ANNUAL SDG IMPACT REPORT 2023

RobecoSAM Global SDG Engagement Equities Funds

ROBECO
The Investment Engineers

Foreword

The launch of the SDG Engagement Equities fund in 2021 marked a new way of how we think about investing in equities for clients that aim to achieve a dual objective of generating alpha and creating impact for society. By directing both capital and engagement efforts towards the change we need, rather than optimizing the existing practices we have, the integrated approach pushes for the transition set out by the UN Sustainable Development Goals.

While there is a clear role for innovators and solutions providers in paving the way for a more sustainable future, most of the required change needs to be made by the companies that represent the backbone of our economy: food retailers, chemical companies, mining companies, and many more. Yet, for many of these players, the transition comes with deep implications for their business and revenue models. This could entail shifting food baskets towards healthier and less environmentally harmful products, rethinking energy grids to allow for a green energy transition, or changing online platforms to focus on collaboration rather than polarization. Futureproofing these businesses requires a long-term vision for the economy, and patience for investments to pay off. The SDG Engagement Equities fund aims to achieve just this, believing in the investee companies' ability take these steps, while engaging with them to share our expectations how they can contribute to a sustainable future.

Thus far, we've seen our first successes in closing engagement cases, and have continued to develop our SDG and impact measurement frameworks. We've also continued to track our progress and quality of relationships with the holdings, evaluating where our engagement and investment expectations are being met – and where they are not. Building on the first year of engagement, we're excited to share the results with you over the contents of this report.

The SDG Engagement Equities fund was founded to help enable the economic transition needed, create a blueprint for how investors incentivize their holdings, and push for change. As such, we believe that by looking ahead to society's needs and supporting the companies capable of delivering on these ambitions, investors can ensure that this transition not only takes place, but does so in a way that is equitable, inclusive, and sustainable for all.

Mark van der Kroft
Chief Investment Officer

Contents

1. Vision & strategy

1. Vision & strategy

Strategy

- **Active management and Active ownership** The fund combines active management and engagement with every portfolio holding, combining solid financial returns with real world impact.
- **Impact in listed equity** The investment strategy aims to improve the contribution of the investee companies to the SDGs.
- **Making a difference** The Robeco SDG scoring system is used to evaluate the scale of company contributions to the goals, where engagement and impact measurement enables Robeco to raise the bar.

Active management AND active ownership

RobecoSAM Global SDG Engagement Equities is an actively managed fund with a novel twist – it directly invokes our Active Ownership expertise. Like a normal fund, it strives to provide long term capital growth. What makes the strategy unique is that the potential for engagement impact on the SDGs is an integral part of portfolio management decisions, as the portfolio management team is complemented by our team of engagement specialists to leverage all our in-house expertise.

The fund's core aim is to promote a clear and measurable improvement in a company's contribution to the SDGs over three to five years. Active engagement with every holding in the portfolio is a key differentiator for the SDG engagement strategy. This is measured by a proprietary scoring system that Robeco applies to assess the impact that companies are actually making.

Roadmap to impact

For each one of the 30–40 portfolio companies an SDG engagement plan with annual milestones is developed to guide our investments. These outline a trajectory for the company to significantly increase its impact by the end of the engagement period. Such processes typically last three to five years and are based on a 15+ year track record of successful corporate engagements on various sustainability topics.

With this approach we marry the desire to contribute positively to society through investments with the potential for strong financial returns; a true win-win for all.

What is the theory of change of the fund?

The fund is a play on the 'best-in-class' model that we are so familiar with. Instead of focusing on companies that are well on their way to realizing a shift in mindset, the strategy targets companies for engagement which are at the beginning of this transition and present an opportunity for us to guide them towards an approach that integrates impact in their business. This opportunity is captured by our SDG framework, where we look for companies in the middle of the sustainability spectrum to be included in our portfolio.

Portfolio managers

Michiel Plakman, Daniela da Costa and Peter van der Werf

The fund management team combines the expertise of experienced portfolio managers Michiel Plakman (fundamental equities) and Daniela da Costa (emerging markets) with that of Robeco's Head of Engagement Peter van der Werf and their teams. Together they select companies that have plenty of potential to contribute significantly more than they currently do to the SDGs.

2. SDG strategy

2. SDG strategy

Robeco's SDG framework

Robeco has developed an SDG framework that assesses companies on their contribution to the 17 goals. Through this framework, companies are ranked on a 7-point scale from -3 (a highly negative net contribution) via 0 (neutral) to +3 for the companies that make the most positive contributions. We use a three-step approach:

1. Product: Do products or services contribute positively or negatively to the SDGs? For instance, banks providing SME financing are considered to have a positive impact on SDGs 8 and 9 as these goals explicitly call for increased access to finance for SMEs.
2. Procedure: Does the company's business conduct contribute to the SDGs? E.g. does the company meet certain criteria that measure strong gender equality performance?
3. Controversies: Has the company been involved in controversies?

The fund's SDG impact is measured against the Robeco SDG framework, which was designed in 2017 to capture companies' alignment with the goals . The framework determines the investment universe, as companies must have a negative-low (-1) to positive-low (+1) SDG score at the time they are brought into the fund so that it can capture companies that are ready to improve. Comprehensively capturing impacts on sustainable development requires us to constantly refine our methodology, but the demands for this output have stayed the same.

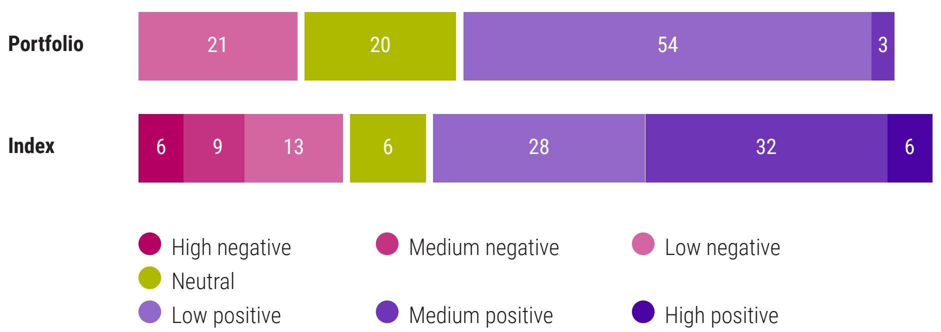
A common language

The SDGs were first designed for countries but have evolved to become relevant for companies. They hold immense significance by providing a shared language, representing 17 global goals that act as a blueprint for sustainable development. Without this universal language, discussions around SI would lack a consistent understanding, as everyone would interpret it differently. What has helped is that they were standardized right from the start, and the fundamentals of their intended goals and the metrics with which to measure progress have remained constant.

The market mechanism

The compatibility between the SDGs and capitalism prompts questions about their compatibility. From the theoretical standpoint of a financial institution, capitalism is seen in terms of its market mechanism as being designed for efficient resource allocation. As a society, however, we need to determine the objectives we are trying to achieve when allocating these resources, and the SDGs are pivotal in guiding them.
A common issue arises where investors tend to avoid unsustainable companies, overlooking their potential for improvement through support and oversight. The essence of the SDGs, according to this perspective, lies in fostering improvement. The challenge lies within investment frameworks: maintaining high standards without compromising ideals, while utilizing the SDGs to elevate underperforming entities to a higher standard.

Aggregate SDG impact



This distribution across SDG scores shows the portfolio weight allocated to companies with a positive, negative and neutral impact alignment with the Sustainable Development Goals (SDG) based on Robeco's SDG framework. If the data set does not cover the full portfolio, the figures shown above each impact level sum to the coverage level to reflect the data coverage of the portfolio, with minimal deviations that reflect rounding.
Weights < 0.5% will show as 0. The same figures are also provided for the MSCI World index.

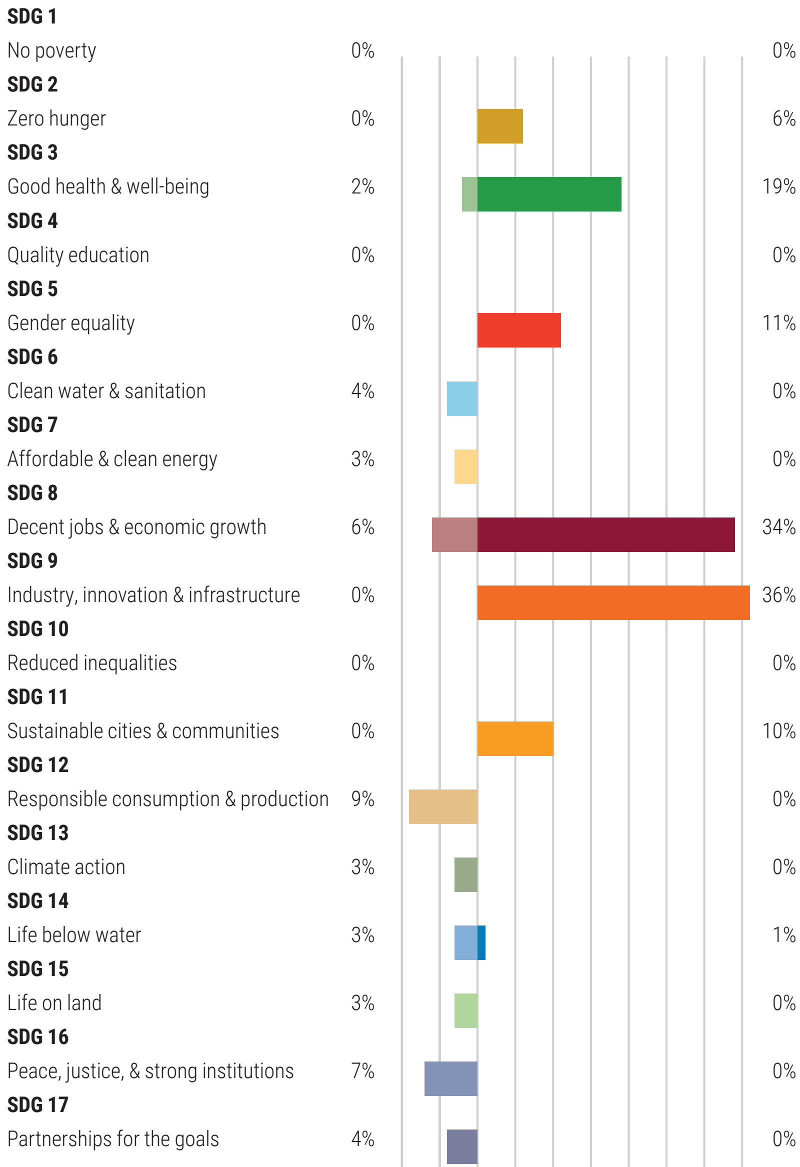
Source: Robeco impact data. Data as of 31-12-2023.

