council (Advance). This initiative aims to coordinate investors' efforts to address social challenges through collaborative engagements
- We are also part of the Advisory Council of the Investor Alliance for Human Rights, a platform for collective action on responsible investment that is grounded in respect for people's fundamental rights and receives support from various NGOs.

Engaging on social issues

In 2023 we started two new social engagement themes: one focused on the just transition in emerging markets and the other on modern slavery in global supply chains. These themes will run for three years, initially alongside the themes that we began in 2021 and 2022. We also continue to integrate social considerations in our voting decisions.

Human rights due diligence – Where one cannot look away

Investors recognize that adverse human rights impacts pose regulatory, legal, financial and reputational risks to business. When these are not managed or mitigated, they could negatively impact the value of a company. To address this, we launched a dedicated human rights engagement program in the fourth quarter of 2021.

The correlation between conflict-affected areas and human rights violations necessitates that companies conduct enhanced and robust due diligence to understand and mitigate the potential harm their operations may cause. The engagement also focuses on reporting, remediation and performance measurement.

At the start of the engagement theme, we selected 10 companies from eight different sectors with significant exposure to CAHRA, with a focus on the Occupied Palestinian Territories (OPT), Myanmar and China/Xinjiang. Each company operates in different industries and areas but shares the opportunity to improve their human rights risk due diligence and management in these challenging contexts.

CASE STUDY

Walmart – Labor practices in a post-covid world
Walmart Inc is a US food retail company.

Reason to engage
The company has for a long time been under severe scrutiny for its low starting wages. Our dialogue has been focused on the company conducting a living wage assessment and adapting minimum wages appropriately.

Engagement efforts
Over the last year, Walmart has engaged in simple payment restructuring following employee feedback, such as integrating bonus payouts in hourly pay instead of quarterly payouts, as well as raised minimum wages by 17%, from USD 12 to USD 14 per hour in March 2023. While not yet meeting living wages and continuing to fall behind peers, these amendments do showcase first considerations towards helping to meet employees' rising cost of living.

The progress of the engagement has varied among the companies. Overall, they have been open to our engagement. It remains challenging for most companies to close the gap between their commitments and implementation, as demonstrated by some cases where positive commitments did not translate into tangible processes. It is crucial for companies to bridge this gap between their commitments and actual results. In our engagement going forward, we will increase our focus on companies' implementation efforts. The engagement also revealed regional trends, with better progress observed in the OPT compared to Myanmar and Xinjiang.

Expanding our engagements

The past two years have been influenced by ongoing and emerging conflicts and other geopolitical developments. In light of the Russian-Ukraine war and the increased attention to Xinjiang, another four companies have been included in the engagement program.

In addition to our company engagement, we will continue to consult relevant stakeholders such as civil society groups, international human rights organizations and experts. Since obtaining information regarding the situation on the ground in CAHRA is extra challenging, we note the importance of this consultation as being necessary to achieve a positive outcome of our program.

Labor practices in a post-covid world – The forgotten everyday hero

In 2021, we launched our engagement on 'Labor practices in a post Covid-19 world', focusing on those sectors where working conditions were put into the spotlight throughout the pandemic, whether due to extreme pressures on them, or a complete halting of operations. In many cases, the labor issues that surfaced were an amplification of existing, yet often hidden industry characteristics, from seasonal demand spikes at hotels and low wages at food retailers, to unprotected worker contracts within the online food delivery sector. While the world seems to have moved on from the pandemic fright, the aftermath of the global lockdown and the labor issues they highlighted continue to mark low-wage earners' lives, especially as costs of living are rising. As such, we began to engage with companies from across the hotel, food retail and online food delivery sectors to encourage them to address the systemic labor risks highlighted throughout the times of crisis.

Engaging on diversity & inclusion

In 2022, we opened a dedicated diversity and inclusion engagement program, focused on addressing inequalities in gender and ethnic pay, discriminatory company policies and unequal opportunities for promotion at the companies we invest in. By considering employee diversity at each step of their human capital management processes, firms can make themselves more attractive places to work, cut costs linked to turnover, and benefit from more diverse perspectives and skill sets. Through this theme, we aim to help companies tap into the full potential of everyone in their workforce, creating value both for themselves and for wider society.

In line with this engagement, we have continued to vote against management on specific agenda items when the company fails to incorporate minimum standards on gender diversity at the board level. We will continue to evaluate issues on a case-by-case basis, and support those shareholder resolutions that aim to resolve social issues such as racial equality.

Engagement on modern slavery in global supply chains

Through their complex supply chains, companies across the globe are exposed to modern slavery risks. It is crucial for companies to identify and address modern slavery conditions – which can be hidden deep within their supply chains – to meet their obligation to respect human rights, avoid reputational risks, prevent disruptions and comply with an increasing number of regulations. Through this new engagement theme we will engage with a limited number of companies across the food and retailing, mining, technology and automotive sectors with the aim of enhancing their effectiveness in identifying and addressing modern slavery risks. The engagement will also focus on how companies provide impacted stakeholders with effective remediation measures and prevent further recurrences by working closely with suppliers and establishing the right accountability structures within their organization.

Enhanced engagement and exclusions

In addition to engagement themes related to human rights and social issues, we also focus on companies that severely breach the principles of the UN Global Compact and / or the OECD Guidelines for Multinational Enterprises in our enhanced engagement screening and related engagement program. Exclusion is available as a last resort for any company that fails to improve to meet the minimum standards..

Closed engagement theme: The social impact of gaming

The role of video games in the lives of young and old alike gained prominence during the COVID-19 pandemic. People suddenly had a lot of spare time, but limited options in terms of how to use it. Video games filled the gap for a lot of people. The companies creating them came under considerable scrutiny from parents, teachers and regulators on issues such as in-game purchases and gaming addictions. We got involved by starting an engagement theme on this in 2020, starting engagements in 2021. In 2023 we concluded this engagement program, closing our engagements with four of the five online gaming companies successfully.

Following our engagement, we have seen companies take concrete steps towards more responsible game development. For example, most companies made progress in instilling features in their games to combat inappropriate behavior and prevent people – children in particular – spending too much time and money. These features include automatic text filtering and age verification. Through our engagements, we also highlighted the importance of sound human capital management practices as we saw workplace conduct scandals and frustration at overwork in the industry lead to media coverage. We were particularly pleased to see progress across the board in terms of the companies' diversity and inclusion policies, and they also put in place improved employee engagement feedback and complaints mechanisms.

A similar screening process forms part of our Country Sustainability Ranking, which we conduct twice a year and helps us identify countries with significant human rights problems. As part of this process, we review and / or use data from:

- The World Bank: World Governance Index on Political Stability and Absence of Violence / Terrorism
- Freedom House: Freedom in the World index on political rights and civil liberties
- Fund for Peace: Fragile States Index
- International sanctions

If a country exceeds pre-defined thresholds for at least three of these four criteria, we exclude it from our investment universe, in line with our Exclusion Policy.

Social voting policy

Social topics mostly find their way onto annual general meeting (AGM) agendas via shareholder proposals. As not all AGMs include such proposals, in 2022 Robeco developed another way to integrate human rights and social considerations in our voting approach: we started flagging

CASE STUDY

Activision Blizzard – Social impact of gaming

Activision Blizzard is a US video game company

Reason to engage

The company faced allegations of employee misconduct towards the end of 2021, generating widespread media coverage and leading to employee outrage.

Engagement efforts

The company has resolved an investigation with a state regulator. It also implemented a multi-pronged initiative to increase diversity among its personnel and strengthen its employee protection policies. We discussed the initiative at length with the company as part of our engagement and provided feedback on how Activision could progress the resolution of the issue by increasing the efficacy of its new measures.

We were pleased to see this feedback, the actions taken, and the results of the actions reflected in a comprehensive public report detailing how the company and its employees managed workplace conduct and harassment claims. Furthermore, we see the company's progress on this issue over the period of engagement as a positive example that can be referred to by other companies facing similar claims.

human rights and social concerns with companies that have exposure to such issues and that do not provide any evidence of having adequate human rights due diligence processes in place – a key requirement of the UN Guiding Principles on Business and Human Rights. In 2023, we continued to vote against the sustainability committee chair or the financial statements and audit reports at companies involved in human rights issues. We will evaluate the success of our approach and consider how we can enhance it over time.

Sustainable Development Goals

Robeco continues to view the Sustainable Development Goals (SDGs) as a blueprint for sustainable investing and has been running fundamental credit and equity strategies that aim to contribute towards the SDGs since 2018. Robeco has developed methodologies and frameworks that measure the contributions of firms and countries to the Sustainable Development Goals.

Robeco's SDG frameworks are based on rigorous research, and enables us to establish SDG scores for firms and countries within the investment universes of SDG-focused strategies. In 2023 we undertook a number of initiatives linked to the SDGs, such as making Robeco's SDG company scores publicly available as part of the Sustainable Investing Open Access Initiative, enhancing our Country SDG Framework and publishing several research papers to share our insights linked to the SDGs.

Enhanced Country SDG Framework

Our Country SDG Framework analyzes whether countries' policies support the SDGs, whether investors can help countries gain better access to the capital they need to promote sustainable development, and whether countries are involved in controversies that violate the SDGs. Similar to our SDG Framework for companies, the outcome of this assessment is a Country SDG score that ranges from -3 to +3. These scores help us construct sovereign bond portfolios that contribute towards the SDGs.

Having developed the first version of this framework in 2022, we made a number of improvements in 2023. In particular we applied machine learning techniques to automate the analysis, improve its robustness and perform more in-depth assessments.

Robeco's company SDG scores shared publicly

Our Company SDG Framework assesses a company's contribution to the SDGs. These impacts can stem from the products or services that it provides, its operations, or from any controversies it is involved in. The framework involves a systematic approach to rating the impacts that companies have on the diverse economic, social and environmental sustainability objectives set by the United Nations.

Our Company SDG Framework culminates in an SDG score for every firm we analyze, showing the firm's impacts on each of the 17 SDGs and its overall impact on the goals. The SDG scores range from -3, indicating that a company has a highly negative impact on the SDGs, to +3, signaling a highly positive contribution. A score of 0 indicates that a company has no significant impact on the goals.

