

For professional investors only

Navigating the climate transition

Robeco's roadmap to net zero emissions by 2050

Sustainable Investing Expertise by
ROBECOSAM

ROBECO
The Investment Engineers

Foreword



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The future will be low-carbon. To avoid the worst effects of climate change, the world needs to drastically cut greenhouse gas emissions within the current generation. This is the unequivocal message from the latest report of the UN's Intergovernmental Panel on Climate Change (IPCC) – a report that was described as 'code red for humanity'.

The direction is clear, but the road itself will be bumpy, full of unexpected curves, and we don't know how fast we can travel. Worldwide, governments will have to step up decisively, introducing effective long-term incentives and restrictions for markets to do their job. This will come with disruptions, costs and uncertainties. But it will also bring benefits and opportunities.

Robeco aspires to take to the road as a leader. To be at the frontier of market disruption, because that's where the opportunities unfold. With forward-looking analytics, we aim to anticipate market developments and identify those companies that are well positioned to create value from the transition to net zero. Creating better returns – and looking after the world we live in.

At the same time, we will be prudent, with the 'pioneering but cautious' approach that is engrained in our DNA. This is first and foremost because we invest on behalf of our clients, and we are setting out on our journey together with them. More fundamentally, it's because a net zero economy can only be achieved if we all work together: investors, trade and industry, governments and consumers. Our ambition for net zero depends on everyone playing their part.

With our trajectory of 7% decarbonization year on year on average, we will move faster than the global market in the coming years. Our targets will enhance our focus on the more carbon-efficient companies, and it will reduce our relative exposure to high-emitting companies. But we are aware that for the net zero transition to be successful, high-emitting sectors will need capital in order to adopt new technologies and business models. Walking away from this dilemma does not help the world. As investors we need to engage with the high-emitting sectors and accelerate their transition.

This is well captured in the African proverb: 'If you want to go fast, go alone. If you want to go far, go together'. Our road to net zero aims to embody this attitude. Decarbonization of our portfolios will be based on partnering with our clients to increase investments in climate solutions, and on working with companies and governments to accelerate their transition to net zero.

If we work in partnership, Robeco is confident that we can together rise to the challenge. We are taking an important step with this roadmap, but we know it will have to be revised periodically. We encourage your feedback to help us improve and we look forward to collaborating with you in our journey to net zero emissions.

Victor Verberk, CIO Fixed Income and Sustainability
Lucian Peppelenbos, Climate Strategist

Rotterdam, October 2021

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A conceptual image featuring a dandelion seed head. Instead of a natural stem, a yellow rocket engine is attached to the base of the seed head. The engine is firing, creating a large, billowing plume of white smoke that rises from the bottom of the frame. The background is a clear blue sky with scattered white clouds. The text "OUR APPROACH" is centered over the image in a white, sans-serif font.

OUR APPROACH

VISION



Our commitment

Robeco is committed to achieving net zero greenhouse gas emissions¹ across all its assets under management by 2050. We commit to this goal because it's part of our responsible stewardship and because we are convinced it's in the long-term interest of our clients and our investment performance. Our vision is that safeguarding economic, environmental and social assets is a prerequisite for a healthy economy and the generation of attractive returns in the future.

Climate science has made clear that society has to act now. The costs and impact of inaction increase by the year. The global economy is best served by a steadfast transition to net zero. Working in partnership with our clients, Robeco aspires to taking a leading role in contributing towards a net zero economy. We firmly believe this will also create opportunities to enhance long-term risk-adjusted returns. The low-carbon transition is not only a moral imperative, but also the prime investment opportunity of our generation.

Our role

We cannot solve big problems such as climate change on our own. What we can do is set a clear example, work together, and encourage others to follow suit. Our commitment is made in the expectation that governments will follow through on their own commitments to the goals of the Paris Agreement. Our role as investors is to finance the transition and to use our leverage as shareholders and bondholders to accelerate it. We will expand our strategies for investing in low-carbon solutions while also engaging with high-emitting companies to change their business models. Based on seeking emission reductions in the real world, our investment portfolios will also decarbonize.

Our aim

A net zero portfolio is only possible if the world reaches a net zero economy in which the amount of greenhouse gasses emitted to the

atmosphere is equal to the emissions that are sequestered by nature or industrial techniques. Carbon offsetting can play a complementary role in dealing with residual emissions, but the essence of reaching net zero is to decarbonize production and consumption.