The core principles

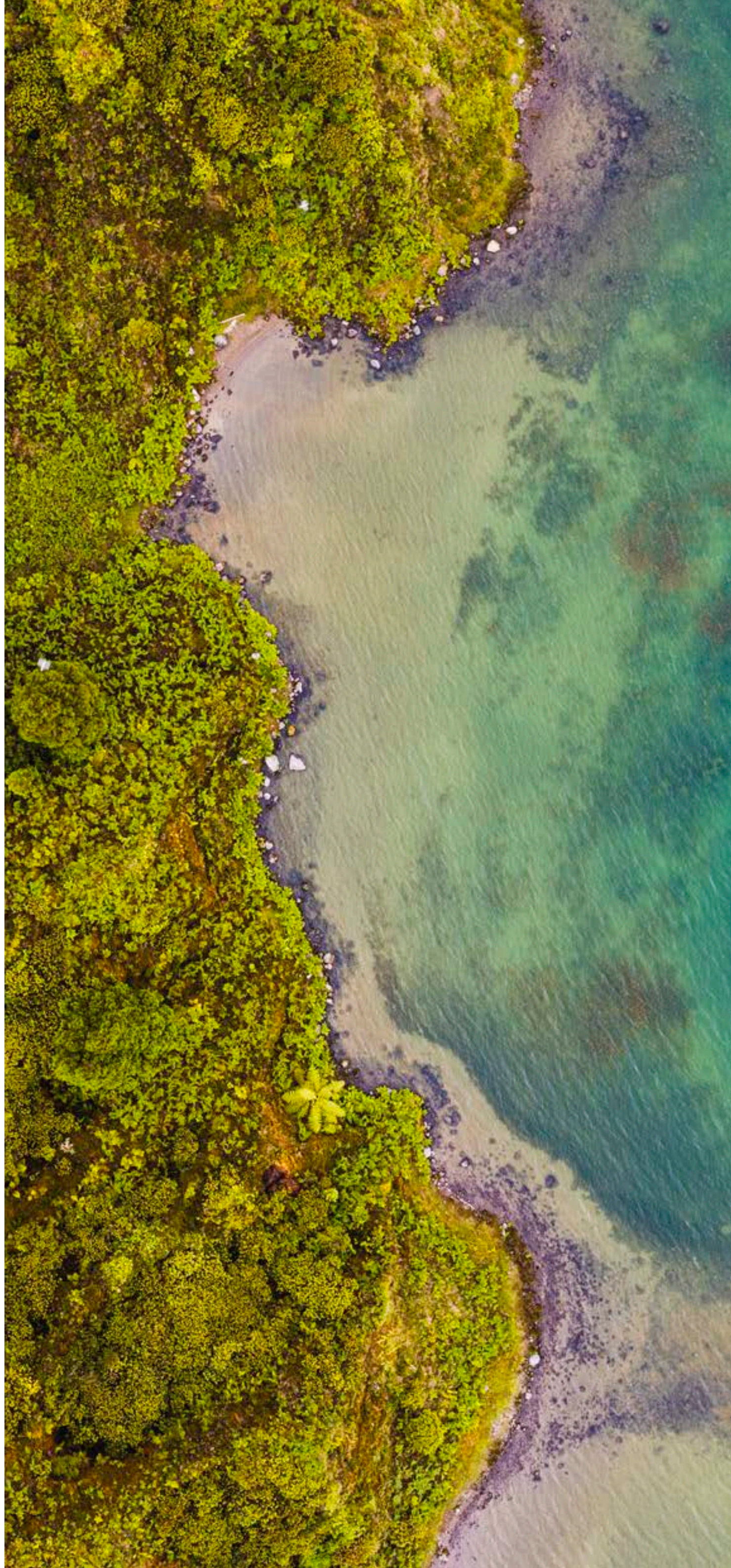
The Robeco Thought Leadership team has published a paper describing the principles that are necessary for any sustainable investment rating to live up to the full demands of users and investors. The principles can be summarized as: 1) measure companies' impacts on sustainable development 2) capture any significant harm that the company does 3) incorporate sustainability science 4) have global applicability and local relevance 5) demonstrate demarcation from conventional investment tools.

Robeco's SDG framework lives up to these principles by drawing links to specific goals of the SDGs in consultation with academics and wider scientific literature. It also incorporates 'significant harm' in the sense that the scoring system does not allow companies to compensate a significantly negative impact on one SDG with positive impact elsewhere. The KPIs of the framework are applied consistently across regions, and adjustments are made in response to a set of localized impacts, such as water scarcity. You can find the full paper here.

Portfolio holdings' SDG distribution



This figure shows the portfolio's impact alignment with the individual Sustainable Development Goals, grouped by impact area (positive or negative). The graph depicts the portfolio weight allocated to companies contributing to (or detracting from) each individual SDG. As a company can have an impact on several SDGs (or none), the values shown in the report do not sum to 100%. Double-counting of an individual company's impact is avoided by only counting a company's highest positive (and negative) impacts once.
Source: RobecoSAM impact data. Date as of 31-12-2023.



3. Portfolio characteristics

3. Portfolio characteristics

In 2023, equity markets showed remarkable resilience and defied gloomy expectations. Many major indices recorded double-digit gains, with the MSCI All Country World Index delivering eye-catching returns of 18.1% (EUR). Given the record pace of central bank tightening and the ongoing battle against inflation, many were predicting weak earnings and some form of recession. Throw in a regional banking crisis and geopolitics continually casting a shadow over equity markets and the negative sentiment seemed justified.

However, one notable feature of equity markets was the AI revolution which played a pivotal role in driving market gains. Throughout 2023 we continued to see an extraordinarily strong environment for names linked with the AI theme contributing to the robust performance of the major technology indices. The equity rally was impressive but lopsided, as it was led by the 'Magnificent Seven" – Alphabet (Google), Amazon, Apple, Meta Platforms (Facebook), Microsoft, Nvidia and Tesla – appreciating over 200%. In addition, weight-loss drugs caught the attention of the market and dominated earnings calls, as investors analyzed their impact and potential.

The final months of 2023 brought strong returns too, with a strong end-of-year rally and a long-awaited broadening of the market outside the tech space. Markets surged as inflation numbers continued to come down in both the US and Europe, and the US Federal Reserve indicated that it was done raising short-term interest rates. While the Fed has not signalized that it will start cutting rates anytime soon, the market is now clearly anticipating that it will start to do so at the end of the first quarter, or in the second quarter of 2024. This led to strong returns in interest rate-sensitive names in both Financials and Real Estate, as well as in more cyclical names that would benefit from lower rates overall.

Performance

The portfolio finished the year with a robust performance overall, outperforming the MSCI All Country World Index that serves as its benchmark by 4.49% (EUR, gross). Stock selection was the predominant alpha driver, while attribution from sector allocation was more muted. The performance of the portfolio was helped by strong contributions from stock selection in Financials, Communication Services and Consumer Staples.

Period	Portfolio	Benchmark*	Excess Return
2023	22.55%	18.06%	4.49%

Source: Robeco. Results are gross of fees, based on gross asset value, in EUR. Management fees and other costs are charged. These have a negative effect on the returns shown. The value of your investments may fluctuate. Results obtained in the past are no guarantee for future results.
*Reference index MSCI All Country World Index.

The largest single contributor to performance came from Adobe which recovered very well in 2023 on the back of a steady stream of AI excitement. Meta Platforms was also a strong performer, thanks to a rebound in digital advertisement revenues during the year. Salesforce was among the top five contributors after its focus on profitability and cost-cutting initiatives enabled the company to continue to report strong earnings throughout the year. Both Meta and Adobe benefited from the market excitement with AI.

Banco BTG Pactual outperformed on a more supportive economic outlook for Brazil following the country's elections, amid solid results. The bank has kept its top position in the league tables of capital market deals in Latam, delivering revenue growth and high ROE. Finally, STMicro reported good numbers throughout the year on the back of rising electric vehicle penetration.

On the negative side, there was relative performance detraction from not owning some of 2023's AI winners, such as Nvidia and Microsoft. Neste Oyj detracted from returns due to weak pricing for alternative energy solutions during 2023, as well as a delay in the opening of its Singapore facility. A correction in some of our Health Care names, notably at Elevance Health due to the post-Covid pricing normalization, also hurt returns. Finally, UPS was among the detractors after facing headwinds from higher costs due to labor contract negotiations and a slowing economy.

Outlook

1. In hindsight, how was 2023 different from what you expected?

We did not anticipate the absolute performance of equity markets to be this strong in 2023. The positive returns were driven by the returns of the Information Technology and Communication Services sectors, which both saw their best performance since the bubble days of 1999. The Nasdaq finished the year up 46%, driven mostly by excitement about AI stocks, sending the 'Magnificent Seven' up by mostly triple digits. This was something that we did not expect at the beginning of the year.

2. 2023's equity performance was driven by mega caps; do you expect this to reverse next year?

In December 2023, a huge unwinding of commercial real estate, regional banks and Tech unicorns saw the concentration power of the Magnificent Seven ceding share to the rest of the stock market. The jury is out on whether this is justified or not, given the still shaky fundamentals, but it does at least allow the breadth in equity markets to widen. As we have pointed out before, a continuously nervous macro-driven market lifted higher by only a few mega stocks is unsustainable, and so some normalization was bound to happen. It is now time for other pockets of the market to shine, though we do not fully buy into a completely new market rotation. By now we feel like the market is already pricing in a lot of good things. With the bar set high as we entered 2024, a note of caution is therefore justified. As our quality-driven style is designed to be agnostic to most macro environments, we can confidently deal with whatever market tone comes next.

3. What is your outlook for 2024?

Despite the note of caution mentioned above, we are quite constructive, because we believe that we are at peak interest rates. They should start to decline by quite a large amount – maybe not in the next six months, but over the next two to three years. We will see normalization at some point, and maybe then we will need to fight deflation again. So, we do see rates coming back from the current 5% in the US to 3% over the next two years. That would make a lot of difference for equities. Second, even though sell-side analysts are forecasting earnings growth of 10%-13%, few investors believe that. The consensus expectation on the buyside is for a 10% earnings decline next year. If we only have a shallow recession, or no recession at all in the US due to a resilient consumer market, we should see markets reacting well. Lower rates with many participants still overestimating earnings risk could be a good combination to boost equity returns.

