

ROBECO GROUP



Corporate Responsibility Report

2015

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1. Introduction

1.1 Introduction by Chairman of the Management Board of Robeco Group, Leni Boeren

I am proud to present our corporate responsibility report 2015. Robeco Group is a pioneer in sustainability investing. We believe and demonstrate that good corporate governance and social responsibility enhance the long-term risk-return profiles of our investment portfolios. At Robeco Group we are convinced that integrated sustainability leads to better-informed investment decisions and we see sustainability as a general enabler of superior risk-return profiles.

In our corporate responsibility report we are guided by the principle of materiality. The report focuses on those Robeco Group activities that impact the world around us, our clients and other stakeholders in terms of the environmental, social and governance aspects involved. For the Group, these are – clearly – our results and performance in the field of integrating sustainability in our investment. After all, investing is what we do, it's what we are and what matters most. And so this is what we particularly wish to be assessed on. In 2015, we made further steady progress in the field of sustainability investing.

All our strategies have our clients' best interest at heart. Our teams work closely together and share knowledge and ideas, so that they are fully equipped to meet our clients' need. This can only succeed with employees who put this ambition into practice. The report therefore focuses also on our HRM policy.

There is no end to social responsibility. Our ambition is to improve our performance year on year, in the best interest of our clients.

Leni Boeren
Chairman of the Management Board of Robeco Group



1.2 Our ambitions at a glance

Theme	Ambitions
Client-centered	<ul style="list-style-type: none"> – Ongoing dialogue and communication with clients and subsequent learning and actions to continue to build long-term partnerships – Increase our insight into client satisfaction within Robeco Group – Continuously strive for operational excellence in the interest of our clients
Sustainability Investing	<ul style="list-style-type: none"> – Promote implementation of sustainability investing to clients – Increase the assets in which ESG criteria are incorporated – Improve corporate behavior and the risk/return profile of investments – Increase the assets under voting – Increase the assets under engagement
Governance	<ul style="list-style-type: none"> – Continuous optimization of the effectiveness of our internal controls in the interest of our clients – Operate in a model where accountability and a balance of power can be demonstrated
HRM	<ul style="list-style-type: none"> – Hire, grow and retain diverse talent – Invest in the personal and professional development of our employees – Support and promote health and vitality of our employees – Score higher than the benchmark on employee engagement
Environment	<ul style="list-style-type: none"> – Conscious in our use of resources
Society	<ul style="list-style-type: none"> – Provide funds and time to employees and initiatives throughout our company for meaningful, diversified and local commitments to programs that benefit society

1.3 About this report

This report shows the progress made in the field of corporate responsibility in 2015. The report's publication date is 7 June 2016. Where possible, Robeco Group has included and aggregated all majority subsidiaries and assets under management in this report:

- Robeco Institutional Asset Management B.V. ('Robeco'; Rotterdam, the Netherlands). This is Robeco Group's asset-management company covering Europe and Asia. Robeco is also manager and director of all Robeco's Dutch-based investment funds as well as the direct distribution channel for Robeco funds.
- Boston Partners (formerly named Robeco Investment Management). Boston Partners is the US asset-management arm of Robeco Group, offering equity and alternative investments to institutional clients and high-net-worth individuals. BP's platform is comprised of three divisions: Boston Partners, Weiss Peck & Greer and Redwood.
- RobecoSAM. Swiss-based leading asset manager in

the field of sustainability investing. RobecoSAM is renowned for developing and licensing the Dow Jones Sustainability index group, a joint initiative with S&P Dow Jones Indices. The firm's offering comprises asset management, indices and clean-tech private equity.

- Transtrend. Rotterdam-based research-driven and system-based managed-futures trader, with track record going back to 1992.
- Harbor Capital Advisors (Harbor). Based in Chicago, Harbor offers a family of mutual funds by selecting and monitoring best-of-breed external managers. It provides management services to Harbor Funds, a mutual-fund complex, and to institutional segregated accounts.

Where applicable, the report provides more detailed information on the scope of the policy pursued and the data presented (e.g., divergent approaches in local market practices and different divisions, and the resulting data variances). In our reporting process we focus on those elements of corporate responsibility that Robeco Group determines as having greatest materiality: client centricity,

sustainability investing and human resources. To gather the required information, we disseminate annual questionnaires within the organization. Wherever possible, the input obtained is checked and validated against the existing data. Our ambition for each reporting year is to upgrade further and enhance the quality of the internal data simultaneously with this report.

