

Practices of ESG Integration

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What is Corporate Sustainability?

A company's capacity to prosper in a hyper-competitive and changing global business environment

by

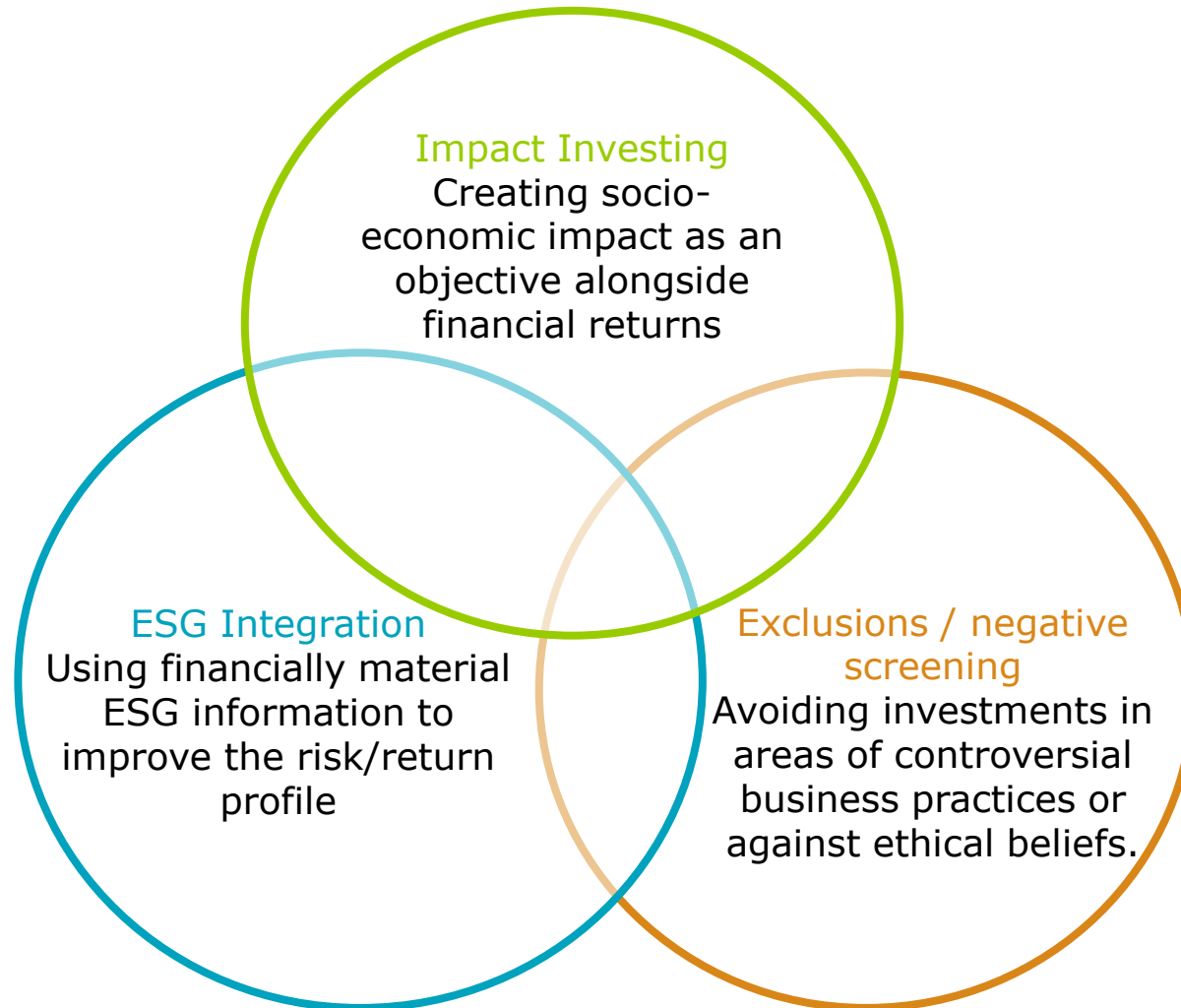
anticipating and managing current and future economic, environmental and social opportunities and risks