4. SDG engagement

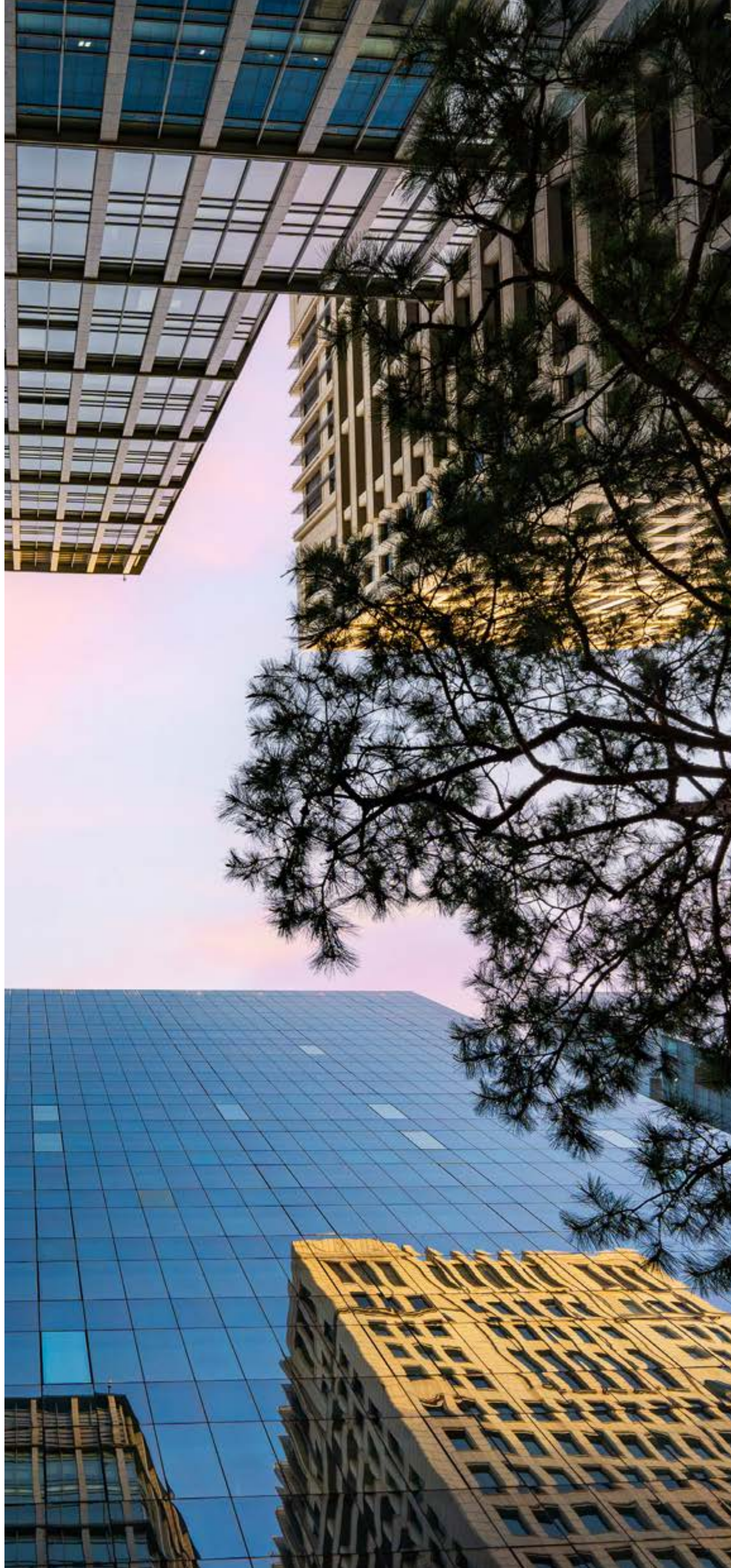
4.1 SDG engagement • Reflecting on ‘23

Another year on from the start of our engagements, we’re pleased to see our early efforts begin to materialize, reflected in the progressing status of milestones and overall cases. As we share our chain of activity, progress, and impact over the next chapters, what we would like to impart is that change takes time and consistency - but it is possible.

As we anticipated a year ago, we’ve been able to meet more companies in person, not only at each other’s place of business, but also at key global conferences that inform both sides of the engagements of recent developments - such as COP28 in Dubai. We’re seeing that investing in these relationships with our time and effort has yielded many of these companies to reciprocate - companies are increasingly reaching out to us to ask our feedback on prospective policy or reporting changes, allowing us to tap directly into their internal processes.

We’re also seeing the landscape for sustainability move in multiple directions globally. Regulatory developments are putting pressure on companies in some markets such as the EU to meet stringent reporting and due diligence requirements. In other regions, sustainability topics are becoming increasingly polarized as companies question what their main duties are to stakeholders. To help navigate this landscape, we lean on the Sustainable Development Goals and the frameworks we’ve built to find and prioritize opportunities for these companies that we believe are mutually beneficial for society, companies, and investors. By doing so, we believe we can provide a consistent and material point of view, as is also reflected in the results of our annual engagement survey of portfolio companies.

Over the next year, we’re expecting to build on our engagements by refining our milestones, honing in on the opportunities we’ve crafted in our relationships, and critically evaluating where opportunities we had identified haven’t materialized. The results of the past year push us to continue this work into the next, and we look forward to seeing where it takes us.



4.2 SDG engagement • Engagement activity

Summary of the engagement process
Three key processes guide the engagement. The first is the construction of a company-specific SDG engagement case setting out specific, measurable, attainable, relevant and time-based (SMART) milestones. Each milestone is linked back to the SDGs to ensure we track the impacts that we set out to target at the beginning of the analysis. The figure on page 16 shows how these links are distributed across all goals and sub-targets. In practice, these milestones can range from the introduction of a policy to a change in revenue share derived from a business unit.

Then there is the engagement itself, providing in-depth and unique insights into companies' approaches towards sustainable development, which feeds back into the research and investment process. Lastly, by tracking Robeco's inputs and activities and by linking corporate progress back to our asks and expectations, using our proprietary Engagement Impact Attribution Framework, we can track the progress of our engagements.

The individual activities we carry out for each case are the building blocks of the impact we seek to achieve with our engagement. We combine different forms of contact and analysis as needed to work towards our milestones.

The forms of engagement

We categorize our actions into activity types, an overview of which you can find on page 17. Engagement can be carried out by speaking directly to the company via conference calls or in-person meetings. In addition, we also frequently communicate via formal letters and written feedback. To inform the content of our exchanges, we periodically analyse the company's progress and its wider context, digesting company disclosures, third-party assessments, and our internal IP.

One-way to two-way

Each category of activity type – such as conference calls – is a collection of interactions on a variety of topics, with various contact points, stakeholders and formats. Although we initiate much of the engagement, we've continued to see companies reaching out to us proactively to seek our opinion on their ESG strategies and plans. This usually indicates that the company has a formal stakeholder consultation process. We also continued to take advantage of global conferences on topical ESG issues to connect with some of the companies and stay up to date on the latest developments, such as the UN Human Rights Forum in Geneva.

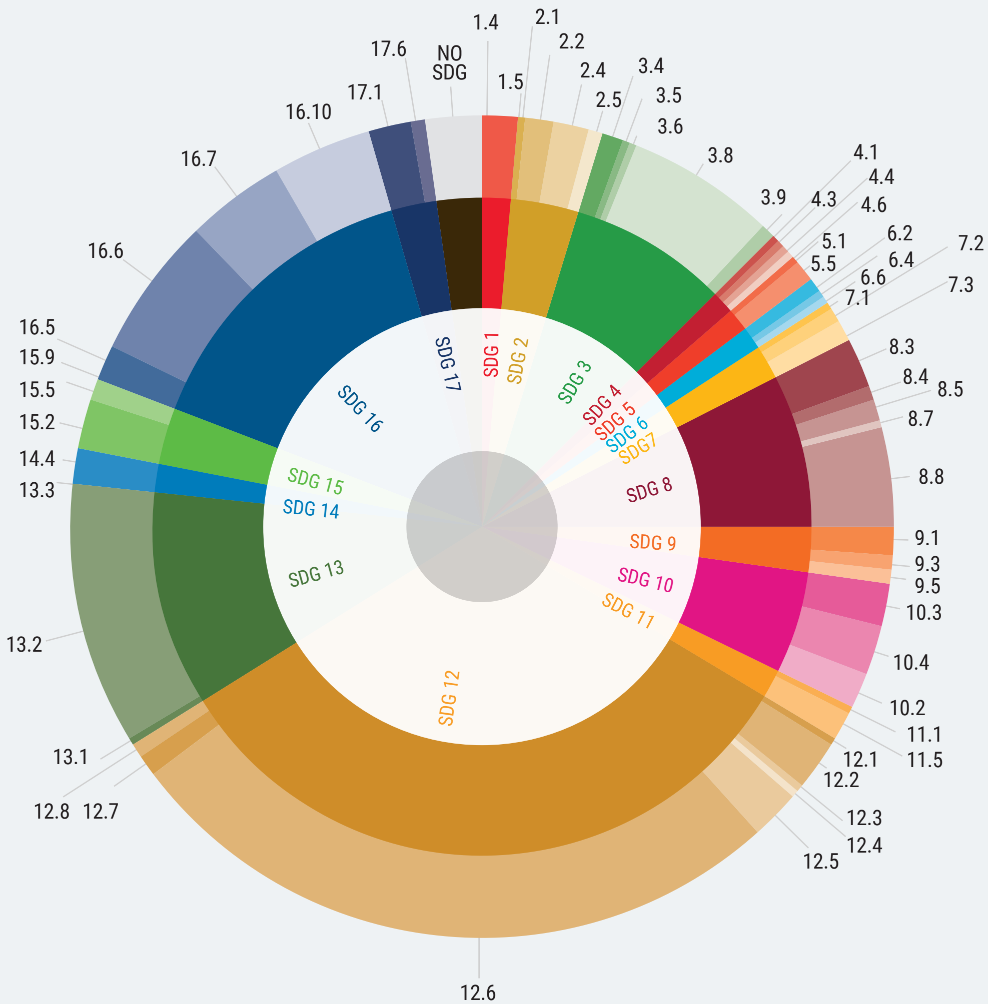
Highlight: 12th United Nations Forum on Business and Human Rights

We travelled to Geneva to attend the annual UN convention on human rights last year. This annual forum brings together countries, companies, investors and other stakeholders to advance implementation of the UN Guiding Principles on Business and Human Rights. The event offers an opportunity to understand key trends, meet the human rights teams and relevant stakeholders of our investee companies, and share the investor perspective in a multi-stakeholder setting.