In 2022 we made our SDG scores available to our clients and academics as part of our Sustainable Investing Open Access project. In 2023 we went a step further by making the SDG scores of around 12,000 companies available on our website to anyone who is interested. Through this initiative we aim to advance research and thought leadership on sustainable investing, promote transparency and build a consensus around how to analyze companies' contribution to sustainable development.

SDG engagement program

Initiated in September 2021, the SDG engagement program focuses on encouraging companies to align their business strategy with the SDGs. The theme aims to address to what extent companies produce products and services that make a clear contribution to address sustainable development challenges, and whether they develop new business models and expand their businesses into otherwise underserved markets, countries or regions.

For the SDG engagement strategy we defined five engagement objectives, with a set of underlying milestones for engagement progress against the SDGs.

Figure 15 | Engagement objectives SDG engagement program

Impact plan	SDG mapping	Target setting	Stakeholder management	Integrated governance
Companies should link their materiality assessment to relevant SDGs in order to identify their priority impact areas	Sustainability reporting on relevant impact indicator metrics on the SDGs	Setting specific, measurable and time-bound goals	Maintain a constructive dialogue with key stakeholders about the impact of their products/services	Integrating sustainability into the core business and governance

CASE STUDY

Volvo – SDG Engagement

Volvo Cars is a Swedish multinational manufacturer of luxury vehicles.

Reason to engage

We are engaging with Swedish car manufacturer Volvo as part of our SDG engagement theme due to the positive contributions the electrification of its vehicles is making towards SDGs including SDG 11 (Sustainable cities and communities) and SDG 13 (Climate action).

Engagement efforts:

Recently the focus of the engagement has been on the company's climate strategy, which is now aligned with limiting global warming to 1.5°C. Volvo is striving for a net zero value chain by 2040 and plans to achieve net-zero emissions by 2050. Due to concerns that we and other stakeholders have expressed, in 2023 the company published not only its decarbonization roadmap, including intermediate targets, but also shared its technology roadmap, illustrating the decarbonization of customers' use phase, which accounts for 95% of Volvo's Scope 3 emissions.

Besides the improvements it has made with respect to transparency, Volvo has increased deliveries of fully electric vehicles in recent years, in line with its target that 35% of the vehicles it sells by 2030 should be battery electric vehicles. Our engagement with the company is still going on.

Good governance

A well-structured corporate governance system aligns the various interests of all the stakeholders in a company, including shareholders, management, clients, suppliers, financiers, government and the community. It supports the company's long-term strategy.

We expect companies to have a well-defined corporate governance system that balances the interests of all stakeholders. Corporate governance refers to a set of rules or principles defining rights, responsibilities and expectations between different stakeholders in the governance of corporations. It can enhance the stability and performance of a company and support its long-term strategy. Corporate governance provisions can differ strongly between regulatory markets.

We want companies to implement the guidelines shown below to the best of their ability and within the limits of any applicable local corporate governance framework. We recognize that sustainable and well-governed companies must satisfy the basic and legitimate requirements of its capital providers. Therefore, we expect prudent capital allocation as a basis for responsible company management.

Engaging on governance topics

Robeco's voting and engagement activities on good governance are based on internationally accepted guidelines, such as the principles set by the International Corporate Governance Network (ICGN), the UN Global Compact principles, and several OECD principles including the OECD Principles of Corporate Governance.

Responsible executive remuneration – Incentivizing sustainable value

In 2020, Robeco launched its 'Responsible executive remuneration' engagement

CASE STUDY

Nike – Responsible executive remuneration

Nike, Inc. is an American athletic footwear and apparel corporation. It is the world's largest supplier of athletic shoes and apparel and a major manufacturer of sports equipment.

Reason to engage

Nike saw its shareholder support for its remuneration practices plummet in 2020. This sudden drop can be linked to Nike's remuneration choices regarding its transition of CEOs and its compensation of executives during a challenging Covid-19 pandemic. These and other structural issues will be addressed during our engagement.

Engagement efforts

In response to the effects of the pandemic, US athletic footwear company Nike implemented a "more flexible" short-term incentive structure based on two equally weighted, six-month performance periods. We flagged our concern regarding the lack of transparency on certain adjusted performance goals, and were satisfied that the company has since transitioned back to the historical design whereby short-term incentive payouts are earned based on year-long targets.

CASE STUDY

Tesco – Responsible executive remuneration

Tesco plc is a British multinational groceries and general merchandise retailer.

Reason to engage

Following our baseline research we conclude that Tesco's overall remuneration structure is quite robust, but with room for improvement. The company has a fully independent remuneration committee. Despite this strong foundation, the company's most recent use of discretion has highlighted some areas of concern in their overall program.

Engagement efforts

One of the aims of our recently concluded engagement with UK food retailer Tesco was the inclusion of ESG metrics in their executive remuneration. The company has done this by including quantifiable, financially material pre-set ESG metrics in the compensation plan, which links executive pay to three of the sustainability areas assessed as being the most material. For Tesco's 2023 Performance Share Plan awards, the areas identified were carbon and food waste reduction, and enhancements to diversity and inclusion.

Table 8 | Governance-related engagement themes

Engagement theme	Targeted outcome
Responsible executive remuneration	This theme focuses on companies across six sectors in the US and EU with the aim of promoting the alignment of executive incentives with those of investors.
Corporate governance standards in Asia	Engaging on governance issues in Asia. This engagement theme is kept broad to provide the necessary flexibility to accommodate investment team and client requests as engagement needs arise.
Corporate governance in Emerging Markets	This engagement theme addresses material shareholder issues in Brazil, China and Korea, aiming to improve governance and ESG practices.
Tax transparency	This theme focuses on companies using aggressive tax optimization strategies. The engagements will encourage companies to be more transparent when it comes to their taxation practices, to set up responsible tax policies and create strong accountability and governance systems.

theme which is now coming to a close. Throughout the three years of engagement, we reviewed the remuneration policies and disclosures, relevant key performance indicators (KPIs), and incentive structures at a set of European and American companies. Our project focused on four broad objectives: equity compensation; pay for performance; quantum (i.e., height of pay) and the link to equity; as well as structure and oversight.

Even though we bring 'Responsible executive remuneration' to a close as a dedicated engagement topic, we will continue to work on remuneration more generally. For instance, the inclusion of ESG metrics in executive remuneration is a common part of most of our conversations with companies in our SDG engagement program. Remuneration and incentive structures remain a critical tool for shareholders and a key discussion in the field of corporate governance. It has been so for decades, and will probably continue to be so for the decades to come.

Corporate governance in Emerging Markets – Improving disclosure and capital allocation in Asia

Our engagement in emerging markets focuses on companies and is bottom-up in nature. The theme addresses material shareholder issues in Brazil, China and Korea, and aims to improve governance and ESG practices. We have five broad engagement objectives: Improve capital allocation practices, Improve disclosures for the capital markets, Improve independent oversight, Improve management of conflicts of interest, Improve the position of minority shareholders.

We are active members of the Asian Corporate Governance Association (ACGA) and work together for the implementation of effective corporate governance practices throughout the continent. We are particularly active with ACGA in Japan, Hong Kong and South Korea.

During our engagement, we have seen some positive progress on improving meaningful disclosures for investors in several emerging market companies, and even visible leadership in the case of climate-related disclosures in Hong Kong. The progress on efficient capital allocation remains mixed, but we will continue with this important objective.

Tax transparency – Tumbling over taxes

Corporate taxation has become a key point of attention for investors, and at the end of 2023, we have launched a new engagement theme focusing on tax transparency. The aim of the theme is to push for more accountability and meaningful disclosures on corporate tax practices. Additionally, we aim to further our understanding of modern tax policies, and uncover meaningful best practices. To this end, we have grouped our expectations into three main categories: policy and principles, tax governance and systems, and tax transparency.

First, we expect companies to clearly describe their approach to taxation, including the principles and frameworks that inform their decision making. Important topics include how a company aligns its tax payments with its business principles and the economic reality of its operations. Second, companies need governance systems that allocate sufficient time and resources to review the tax policy and its implementation. Governance should be designed to prevent conflicts of interest

CASE STUDY

Woongjin Coway – Corporate governance in Emerging Markets

Woongjin Coway is a South Korean appliance rental business.

Reason to engage

Following the acquisition of a 20% stake in Coway by Netmarble, we began our engagement by asking for an explanation of the criteria used to make the acquisition.

Engagement efforts

We explained the benefits of disclosing a business strategy which addresses material risks and opportunities and which is supported by a financial strategy. We also recommended that the company improve its narrative reporting.

Coway's reporting has improved but remains poor when compared to peers. The company's performance has suffered from a lack of certainty in management strategy, and a decline in the dividend payout, which altogether led us to close the engagement as unsuccessful.

CASE STUDY

Samsung Electronics – Corporate governance in Emerging Markets

Samsung Electronics is a South Korean electronics conglomerate.

Reason to engage

We have been engaging with Samsung since 2017 on issues including improving disclosure of its non-financial strategy, capital expenditure, and board composition. We combined bilateral as well as collaborative engagement with other investors. After we closed our dialogue in the Corporate Governance engagement program we continue to engage with Samsung Electronics in the SDG engagement program.

Engagement efforts

Since the beginning of the engagement, Samsung has increased the diversity and number of independent directors on its board. All key investment decisions are now reviewed by the entire board, with board sub-committees composed entirely of independent directors. Samsung furthermore started to publish its strategy for each of its businesses and has strengthened its environmental reporting.

and misalignments between the company's tax practices and the principles stated in its policy. Finally, we will focus on whether the company's disclosure allows for a sufficient understanding of how tax payments align with economic reality. We will therefore ask for disclosures such as country-by-country reporting, and how the applicable statutory tax rate aligns with the company's effective tax rate.