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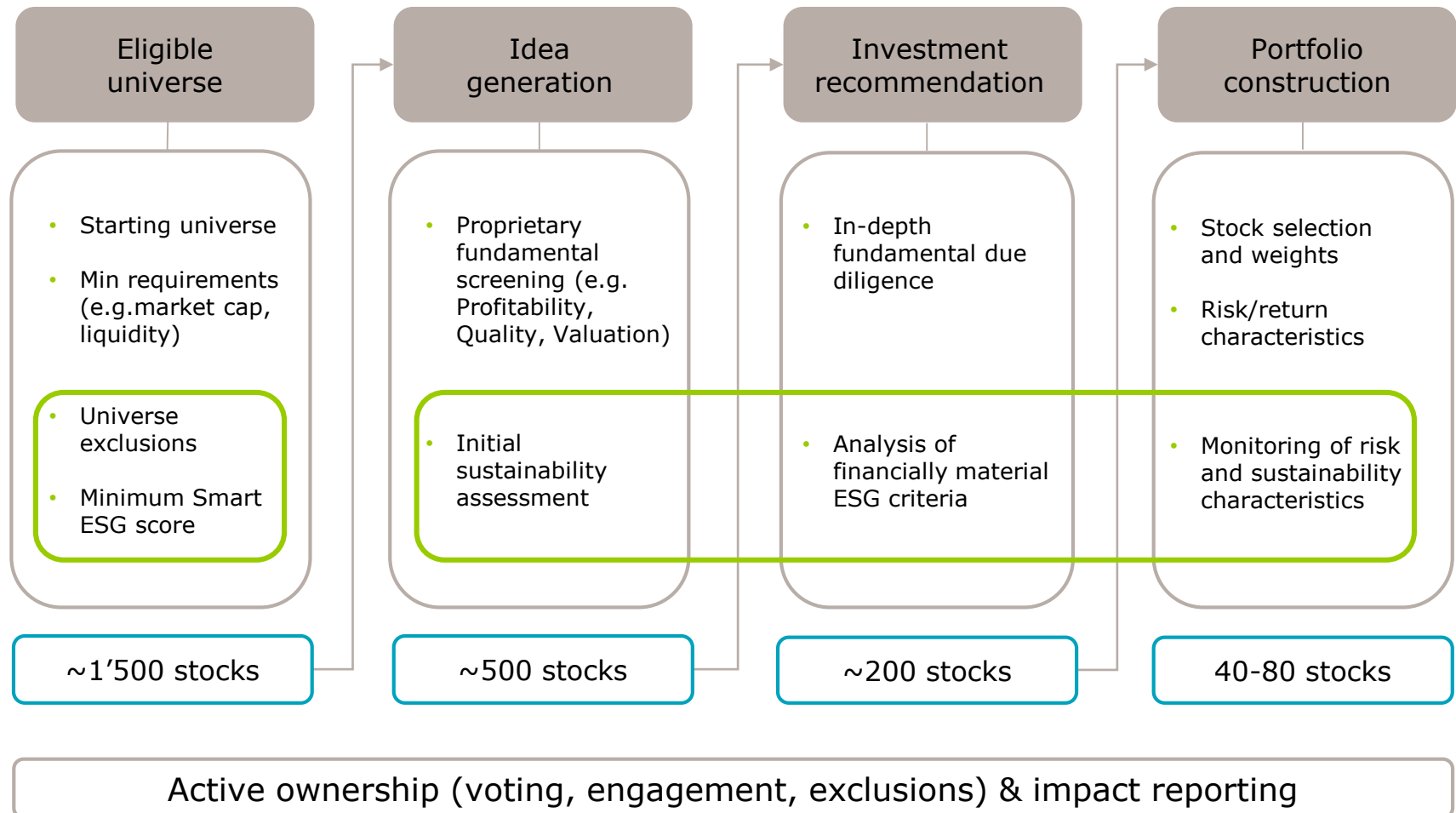
focusing on quality, innovation and productivity to create competitive advantage and long-term value

Sustainability Investing leads to better informed decisions and therefore value creation for clients