At the event, we met several company representatives and civil society representatives for one-on-one or small group meetings to discuss our engagement topics and reflect on wider industry trends. 2023 marked the 75th anniversary of the Universal Declaration of Human Rights. The challenges highlighted include the increase in conflict-affected areas and deepening geopolitical tensions, the triple planetary crisis (climate change, biodiversity loss, and pollution) and the challenges of artificial intelligence.

Engagement milestones distribution per SDG

SDG 1	No poverty	2%
SDG 2	Zero hunger	3%
SDG 3	Good health & well-being	8%
SDG 4	Quality education	1%
SDG 5	Gender equality	1%
SDG 6	Clean water & sanitation	1%
SDG 7	Affordable & clean energy	2%
SDG 8	Decent jobs & economic growth	8%
SDG 9	Industry, innovation & infrastructure	2%
SDG 10	Reduced inequalities	5%
SDG 11	Sustainable cities & communities	1%
SDG 12	Responsible consumption & production	32%
SDG 13	Climate action	11%
SDG 14	Life below water	1%
SDG 15	Life on land	3%
SDG 16	Peace, justice, & strong institutions	15%
SDG 17	Partnerships for the goals	2%
No SDG		2%



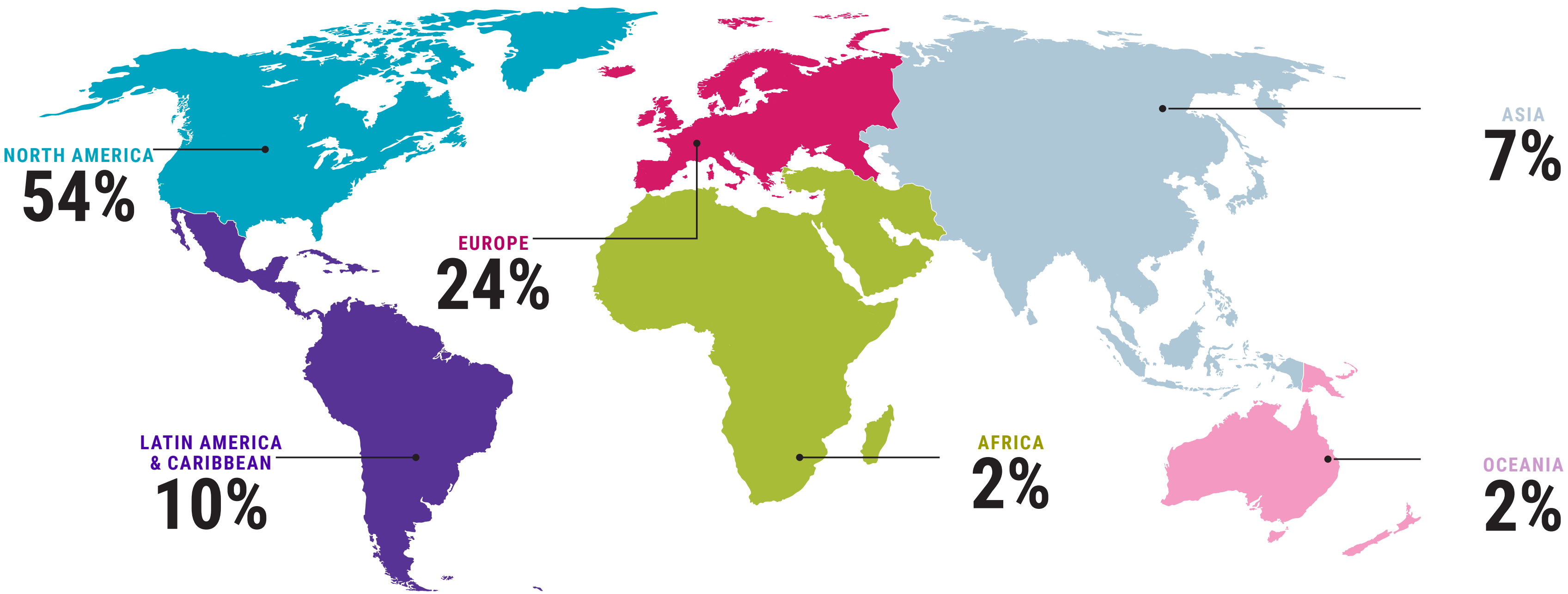
Engagement milestones have been set up across the five objectives for the companies in the fund, each linked to either an overarching SDG or a specific sub-target.

This figure reflects the distribution of engagement milestones across the SDGs of cases that are ongoing and cases that have been closed over the course of 2023.

Over 2023, the Active Ownership team initiated engagement with 41 companies across 13 countries, addressing 502 engagement milestones linked to the 17 SDGs. The key engagement figures are reported below.

Engagement per contact 2022	Q1	Q2	Q3	Q4	YTD
Meeting	1	0	1	7	9
Conference call	20	11	19	24	74
Written correspondence	23	19	16	14	72
Shareholder resolution	0	0	1	0	1
Analysis	2	9	6	5	22
Other	0	0	0	0	0
Total	**46**	**39**	**43**	**50**	**178**

Engagement activities by region | 2023



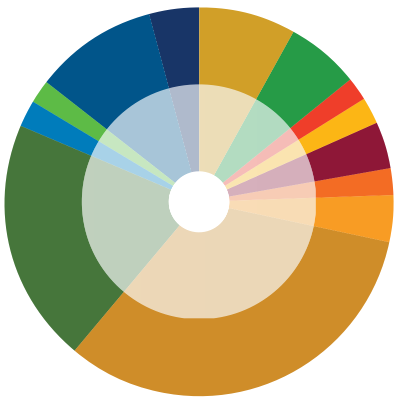
4.3 SDG engagement • Engagement progress

18
# of companies with at least one milestone achieved

49
# of milestone achieved

Once we have formulated our objectives using milestones, we regularly track how far the company is from meeting our expectations. All milestones start on 'flat', meaning that the company has not moved towards or away from the desired outcome. 'Positive progress' indicates that the company has taken steps towards completing the task at hand but has not yet 'achieved' the milestone – and its associated impact on the SDGs – quite yet. Milestones that have not been achieved at the end of our engagement are marked as 'closed unsuccessfully', and 'negative progress' is noted where companies are actively working against the desired change.

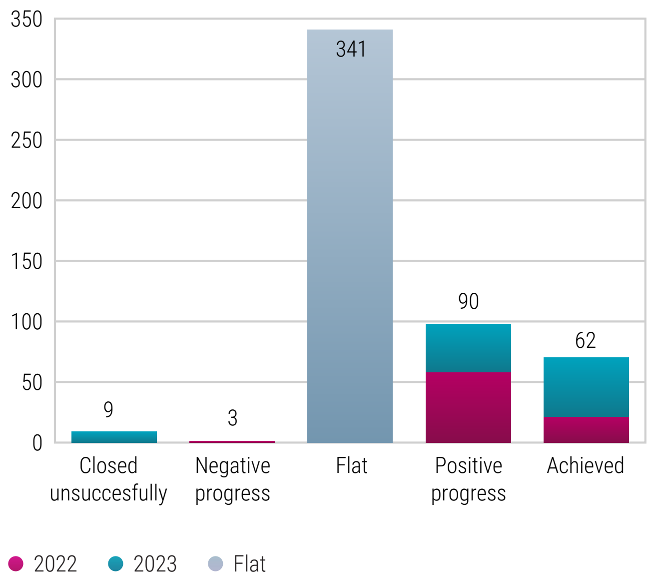
Achieved milestone's SDG-link distribution



At the end of the second full year of the strategy, we saw companies continue to make the changes stipulated in our milestones, with 49 achieved over 2023, and an additional 40 moving in a positive direction. The SDGs to which those milestones are linked are shown in the figure below.

SDG 13: 'Climate action' and SDG 12: 'Responsible consumption and production' were the goals for which the most milestones were achieved, which aligns with the distribution of the SDGs linkages across the total milestones. We've explored the progress made under SDG 13 in the chart highlighted on this page.

Milestone's progress status



Highlight: Progress on SDG 13

Six companies achieved milestones related to SDG 13 (Climate Action), representing the industrials and infrastructure sectors. The milestones largely revolve around refining greenhouse gas emission targets, such as developing medium-term action plans and setting Scope 3 targets. The examples below show how we measure and track progress against our objectives.

TotalEnergies

We had set an ambition for the French oil and gas company TotalEnergies to more clearly outline its decarbonization strategy. Key to this is the inclusion of quantified estimates of emission reduction per strategy component. The company's 2023 ESG report provides a high-quality narrative of the strategy, including estimates of its future energy production mix leading up to 2030, how it is investing in decarbonization, and the key levers for achieving the targets. The next step towards achieving the underlying milestone is to clearly quantify the emissions impact of these actions to demonstrate how TotalEnergies will achieve these targets.

Neste

Finnish energy company Neste has long been recognized as making progress on its transition to becoming a provider of renewable energy. Our engagement has focused on its renewable feedstock fuel refinery capacity, alongside core components of climate strategies. As with any company materially exposed to climate risk, Neste is expected to align its public policy work with its own climate policies to ensure it is supporting proper policy. The company participated at COP28 in Dubai to promote an enabling policy environment. Furthermore, the company is active in several trade associations and drives their agendas on climate policy. Given that the company's business model will benefit from increased regulation to curb emissions from transport, this satisfies our expectations set out in the relevant milestone.

4.4 SDG engagement • Engagement impact

Innovating our approach to engagement impact measurement

Last year's annual impact report introduced our approach to measuring the societal impact of our engagement activities. This framework is built on the 'five dimensions of impact' as originally introduced by the Impact Management Project[1], which we believe is the closest the financial industry has come to standard setting on impact measurement.

One of our reflections from applying this framework in the past year is that certain impact dimensions may be less relevant than others, depending on the outcome being assessed. For instance, the 'who' dimension is concerned with how underserved the primary beneficiaries of the engagement outcome are. But in the case where a climate-focused dialogue has led to a reduction in carbon emissions, one could argue that the beneficiaries are the planet as a whole, including all life on it. This is by definition a heterogeneous group, making it challenging and frankly irrelevant to formulate a judgement on how underserved this group is. While the framework we introduced last year satisfies the assessment of social engagement outcomes, we have adapted two dimensions applied to environmental objectives. Below we introduce the rationale and operationalization behind these two new dimensions – 'what' and 'how much' – and illustrate the application to an achieved environmental engagement objective.