Building on past learnings
Robeco conducted a similar engagement program on corporate taxation from 2016-2019 with the aim of further enhancing disclosures on tax practices by multinationals. Out of the four objectives that were set at the time, the least progress was made on reporting of tax payments, as most companies were reluctant to disclose their country-by-country reporting publicly unless required by law. For this theme, we expect to benefit from the ongoing implementation of the OECD BEPS initiative, and the increasing adoption of corporate taxation reporting frameworks, such as the GRI 207 Tax Standard. We expect that raising awareness of new developments in tax legislation and reporting standards will help us steer companies towards more meaningful disclosures and responsible practices.

Controversies and exclusions

Robeco adheres to several independent and broadly accepted codes of conduct, statements and best practices and is a signatory to several of these codes.

The most important codes, principles, and best practices for engagement followed by Robeco are:

- International Corporate Governance Network (ICGN) statement on Global Governance Principles
- United Nations Global Compact
- United Nations Sustainable Development Goals (SDGs)
- United Nations Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Responsible Business Conduct for Institutional Investors (OECD)

In addition to our own adherence to these codes, we also expect companies to follow these codes, principles, and best practices.

Engagement on controversial behavior

Our enhanced engagement on controversies on focus on companies that severely and structurally breach minimum behavioral standards outlined in the United Nations Universal Declaration of Human Rights, the International Labor Organization's labor standards, the United Nations Guiding Principles for Business and Human Rights, the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.

Robeco's Controversial Behavior Committee (CBC) has oversight and decision-making responsibilities related to the controversial behavior of corporates. The committee is chaired by the controversy engagement specialist and consists of representatives of Sustainable Investing, SI Research Board, Risk Management and Compliance and the CIO.

If a company does not improve its practices during our engagement, Robeco's Controversial Behavior Committee can decide to exclude it from the investment universe. We re-evaluate the practices of excluded companies at least once a year and only reinstate them if they have made significant improvements.

Process of enhanced engagement on controversial behavior

Robeco uses several ESG data/rating providers' data (such as Sustainalytics, MSCI, RepRisk) as sources for our analysis of breaches of the UNGC and OECD guidelines. Many companies that are assessed as breaching these international norms and guidelines by these data providers are typically included in our enhanced engagement program, subject to our own assessment and whether the company's securities are held in our or our clients' portfolios. In addition, we monitor all companies that are assessed as potential breaches by the data providers.

We review the list of potential breaches on an ongoing basis and conduct our own assessments. Specifically, Robeco's controversy engagement specialist reviews the cases flagged and assess them based on the following criteria:

- **Nature of the breach:** The first step is to assess if the alleged controversy is an actual breach of the UN Global Compact principles. Also, we distinguish between (i) large single incidents with significant individual impacts that bear the hallmarks of a catastrophic failure of systems; and (ii) a large number of smaller breaches that indicate that the company either lacks the commitment or the management systems to meet the global standards.
- **Accountability:** An engagement with a company only makes sense if it can be held accountable. Accountability can stem from direct involvement of the mother company, or via its subsidiaries and associates, and/or also through the supply chain.
- **Severity:** The scale of impact of the alleged breach may depend on the immediate effects of the incident or series of incidents, as well as second order effects such as how it is perceived by other parts of society, and whether there is potential for future outbreaks.

These assessments also include inputs from Robeco's SI analysts and the outlook for any future engagement. Once all the information has been gathered, this is brought forward to the Controversial Behavior Committee for an approval, upon which the committee will decide whether a new enhanced engagement case should be opened.

Targeted objectives

Once a new case is opened for enhanced engagement, the first aim is to eliminate the breach and the second is the implementation of proper management systems to prevent such a breach from happening again. For all cases, the following five objectives are set:

1. Elimination of the breach
2. Development and implementation of policy in the relevant area
3. Establishing a constructive dialogue with stakeholders
4. Implementation of effective risk management systems
5. Transparency on the breach and remediation efforts

When an engagement leads to a successful closure of the first objective (elimination of the breach) and the third objective (establishing a constructive dialogue with stakeholders including having in place grievance mechanisms) and at least one additional objective, the engagement cases can be put forward to the Controversial Behavior Committee. The committee will decide whether to close the engagement case successfully, based on an overview of the dialogue. It is also important to note that an engagement case closed unsuccessfully is reviewed by the committee at least once a year in order to ensure a timely (re-)assessment of a breach.

Escalation strategy

We allow for a maximum of three years of engagement with a company in the global controversy program, whereby we apply a strict escalation process. If the trajectory is not positive, or there is limited progress, we may propose to the committee that the case be closed unsuccessfully and the company excluded from our investment universe without waiting for the full three years (please refer to Figure 16 on the next page).

We believe that this would create more accountability for companies to remediate the impact caused and to improve the management of the issue in order to prevent future occurrences of similar breaches. Clients may use their own discretion on whether to exclude a company from their investment universe.

Exclusion policy

Carrying out our stewardship responsibilities is an integral part of Robeco's approach to sustainable investing. We avoid making any investments that we or our clients deem unsuitable, so we exclude some firms from our investment universe.

Robeco's exclusion policy serves three purposes. First, it represents a minimum standard: we set out minimum standards for products, services and business practices that Robeco deems detrimental to people or the planet, or that are at severe risk of becoming stranded assets, and where we believe the potential to change this through engagement is limited. Second, it is a means of escalation: we use exclusion to escalate engagements initiated due to misconduct. Finally, it enables us to comply with regulations.

We apply two levels of exclusions, depending on the sustainability profile of the fund:

- Level 1 – 'Exclusions': minimum exclusion criteria applied by Robeco in all funds.
- Level 2 – 'Exclusions+': more stringent than Level 1 as it applies stricter criteria and covers more categories. Companies under engagement due to misconduct are not eligible for investment by our strategies that apply our Level 2 exclusions.

Our exclusion policy applies to all assets under management in all funds over which we have full discretion, including those that are sub-advised by group members, but it does not apply to discretionary mandates or client-specific funds.

Figure 16 | Escalation strategy for UN Global Compact Breaches

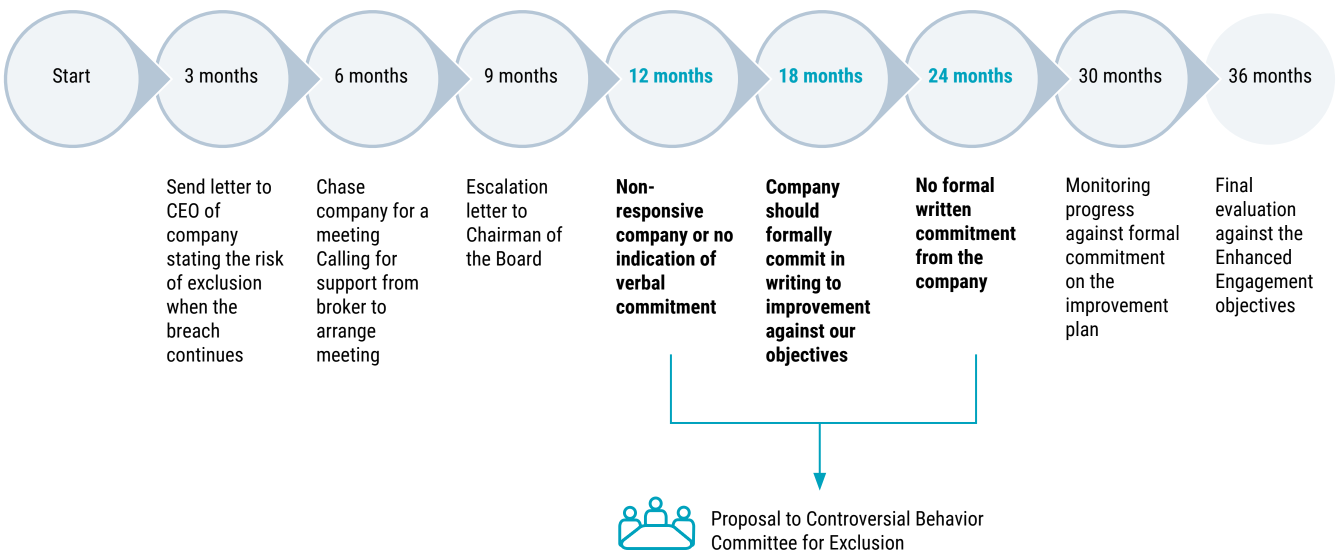


Table 9 | Robeco's Exclusion Policy

			Exclusion category	Measure for screening	Level 1 'Exclusions' criteria	Level 2 'Exclusions+' criteria	Other exclusions
Corporate exclusion criteria	Behavior-based		Controversial behavior	ILO, UNGP, UNGC and OECD compliance[EE]	Subject to engagement[1]	Fail test	Paris-aligned benchmarks (EU Benchamrk Regulation)
			Climate standards	Engagement on Robeco's Paris Alignment assessment[EE]	Subject to engagement[1]	Fail test	FeBelFin 'Towards Sustainability'
			Good governance	Robeco's Good Governance test[EE]	Subject to engagement[1]	Fail test	Sanctions
			AML/CTF	Robeco's KYA assessment based on AML/CTF criteria	Fail test	Fail test	
	Product-based	Weapons	Controversial weapons	Revenues from production, key components or services	≥ 0%	≥ 0%[2]	
			Military contracting	Revenues from weapon-related products or services	Not applicable	≥ 5%	
			Firearms	Revenues from production	Not applicable	≥ 5%	
				Revenues from retail	Not applicable	≥ 10%	
		Fossil fuels[3]	Thermal coal	Revenues from coal extraction/mining	≥ 20%	≥ 20%	
				Revenues from coal power generation	≥ 20%	≥ 20%	
				Coal power expansion plans in MW (pro rata)[EE]	≥ 300 MW[4]	≥ 300 MW	
			Arctic drilling	Revenues from extraction	≥ 5%	≥ 5%	
			Oil sands	Revenues from extraction	≥ 10%	≥ 10%	
		Other products	Palm oil	RSPO-certified hectares of land at plantation[EE]	≤ 50%	≤ 80%	
			Tobacco	Revenues from production	≥ 0%	≥ 0%	
				Revenues from retail	≥ 10%	≥ 10%	
				Revenues from related products/services	≥ 50%	≥ 50%	
Sovereign exclusion criteria			Countries	Robeco's Country Exclusion test	Fail test	Fail test	

EE Enhanced Engagement: The exclusion criteria are linked to Robeco's enhanced engagement program.