Different views on Sustainability Investing

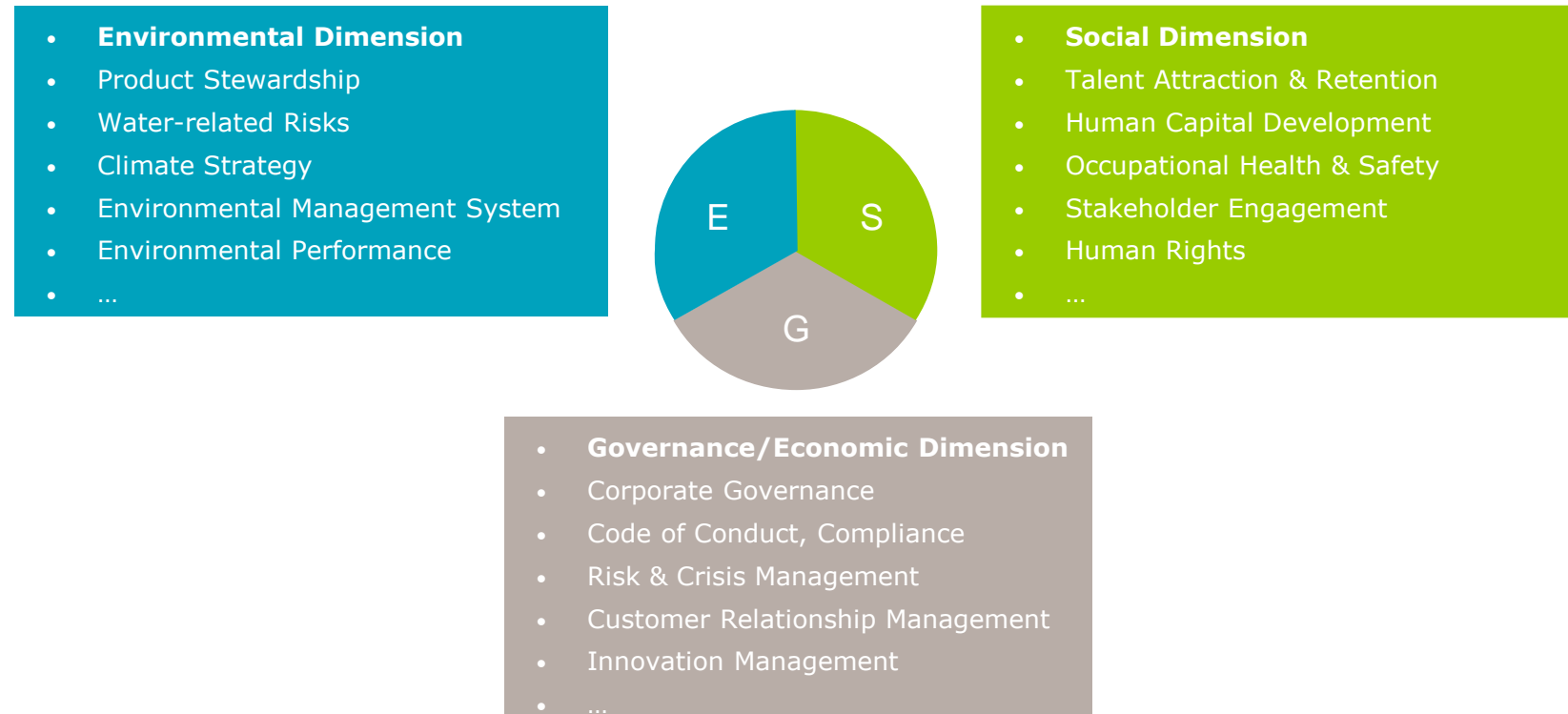


Fundamental Equities – a holistic approach of ESG integration



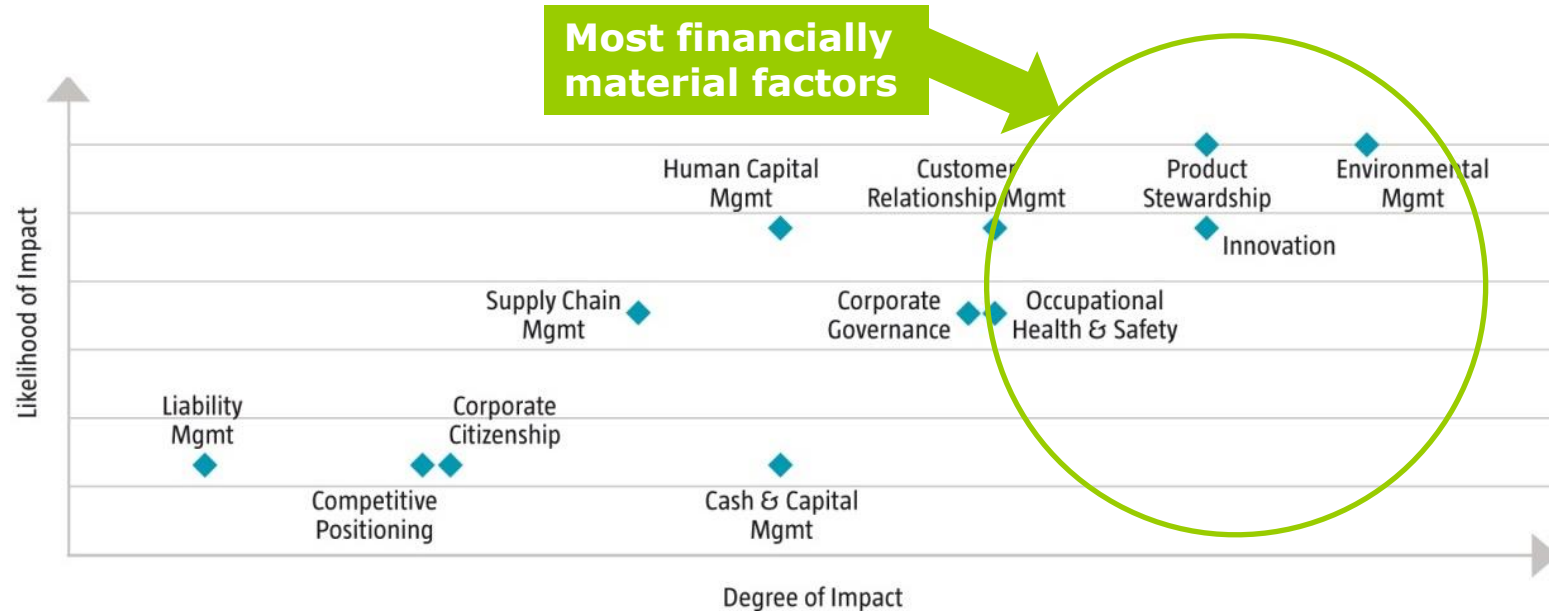
RobecoSAM Corporate Sustainability Assessment (CSA)

- Assessment: >3800 Companies annually (60 sectors)
- Per company: 3 dimensions / 20 criteria / 120 questions →600 data points
- More than 50% industry-specific criteria
- Sources: Web based Questionnaire, Company Documents, Media & Stakeholder Analysis