Some solutions are clear, such as renewable energy, the electrification of transport, and a reduction of loss and waste. Other solutions are still in early development, such as negative emission technologies, or are simply as yet unknown. The net zero transition will require the best of human ingenuity and will pose serious challenges to 'business as usual'. While we cannot foresee the entire road, we do have a firm conviction about the direction of travel and our ability to build the road as we go along.

Beyond carbon

Climate change is a symptom of a broader challenge. The impact of humankind on the biosphere surpasses the carrying capacity of our planet. It is not only the climate, but also other planetary boundaries which are under pressure, such as biodiversity, nitrogen cycles and natural habitats. Conservation and restoration of nature is essential for mitigating climate change.

Nor can we treat climate change separately from social challenges such as inequality. Climate action will only be effective if it is socially supported and if countries and institutions accept their 'fair share'. Historically responsible for the bulk of emissions, industrialized countries must take the lead. But currently, most greenhouse gases are emitted in emerging and developing countries. These countries also suffer most from the impact of climate change. Hence, international cooperation and sustainable economic development are essential for achieving the goals of the Paris Agreement. Climate action must be embedded in the broader Sustainable Development Goals (SDGs).

1. Please refer to the overview of key terms at the end of the document for our definitions of net zero emissions, Paris-alignment, carbon footprint, etc.

STRATEGY



Key actions

Our strategy is based on three pillars and six key actions:

1. Decarbonizing our activities. We will reduce the carbon footprint of our investments and operations by an average 7% year on year. This is in line with what science indicates is required for keeping the global temperature rise to well below 2°C above pre-industrial levels.

- **Action 1: Decarbonize our portfolios**
- **Action 2: Reduce our operational emissions**

2. Accelerating the transition. We will leverage our influence as investor to accelerate climate action by companies and countries. We will assess companies in order to identify those that can outperform in the transition. By investing in these companies, we can contribute to climate mitigation and enhance risk-adjusted returns. For companies that do not act fast enough, we will step up engagement activities and, where required, escalate voting decisions. We will also collaborate with other investors to step up dialogue with sovereign bond issuers.

- **Action 3: Accelerate the transition of companies**
- **Action 4: Call for climate action by countries**

3. Promoting climate-aligned investing. We will collaborate with clients, peers, standard setters and relevant stakeholders in the industry to accelerate net zero investing. We will grow and expand our offering of climate-aligned investment solutions. We will actively contribute to conducive market standards and policies.

- **Action 5: Work with clients on decarbonization**
- **Action 6: Collaborate to promote net zero investing**

All six key actions are described in more detail in the following chapters.

Guiding principles

Our net zero strategy intends to maximize our contribution towards reducing emissions in the real economy. Simply divesting from high-carbon assets means that these will appear in another portfolio without any lasting impact in the real world. For the net zero transition to be successful, it is exactly these high-emitting sectors that require the most capital to transform. Our role as investors is not only to invest in that transition, but also to accelerate it. Decarbonization of our portfolios should be based on decarbonization of the assets that we own. For this to happen, we need to work together alongside governments, industry and consumers. Governments need to price in the cost of carbon emissions, companies need to increase green capex, and consumers need to shift to sustainable consumption patterns.

In our net zero roadmap, we follow the best available science. Our carbon targets are based on the climate scenarios of the UN's climate science panel, the IPCC. But methodologies for translating climate science into investment decisions are still immature. We therefore apply an evolutionary approach. We will revise our targets at least once every five years in line with the ratchet mechanism of the Paris Agreement. Our targets are initially at entity level and will evolve into strategy-level targets over time as standards and data quality improve. Our baselines and methods will also change over time as we incorporate the latest science and data in our processes. We will be transparent about our choices and assumptions and actively contribute to the development of relevant market standards.

Our net zero strategy is based on the guidance of the Net Zero Investment Framework of the Paris-Aligned Investment Initiative and the 2025 Target-Setting Protocol of the UN-Convened Net Zero Asset Owner Alliance.

