

Introduction

RobecoSAM combines environmental, social and governance (ESG) information with financial analysis to make better informed investment decisions for our clients. We believe that this integration will drive sustainability thinking and promote the uptake of sustainable business practices throughout the corporate world. Investors who allocate capital towards firms that create long-term value leverage the power of financial markets and provide a visible incentive for companies with poor practices to act more sustainably.

In our view, companies that add value for society will deliver superior returns to their shareholders over the long-term. Conversely, firms that are lagging behind in this respect are likely to face headwinds from increasing regulation, public scrutiny, and reduced demand from

customers. We believe that some products and business practices are detrimental to society, and are therefore incompatible with sustainable investment strategies. RobecoSAM accordingly excludes from our investment universe companies whose practices breach the principles of the United Nations Global Compact (outlined in annex 1) and that are unwilling or unable to change these practices even after active engagement. We also exclude firms with a significant exposure to damaging activities, such as the production of tobacco or firearms.

We believe that the benefits of this exclusion process are two-fold: it increases the likelihood that our clients achieve the investment returns they desire, and it enables them to make a positive contribution to society through impactful deployment of their assets.

Focus Areas

A. Controversial Behavior

RobecoSAM acts in accordance with the United Nations Global Compact (UNGC) to assess the behavior of listed companies. An enhanced engagement process is applied with listed companies that have severe breaches of the UNGC principles, which are outlined in Annex 1. If this enhanced engagement, which may last up to a three year period, does not lead to the desired change, RobecoSAM will decide to exclude a listed company from its investment universe. The enhanced engagement process is performed by RobecoSAM's sister company, Robeco Institutional Asset Management B.V. (Robeco).

Child Labor

RobecoSAM excludes companies that have violated child labor laws, either in their own operations or through the actions of companies in their supply chains. We restrict investment in companies based on significant supply chain incidents if the company has failed to take steps to resolve the issue in a timely manner.

B. Damaging Businesses

Firearms

RobecoSAM excludes companies involved in the manufacture of firearms or small arms ammunition to civilian, military and law enforcement customers.

Controversial Weapons

RobecoSAM deems anti-personnel mines, cluster munitions, chemical, biological weapons, depleted uranium weapons and nuclear weapons to be controversial weapons. Exclusion is applied to listed companies that are manufacturers of certain products that do not comply with the following treaties on controversial weapons:

1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines.
2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions.
3. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons.
4. Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.
5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear-Weapons States (USA, Russia, UK, France and China).

In addition to applicable rules and regulation in this respect, RobecoSAM funds will not invest in securities of

listed companies that are producers of such controversial weapons or strategic parts thereof, or that gain revenues out of selling or transporting them. This restriction applies to companies “involved in the core weapon system, or components/services of the core weapon system that are considered tailor-made and essential for the lethal use of the weapon”.

Military Contracting

RobecoSAM excludes companies that generate 5% or more of their revenues from selling weapon systems and/or integral, tailor-made components for weapons to the military.

Tobacco

RobecoSAM excludes companies involved in the production of tobacco or significant components of cigarettes (such as filters). We do not exclude retailers that sell such products.

Implementation

1. For company exclusions all company-related investment instruments (e.g. equity, equity derivatives) are in scope.
2. RobecoSAM will apply the exclusion policy to all listed assets under management within its fund range including those funds that are advised to third parties.
3. For specific discretionary mandates, RobecoSAM offers various other exclusion criteria to suit client needs.

Thermal Coal

RobecoSAM excludes mining companies that generate 10% or more of their revenues from thermal coal, and power producers that generate 20% or more of their revenues from thermal coal. We expect companies to reduce their dependence on thermal coal in the future and will engage with companies to encourage the runoff of thermal coal activities. Consistent with this expectation, we will lower these two thresholds in the coming years.

Other

RobecoSAM offers various other exclusions to suit client needs for specific mandates.

Annex 1

United Nations Global Compact Principles

Human rights

Businesses should:

- (1) support and respect the protection of internationally proclaimed human rights; and
- (2) ensure that they are not complicit in human-rights abuses.

Labor standards

Businesses should uphold:

- (3) the freedom of association and the effective recognition of the right to collective bargaining;
- (4) the elimination of all forms of forced and compulsory labor;
- (5) the effective abolition of child labor; and
- (6) the elimination of discrimination in respect of employment and occupation.

The environment

Businesses should:

- (7) support a precautionary approach to environmental challenges;
- (8) undertake initiatives to promote greater environmental responsibility; and
- (9) encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Businesses should:

- (10) work against corruption in all its forms, including extortion and bribery.

Important legal information:

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