1.4 Robeco Group in a nutshell

Robeco Group, a global asset manager, offers a mix of investment solutions and products in a broad range of strategies to institutional and private investors worldwide. Robeco Group's head office is located in Rotterdam, the Netherlands, and the company has 1,266 FTE's in 15 countries (end of 2015). The company has a strong presence in the US, Europe and Asia and a developing presence in key emerging markets such as India and Latin America. Robeco Group was founded in 1929 in the Netherlands as 'Rotterdamsch Beleggings Consortium'. Today, the company is the center of asset-management expertise for ORIX Corporation, Robeco Groups's majority (90.01%) shareholder based in Tokyo, Japan. The remaining shares are owned by Rabobank.

1.5 Financial results

In 2015, Robeco Group's total assets under management increased by EUR 22.1 billion (+9%) to EUR 268.1 billion, of which 47% were institutional. For the seventh consecutive year, assets under management have grown to reach a record high.

This increase in assets under management was driven by a strong positive investment result, which provided our clients with attractive returns, and was supported by a positive net cash inflow. The investment result of EUR 18.6 billion was positively affected by a EUR 17.3 billion gain caused by US dollar appreciation.

The net cash inflow amounted to EUR 4.0 billion (2014: EUR 6.2 billion). In geographical terms, flows differed for different markets. On a net basis, bond funds experienced outflows, while equity funds posted net inflows, more

especially in US equity and quantitative strategies.

In 2015, the Group generated net profits of EUR 238 million – a record high and an improvement of 4% compared to the previous year. This increased result was due to a rise in recurring management fees, caused by the positive investment result during the first half of the year. The operating result over the year ended at EUR 360 million, an improvement of EUR 30 million.

At group level, 74%* (2014: 79%) of the portfolios outperformed the relevant benchmarks over a three-year period. For 2015, this figure was 67% (2014: 52%).

1.6 Robeco Group Strategy 2014-2018

In March 2014, Robeco Group introduced its strategy for 2014-2018. This strategy is based on the growth ambitions of Robeco Group and its majority shareholder ORIX and builds on the foundations laid in the previous strategy period. In 2015, assets under management grew from EUR 246 billion at the start of the year to EUR 268 billion by the end of December.

2014-2018 Strategy: accelerate growth

The 2014-2018 strategy focuses on growth in three regions, the US, Europe and Asia. In these regions, Robeco Group and ORIX have a strong presence and foundations on which further expansion can be realized. Growth is expected to come from existing and new activities expanding from its current base. Robeco Group expects its assets under management to exceed EUR 300 billion in 2018 as a result of organic growth. However, during this four-year period Robeco Group and ORIX will also look for acquisition opportunities.

Foster growth in the US

Strong growth in Boston Partners is expected by focusing on its strength as a value equities manager. Boston Partners' Value Equity capability has an excellent performance record and is expected to meet strong client demand in the strategy period. In addition to fostering growth at Harbor, Robeco Group will also further strengthen the distribution of Robeco products in the US.

* Returns are gross of fees (alternatives net of fees)

Invest in Asia

Robeco Group is also further developing its sales set-up and leveraging on the ORIX' network in Japan. Our investment capabilities based in Asia will continue to focus on Asia Pacific Equities, but Robeco Group also has the ambition to expand into Asian fixed income. In November 2015, Robeco received approval from the regulators for a Wholly Foreign-Owned Enterprise (WFOE) in China.

Scale up in Europe

Robeco will expand its European sales by adding further resources to existing sales offices. In 2015, Robeco opened an office in the UK focusing on key account management, consultant relations and the UK institutional market. At the end of December an Italian sales office was opened to further develop the Italian business and service existing clients. In Europe, Robeco expects to realize growth with its quant capabilities, pension solutions and sustainability integration. Robeco sees that client demand is shifting from products to solutions and believes that in the longer term it can provide suitable services to meet this demand and benefit from this change in the market.

1.6.1 Core values

Our core values embody the essence of Robeco Group and serve as a touchstone for our daily work. They enhance a clear shared identity that drives the behavior required for executing our strategy.

Client-centered

Our clients justify our existence. We consistently think and act in their best interest. In all we do, we ask ourselves what the added value is for our clients. We show a genuine interest in our clients and make an effort to understand their situation and goals. We deliver on our clients' expectations and we set our sights on a long-term relationship. In the end, the results we achieve for our clients are the only measure of success.