ROADMAP AND TARGETS

- Company engagement on climate, as of 2008
- Climate Policy developed (2017)
- Climate Change Committee established (2019)
- First TCFD report published (2019)
- Carbon targets and coal exclusion policy for Sustainability Focused and Impact Investing strategies
- Carbon-neutral operations (2017)
- Commitment to Dutch Climate Accord (2019)

- Fossil fuel exclusion policy expanded to all strategies
- Net zero commitment announced
- Start engagement on 'Net Zero Carbon Emissions' with 15 high-emitters and on 'Climate Transition of Financials' with 10 banks
- Start of engagement with governments on deforestation
- Launch of climate strategies in fixed income and quant equity

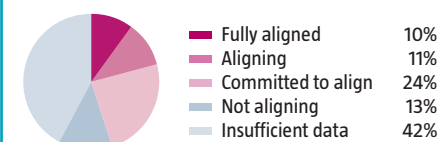
- Reduce carbon footprint by 30% per invested euro
- Reduce operational emissions by 35%
- Company engagement on climate covering 20% of portfolio emissions
- Active ownership on climate with top 200 emitters
- Set up joint investor action to expand engagement with governments on climate action
- Work with clients on their decarbonization targets
- Collaboration to promote net zero investing

- Reduce carbon footprint by 50% per invested euro
- Reduce operational emissions by 50%
- Increased share of AuM in scope

- Net zero emissions in our investments and operations
- 100% of AuM in scope

Net zero roadmap published

Baseline on the alignment of companies to the Paris Agreement. Covering the top-200 highest emitters in our investment universe (based on companies' scope 1, 2 and 3 emissions)



Baselines for carbon targets

Investment portfolios

104
tCO₂e per
mln invested
euro

Operational emissions

5299
tCO₂e

30%
reduction

35%
reduction

50%
reduction

50%
reduction

NET
ZERO

NET
ZERO

2015

2019 2020 2021

2025

2030

2050

Six key actions

- Decarbonizing our activities
- Accelerating the transition
- Promoting climate-aligned investing

- Action 1:** Decarbonize our portfolios
- Action 2:** Reduce our operational emissions
- Action 3:** Accelerate the transition of companies
- Action 4:** Call for climate action by countries
- Action 5:** Work with clients on decarbonization
- Action 6:** Collaborate to promote net zero investing

Scope for 2025 targets

~40% of assets under management. This is the entire Robeco strategy range, except for asset classes that cannot be covered due to current methodological limitations, such as sovereign bonds, cash and derivatives, and the Green Bonds strategy for which carbon footprints cannot be measured in an adequate way. We are collaborating with other investors and standard-setters to develop carbon accounting standards for these asset classes.

Note: As part of our net zero roadmap, we will continue to improve our methods and data. These improvements mean that our baselines will be subject to recalculation, for example when we incorporate scope 3 emission data, or when we have better data coverage on the alignment of companies. Other factors will also prompt recalculation of the baselines, such as the effect of market appreciation and the changing composition of reference indices. We will follow international standards in any of these adjustments. In our disclosures we will be transparent about revisions to our baselines and we will disclose both unadjusted and adjusted figures.

An aerial photograph of an airport tarmac with several commercial airplanes parked at gates. A large, dark silhouette of a tree is superimposed over the top half of the image, with its trunk and branches extending over the airport scene. The text "OUR KEY ACTIONS" is centered in white, bold, sans-serif font across the middle of the image.

OUR KEY ACTIONS

KEY ACTION 1: DECARBONIZE OUR PORTFOLIOS

TARGET

-30% by 2025 and -50% by 2030, both relative to 2019

INITIAL SCOPE

Robeco strategy range, ~40% of total AuM²

METRIC

Carbon footprint (tons of CO₂e per EUR invested), based on companies' scope 1 and 2 emissions.³

Robeco will follow a trajectory of 7% decarbonization year on year for aligning our investments with the goals of the Paris Agreement.

In line with science

We base our decarbonization targets on the scenarios of the IPCC. In 2018, the IPCC determined four types of climate scenarios that would limit the global temperature rise to 1.5°C above pre-industrial levels. From these four, the so-called P2 scenario is the one that we regard as the best reference for target setting.⁴ This is because it combines immediate climate action with attention to the broader Sustainable Development Goals (SDGs). The P2 scenario requires a 49% emission reduction by 2030 and 89% by 2050. It reaches net zero carbon emissions by 2050 and net zero greenhouse gas emissions by 2070.

While comparing the real-world emissions in the IPCC scenarios to the financed emissions in our portfolios is flawed for many reasons, we are convinced the overall pathway is clear and therefore directly deploy the thresholds of the P2 scenario for our portfolio decarbonization pathway.