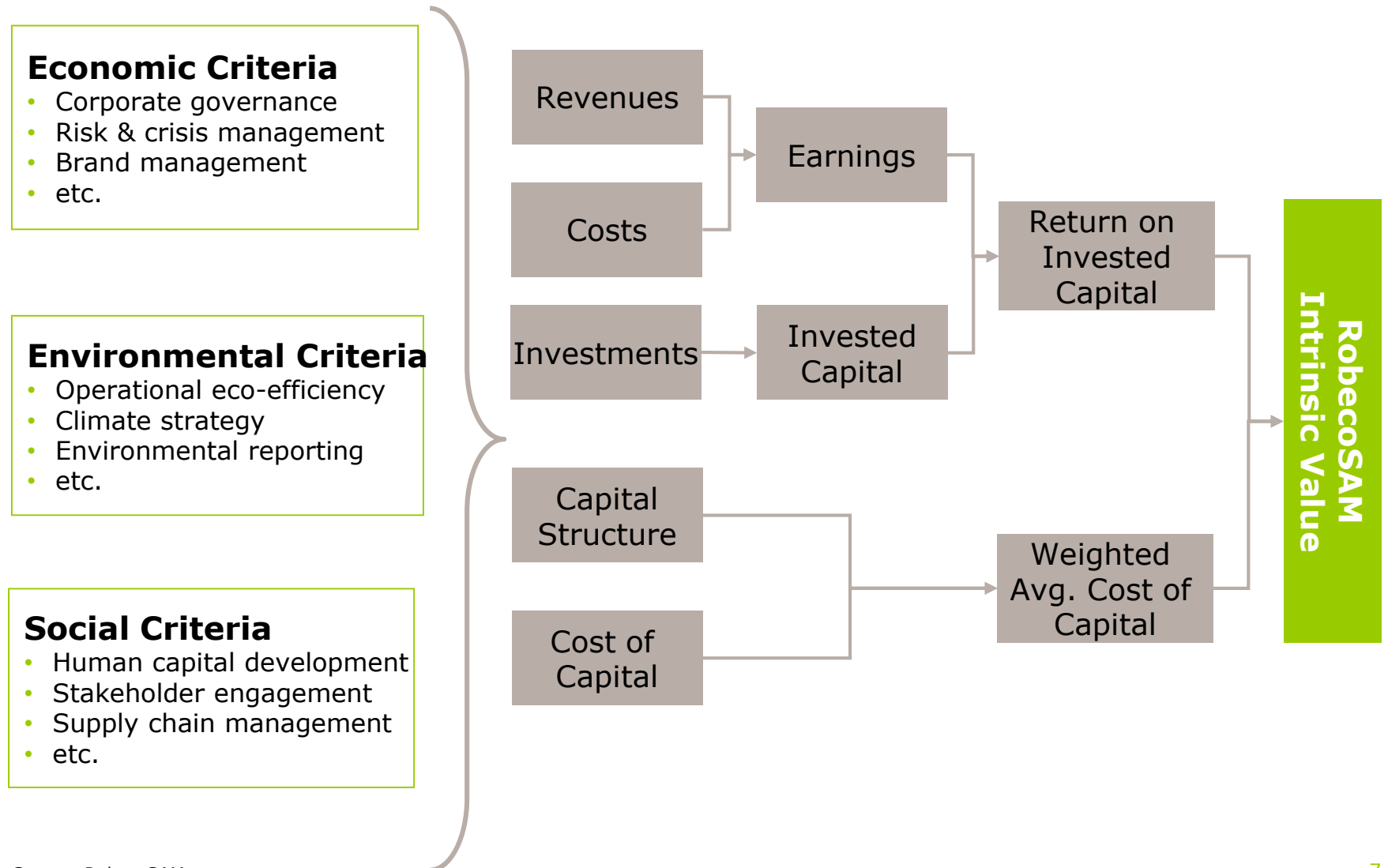


Materiality Analysis - key performance driver from a sustainability perspective