The full methodology for both social and environmental outcomes can be found in Appendix A.

What

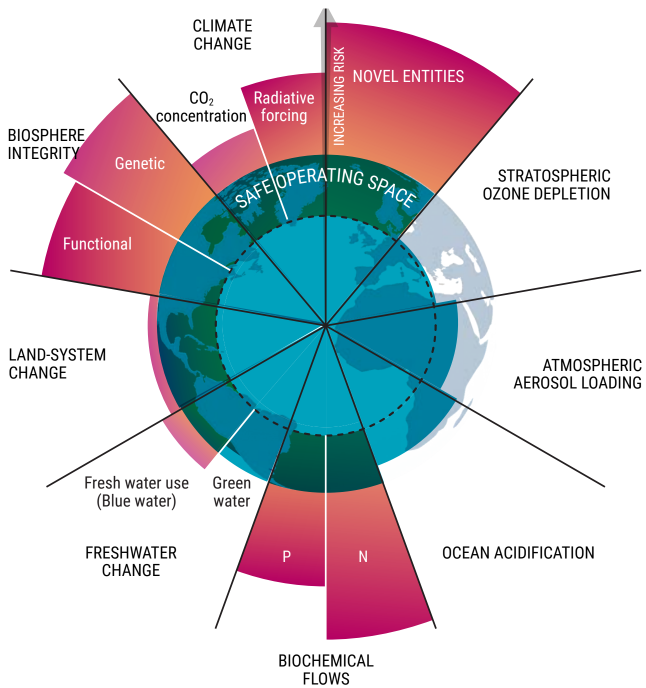
The 'what' dimension seeks to understand how important the (environmental) outcome is. To assess this, we refer to the planetary boundaries framework[2], which have laid out nine biophysical processes that regulate the stability and resilience of our planet. Recent research has shown that six out of nine boundaries have now been transgressed[3].

In assessing environmental engagement outcomes, we check if the outcome is reflected in one of the boundaries, and if so, whether the relevant threshold has already been surpassed. For instance, an objective concerned with increasing a company's share of RSPO-certified palm oil is intended to combat deforestation, which is reflected in the 'land-system change' boundary. This boundary is currently in the zone of increasing risk, meaning we categorize the outcome as 'somewhat critical'. Even though the boundaries are inherently interconnected, for simplicity purposes we only focus on first-order effects.

How much

Through the second dimension – 'how much' – we seek to understand how significant the engagement outcome is for this

The current state of all nine planetary boundaries[3]



1. https://impactfrontiers.org/norms/five-dimensions-of-impact/
2. https://www.stockholmresilience.org/research/planetary-boundaries.html
3. Richardson, K., Steffen, W., Lucht, W., Bendtsen, J., Cornell, S. E., Donges, J. F., ... & Rockström, J. (2023). Earth beyond six of nine planetary boundaries. Science advances, 9(37), eadh2458.

WHAT	**How critical** is this outcome for the stability and resilience of our planet?	Less critical	Somewhat less critical	Unknown	Somewhat critical	Critical
		Not reflected	Safe operating space	Various outcomes across boundaries	Zone of increasing risk	High risk zone

environmental issue. Here, aspects like the size of the company and the ambition level of the engagement objective come into force. Typically, we consider a combination of the scale of the impact (e.g., m3 of water saved) and, if applicable, the depth (e.g. do company's water withdrawals occur in regions experiencing water stress?). Due to the myriad of possible outcomes and challenges in quantifying these, this dimension is less rules-based and instead provides several examples that can act as guidance for the analyst, thereby partially relying on their judgement.

Assessing achieved engagement milestones

In 2023, 49 engagement milestones were marked as 'achieved' across our portfolio companies. We evaluated the associated outcomes across relevant impact dimensions. Governance-focused milestones are not included in the assessment, as they typically aim to establish the right conditions within companies to foster societal impact, but do not generate tangible real-world outcomes themselves. For the full methodology, please refer to the Appendix.

What is impact?

The impact of any effect is its performance across five dimensions.

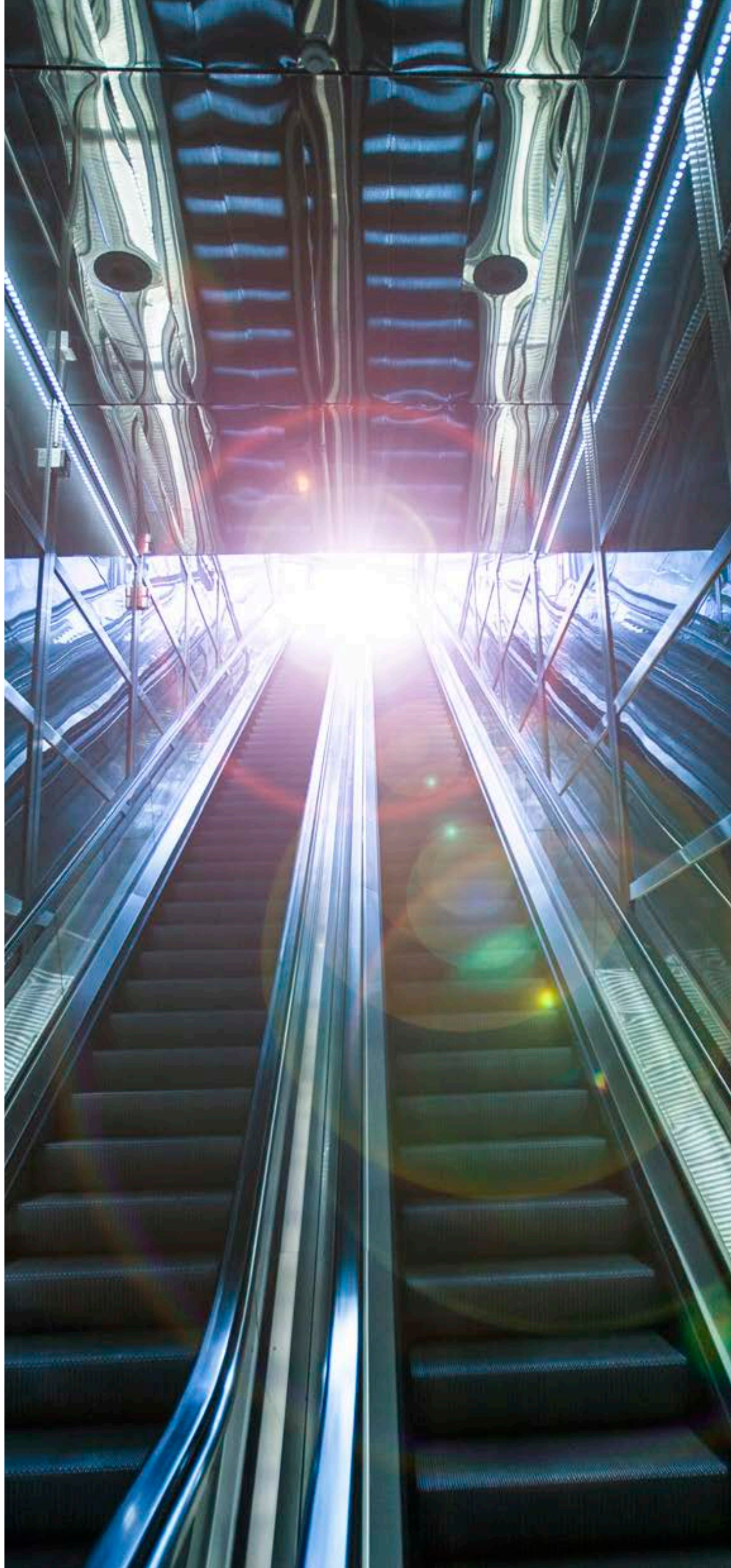
WHAT

WHO

HOW MUCH

CONTRIBUTION

RISK



Achieved social milestones' impact dimensions	1	2	3	4	5
Who Are the beneficiaries underserved?	1	2	1	1	1
How much – **Scale** How many beneficiaries?	1	1			4
How much – **Depth** What degree of change do they experience?		1	3		2
Contribution[5] What is the level of investor contribution?		1	1	1	
Risk Will the outcome likely be achieved?	1	2	2	1	

The achieved social milestones benefit a wide variety of stakeholders, some of which can be considered underserved. One milestone for Novartis is geared towards increasing access to medication (e.g. cancer or asthma treatment), which has the potential to provide underserved groups with essential health care services. Conversely, an engagement request for Electronic Arts after a breach to establish a cybersecurity risk-management system can be argued to primarily benefit the company and its shareholders (no personal data was leaked), which we do not consider underserved.

Achieved environmental milestones' impact dimensions	1	2	3	4	5
Who Are the beneficiaries underserved?				14	
How much		4	6	2	2
Contribution[7] What is the level of investor contribution?				4	
Risk Will the outcome likely be achieved?	1	7	3	2	1

Among the achieved milestones, many concerned environmental targets, most of which are focused on reducing greenhouse gas emissions (4/5 score), be it from transportation (such as CCR) or the built environment (e.g. CBRE). The significance of the outcomes for the environment varies, with most of the achieved objectives considered to have had a moderate impact. Furthermore, most of these milestones require setting targets or establishing strategies, which are important in setting the direction of travel, but more is needed from the companies to ensure the real-world impact is achieved. This is reflected in the tilt towards lower scores on the risk dimension.

5. The aggregate number of milestones on the Investor Contribution dimension may be lower, for instance, because investee companies have not responded to the survey.

Engagement survey results

As in June last year, we sent out an engagement survey to investee companies in order to get feedback on the engagement dialogue and gain insights into our level of investor contribution, one of the dimensions we use to measure and report engagement impact. We received 18 responses to the survey, representing 50% of the portfolio companies.