1 Companies may be subject to engagement before exclusion. In such cases, exclusion is triggered if the engagement is unsuccesful. If engagement is deemed undesired, companies will be subject to direct exclusion. The extent to which engagement is deemed desired is based on the exclusion category ans factors such as engagebility, relevance, and regulatory compliance.

2 The scope under the Level 2 criteria also covers companies involved in nuclear weapons from so-called 'Nuclear States' (US, UK, France, Russia and China) as defined in the Treaty on the Non-Proliferation of Nuclear Weapons (1968).

3 Investments in green bonds from issuers excluded under one of the fossil fuels-related categories remain eligible.

4 Companies under enhanced engagement in the category climate standards remain eligible.

Source: Robeco, https://www.robeco.com/files/docm/docu-exclusion-policy.pdf

Below we highlight two case studies concerning our exclusion process: the first case study discusses an enhanced engagement case based on climate expectations, triggering a level 2 exclusion. The second case focuses on human rights-related issues. This case has led to a divestment due to a combination of factors and is an exception to the standard engagement and exclusion process.

CASE STUDY

Berkshire Hathaway – Acceleration to Paris

Berkshire Hathaway Inc is an American multinational conglomerate holding company.

Reason to engage

We are opening the engagement with Berkshire Hathaway under the Acceleration to Paris theme. The company has been under engagement within our Net Zero value engagement theme for the past year. The company has been downgraded due to continued poor performance in our Traffic Light assessment, which is used to analyze the climate performance of companies. This takes into account the company's decarbonization targets and broader strategy for reducing climate-related risks.

Engagement efforts

Over the past year, we have engaged intensively with the company. As the company is not meeting our climate expectations, we have voted against the re-election of the chair in 2022 and 2023, which is in line with our climate voting policy. We also joined as a co-lead under the Climate Action 100+ initiative, where we have been coordinating the engagement with the company. So far, we have received a high degree of resistance from the company and the board, which are reluctant to start implementing requirements prescribed by regulation.

Given the limited progress under the Net zero carbon emissions theme, Robeco's Controversial Behavior Committee decided to start an enhanced engagement with this company under the Acceleration to Paris theme.

Nuclear power policy update makes some companies investable

Robeco has updated its investment policy on nuclear power to address the increasingly urgent need to achieve net-zero emissions. The move follows greater governmental commitments to develop deep geological repositories (DGR) to safely store nuclear waste in eight countries over the longer term, with the first one set to come online later this year.

While nuclear power remains risky due to the potential for accidents such as Chernobyl and Fukushima, along with the risks inherent in radioactive waste, it has zero emissions as a fuel source. That makes it ideal for pursuing net zero by 2050 if the risks can be contained.

Robeco has subsequently updated its investment policy for companies engaged in nuclear energy production based on the scoring system used by the proprietary SDG Framework, which measures the contributions that companies can make to one or more of the 17 Sustainable Development Goals.

Under the prior policy, a company engaged in nuclear power production could not gain a positive score, making it ineligible for most of the strategies in Robeco's sustainability focused investment strategies range. Now, a maximum score of +1 is possible, provided the investment team is convinced that the safety and waste management criteria can be met.

Wider net-zero roadmap

The policy move forms part of the wider responsibility that Robeco has in tackling global warming using its Net Zero Roadmap launched in 2021. The revised nuclear power policy is a reflection of what has happened in the last two years, where we see that impacts from climate change are increasing much faster than science had forecasted. Hence the climate emergency is getting bigger every day.

Yet, the current growth of renewables is not sufficient to stop further growth of emissions from fossil fuels, so that means we need a wider toolbox – including nuclear.

Full article: https://www.robeco.com/en-int/insights/2024/02/nuclear-power-policy-update-makes-some-companies-investable

CASE STUDY

PTT Exploration & Production (PTTEP) – Enhanced Human Rights Due Diligence in Conflict Affected High-Risk Areas

PTT Exploration & Production (PTTEP) is a Thai oil & gas company involved in production, development and exploration products globally. PTTEP is a subsidiary of the state-owned PTT Public Company Limited and has multiple stakes in off- and onshore oil & gas ventures in Myanmar. The company is operating one of the largest gas projects via a joint venture with the Myanma Oil and Gas Enterprise ('MOGE') which is the national oil and gas company, controlled by the Myanmar junta.

Reason to engage

In our baseline research we assessed the company's approach to conflict-affected and high-risk areas and how their human rights due diligence processes can mitigate accompanying risks. PTTEP has robust policies and measures in place, yet to thoroughly assess their adequacy additional disclosures and transparency are required. We were also unable to assess if and how PTTEP assesses their leverage and influence towards business partners and other connected entities, which we believe is essential, especially in light of the ongoing situation with human rights violations in Myanmar.

Grievance mechanism

During 2023, we have established our Complaints and Grievance Handling Policy that sets out a process for handling complaints from our clients and grievances received from stakeholders affected by our investments. Any stakeholder is now able to contact Robeco via grievances@robeco.nl and submit a formal grievance, which will trigger our grievance mechanism. Robeco will provide a confirmation of receipt of the grievance within 7 days, and every grievance will be reported to Robeco's SI Center of Expertise. Finally, while the time needed for processing may vary depending on the nature of the grievance, a final response will be issued within two months.

Engagement efforts

We started engagement with PTTEP in Q4 2021 as part of our 'Enhanced Human Rights Due Diligence in Conflict Affected High-Risk Areas' engagement program. Although the company has been responsive, our engagement with the company resulted in a negative outcome. The company was not able to provide any information which could enable us to assess if and how PTTEP assesses their leverage and influence towards Myanmar business partners and other connected entities such as MOGE. Although we noted that PTTEP has published a human rights policy and has a management system in place in line with international standards, we concluded that there is no evidence that PTTEP has taken measures to address human rights concerns at its operations in Myanmar. Despite an escalation letter to the Chairman and our request to meet with key decision makers in Bangkok in January 2024 to discuss the allegations and stakeholder concerns we did not see any progress.

In the meantime, we note that the human rights situation in Myanmar has been deteriorating continuously and civil society attention has surged.

Furthermore, in late 2023, Blood Money Campaign ('BMC'), a local NGO representing local communities in Myanmar called on Robeco to divest publicly and immediately from PTTEP via two letters dating 18 December 2023 and 28 January 2024. BMC is a collective of Myanmar activists and union leaders specifically targeting oil and gas companies active in Myanmar. This triggered our grievance mechanism.

Robeco entered into a constructive dialogue with BMC following the letter of 18 December 2023 and has used the information provided by BMC to further strengthen our understanding of the issues and correlate these findings of local stakeholders with the findings from the dialogue with the company.

Given these circumstances, the lack of progress in our engagement and the fact that there is no evidence that PTTEP will end its relationship with MOGE or that the human rights situation in Myanmar will improve in the near term, we decided to close the engagement unsuccessfully. As a result, Robeco's Controversial Behavior Committee decided to divest from PTTEP and all related companies in March 2024.

Public policy and partnerships

Over the course of the year, we engaged both collaboratively and individually on various public policy initiatives. Although our engagement spans the ESG spectrum, public policy initiatives are rooted in governance and regulation. Below an overview of the activities carried out in 2023.

Engagement with governments, government-related agencies, or regulators can add value to our engagement program. Therefore, we take part in consultations and provide feedback on regulations that facilitate a better or level playing for ESG issues.

Engagement is never intended to unduly influence the political process, and so Robeco only conducts engagement on public policy where it is deemed appropriate and transparent. The majority of our engagement activities on this topic are coordinated through the various investor associations and collaborative groups of which we are members that provide feedback to governance, reporting and sustainability practices, such as Eumedion, Asian Corporate Governance Association (ACGA), Associação de Investidores no Mercado de Capitais (Amec), etc. Policy engagements that are done via these collaborative platforms can be relevant from an equity investor perspective, from a bondholder perspective, or from both.

Public policy engagements in 2023

#1

Activity type:	Joint Institutional Investor Letter
Engaged party:	UK Primer Minister Rishi Sunak
Key message:	Urge the UK government to uphold climate ambition and avoid backsliding on key climate policies, including by reconsidering the decision to delay phase outs of new ICE car sales and gas boilers, and maintaining commitments to deliver on energy efficiency targets.

#2

Activity type:	Joint Institutional Investor Letter
Engaged party:	International Seabed Authority
Key message:	Calls for a moratorium on deep sea mining, backed by engagement with companies involved, until the full risks and opportunities are known.

SI collaborations

Robeco is selective in which SI memberships, collaboration or commitments to participate. Before joining a new initiative, signing an investor statement, or collaborating with other investors, the engagement specialist will discuss the context, sentiment and added value of the request with the Sustainable Investing management team and the SISC. After approval, we will commence with the initiative.

Table 10 | New SI memberships in 2023

SI membership	ESG topic	Why joined
Platform Living Wage Financials (PLWF)	S	This initiative is relevant for the Fashion transition engagement theme. Robeco is part of garment working group.
Global Commission on Mining 2030	E	From 2020-2023, Robeco had a mining-related engagement theme. As of June 2023, Robeco became a formal supporter of this initiative.
Valuing Water Finance Initiative	E	This initiative is relevant for the Natural resource management engagement theme. Robeco has lead roles in 1 or 2 companies; engagement collaboration with Ceres.
PRI Nature Stewardship Initiative (Spring)	E	Collaborative stewardship initiative on nature, in line with Robeco's engagement focus on biodiversity.

For a complete overview of our SI collaborations, memberships and commitments, please refer to the following document:
https://www.robeco.com/files/docm/docu-relevant-codes-and-memberships.pdf

Proxy Voting

Robeco currently votes on behalf of clients at nearly 8,000 meetings per year. All proxy voting activities are carried out by dedicated, in-house voting analysts in the Active Ownership team. While we have given insights into theme-specific voting activities in the other sections, this section provides a deep dive into our policy, its execution, 2023 trends and activities, as well as the meetings we regarded as the most significant.