Each strategy own specific baseline

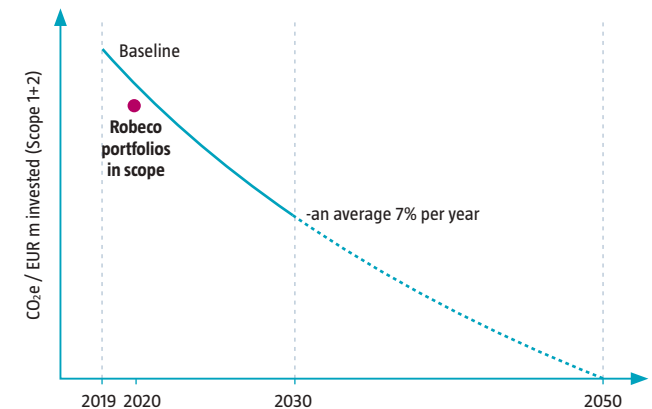
Our strategies invest across universes that differ widely from a climate perspective. Emerging markets are more carbon intensive than developed markets, and the same goes for high-yield bonds versus investment grade, for example. For this reason, our targets are set against the relevant index of each strategy. Each one is required to decarbonize against a baseline that is determined by measuring the carbon footprint of the relevant index at the end of 2019. In this way, each strategy is required to take its 'fair share'.

Firm-wide targets

Our decarbonization targets are set at the overall Robeco level. All strategies in scope contribute to the Robeco target. The carbon footprints of individual strategies are aggregated and weighted by their AuM. This implies that larger strategies and those with a more polluting investment universe have more influence on the total performance at firm level. In this way, we incentivize the growth of climate-aligned investment strategies.

While each strategy is expected to decarbonize, internal compensation is allowed between strategies within the same investment capability so long as the aggregate target is met. We incorporate this flexibility for two reasons. Firstly, as stated, our approach is evolutionary, due to the immaturity of data and methods. Over time, more and more

Carbon footprint



strategies will be given binding targets. Secondly, we expect that our carbon targets will initially go against the current tide. The global economy is likely to increase emissions in the next few years. This may challenge individual strategies. But based on the diversity of our strategies, we are convinced that we will overcome this challenge.

- Due to current methodological limitations, not all assets can be steered on a carbon footprint and are therefore initially out of scope. This concerns sovereigns bonds, cash, derivatives and our Green Bonds strategy. We are collaborating with standard-setters to develop carbon accounting standards for these asset classes.
- Since this metric is susceptible to market appreciation, we apply an adjustment factor as defined by the EU Paris-aligned benchmark regulation. We will disclose both unadjusted and adjusted figures.
- IPCC (2018), Special report on global warming of 1.5°C, summary for policymakers, page 14.

KEY ACTION 2: REDUCE OUR OPERATIONAL EMISSIONS

TARGET

-35% by 2025 and -50% by 2030, both relative to 2019

METRIC

Absolute operational emissions (tCO₂e)

Our aim to be net zero by 2050 also applies to Robeco's own operations. We believe we should live up to the same standards to which we hold others.

Our operation footprint

Robeco's operations cover 17 offices around the world and a total of 882 employees in 2020, of which 641 were based at our headquarters in Rotterdam.⁵ Our operational carbon emissions can be divided into three categories:

1. Business travel: air travel, public transport, (lease) car travel
2. Buildings, both offices and home working: electricity, heating
3. Other business activities: data centers, drinking water, paper, waste flows

2019 is the base year for our operational greenhouse gas emission targets, as it relates to the pre-Covid situation. However, data quality is limited. In particular, we lack the emission figures for data centers and 'software as a service' (SAAS), which we know are a significant portion of our overall emissions. We will further engage with the providers of these services to obtain reliable data on the related carbon footprint for Robeco. As we improve data quality, our baseline will be revised.

Reduction targets

We aim to achieve a 50% absolute reduction of our operational emissions by 2030 compared to 2019. Our interim target is a 35% reduction by 2025, which is somewhat faster than our overall trajectory of 7% annually. To achieve this, we will develop emission reduction plans for all three categories of operational emissions.

We have set a specific target to reduce our emissions from business travel, which accounts for a significant portion of our operational carbon footprint. We target a 7% annual reduction per FTE, from

Robeco operational carbon emissions in base year (2019)

Category	Activity	Tons of CO ₂ e
Business travel	Air travel and public transport	2,924
	Travel by lease car	772
Buildings	Offices	1,603
	Working from home	-
Other business activities	Drinking water	-
	Paper consumption	-
	Waste	-
	Data center and SAAS services	-
Total		5,299

Source: Robeco Sustainability Report 2020 (adapted version)

2021 to 2025, compared to 2019. This translates into a 30% reduction by 2025.