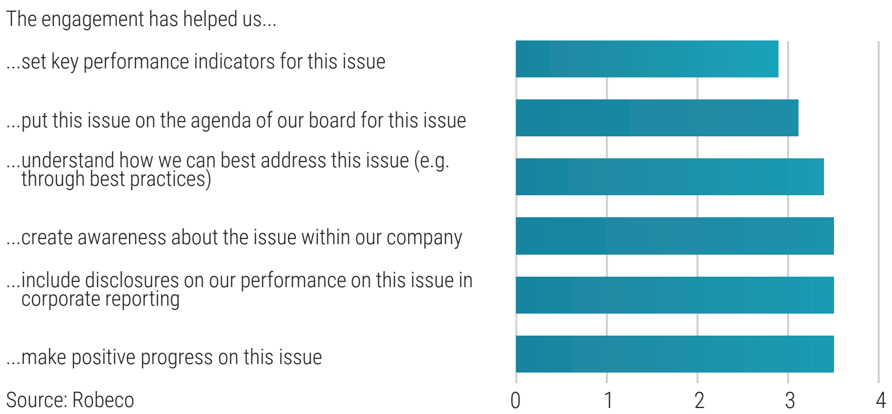
The survey starts with several questions related to quality of the engagement dialogue from the companies' perspective. Most companies indicate that Robeco's engagement specialists are well-informed and focus on issues that are both financially material to the company, as well as material for society.

Throughout the survey, we were also looking for insights into which companies' internal processes we influence most by engaging with them. To that end, we asked several questions related to specific engagement objectives that were discussed in the dialogues, the results of which are shown in the graph 'Robeco's influence on companies' internal processes'.

Further, we ask the companies which stakeholders are influential driving improvements on sustainability issues.

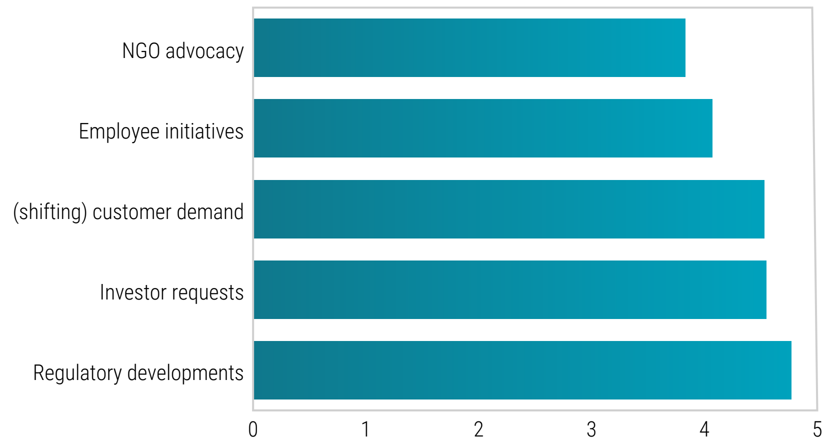
Lastly, we included some open questions in the survey related to how we can best help the companies to drive further positive change. Two companies took the opportunity to stress the importance for a healthy balance between sustainability ambitions and the context they operate in, specifically citing the political and socio-economic environment, competitiveness and geopolitics. Several other companies appreciate a continuation of the fruitful and constructive dialogue. Finally, one company cited our engagement dialogue as being the most ESG/SDG focused, while another company even mentioned that our engagement requests are the most professional and relevant they have received.

Robeco's influence on companies' internal processes

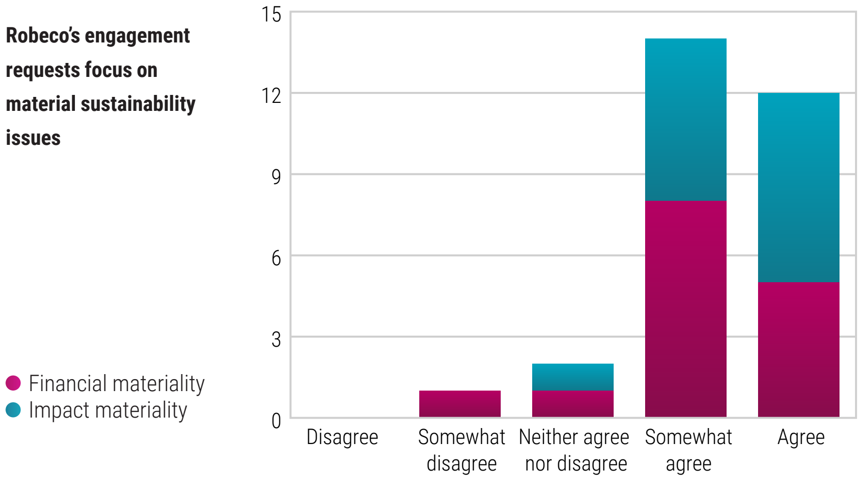


Source: Robeco

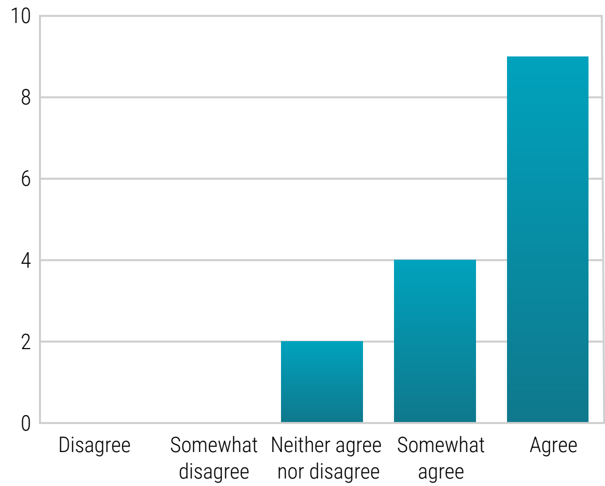
The following factor is an important driver for us to improve our sustainability practices...

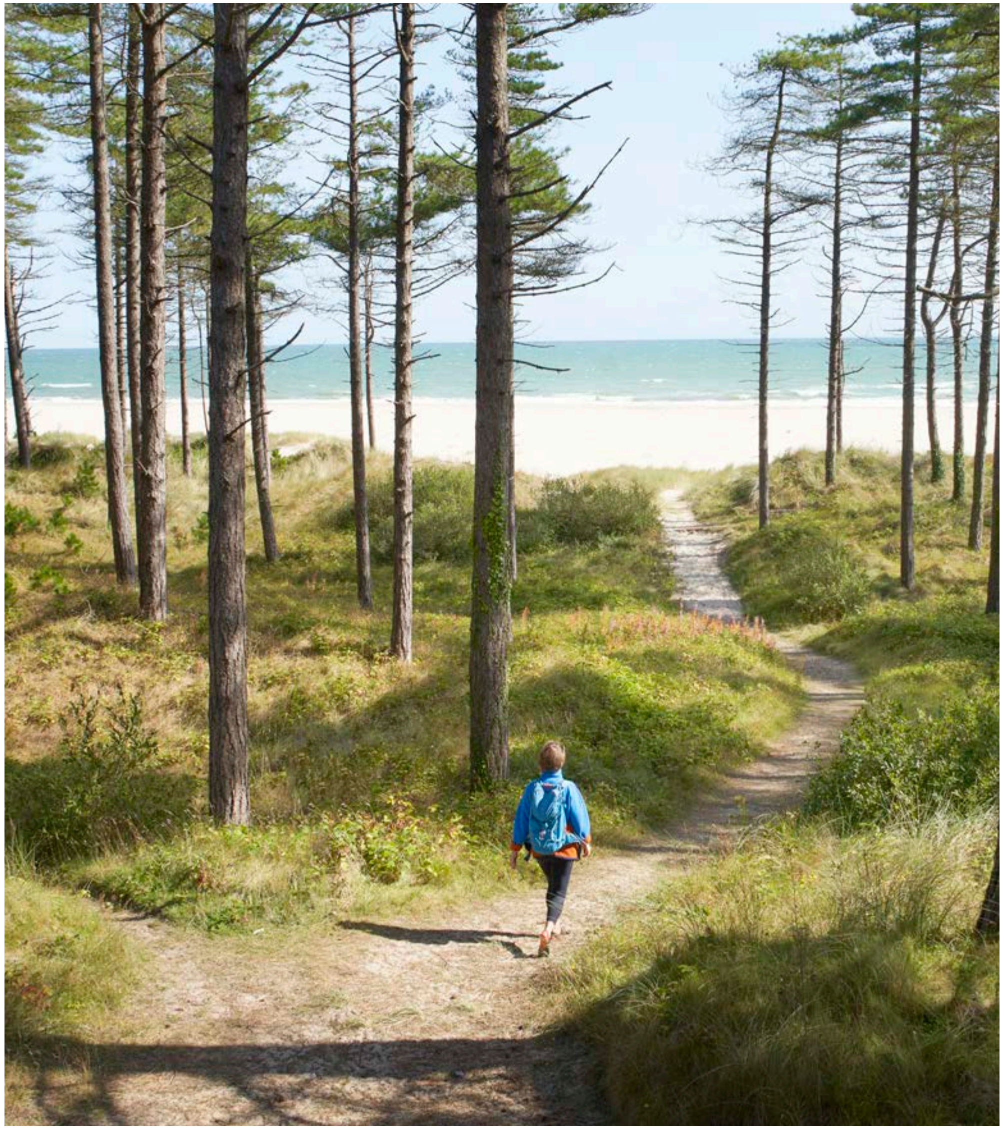


Robeco's engagement requests focus on material sustainability issues



Robeco is well informed on the issues most relevant to our business





The **Case studies** below exemplify how we apply our engagement impact measurement framework, and the results of our engagement survey, to key milestones that we achieved over the last year in two of our engagements.

Company	**TotalEnergies SE**					
Company profile	TotalEnergies is a French multinational integrated energy and petroleum company founded in 1924. It produces, transports and supplies crude oil, natural gas and low-carbon electricity, and also refines petrochemical products. The company is increasingly investing in renewable energy and low-carbon fuels as part of a global transition plan.					
Engagement milestones	• Establish a strategy to tackle Scope 3 emissions, including setting mid and long-term emission reduction targets • Align the global climate targets with the European strategy, i.e. net zero by 2050 across all scopes, by 2024.					Milestone status: **Achieved**
Intended impact	By setting these milestones, we wanted company to develop a coordinated and holistic energy transition strategy that would see it reduce the emissions from fossil fuel products across all the regions that TotalEnergies operates in, rather than focusing purely on operational emissions or more advanced economies.					
What How critical is the outcome?				**Somewhat critical**		The relevant planetary boundary - CO_2 concentration in the atmosphere - has already been transgressed and is currently in the 'zone of increasing risk'.[6]
How much How significant is the outcome?					**Significant**	It is challenging to quantify the greenhouse gas emissions saved through the newly set-out trajectory, given the uncertainty around the baseline scenario. This is reflected in a separate milestone we set which asks for the integration of quantitative figures across various decarbonization strategy components, and ongoing engagement on strengthening targets. The company has indicated that while the energy intensity of its energy mix will fall by 2030, absolute emissions will remain stable, meaning the company remains misaligned with a 1.5°C scenario according to many assessments. Still, we classify the impact scale as significant, since Scope 3 (~445 Mt CO_2e in 2022) represents >90% of the company's emissions and the remaining carbon budget for a 1.5°C scenario is estimated at only 250 Gt.[7]
Investor contribution			**Moderate**	**Somewhat high**		TotalEnergies indicated through the survey that our engagement has been a relevant driver in setting these targets (a score of 3.55), describing the engagement as "high quality, pragmatic and focused". However, other factors, including regulatory developments, customer demand and internal motivation were also cited as being of significant influence.
Risk Will the outcome likely be achieved?		**Somewhat unlikely**				Establishing a strategy and setting targets is an important first step, but in itself does not guarantee the targeted emission reductions will actually be achieved. This is addressed in other engagement objectives we set for the company related to capex alignment and disclosure of lobbying activities, which will continue to be discussed as part of the engagement.