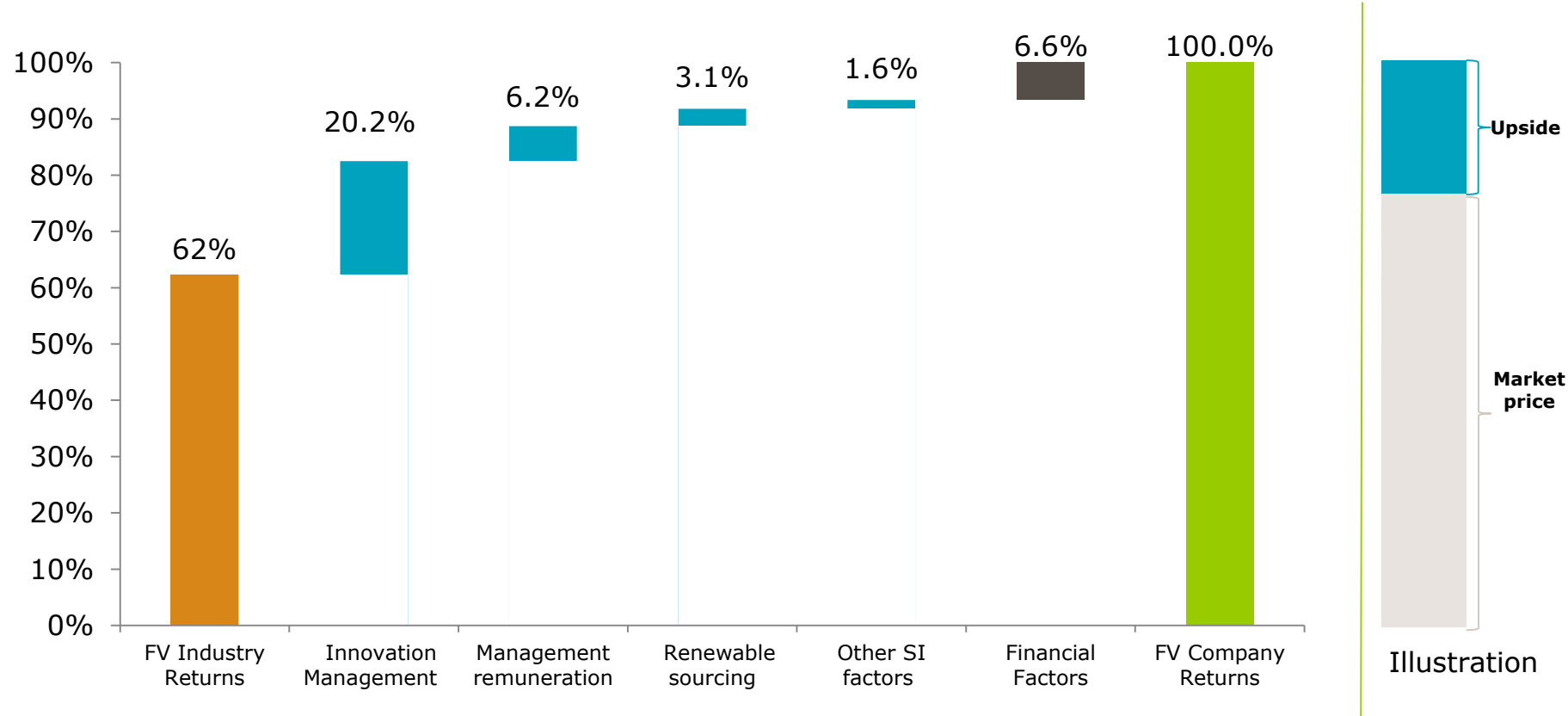
Example: Chemical industry



Consideration of ESG factors in the valuation model




More information lead to better