Business travel includes air travel and public transport. Robeco employees travel to meet clients and participate in research and engagement activities. We will set and track carbon budgets for teams and promote the continued use of digital meeting solutions post-Covid-19.

Finally, Robeco will continue to offset its operational carbon footprint on an annual basis by investing in carbon offsetting projects. We will perform due diligence to ensure the integrity and quality of the carbon credits.

5. Average full-time equivalent number of people employed by Robeco on a full- or part-time basis in 2020.

KEY ACTION 3: ACCELERATE THE TRANSITION OF COMPANIES

TARGET

Active ownership through voting and engagement with the top 200 emitters in our investment universe, and focused climate engagement with 55 companies that are responsible for 20% of portfolio emissions.

The decarbonization of Robeco's portfolios must be anchored in real emission reduction by the companies in which we invest. We will accelerate this by investing in companies that we believe will thrive in the transition, and by expanding engagement with those that do not move fast enough. Based on our long-standing experience in engaging with companies, we believe this will not only contribute to society, but also to better investment results.

Analyzing 'transition readiness'

The basis for our active ownership is an assessment of how well companies are prepared to decarbonize their businesses. We look at two main aspects. Firstly, we measure a company's carbon performance relative to its peers in the same industry. Secondly, we look at a company's climate targets, and how well these targets are

embedded in its strategy, capex, incentive structures and disclosures. In this way, we have a forward-looking view of a company's transition readiness. We integrate this analysis into the research that we conduct in-house on investee companies. Our portfolio managers use this research in their financial valuations and stock selection.

Traffic light for top 200 emitters

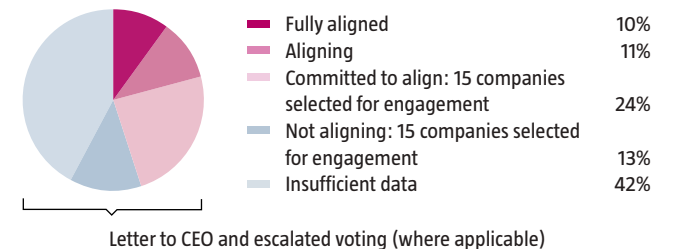
We also use this information for active ownership. For the top 200 emitters in Robeco's investment universe, we will track their climate performance. A traffic light ranging from red to green indicates the degree to which a company is aligning its business to net zero.⁶ Our baseline measurement is incomplete due to data limitations, but we expect that this will significantly improve in the coming years. We then also intend to set alignment targets; currently, we use the analysis for guiding our engagement with companies on climate.

Expanding climate engagement

To boost company climate action, Robeco will send each of the 200 high emitters a letter from our CEO. This will underscore our expectations of them adopting credible transition plans towards achieving net zero emissions by 2050 or sooner. When casting our votes on directors and annual accounts, we will consider the extent to which companies are fulfilling these expectations.

Based on the traffic light system, we will identify 30 laggard companies with red and amber scores that will be prioritized for climate engagement. With this addition, we are expanding our climate engagement to 55 companies, covering about 20% of portfolio emissions. The group further includes 10 banks and 15 companies in high-emitting industries that we have been engaging with since 2020.

Traffic light assessment of top-200 emitters (2021)



Exclusion

Within this group of 55 companies, a subset of the 15 worst performers will be subject to enhanced engagement with escalation steps. This means that failure to make progress can be regarded as a breach of global standards, with exclusion as potential consequence.

Robeco's fossil fuel exclusion policy already excludes companies involved in thermal coal, Arctic drilling and oil sands. Since we target companies that are unlikely to transition, this policy is based on revenue thresholds.⁷ As part of our net zero targets, we will add a criterion on no new coal power plants to this exclusion policy.

6. The score uses data from S&P Global, Climate Action 100+, Transition Pathway Initiative, Science-Based Targets Initiative, and Urgewald's Global Coal Exit List. For 42% of the companies we do not have sufficient data to complete the analysis.

7. The thresholds are 25% for thermal coal and oil sands and 10% for Arctic drilling for our Sustainability Inside strategy range; and 10% for thermal coal and oil sands and 5% for Arctic drilling for our Sustainability Focused and Impact Investing strategies.

KEY ACTION 4: CALL FOR CLIMATE ACTION BY COUNTRIES

GOAL

Monitor the climate performance of countries and expand our sovereign engagement on climate policy.