Company		**Grupo Bimbo, S.A.B. de C.V.**					
Company profile		Grupo Bimbo is a Mexican multinational food company with a presence in over 33 countries located in the Americas, Europe, Asia and Africa.					
Engagement milestones		Increase the average nutritional profile across all product categories and report what % of sales are healthy					Milestone status: **Achieved**
Intended impact		By setting this milestone we strive to improve the health outcomes for Grupo Bimbo's customers by encouraging the company to increase the nutritional profile of its products					
Who					**Somewhat underserved**		Most of its customers are assumed to have access to sufficient food to not experience hunger. However, 40-50% of the companies' sales are generated in emerging markets. There is generally a lack of access to affordable, nutritious food, meaning malnutrition can be a concern [8].
How much	**Scale**					**Very large scale**	Grupo Bimbo is estimated to reach around 25 million people every year [9].
	Dept				**High degree**		Among the positive outcomes of a better dietary intake are more balanced energy levels and reduced risk of cardiovascular diseases, type 2 diabetes, and cancer[10].
Contribution				**Moderate**			The survey results indicated that the engagement was moderately influential in driving positive progress on this issue. Grupo Bimbo cited that the dialogue helps the company keep track with what is important to investors regarding nutrition.
Risk						**Likely**	Improving the nutritional values across product categories directly benefits Grupo Bimbo's customers' dietary intake, meaning there is a high degree of certainty this will lead to positive health outcomes.

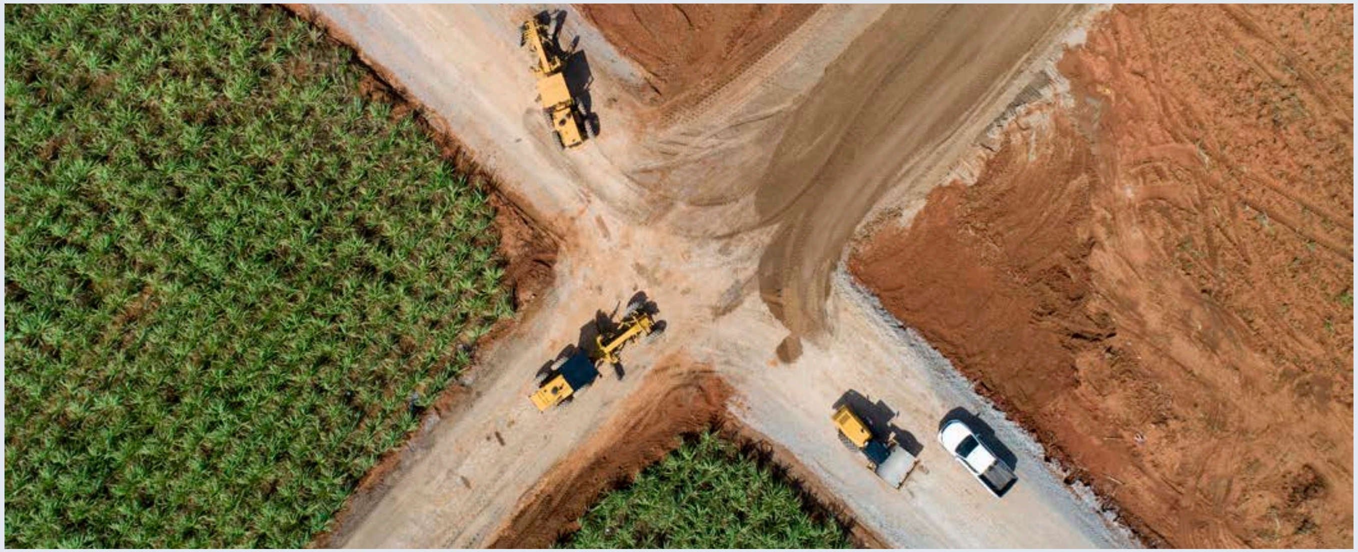
6. https://www.science.org/doi/10.1126/sciadv.adh2458
7. Remaining Carbon Budget as of January 2023, with 50% change of keeping global warming within 1.5°C. Source: https://www.nature.com/articles/s41558-023-01848-5
8. https://www.fao.org/documents/card/en/c/cc3017en
9. Source: based on own estimations
10. https://www.cdc.gov/nutrition/resources-publications/benefits-of-healthy-eating.html

4. Case studies

Case study • Volvo

Volvo's transport and infrastructure solutions have the potential to support cleaner and more circular transport solutions. The Swedish vehicle maker is increasing its electric product offerings across its cars, trucks, buses, construction equipment and power solutions for marine and industrial applications divisions. This thereby contributes to the future landscape of sustainable transport and infrastructure solutions, though there remain issues with the end use of vehicles sold to military buyers.

Volvo's contribution to the SDGs centers largely on SDG 9: 'Industry, innovation and infrastructure', SDG 11: 'Sustainable cities and communities', and SDG 13: 'Climate action'. Our engagement objectives for these three SDGs look to support the improvement of Volvo's environmental performance by moving its product range more towards electric vehicles.
In addition, Volvo's sales of non-personal vehicles to military and general purpose buyers in conflict-affected or high-risk areas has an impact on and SDG 16: 'Peace, justice, and strong institutions'. This has resulted in our engagement program setting several milestones focused on the topic of responsible sales.



Engagement on responsible sales

This latter point on avoiding its vehicles becoming embroiled in human rights abuses at the point of sale, over which Volvo has limited control, is perhaps the most difficult to engage on. We have spoken with Volvo's staff about responsible sales on three occasions since the start of our engagement. The initial engagement research had a strong focus on improving the company's risk management and responsible sales standard to avoid the misuse of products resulting in human rights abuses. This was prompted by past allegations that its vehicles were involved in significant human rights violations in Myanmar, Egypt and Palestine. The machinery manufactured by Volvo and its subsidiaries had been used to oppress civilians in Egypt and in a controversial mine in Myanmar linked to potential human rights violation. Moreover, the company, was named as being complicit in the violent repression of a protest in the Palestinian village of Khan al-Ahmar, even though this was not the intended use of its vehicles when they were sold.

Volvo has been actively working on improving its risk management and responsible sales standards to prevent this kind of misuse. In 2021, Volvo began implementing changes to its human rights governance and approach to responsible sales. The company established a three-tiered human rights integration system within the organization, consisting of a group-level human rights working group, a human rights reference group with departmental heads, and a human rights board at the executive level.

For military sales, Volvo has an internal directive in place that assesses country risk based on external data. Decisions over whether to proceed with high-risk deals are taken at the company's headquarters. Volvo has also improved its commercial sales standards, particularly in Myanmar, where it has dealer operating standards in place and has performed human rights due diligence.

In addition to these measures, Volvo has published a standalone human rights policy approved by senior management and the board of directors. The policy emphasizes the diligence that is required before sales to conflict-affected and high-risk areas can be authorized . Volvo has also integrated human rights and responsible sales into the dealer operating standard for its construction business segment, which it identifies as having the most significant exposure to these issues.

In 2022, Volvo demonstrated increased transparency in its responsible sales area, including reporting on challenges and responses. In our call early in the year, the company also clarified the scope of this policy, which currently applies only to military sales. Mandatory training was rolled out in the organization to create awareness. In 2022, Volvo raised internal awareness through online training on responsible sales, completed by around 300 individuals. They also held in-depth sessions on the topic.

In 2023, Volvo further enhanced its responsible sales approach, interacting more with external organizations like NGOs and embassies, especially in high-risk areas. This approach is reflected in the company's comprehensive reporting. Volvo has specific processes for military sales which go beyond sanctions and export controls. The due diligence process is detailed, involving multiple assessments and data providers.

A human rights risk maturity assessment project was initiated in September 2023 to identify potential gaps and areas for further improvement, and to take into consideration upcoming regulations like the CSRD and CSDDD. In Israel, Volvo's products are sold via a third-party importer and can be used in various applications. Sales to military end-users undergo a stringent assessment process. However, Volvo continues to face challenges due to the long lifespan of its products and the company's limited influence over their use throughout their lifecycle. The importance of heightened due diligence in conflict-affected areas was emphasized.

Reflection

Volvo has been very responsive to our engagement requests , showing steady progress in its responsible sales approach, allowing us to successfully close the three related milestones . Through our interaction with content experts , we have been able to provide direct feedback, and have learned about the steps the company plans to take, and what it has taken into account thus far.

We particularly appreciate the breadth of actions taken so far, ranging from setting up governance structures to raising internal awareness and engaging with external stakeholders. As a next step, the company has initiated a human rights risk maturity assessment, guided by external expertise. Although changes in ownership of Volvo products throughout their life cycle remains a challenging area where the company has limited influence, we believe the company is much better prepared to assess human rights risk compared to 2021.

Milestone 1.1

Further strengthen human rights risk-management mechanisms to tackle high-risk sales, for example by introducing risk-assessments in high-risk markets, to avoid unacceptable use of products.

Case study • CCR

Companhia de Concessoes Rodoviarias, or CCR, as they're commonly known, is the primary toll road operator in Brazil, with exposure to other transportation infrastructure such as airports and metro systems.

CCR's impacts on the SDGs revolve around SDG 9: 'Industry, innovation and infrastructure'; SDG 11: 'Sustainable cities and communities'; and SDG 16: 'Peace, justice, and strong institutions.' Our long-running engagement sought to address the company's influence on transport-related emissions in its markets, as well as encourage improvements in CCR's corporate governance structures.