Accountability and transparency are the cornerstones of good governance and, therefore, core values of the Robeco voting policy. Proxy voting is an integral part of our sustainable investing approach. It gives us a platform to voice our opinions and vote on critical topics such as board nominations, remuneration policies, shareholder proposals, and capital management practices. Our voting policy is designed after the widely recognized International Corporate Governance Principles. In casting our votes, we assess whether internationally recognized corporate governance standards are implemented while accounting for local governance regulations.

Voting policy update 2023

Our voting policy is part of our Stewardship Approach and Guidelines and was reviewed and updated in 2023. We made changes to our approaches to voting on climate and biodiversity, which we implement in 2024. For climate change, our voting focuses on three categories of activity – high emitters, banks and coal. For coal, we will increase the scope of the policy to include not just coal power, but also coal mining. To strengthen our biodiversity voting approach, which currently focuses on deforestation, we conducted a study to determine all of the companies that Robeco invests in that have exposure to activities that involve deforestation risk and refined our voting criteria based on data from providers including ForestIQ and Sustainalytics.

Voting policy

The basis of any well-informed proxy voting decision starts with a policy designed to ensure that we vote in the best interest of our clients. The Robeco Proxy Voting Policy forms part of our Stewardship Approach and Guidelines and is based on the widely accepted principles of the International Corporate Governance Network (ICGN), which provides a broad framework for assessing companies' corporate governance practices. The ICGN principles offer scope for companies to be assessed according to local standards, national legislation and corporate governance codes of conduct. We constantly monitor the consistency of our general voting policy with the ICGN principles, laws, governance codes and systems as well as client-specific voting policies. Our voting policy is formally reviewed at least once a year.

We take into account company-specific circumstances and best practices when casting our vote. Through our votes, we aim to encourage companies to implement good corporate governance, foster long-term shareholder value, and engage in responsible behavior.

Voting execution

Robeco carries out all proxy voting in-house. There are several practical elements that need to be considered in the implementation of our voting policy. These include monitoring our voting rights, and the potential implications of securities lending, share blocking, and custom voting policies, among others.

Monitoring voting rights

The proxy voting process can be relatively opaque and requires systematic supervision. One element that Robeco and Glass Lewis monitor proactively is whether we have received voting ballots for all shareholder meetings where we are entitled to vote. This is a cornerstone of good stewardship for equity assets and requires coordination among various parties in the proxy voting chain, such as custodians and ballot distributors. If necessary, we escalate the matter to ensure we are able to exercise our right to vote.

Securities lending

Robeco has a securities lending program for several of our listed mutual funds. When shares are on loan, we are unable to exercise our voting rights for those shares. A daily process confirms whether any shares are on loan ahead of an upcoming AGM, and recalls, the full position on loan to allow voting to take place.

Share blocking

Another impediment to voting can be share blocking, where securities are blocked from trading after sending a vote instruction. This can have implications for fund performance and may therefore not be in the best interests of the beneficial owner. As a result, Robeco only votes proxies in share-blocking markets when the agenda contains a controversial item and/or our position could have a significant impact on the voting result. We rarely refrained from voting due to share blocking in 2023, casting our vote in nearly 99% of cases.

Client voting policies

Robeco has a single main voting policy for all its public funds. For all Robeco funds that are subject to voting Robeco's voting policy applies. For most segregated mandates, this policy is also applied unless, specific arrangements with clients are made. In those cases, we apply custom voting policies for some clients in segregated mandates or for externally managed assets. In these cases, clients may override our voting decision under their own policy. Clients who have applied the Robeco proxy voting policy may also highlight specific shareholder meetings where their voting preference differs from ours. We will accommodate such client-directed voting for segregated mandates, but Robeco makes all voting decisions for pooled funds in-house, in line with the Robeco voting policy.

The use of proxy voting advisors

Robeco's proxy voting team works with our voting research and infrastructure provider Glass Lewis to combine our expertise, thereby gaining a better service than what would be available from off-the-shelf voting platforms. This kind of customization is more closely aligned with our voting policy and our approach. However, we review meetings and often override the external advice if it does not sufficiently meet our interpretation of governance, sustainability or investment issues. These differences are carefully tracked and communicated to our voting advisor. Research, the technical set-up and the voting advice received are reviewed on a regular basis and are subject to our risk control framework.

External recognition

With over 20 years of experience in proxy voting, Robeco's integrated approach to active ownership is widely seen as representing best practices in the asset management industry. This was most recognized by the responsible investment organization ShareAction in its Voting Matters 2023 report, where Robeco's voting performance was ranked eleventh among 69 of the world's largest asset managers.

Communicating our voting behavior to investee companies

All of our voting instructions for Robeco funds can be found online[11]. We publicly disclose our voting rationales for when we vote against management recommendations on the agenda. When voting against management, we will inform the company with an invitation to reach out in case of any questions. This process applies to companies that are in the engagement program, for which we have over 1% of the outstanding capital, that are part of our 'vote against management (VAM) assessment'[12] and in specific key markets. As of 2023, we have started reporting on these AGM-related engagements to provide further transparency to our clients.

Voting activity in 2023

In 2023 we voted on 72,432 proposals at 7,042 shareholder meetings in 73 countries. Most of our votes covered corporate governance practices. We also held 30 one-off engagements related to Annual General Meetings (AGM) with companies to provide them with feedback on how they could enhance their governance practices.

As was the case in 2022, many shareholder proposals were filed at shareholder meetings during the first half of 2023, and we continued to vote on numerous ESG-related shareholder resolutions covering a range of topics. Climate change was still in sharp focus, but there were some differences from previous years. While more climate-related shareholder proposals covering a broader range of topics were submitted, proposals received lower support from shareholders. These outcomes highlight that companies continue to face mounting scrutiny from investors on climate change, yet the topic appears to be more and more polarizing.

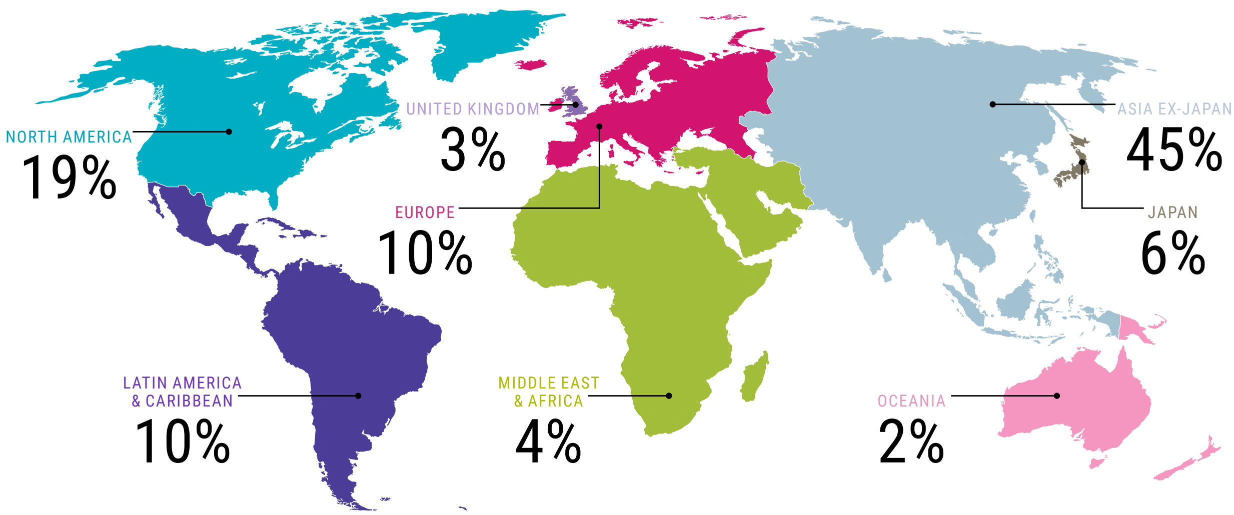
The 2023 AGM season also saw a large number of governance-related shareholder proposals pushing to further expand investors' right to hold management accountable, such as by asking for an independent board chair or requiring shareholder approval for certain executive severance agreements. Remuneration practices also came under the spotlight,

11 https://www.robeco.com/en-int/sustainable-investing/influence/proxy-voting-record

12 As not all AGMs include such proposals on climate, biodiversity or human rights, Robeco developed another way to integrate these considerations in our voting approach. Investee companies that fail to meet our expectations on climate, biodiversity or human rights are targeted for a vote against the most appropriate agenda items for the companies involved. These companies are informed of our vote intentions and rationales.

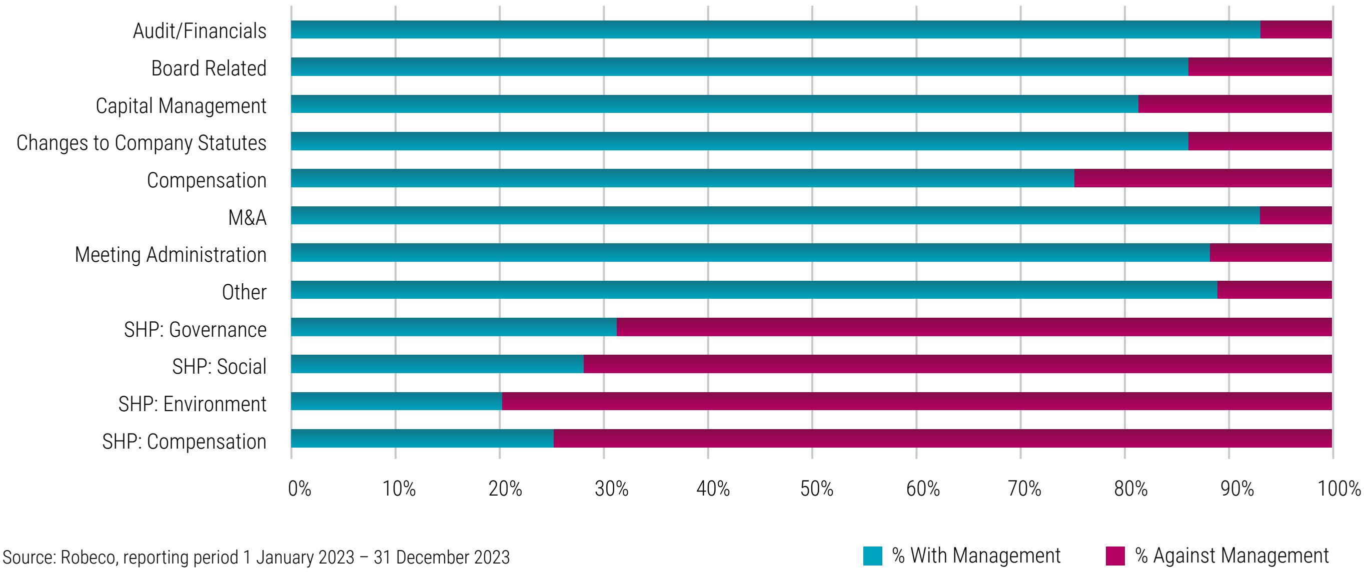
Figure 17 | Proxy voting statistics 2023