estimate of the Fair Value



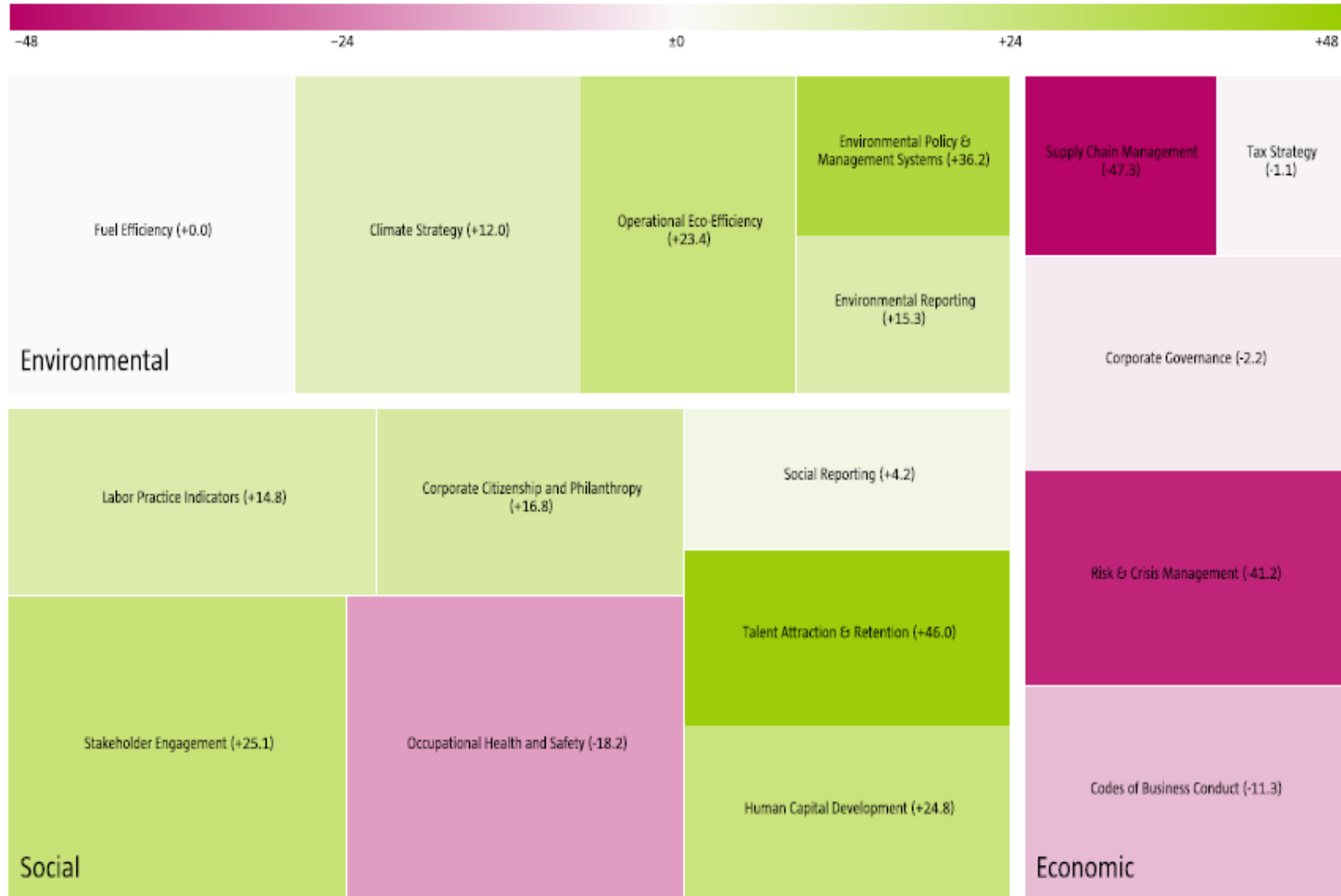
 Fair Value integrating proprietary sustainability and fundamental analysis