Governments have a vital role to play in the transition towards net zero. They are in the unique position of being able to steer the behavior of companies and consumers through their legislative power. Governments also have a duty to protect their citizens from the adverse effects of climate change.

As an investor, Robeco calls on governments to fulfill these important roles. In doing so, we must be aware of the differences in context for Aggregate and Government Fixed Income from other asset classes. The government bond markets are characterized by a high issuer concentration. For example, in the Bloomberg Global Aggregate Treasury index, two issuers, the US and Japan, account for more than 50% of the index's weight. This calls for a nuanced, asset- and product-specific approach when integrating climate performance into our sovereign investment policies.

Measuring sovereign climate performance

Climate is one of several ESG pillars used to screen sovereign issuers in our biannual Country Sustainability Ranking. There are many examples in which a good score on climate criteria coincides with weak scores on important social and governance metrics such as human rights and corruption. We incorporate this broader perspective when analyzing countries. Furthermore, climate risks are not the only factor in environmental scores; biodiversity and water quality are also important, for example.

We measure the climate performance of governments via a set of country-level indicators. The dataset will include greenhouse gas emissions, energy intensity, use of renewables, environmental performance, climate risks, preparedness and climate policies. The combined weight of the climate-related indicators is currently around 13% of the Country Sustainability Ranking and, as we

incorporate new data, is expected to increase to around 20%. This is a dynamic process in which data may be added or replaced.

Portfolio construction

The climate data incorporated into the Country Sustainability Ranking contributes to the overall fundamental country score (F-score) determined by the investment team. The argumentation for each F-score is described in the country reports. These are discussed by the investment team and the results are taken into account in strategies for positioning.

Several funds apply specific strategies to support the net zero transition. For example, some funds have a minimum committed allocation to selected green, social and sustainable bonds. Our RobecoSAM Climate Global Bonds strategy is steered to keep the weighted average emissions of the fund's government bond holdings at or below the Solactive Paris-Aligned index.⁸

Sovereign engagement

In 2020, Robeco developed a new process for engaging with countries with a focus on climate action. We look at the relevance of issuers to our portfolios and the climate data mentioned earlier for selecting governments with whom we can start a constructive dialogue. As a key requirement for successful engagement with governments in the long run, we promote collaborative sovereign engagement through platforms for asset managers and asset owners, such as the Principles for Responsible Investment (PRI). We aim to expand this collaborative engagement as part of our net zero roadmap.

8. Robeco collaborated with Solactive to create Paris-aligned Benchmarks for corporate credits and aggregate bonds. These were launched in 2020.

KEY ACTION 5: WORK WITH CLIENTS ON DECARBONIZATION

GOAL

Working with our clients on decarbonization and growing investments in climate-aligned strategies.

Robeco firmly believes that the journey to a low-carbon economy will create opportunities to enhance long-term risk-adjusted returns for our investors. To capture these opportunities, we will innovate our product offering and partner with our clients on their own decarbonization goals.

Innovate our offering

We aim to achieve net zero emissions by 2050 across Robeco's entire strategy range and have set out a roadmap in this document to achieve this goal. We will proactively innovate within our strategy offerings to provide low-carbon products that are expected to attain net zero by 2050 or earlier.

For example, in 2020 we launched a series of Paris-aligned fixed income products that allocate capital to companies at the forefront of the climate transition. These strategies add to our fixed income range that also includes green bonds and SDG credits.

On the equity side, we also have a Paris-aligned equity product, and we have a number of strategies that are focused on preserving and protecting the Earth's vital assets. Alongside enhancing renewable energy, these strategies include reducing water scarcity and preserving clean water supplies; improving resource efficiency in manufacturing; and combatting pollution and waste through recycling and circular systems.

Partnering with clients

We further commit to working with our asset owner clients in segregated solutions on their own decarbonization goals. While we will not initially set targets on carbon reduction in our managed accounts, we will review this at least once every five years with a view to ratcheting up the proportion of segregated solutions in line with attainment of net zero emissions by 2050 or sooner.

We will proactively provide our asset owner clients with information and analytics on net zero investing, climate risk and the opportunities arising from a lower-carbon global economy. We will also share our own experience and expertise to enable clients to implement a stewardship and engagement philosophy that is consistent with the broader economy to achieve net zero emissions by 2050 or sooner.

Assets under advice

Robeco Indices will contribute to the firm-wide net zero commitment through the offering of (bespoke) sustainable index solutions that have significantly lower carbon footprints than their benchmarks. To ensure lower footprints, Robeco's sustainable index solutions use novel measures for carbon risk and leverage the expert knowledge of Robeco's SI Center of Expertise.