7,042	72,432	59%	64%
Shareholder Meetings voted in 2023	Proposals voted in 2023	% Meetings with at least 1 vote against management	Support for Shareholders Proposals voted in 2023



Source: Robeco, reporting period 1 January 2023 – 31 December 2023

Figure 18 | Voting activity by topic 2023



Source: Robeco, reporting period 1 January 2023 – 31 December 2023

with companies facing considerable scrutiny of how they dealt with windfall gains driven by market factors such as the rise in energy prices and the general economic recovery after Covid-19 rather than company-specific performance. We assessed these proposals on a case-by-case basis, considering a variety of factors.

Our voting activity, including the rationale behind our voting decisions, is published on Robeco's website shortly after the shareholder meeting takes place. This is in line with best practices on voting disclosure. In our annual Proxy Season Overview publication, we disclose statistics summarizing our voting activity and the rationale behind our voting decisions for significant shareholder meetings.

Lively 2023 Proxy Season

The 2023 season had a set of unique trends that made our analysis more complex and required a more balanced assessment of several governance and sustainability issues.

One of these trends is the so-called "Anti-ESG movement", which became more prominent in 2023. Several organizations have started to file shareholder resolutions that appear to ask for regular governance best practices, such as an independent chair, but with an underlying narrative against the ESG efforts of companies, including diversity and inclusion policies, or social benefit policies. These resolutions have added to a more politized and polarized AGM season than in previous years.

This was the first year that physical attendance was made possible for nearly all AGMs since the Covid pandemic. Robeco noticed that the AGM attendance itself has shifted in tone and nature. In some cases, these meetings become a platform for protest, either on climate change, social issues, or other frustrations with companies that often face conflicting expectations from stakeholders. The AGM as a platform will need some work in the future, making sure that it can remain an effective platform for exchange of thought and information, potentially for a wider set of stakeholders. However, the reduction of participation of institutional investors during AGMs will not benefit the credibility of the meeting.

The 2023 season also saw a change in tone for climate change amid an energy crisis that has led many companies to delay plans to cut emissions to achieve net zero amid a greater reliance on fossil fuels. The war in Ukraine led to a dash to gas in Europe and even a greater use of coal-fired power. Several companies loosened their ambitions, leading to varying reactions from shareholders; some were vocally disappointed, others were lenient towards management and others were in support of the move away from transition ambitions.

There was a greater interest in biodiversity as a sustainability issue as preserving nature moves ever higher up corporate and investor agendas. Indeed, in 2023, Robeco strengthened our voting policy by introducing a voting approach focusing on biodiversity, one of our strategic sustainability topics, next to climate change and human rights. Robeco expects companies to act on mitigating biodiversity loss, and companies that have high exposure to commodities with deforestation risk to have adequate policies and processes in place to address those risks. Finally, in 2023, executive pay was a large issue with a greater focus this year on securing more sustainability-related packages, away from the usual focus on the amount executives are paid. Robeco saw an increasing number of companies continuing to introduce ESG components to their variable pay. This is a good trend in our view, and it is encouraging that companies are often tying compensation to the sustainability ambitions of their overall strategy. At the same time, disclosures and measurements on many occasions should be further improved.

Key votes 2023

Before and during every proxy season we maintain a list of focus AGMs. In other words, AGMs that receive significant client interest, or news flows, are specific relevance due to current market conditions or societal developments, or where shareholders show significant opposition to management. Our Proxy Season Overview 2023[13] provides further insight into how we applied our voting policy at various shareholder meetings. These AGMs are selected based on stakeholder feedback, including questions from our clients, attention in the media, and AGMs that led to internal debate.

Below we summarize our voting decisions on some of the most significant votes throughout the year.

CASE STUDIES

We attended the AGM of Ahold Delhaize in Amsterdam and asked for more substance on tax reporting, a more complete set of sustainability related KPIs for the Dutch retailer's remuneration policy, and clarification around the nomination process for the board.

At Unilever's AGM, we asked about the priorities of the company after the upcoming change in CEO, and whether we can expect reasonable external assurance around the key sustainability metrics in its remuneration policy. We also asked about the company's ambitions to limit its biodiversity impact to neutral or even positive, and what measurement systems the company has for this.

13 https://www.robeco.com/files/docm/docu-0823-robeco-proxy-voting-season-overview.pdf

Table 11 | Key votes in 2023

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Alphabet Inc	02-Jun	Shareholder Proposal Regarding Human Rights Impact Assessment (co-filed by Robeco)	For	SHP Social - Vote For when shareholder proposal requests Reporting on Company's Compliance with International Human Rights Standards	18%
		Shareholder Proposal Regarding Assessment of Audit and Compliance Committee	For	SHP Governance - Vote For when shareholder proposal requests for Trained, Qualified Directors on Board Committees	8%
Amazon.com Inc.	24-May	Shareholder Proposal Regarding Report on Customer Due Diligence (co-filed by Robeco)	For	SHP Social - Vote For when shareholder proposal requests Reporting on Company's Compliance with International Human Rights Standards	34%
		Advisory Vote on Executive Compensation	Against	Remuneration - Vote Against when the company fails to align pay with performance.	68%
American Express Co.	02-May	Advisory Vote on Executive Compensation	Against	Remuneration - Vote Against when remuneration is deemed excessive and bears a significant cost for shareholders. We are concerned with the substantial and poorly structured retention awards that do not adequately incentivize sustained long-term performance.	54%
		Shareholder Proposal Regarding Report on Risks from Abortion-Related Information Requests	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues	12%
Apple Inc	10-Mar	Shareholder Proposal Regarding Civil Rights Audit	Against	"SHP - Vote Against when there are concerns that the aim of the proposal is to hinder the company's ESG efforts. Additionally, the company is currently undergoing a civil rights audit as an outcome of the shareholder resolution that received majority support at the company's 2022 annual meeting, and the report is expected to be published in 2023."	1%
		Shareholder Proposal Regarding Report on Corporate Operations with China	Against	SHP - Vote Against when there are concerns that the aim of the proposal is to hinder the company's ESG efforts.	4%
		Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	For	SHP Remuneration - Vote For when proposal request company to increase disclosure & transparency on compensation practices. The proposal calls for transparency regarding pay practices and promotes pay equity.	34%
BP plc	27-Apr	Remuneration Report	For	"While recognizing the shortcomings of the remuneration report and policy, on balance we concluded that these were supportable. "	82%
		Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions	For	SHP Environment - Vote For when the proposal requests the company to align its climate strategy with the goals of the Paris Agreement.	17%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Chevron Corp.	31-May	Shareholder Proposal Regarding Report on Tax Transparency	For	SHP - Vote For when additional disclosure could help mitigate regulatory and reputational risks.	15%
		Shareholder Proposal Regarding Independent Chair	For	SHP Governance - Vote For when proposal requests independent Board Chairman/ Separation of Chair and CEO	20%
Chubb Limited	17-May	Shareholder Proposal Regarding Aligning GHG Reductions with Paris Agreement	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	29%
Citigroup Inc	25-Apr	Shareholder Proposal Regarding Severance Approval Policy	For	SHP Remuneration - Vote for when the proposal requests that the company seeks shareholder approval prior to entering severance agreements which provide substantial benefits.	28%
		Shareholder Proposal Regarding Fossil Fuel Lending and Underwriting Policy	For	SHP Environment - Vote For when reasonable shareholder proposals requests companies to prepare and plan for mitigating environmental risks.	10%
ConocoPhilips	16-May	Re-election of chair of remuneration committee	Against	Board - Vote Against when the board repeatedly shows unwillingness to implement good governance standards, such as persistently unacceptable compensation practices	94%
		Re-election of chair of nomination committee	Against	Board - Vote Against when the board fails to incorporate basic considerations for gender diversity.	81%
Credit Suisse Group AG	04-Apr	Financial statements	Against	Concerns regarding the adverse opinion expressed by the auditor on the effectiveness of the Group's internal control over financial reporting.	37%
		Election of board members	Against	Oversight concerns.	The election of all board members was met with significant opposition ranging between 43% and 49%.
Cummins Inc.	09-May	Shareholder Proposal Regarding Plan to Link Executive Compensation to 1.5°C Aligned GHG Reductions	For	SHP Remuneration - Vote For when proposal request company to link pay to ESG criteria, we support the inclusion of material, measurable, and clearly disclosed ESG performance metrics in executive remuneration	15%
CVS Health Corp	18-May	Shareholder Proposal Regarding Paid Sick Leave	For	Adoption could help mitigate human capital management-related risks.	26%
Dow Inc.	13-Apr	Chair of the board	Against	Board - Vote Against when the company does not sufficiently address the impact of climate change on their businesses	94%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Exxon Mobil Corp.	31-May	Shareholder Proposal Regarding Formation of Decarbonization Risk Committee	Against	SHP - Vote Against when there are concerns that the objective of the proposal is to hinder the company's ESG efforts	2%
		Shareholder Proposal Regarding Environmental Litigation	Against	Not in the best interest of shareholders	9%
		Shareholder Proposal Regarding Medium-Term Scope 3 Target	For	SHP Environment - Vote For when reasonable shareholder proposals requests companies to prepare and plan for mitigating environmental risks	11%
		Shareholder Proposal Regarding Report on Tax Transparency	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues	14%
Glencore plc	26-May	Opinion on the Company's Climate Report	Against	Environment - Vote Against when the proposed climate strategy fails the SOC framework assessment.	70%
		Shareholder Proposal Regarding Climate Action Transition Plan at 2024 AGM	For	SHP Environment - Vote For when reasonable shareholder proposals requests companies to prepare and plan for mitigating environmental risks.	30%
Kroger Co.	22-Jun	Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report	For	SHP Remuneration - Vote For when proposal request company to increase disclosure & transparency on compensation practices	52%
Lilly(Eli) & Co	01-May	Shareholder Proposal Regarding Lobbying Activities and Values Congruency	For	SHP - Vote For when proposal requests companies to review their political spending and lobbying activities. These expenses must be consistent with the company's sustainability strategy and should be aligned with the long-term interests of investors and other relevant stakeholders	31%
McDonald's Corp	25-May	Shareholder Proposal Regarding Diversity and Inclusion Report	For	SHP – Vote For when sensible shareholder resolutions request company to report or enhance reporting on social and environmental topics that are material for their business	27%
		Shareholder Proposal Regarding Extended Patent Exclusivities and Application for Secondary and Tertiary Patents	Against	SHP - While the spirit of the resolution is supportable, the requested reporting is not deemed sufficiently relevant, given the company's current approach to patent exclusivities.	10%
		Shareholder Proposal Regarding Policy on Use of Medically-Important Antibiotics in the Beef and Pork Supply Chain	For	SHP - Vote For when shareholder proposal requests company to address material ESG risks.	17%
		Shareholder Proposal Regarding Compliance With WHO Guidelines on Medically-Important Antimicrobials in Supply Chain	For	SHP - Vote For when shareholder proposal requests company to address material ESG risks.	19%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
Meta Platforms	31-May	Shareholder Proposal Regarding Recapitalization	For	SHP Governance - Vote For when the proposal requests changes which improve shareholder rights.	28%
		Shareholder Proposal Regarding Report on Risks from Abortion-Related Information Requests	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues.	10%
Shell plc	23-May	Approval of Energy Transition Progress	Against	Environment - Vote Against when the proposed climate strategy fails Robeco's SOC framework assessment.	80%
		Shareholder Proposal Regarding Scope 3 GHG Target and Alignment with Paris Agreement	For	SHP Environment - Vote For when proposal requests sustainability or environmental reports	20%
		Remuneration Policy	For	On balance, Shell scored well in our framework and we therefore supported the remuneration proposals.	95%
		Remuneration Report	For	On balance, Shell scored well in our framework and we therefore supported the remuneration proposals.	95%
Texas Instruments Inc.	27-Apr	Advisory Vote on Executive Compensation	Against	Remuneration – Vote Against when the company fails to align pay with performance; Remuneration - Vote Against when remuneration is deemed excessive and bears a significant cost for shareholders.	85%
		Shareholder Proposal Regarding Report on Customer Due Diligence	For	SHP - Vote For when shareholder proposal aims to increase transparency on material ESG issues.	23%
TotalEnergies SE	26-Mei	Shareholder Proposal Regarding Scope 3 GHG Target and Alignment with Paris Agreement	For	SHP Environment - Vote For when proposal requests company to take action on climate change and enhances long term shareholder value creation	30%
		Opinion on 2023 Sustainability and Climate Progress Report	Against	Environment - Vote Against when the proposed climate strategy fails Robeco's SOC framework assessment.	89%
		Amendments to Articles Regarding the Suppression of Double Voting Rights	For	As we consider the adoption of the 'one share, one vote' principle best practice, we voted in favor of the proposed amendment,	99,80%