 Fair Value with average industry returns

 Financial Impact of identified most material SI Factors

 Financial Impact of fundamental analysis (e.g. pricing power, business mix, management)

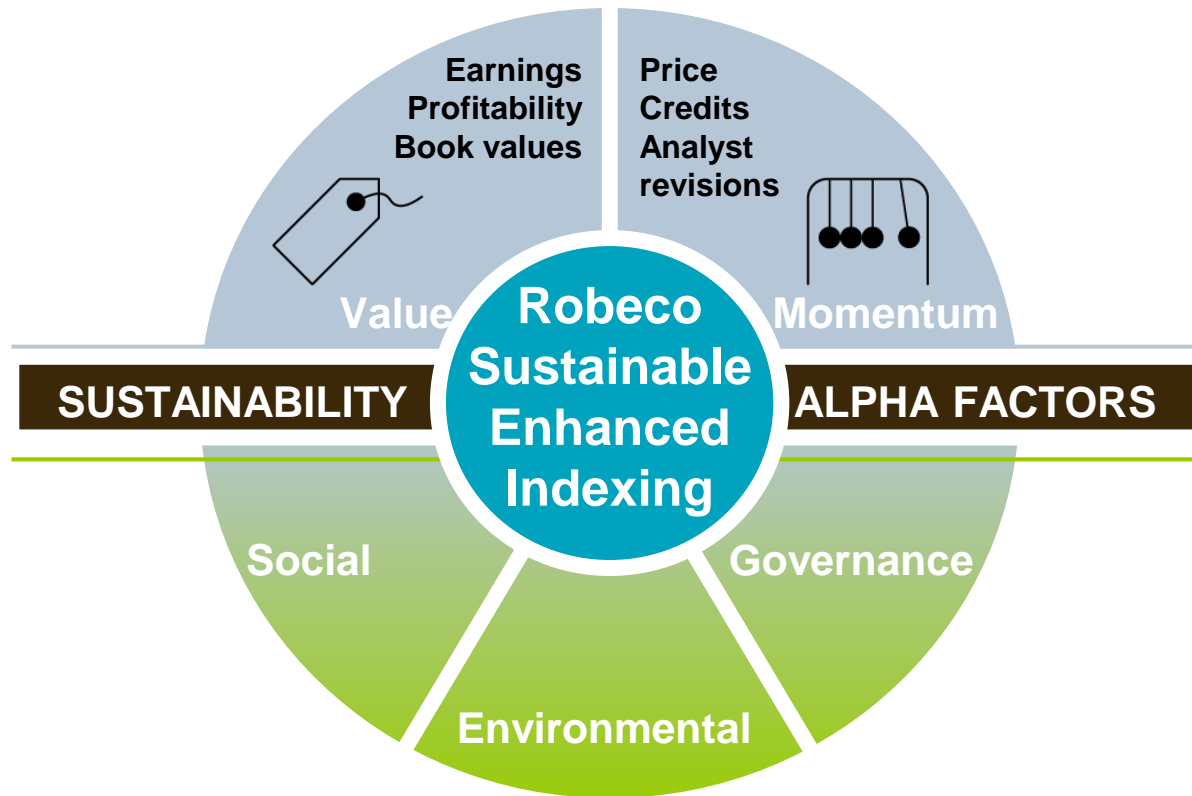
How ESG can destruct a potential investment case



The treemap visualizes a portfolio's strengths and weaknesses relative to its benchmark and the relevance of dimensions and criteria on total score level. The box color reflects the distance of the portfolio score from the benchmark. Dark pink reflects the strongest underperformance, dark green the strongest outperformance. The box size reflects the relative weights of dimensions and criteria within the total score.