Climate expectations

As a transportation company, CCR's exposure to climate change largely comes from when the infrastructure it builds is used. We began providing feedback on sustainability matters prior to the establishment of the company's sustainability strategy, where we suggested it conduct stakeholder consultationsto ensure that the strategy reflects CCR's main impacts and measures performance. The company has repeatedly refined its sustainability strategy in step with our engagement, and several initiatives have been executed, with concrete targets and disclosures published in sustainability reports over the years.

Our main climate expectations towards the end of our engagement were the setting of targets and establishment of a commensurate roadmap for Scope 3 emissions, and the more concrete establishment of sustainability within management and governance structures. These are captured by milestones 1.3 and 1.2, respectively. We were therefore pleased to hear during our meeting with CCR during COP28 that it had identified Sustainable Aviation Fuels (SAF), asphalt materials and biofuels for its toll road fleet as initiatives that would lead to its target of cutting scope 3 emissions by 27% compared to 2019 levels by 2033. This scope 3 ambition, along with the existing scope 1 and 2 plans, were submitted to the Science-Based Targets Initiative, receiving approval in early 2024. In addition, the company formally appointed a 'People and ESG Committee', whose mandate includes oversight of the strategy and global ESG trends, thereby satisfying milestone 1.2.

Corporate governance

We first started our conversations with CCR in 2018 when regulations in Brazil set higher governance best practices for the country's regulatory governance segment. As the company had a controlling shareholder, our aim was to improve the position of minority shareholders by increasing the number of independent members and setting clear incentive structures. In that same year, several issues with the company's governance were unveiled when CCR was investigated for potential involvement in Lava Jato, a well-known bribery scheme involving the Brazilian government and several companies

Following these events, our conversations focused on improving risk and control processes, along with increasing independent oversight of the board. In 2019, CCR undertook a governance review, leading to updated policies on compliance, risk management, governance, and business ethics, among others. It also specified checks and balances on specific approval processes, and stipulated requirements for independent leadership on key committees, including on the board.

During our engagement, we had asked on several occasions to increase the number of independent board members, and discussed the opportunity for a shareholder-led independent nominee for the board. After a search for a candidate that had a strong understanding of the industry, solid investment experience, and with a focus on both corporate governance and sustainability, we requested the nomination an additional independent member. We found support from within the company and from the market for our candidate, leading to their successful election during the 2020 annual general meeting. The election of an independent member on the board further improved our conversation with the company and provided an additional contact point for feedback.

Reflection

This was reflected in its SDG rating moving from -1 to +1 in the second half of 2023, thanks to the corporate governance improvements. In previous meetings, we had extensively discussed the governance, compliance and risk management improvements. Based on our analysis of progress on these topics, we were able to close a number of related milestones, including one that was climate related.

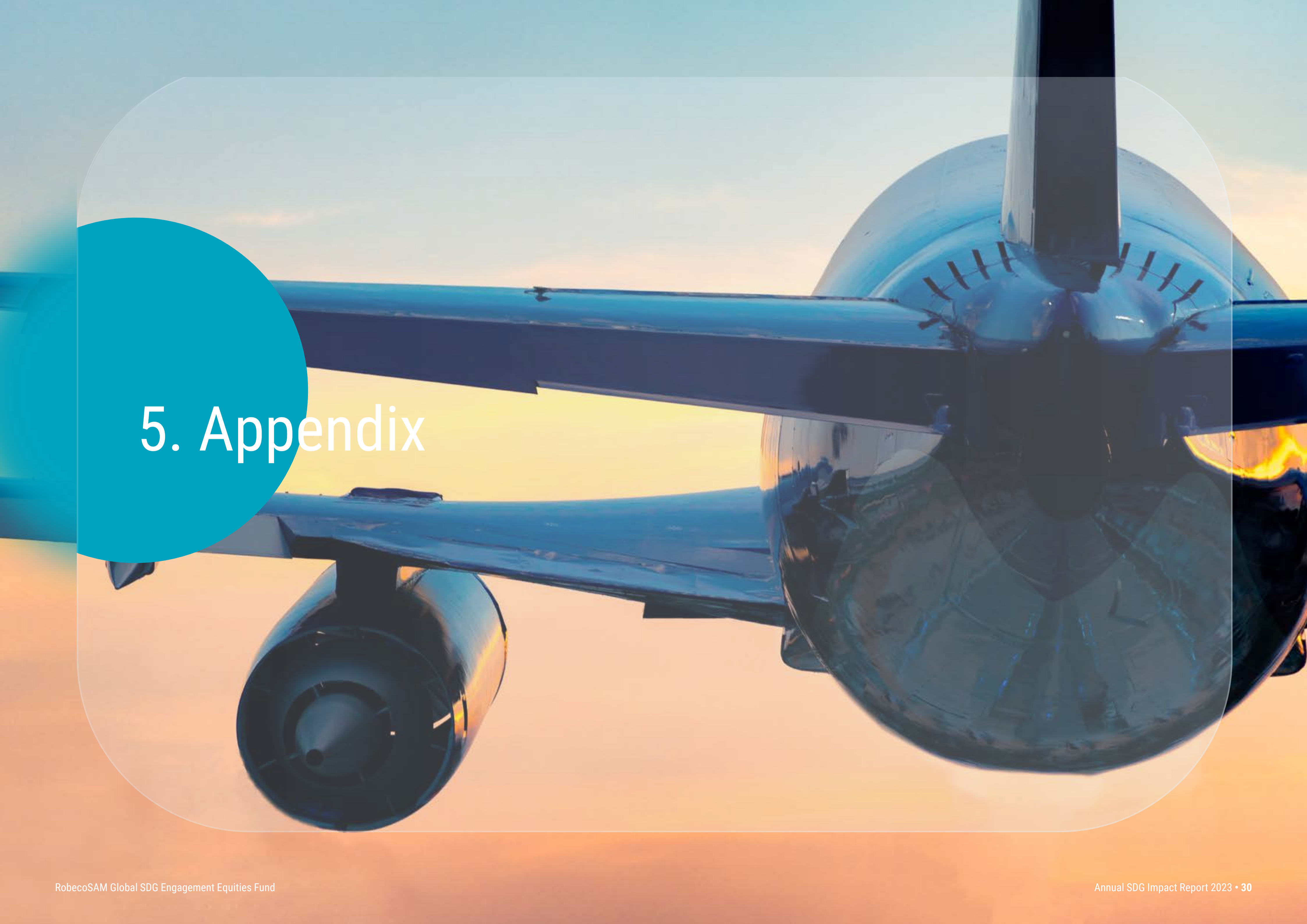
At our last meeting, we offered to arrange a meeting with Volvo Group , as it is one of the major truck producers importing into Brazil, and is also part of the SDG engagement portfolio. Volvo is working on the electrification of its truck fleet, and is rolling out the charging infrastructure for trucks in various European countries. In their push to decarbonize, we thought it would be beneficial for CCR to work with Volvo to learn from their experience in Europe.

Milestone 1.3

Develop interim emission reduction targets for all three scopes by designing a roadmap, in accordance with Climate Action 100+, by 2024.

Milestone 1.2

Create a Sustainability and SDG committee to establish goals, materiality and strategy.



5. Appendix

5. Appendix • Impact dimensions applied to social engagement outcomes

Dimension		Question	Assessment 1	2	3	4	5
What		What is the intended **real-world impact**?	*Description*				
Who		**How underserved** are the ultimate beneficiaries related to the outcome?	**Well-served**	**Somewhat well-served**	**Moderate**	**Somewhat underserved**	**Underserved**
			e.g. investors, corporate customers	*e.g., consumers in DM, white-collar workers*	*e.g., blue-collar workers in DM*	*e.g., patients, youth*	*Bottom of the pyramid, animals in captivity*
How much	**Scale**	**How many** beneficiaries are experiencing the outcome?	**Very small scale**	**Small scale**	**Moderate scale**	**Large scale**	**Very large scale**
			< 5.000	*5.000 - 50.000*	*50.000 - 500.000*	*500.000 - 5.000.000*	*> 5.000.000*
	Depth	What is the **degree of change** experienced by beneficiaries due to the outcome?	**Very low degree**	**Low degree**	**Moderate degree**	**High degree**	**Very high degree**
			e.g., customer satisfaction or convenience	*e.g., productivity gain*	*e.g., privacy, training (L&D)*	*e.g., living more healthy lifestyles*	*e.g., preventing fatal injuries in workplace*
Contribution		What is the level of '**investor contribution**' in achieving this outcome?	**Low**	**Somewhat low**	**Moderate**	**Somewhat high**	**High**
			The mean score of the statements in the engagement survey indicates the relevant category				
Risk		What is the **likelihood** that the intended societal impact will be generated as a result of achieving the milestone?	**Unlikely**	**Somewhat unlikely**	**Neutral likelihood**	**Somewhat likely**	**Likely**
			e.g., improved disclosures	*e.g., policy implemented*	*e.g., time-bound action plan*	*e.g., allocation (financial) resources such as CAPEX / R&D*	*impact is integral part of milestone (e.g., decreased # injuries)*

5. Appendix • Impact dimensions applied to environmental engagement outcomes

Dimension	Question	Assessment 1	Assessment 2	Assessment 3	Assessment 4	Assessment 5
What	**How critical** is this outcome for the stability and resilience of our planet?	**Less critical**	**Somewhat less critical**	**Unknown**	**Somewhat critical**	**Critical**
		Not reflected	*Safe operating space*	*Various outcomes across boundaries*	*Zone of increasing risk*	*High risk zone*
How much	**How significant** is the engagement outcome?	**Insignificant**	**Somewhat insignificant**	**Neither significant nor insignificant**	**Somewhat significant**	**Significant**
		No/weak link with sustainability issue, e.g., financial/risk focus	*e.g., marginal footprint reduction through incremental efficiency gains*	*e.g., sustainable sourcing for subset of commodities*	*e.g., improvement downstream product impact (e.g., energy efficiency)*	*e.g., science-based emissions reductions by a large emitter*
Contribution	What is the level of '**investor contribution**'?	**Low**	**Somewhat low**	**Moderate**	**Somewhat high**	**High**
		The mean score of the statements in the engagement survey indicates the relevant category				
Risk	What is the **likelihood** that the intended societal impact will be generated as a result of achieving the milestone?	**Unlikely**	**Somewhat unlikely**	**Neutral likelihood**	**Somewhat likely**	**Likely**
		e.g., improved disclosures	*e.g., policy implemented*	*e.g., time-bound action plan*	*e.g., allocation (financial) resources such as CAPEX / R&D*	*impact is integral part of milestone (e.g., decreased # injuries)*

Please visit the Robeco website
for more information

1120_CP_0029-04'24