Company	Meeting date	Proposal	Vote decision	Rationale	Vote outcome (% For)
UBS Group AG	05-Apr	Advisory Vote on Sustainability Report	Abstain	"Uncertainty regarding the feasibility of the proposed plan in light of recent developments (announced merger with Credit Suisse). We analyzed the proposed plan based on our Say on Climate framework for financial institutions which captures a variety of components including financed emissions reduction targets, decarbonization strategy and climate governance, among others. Although the company scored well on our framework, the Credit Suisse deal prompted significant uncertainty regarding the feasibility of fulfilling the proposed plan. For this reason, we took a prudent approach and abstained from the proposal, whereas normally we would have voted in favor."	81%
		Amendments to Articles (Virtual AGM)	Against	Changes to Company Statutes - Vote Against when the Company has requested the right to hold a virtual-only meeting.	78%
United Parcel Service, Inc.	04-May	Shareholder Proposal Regarding Report on Science-Based GHG Targets and Alignment with Paris Agreement	For	SHP Environment - Vote For when reasonable shareholder proposals requests companies to prepare and plan for mitigating environmental risks.	20%
Walt Disney Co (The)	03-Apr	Advisory Vote on Executive Compensation	Against	Remuneration - Vote Against when remuneration is deemed excessive and bears a significant cost for shareholders.	86%
		Shareholder Proposal Regarding Report on Political Expenditures and Values Congruency	For	SHP - Vote For when proposal requests companies to review their political spending and lobbying activities. These expenses must be consistent with the company's sustainability strategy and should be aligned with the long-term interests of investors and other relevant stakeholders	36%

Appendix: Engagement overview 2023

Table 12 | Engagement overview 2023

Environment			
Engagement theme	Period	Targeted outcome	Companies under engagement
Biodiversity	Continuous	Our engagement work aims to improve companies' sourcing and production practices, focusing on companies with supply chains exposed to the high-risk commodities. We have also expanded our engagement beyond commodity producers to include companies further downstream supply chains. These companies play a role in setting industry standards, and we will engage to move them along in their management of biodiversity risks and opportunities as the topic develops..	Arcadis NV Archer Daniels Midland Axfood AB Barry Callebaut AG Bridgestone Bunge Ltd. Cal-Maine Foods Inc Compagnie Generale des Etablissements Michelin SCA Cranswick PLC JBS SA Kimberly-Clark Corp Leroy Seafood Group ASA Marfrig Foods SA Mondelez International Procter & Gamble Co. Ryohin Keikaku Co Ltd Sappi Ltd. Signify NV Suzano Papel e Celulose SA The Hershey Corporation Top Glove Corp. Bhd. Unilever VF Corp
Climate transition of financials (to be renamed to 'Climate and nature transition of financials' in 2024)	Q1 2021 – Q1 2024	The main aim of this engagement program is to support financial institutions in managing climate change-related risks and opportunities, in light of their clients' climate transition. We will focus our engagement on the banking sector, which has a vital role to play in financing the climate transition and helping their clients achieve their climate strategy.	Australia & New Zealand Banking Group Ltd. Bank of America Corp. Barclays Plc BNP Paribas SA Citigroup, Inc. DBS Group Holdings HSBC ICICI Bank Ltd ING Groep NV JPMorgan Chase & Co., Inc. Sumitomo Mitsui Financial Group, Inc.
Lifecycle Management of Mining	Q1 2020 - Q1 2023	Promoting better environmental management practices in top industry majors and aiming to promote reconciliation of intensive mining activities with critical minerals.	Barrick Gold Corp. Gerdau SA
Natural Resource Management	Q2 2022 – Q2 2025	Aims to enhance companies' risk management of water and waste issues and avoid or mitigate adverse environmental impacts.	Ambev SA Callon Petroleum Co. CF Industries Holdings, Inc. Continental Resources, Inc. Diageo OCI NV PepsiCo, Inc. Sappi Ltd. Severn Trent PLC Tronox Holdings Plc United Utilities Group PLC

Engagement theme	Period	Targeted outcome	Companies under engagement
Nature Action 100	Q4 2022 – Q4 2025	A global investor-led engagement effort focused on driving greater corporate ambition and action to tackle nature and biodiversity loss.	Ahold Alibaba Group Holding Ltd. Archer Daniels Midland Britannia Industries Ltd. Corteva, Inc. LG Chem Sociedad Quimica y Minera SA Wens Foodstuffs Group Co Ltd.
Net Zero Carbon Emissions	Continuous	Focusing on smooth decarbonization journeys for oil and gas, electric utilities, steel and cement industries by encouraging companies to take climate change mitigation actions and secure their long-term license to operate.	Anglo American ArcelorMittal Berkshire Hathaway BHP Billiton BlueScope Steel Ltd. BP CEZ as Chevron China National Building Material Co. Ltd. CRH Plc Ecopetrol SA Enel ExxonMobil HeidelbergCement AG Hyundai Motor JFE Holdings, Inc. LyondellBasell Industries NV Marathon Petroleum Corp. Petroleo Brasileiro Phillips 66 PTT Exploration & Production Repsol Rio Tinto Royal Dutch Shell Saudi Arabian Oil Co. Valero Energy Corp. Vistra Energy Corp. WEC Energy Group Inc.
Sound Environmental Management	Continuous	Engaging on various environmental issues	Alexandria Real Estate Equities, Inc. Guangdong Investment Ltd. Hangzhou First Applied Material Co Ltd. LONGi Green Energy Technology Co Ltd. Quanta Service Inc