In addition, Robeco Indices conducts research into the field of climate finance, for example through partnerships with top universities such as the Erasmus PhD program. This research aims to investigate and develop metrics to measure carbon and biodiversity risks. Robeco Indices also develops software and tools to analyze and evaluate the performance and characteristics of climate strategies.

KEY ACTION 6: COLLABORATE TO PROMOTE NET ZERO INVESTING

GOAL

Collaborate with peers, standard setters and relevant stakeholders in the industry to accelerate net zero investing.

Achieving a net zero economy implies that global markets price carbon emissions and other climate impacts into the value of goods, services and assets. To help develop such a conducive environment for net zero investing, Robeco works in partnership with asset owners, peers, standard setters, policymakers and academics. This section provides a brief overview of some of our key collaborations related to climate change.

Net Zero Asset Manager Initiative (NZAM)

In December 2020, Robeco was among the 30 founding signatories of this initiative. Currently, the NZAM has 128 signatories representing USD 43 trillion in assets under management. There are similar initiatives for asset owners, banks, insurance companies, financial service providers and consultants. A key role of these networks is to provide guidance and minimum standards to net zero commitments by individual organizations. We encourage our clients and partners to approach their network as a source of guidance and an opportunity for learning from peers on the road to net zero.

Institutional Investor Group on Climate Change (IIGCC)

The IIGCC is the European membership body for investor collaboration on climate change. Through the IIGCC, we actively contribute as a lead engager for the Climate Action 100+ engagement program with the world's largest emitters. We also contribute to the development of the Net Zero Investment Framework as co-chair of the implementation working group of the Paris-Aligned Investment Initiative. The IIGCC is a key platform for joint advocacy on climate policy with the governments of the G7, the G20 and the European Union.

Partnership for Carbon Accounting Financials (PCAF)

In 2015, Robeco was a founding member of PCAF, the global standard for carbon accounting for financial institutions. Our targets

and disclosures are based on the PCAF standard. As a member of the global core group, we contribute to the development of PCAF standards for asset classes that are not yet covered, including sovereign bonds and green bonds.

UN Principles for Responsible Investment (UN PRI)

The UN PRI galvanizes investors worldwide to take action on climate change and other sustainability issues. Robeco is a lead investor in the commodity deforestation program of the PRI. Robeco is also a strategic partner of the Inevitable Policy Response, an independent think tank that provides high-conviction forecasts on public policy responses to climate change.

Dutch Climate Accord

When the national Climate Accord was established in 2019, the Dutch financial sector voluntarily committed to contribute to its aims. Its key pledge is to reduce national emissions by 49% by 2030 (relative to 1990), based on joint planning and action in key industry tables.⁹ The financial sector will contribute by disclosing its climate impacts, setting climate action plans, and financing the energy transition. Robeco participates in the committee that oversees the implementation of the commitment.

Academic collaborations

We collaborate with Erasmus University and Cambridge University on academic research and publications in the area of sustainable investing, such as climate temperature scores, nature-related financial risks and the SDGs.

9. This target will be revised, since in 2021 the European Union adopted a 55% reduction target for 2030.



GOVERNANCE AND REPORTING



With this roadmap we are taking an important step in our journey to achieving net zero by 2050. We know that our plans will need to be updated periodically and at least every five years. Our baselines and targets will be subject to revision as data and methods improve. We will be open about our approach, our methodological choices, and our results.

Annual public report

Our annual Sustainability Report includes an appendix with climate-related information that follows the guidelines of the Taskforce for Climate-Related Financial Disclosure (TCFD). For 2021, we will expand this appendix to also cover our net zero targets and our progress towards achieving them. These disclosures are subject to internal and external auditing. Where deemed relevant, we may issue separate technical documents on our website to explain our methods in more detail.

External review

Our targets and our annual progress report will be reviewed by NZAM as well as the Dutch Climate Accord. This provides us with an external review of our work and an opportunity to benchmark ourselves with peers.

Internal monitoring

We are implementing a carbon target tool to track the decarbonization performance of all strategies and accounts in real time. Portfolio managers will use this tool to manage their carbon budgets. Carbon budgets will be aggregated at the level of capabilities and investment blocks to inform investment management. Risk management will leverage the tool for monthly monitoring and reporting as part of our enterprise risk management framework.