ESG integration in quantitative investing (example of Enhanced Indexing)

Addressing a broad set of sustainability objectives while also considering financial objectives



Sustainable Enhanced Indexing: From stock ranking to enhanced index

Ranking model

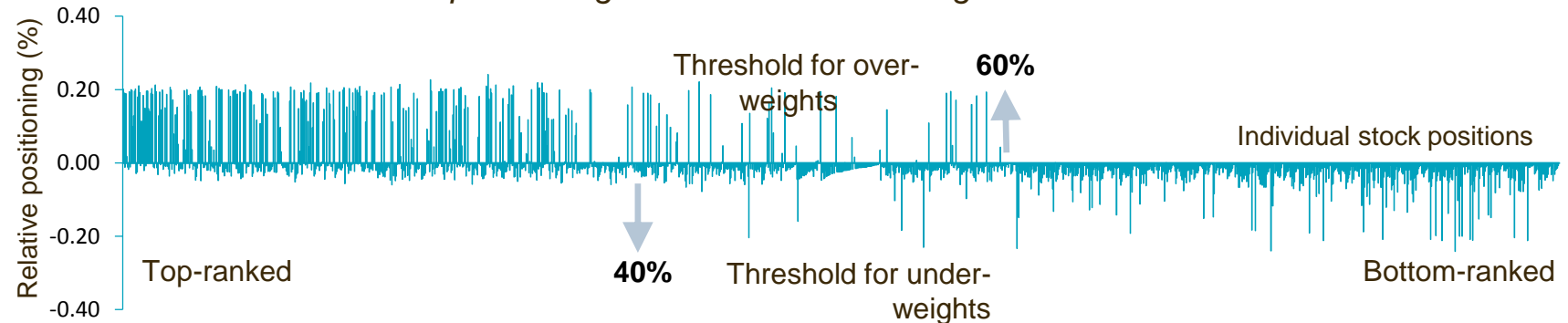
Selection of variables	Sustainability		Valuation	Momentum	Model
	E S G	Smart ESG	Book/Price	Price-Momentum	Rank 0-100%
Top-ranked stocks					
Koninklijke Philips NV	■ ■ ■ ■	98%	0.40	2%	0.1%
National Australia Bank Ltd	■ ■ ■ ■	100%	0.58	-9%	3.5%
Canadian National Railway Co	■ ■ ■ ■	96%	0.20	1%	6.1%
Swisscom AG	■ ■ ■ ■	94%	0.28	6%	7.9%
Koninklijke DSM NV	■ ■ ■ ■	99%	0.50	-8%	8.0%
Campbell Soup Co	■ ■ ■ ■	79%	0.10	-13%	9.4%
Axon Nibel NV	■ ■ ■ ■	97%	0.32	1%	15.8%
TDC A/S	■ ■ ■ ■	73%	0.64	1%	16.5%
S&P Global Inc	■ ■ ■ ■	95%	0.03	10%	19.9%
Bottom-ranked stocks					
OK Hutchison Holdings Ltd	■ ■ ■ ■	5%	1.05	-2%	80.0%
Royal Dutch Shell PLC	■ ■ ■ ■	15%	0.83	-1%	83.2%
United Parcel Service Inc	■ ■ ■ ■	48%	0.01	-7%	83.9%
Zalando SE	■ ■ ■ ■	29%	0.11	-13%	89.4%
Koninklijke Vopak NV	■ ■ ■ ■	1%	0.52	-4%	93.6%
Singapore Telecommunications Ltd	■ ■ ■ ■	6%	0.48	-12%	97.6%
Johnson & Johnson	■ ■ ■ ■	1%	0.20	1%	97.7%
Bombardier Inc	■ ■ ■ ■	8%	-1.36	2%	98.8%
Central Japan Railway Co	■ ■ ■ ■	0%	0.74	-29%	99.3%



Construction methodology

- ✓ **Broad exposure:** 750 stocks & 5% off-benchmark
- ✓ **Small relative deviations for Enhanced Indexing:**
 - ✓ Region/country/sector upper limit: 0.5%
 - ✓ Individual position: 20-30 bp.
- ✓ **Manage sustainability:**
 - ✓ Expected ESG score improvement of at least 30%
 - ✓ No investments in controversial companies
 - ✓ Portfolio has a 20% better environmental footprint
 - ✓ Underweight Enhanced Engagement stocks

Robeco Sustainable Enhanced Indexing portfolio:
Relative positioning based on stock ranking & construction limits



**Thank you for
your attention!**