Social

Engagement theme	Period	Targeted outcome	Companies under engagement
Diversity and Inclusion	Q3 2022 – Q3 2025	Aims to promote robust corporate D&I practices.	Eli Lilly & Co. Netflix Inc. Oracle Corp Taiwan Semiconductor Manufacturing Co. Ltd. Thermo Fisher Scientific, Inc.
Human Rights Due Diligence for Conflict-Affected and High-Risk Areas	Q3 2021 - Q3 2024	Mitigating exposure to human rights violations by focusing on companies operating in three conflict-affected or high-risk areas.	Bharat Electronics Ltd. Booking Holdings, Inc. Cemex SAB de CV Fast Retailing HeidelbergCement AG Hon Hai Precision Industry Co. Ltd. Inditex International Paper Co IPG Photonics Corp PTT Exploration & Production Sinotruk Hong Kong Ltd. SolarEdge Technologies, Inc. Volkswagen Wacker Chemie AG
Fashion Transition	Continuous	The engagement program on Fashion Transition addresses the operational impact of companies sitting at all stages of the fashion value chain and product lifecycle – from raw material sourcing, preparation, garment production, consumption and end-of-life management – and aims to deliver positive change. Through 5 engagement objectives, we address social, environmental and governance factors: Decent Work, Natural Resources Stewardship, Circular Models, Stakeholder Engagement and Governance and Policies.	Beiersdorf AG Birkenstock Holding Plc Brunello Cucinelli SpA Bureau Veritas SA Cintas Corp. Compagnie Financiere Richemont Crocs Inc. Deckers Outdoor Corp Eclat Textile Co Ltd Ermenegildo Zegna NV EssilorLuxottica SA Estee Lauder Cos Inc/The Etsy Inc. Hermes International SCA HUGO BOSS AG JD Sports Fashion PLC Kering L Oréal Levi Strauss & Co L'Occitane International SA Lojas Renner SA Lululemon Athletica Inc. LVMH Moet Hennessy Louis Vuitton Marimekko Oyj MercadoLibre Inc. Moncler SpA NIKE On Holding AG Pandora A/S PRADA SpA Proya Cosmetics Co Ltd. Puma Ross Stores Inc. Shiseido Co Ltd. Shopify Inc. Silgan Holdings Inc. Symrise AG Watches of Switzerland Group PLC Zebra Technologies Corp

Engagement theme	Period	Targeted outcome	Companies under engagement
Just Transition in Emerging Markets	Q4 2023 - Q4 2026	This theme adds a social perspective to our ongoing climate engagements, raising awareness about the impact of companies' climate transition pathways on workers, communities and customers in emerging markets. This engagement theme covers companies in various sectors, starting off with mining and energy. As part of the theme we expect companies to define socially just transition ambitions and strategies, conduct social transition risk analyses and find sustainable solutions.	Ganfeng Lithium Group Co Ltd. Impala Platinum Holdings Ltd. Pertamina Persero PT Reliance Industries Ltd. SK Innovation Co Ltd. Tenaga Nasional Bhd
Labor Practices in a Post Covid-19 World	Q2 2021 - Q2 2024	Engaging with three key sectors: retail, the gig economy and hospitality, where the pandemic exposed vulnerability and lack of safeguards for workers.	Accor SA Delivery Hero AG InterContinental Hotels Group Plc Marriott International, Inc. Meituan Dianping Uber Technologies, Inc. Wal-Mart Stores
Modern Slavery in Supply Chains	Q4 2023 - Q4 2026	This theme aims to enhance companies' effectiveness in identifying and addressing modern slavery risks. The engagement will also focus on how companies provide impacted stakeholders with effective remediation measures and prevent further recurrences by working closely with suppliers and establishing the right accountability structures within their organization.	Associated British Foods Plc Canon General Mills Glencore Plc Kia Motors Corp. Mondelez International Tesla Motors, Inc. The Kroger Wal-Mart Stores Wesfarmers Ltd.
Social Impact of Gaming	Q1 2021 - Q1 2024	Focusing on the social impacts of gaming for companies operating in the video game industry.	Activision Blizzard, Inc. NCsoft Corp. NetEase.com, Inc. Take-Two Interactive Software, Inc. Tencent Holdings Ltd.
Sound Social Management	Continuous	Engaging on various social issues	Baidu, Inc. Post Holdings Inc. Tencent Holdings Ltd. Tesco Plc Weibo Corp

Governance

Engagement theme	Period	Targeted outcome	Companies under engagement
Corporate Governance in Emerging Markets	Q2 2020 - Q2 2023	Addressing material shareholder issues in Brazil, China and Korea, and aiming to improve governance and ESG practices.	Companhia de Concessoes Rodoviarias SA Cosan SA CPFL Energia SA ENN Energy Holdings Haier Smart Home Co., Ltd. Hyundai Motor Midea Group Co. Ltd. Samsung Electronics Woongjin Coway Co. Ltd.
Corporate Governance Standards in Asia	Continuous	Engaging on governance issues in Asia. This engagement theme is kept broad to provide the necessary flexibility to accommodate investment team and client requests as engagement needs arise.	Hynix Semiconductor, Inc. INPEX Corp. Panasonic Corp. Resonac Holdings Corp ROHM Co. Ltd. Shin-Etsu Chemical Co. Ltd.
Good Governance	Continuous	Engaging on various governance issues.	Adyen NV Ahold Arcadis NV DSM-Firmenich AG Heineken Holding Signify NV Unilever
Responsible Executive Remuneration	Q4 2020 - Q3 2023	Focusing on companies across six sectors in the US and EU with the aim of promoting the alignment of executive incentives with those of investors.	Aspen Technology Inc Avantium NV Booking Holdings, Inc. Henkel AG & Co. KGaA Linde Plc NIKE Schneider Electric SA Tesco Plc Walt Disney Wolters Kluwer
Tax Transparency	Q4 2023 - Q4 2026	This theme focuses on companies using aggressive tax optimization strategies. The engagements will encourage companies to be more transparent when it comes to their taxation practices, to set up responsible tax policies and create strong accountability and governance systems.	AbbVie, Inc. Amgen Apple McDonalds Microsoft Stellantis NV Thermo Fisher Scientific, Inc.

Enhanced engagement

Engagement theme	Period	Targeted outcome	Companies under engagement
Acceleration to Paris	Continuous	Triggering climate action at 200 companies that have a large carbon footprint and are lagging in their efforts to transition towards a low-carbon business model.	African Rainbow Minerals Ltd. Anhui Conch Cement Co. Ltd. Berkshire Hathaway Caterpillar, Inc. Formosa Plastics Corp. ITOCHU Corp. Marubeni Corp. Mitsubishi Mitsui & Co Ltd. Nippon Steel & Sumitomo Metal Corp. POSCO SAIC Motor Corp Ltd. Sumitomo Corp. Toyota Industries Corp WH Group Ltd. (HK)
Global Controversy Engagement	Continuous	Engaging on breaches of international standards like the UN Global Compact and OECD Guidelines	Adani Enterprises Ltd. Adani Ports & Special Economic Zone Ltd. China Northern Rare Earth Group High-Tech Co Ltd. Elswedy Cables Holding Co. Indivior Plc Inner Mongolia Baotou Steel Union Co. Ltd. Lockheed Martin Corp Mattel Metallurgical Corp. of China Ltd. Raytheon Technologies Corp United Phosphorus Ltd. Zijin Mining Group Co. Ltd.
Palm Oil	Q1 2019 - Q4 2024	This theme addresses both the environmental and social challenges of palm oil and aligning with best-practices in palm oil production as defined by the RSPO standard.	MP Evans Group PLC REA Holdings PLC Wilmar International

SDG Engagement

Engagement theme	Period	Targeted outcome	Companies under engagement
SDG Engagement	Continuous	Focus on improving a company's contribution to the SDGs.	AbbVie, Inc. Adobe Systems, Inc. Alphabet, Inc. Amazon.com, Inc. Amgen Apple AutoZone Inc. Banco BTG Pactual S.A. Bank of Montreal Capital One Financial Corp. CB Richard Ellis Group, Inc. Companhia de Concessoes Rodoviarias SA Deutsche Boerse eBay Elanco Animal Health, Inc. Electronic Arts, Inc. Elevance Health Inc F5 Networks, Inc. Grupo Bimbo SAB de CV Hitachi Ltd. Jeronimo Martins L Oréal LyondellBasell Industries NV Meta Platforms Inc. Mr. Price Group Ltd. NASDAQ OMX Group, Inc. Neste Oil Oyj Novartis OTP Bank Nyrt Rio Tinto Salesforce.com, Inc. SalMar ASA Samsung Electronics Sandvik AB Sony STMicroelectronics NV Total Trane Technologies PLC Union Pacific United Parcel Service, Inc. Volvo Group

Voting-related Engagement

Engagement theme	Period	Targeted outcome	Companies under engagement
AGM Engagement 2023	Continuous	Voting at the Annual General Meetings (AGM) of shareholders offers shareholders the opportunity to provide direct feedback to a company - either in advance or after a company's AGM. These dialogues are not recurring long-term engagements, but unique opportunities to amplify the impact of our voting decisions. Corporate governance as well as other sustainability topics that may arise during a shareholder meeting are covered under this section, if they are not covered in other parts of the engagement program.	Aegon NV Agilent Technologies Inc. Airbus SE Avantor Inc. BAWAG Group AG BFF Bank SpA Boeing Co/The Brighthouse Financial Inc CB Richard Ellis Group, Inc. Cheniere Energy Inc Compagnie de Saint-Gobain Deutsche Bank Hana Financial Group Inc Irish Residential Properties REIT PLC Johnson & Johnson Masco Corp Monex Group Inc. Morgan Stanley NextEra Energy Inc. Ovintiv Inc. Plug Power Inc. Prosus NV Prysmian SpA Quest Diagnostics, Inc. Semen Indonesia Persero Tbk PT Sendas Distribuidora S/A Sociedad Quimica y Minera SA VEF AB Wells Fargo & Co. Xylem, Inc.

About Robeco

Robeco is an international asset manager offering an extensive range of active investments, from equities to bonds. Research lies at the heart of everything we do, with a ‘pioneering but cautious’ approach that has been in our DNA since our foundation in Rotterdam in 1929.

Developing superior solutions requires an innovative nature and a pioneering spirit. That’s why we nurture a culture in which new ideas are welcomed and embraced, from investing in Peru in 1930 and Hong Kong in 1968, to launching our first sustainable fund in 1995.

Today, we are a pure-play global asset manager and a world leader in sustainable Investing, with a strong range of client propositions in quant, thematic, credits and emerging market investing. We push our boundaries because we know that we provide greater value to our clients if our innovation is grounded in the same commitment to research that launched the firm almost a century ago.

We are the Investment Engineers. We are Robeco.

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Additional information for US Offshore investors – Reg S

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Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

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The funds have not been and will not be registered with the National Registry of Securities or maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

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