Legal disclosures

Our net zero targets will be integrated into our entity-level statement on principal adverse indicators, as per the Sustainable Finance Disclosure Regulation (SFDR). The commitment on entity-level includes reporting on progress, policies on due diligence, including the internal and external controls, and actions taken and planned. For relevant strategies, the net zero targets will also be integrated into strategy-level disclosures.

Governance

Robeco's net zero roadmap has been developed by the Climate Change Committee, which represents different domains of the organization. Robeco's climate strategist is responsible for overall coordination. Relevant decision making takes place in the Sustainability and Impact Strategy Committee, which consists of ExCo members and senior managers across domains. The ultimate approval of and accountability for the net zero roadmap rests with the ExCo.

Key terms

Greenhouse gases and carbon emissions.

The Paris Agreement covers seven greenhouse gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, and nitrogen trifluoride. Converting these gases to carbon dioxide equivalents (CO₂e) makes it possible to compare them and to determine their individual and total contributions to global warming. In this document, for ease of reading, the term carbon emissions refers to all greenhouse gases unless otherwise stated.

For emission accounting by companies and investors, carbon emissions fall into one of three categories:

- *Scope 1 emissions* – direct emissions from the companies' owned sources
- *Scope 2 emissions* – indirect emissions from the purchased energy
- *Scope 3 emissions* – all indirect emissions (not included in scope 2) that occur in the value chain, including both upstream and downstream emissions

Carbon footprint. This is carbon ownership of an investor, per invested euro. It measures the total carbon emissions for a portfolio, normalized by the market value of the portfolio (tons CO₂e per euro invested). Emissions are allocated to the investor based on its share of a company's

total capital (EVIC: enterprise value including cash). Robeco uses several carbon measures, but we deploy carbon footprint as the leading metric for our net zero targets. This is because we believe that the best way to communicate to our contribution to the Paris Agreement is by demonstrating a gradual decrease in the total carbon emissions per invested euro.

Paris-aligned investing. Investment strategies that aim to contribute to the goals of the Paris Agreement to keep the global temperature rise to well below 2°C, and preferably to 1.5°C, above pre-industrial levels. The Net Zero Asset Manager Initiative endorses three methods for Paris-aligned investing:

- The net zero investment framework of the Paris-Aligned Investment Initiative,
- The 2025 target-setting protocol of the UN-Convened Net Zero Asset Owner Alliance, and
- The financial sector guidance of the Science-Based Target Initiative.

Robeco's net zero roadmap follows the first two frameworks.

Net zero. While the Paris Agreement sets limits in terms of degrees Celsius, in 2018 the IPCC translated these into greenhouse gas emissions:

- The 1.5°C objective requires a 50% reduction in carbon emissions by 2030 (relative to 2010), net zero CO₂ emissions by 2050, and net zero emissions of other greenhouse gases by 2070.
- The 2°C objective requires a 25% reduction in carbon emissions by 2030, net zero CO₂ emissions by 2070 and net zero emissions of other greenhouse gases by the end of the century.

The IPCC defines net zero emissions as the point at which man-made greenhouse gas emissions into the atmosphere (from fossil fuels and land use) are balanced by anthropogenic removals over a specified period. Removal can occur through engineered solutions such as carbon capture usage and storage or through nature-based solutions such as tree planting.

Paris-alignment of companies. Business strategies that aim to contribute to the goals of the Paris Agreement to keep the global temperature rise to well below 2°C, and preferably to 1.5°C above pre-industrial levels. This includes aspects such as:

- A long-term 2050 goal consistent with achieving global net zero
- Short and medium-term emission reduction targets

- Current emissions-intensity performance relative to targets
- Disclosure of Scope 1, 2 and material scope 3 emissions
- A quantified plan to deliver reduction targets
- Consistency of capital expenditures with net zero emissions by 2050.

Carbon offsetting. Net zero frameworks for investors clearly indicate that the basis for a net zero strategy should be a robust decarbonization strategy. Carbon offsets are complementary to this and can only be deployed to compensate residual emissions. In our view, this implies that an investment portfolio should follow a decarbonization trajectory of 7% year on year. Investors should not purchase offsets at the portfolio level to achieve these emissions-reduction targets. However, complementary to the 7% year on year self-decarbonization, investors may purchase carbon credits to achieve carbon neutrality of an investment strategy. These should be carbon removal credits that invest in long-term sequestration such as through reforestation. When purchasing these credits, investors should be aware of the quality and integrity issues in the current market.

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