Innovative

The world is constantly changing, and every day poses new challenges for our clients and our organization. We meet these challenges with a broad and long-term view, an inquisitive mindset, an inclination to challenge the status

quo, a strong commitment to thorough analysis and the will to take the lead.

Sustainable

We are convinced that companies with sustainable business practices are more successful. We seek sustainability in everything we do and we anticipate future developments. Our actions are based on a long-term view and a thorough approach, both to investing and client relations. We factor in the long-term impact of our actions. We carefully manage risks and we are conscious of the costs and the resources we use.

Connecting

Robeco Group is an organization of specialists, each with their own unique expertise. We actively share our knowledge and work together to leverage the organization's collective genius and skills in order to achieve the best possible results for our clients. We show each other respect, treat others as we wish to be treated ourselves and we think and act in the best interests of the Group as a whole.

1.7 Risks

The main risks currently known to Robeco Group are highlighted, but this overview does not include all the potential risks that may ultimately affect Robeco Group.

1.7.1 Operational risk

We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Robeco Group manages a large range of services and products for different client types in various regions in the world. This means it is an organization which is exposed to risks linked to operational errors and potentially high operational costs. In order to mitigate these risks and achieve excellence in its operations, Robeco Group continuously searches for possibilities to simplify processes and reduce complexity. The Robeco Group Control Framework also provides a continuous assessment of the effectiveness of controls to mitigate identified risks.

1.7.2 Regulatory risk

Furthermore the number of regulations and supervisory

body policies in the asset-management industry has been increasing since the financial crisis. The quantity and impact of these are not the only challenges Robeco Group has to contend with. Dealing with the uncertainty resulting from new and not fully clarified regulations with often blurred timescales for implementation is also demanding. Hence, the risks stemming from the regulatory environment have increased. To manage these risks, Robeco Group is actively involved in the policy development process at an early stage, both directly and through representative associations, such as EFAMA in Europe and DUFAS in the Netherlands. Monitoring activities and impact analyses of planned regulations and policies are conducted at an early stage. Relevant departments initiate and/or monitor the subsequent implementation of new or revised laws and regulations.

1.7.3 Financial risk

Movements in financial markets impact Robeco Group both directly and indirectly. Direct impact on Robeco Group primarily stems from its balance-sheet positions. To reduce direct risk exposure, Robeco Group hedges and mitigates these risks where necessary, including the hedging of balance-sheet positions of major subsidiaries using foreign-exchange forwards. There can be an indirect impact on Robeco Group through changes in its AuM, and thus in the fee income generated. Robeco Group maintains a diversified portfolio of products and services to limit the impact of changes in specific markets (asset classes or countries/regions) on AuM and fees. Furthermore, Robeco Group policies prescribe the careful selection and monitoring of financial counterparties. To mitigate liquidity risk, cash positions are closely monitored by Group Finance. The financial risks in client portfolios (funds and mandates) are managed and controlled via Robeco Group's financial risk-management policies.



2. Client-centered

Ambitions

Ongoing dialogue and communication with clients and subsequent learning and actions to continue to build long-term partnership

Increase our insight into client satisfaction within Robeco Group

Continuously strive for operational excellence in the interest of our clients

Highlights

- In addition to our many regular client contacts, we organized numerous client events and published several reports, magazines and research papers with the aim of supporting our clients in making their financial decisions
- Robeco retail in the Netherlands launched an independent online feedback platform, where clients can rate Robeco's services
- Boston Partners introduced a new client reporting system with the associated packages, resulting in the provision of more useful information based on client feedback
- Robeco also renewed its client reporting system and processes, with the effect of shortening the timelines for its monthly and quarterly reports
- Robeco implemented new client-service dashboards integrated into the global CRM system to monitor timeliness of response and issue resolution for client queries/issues and complaints
- Robeco and RobecoSAM joined 'Paperboy', a service which enables clients to subscribe to updates of legal documents.
- Harbor received an NQR 5-star award for client call-center performance

We consistently think and act in the best interest of our clients. We focus on enabling our clients to achieve their financial objectives through superior investment returns and solutions.

2.1 Knowing our clients

In our relationship with clients to whom we give investment advice, we make sure that we have sufficient information on their financial situation, investment objectives, risk profile and other relevant background data to assess which products and services are suitable for them. A good match between our products or services and our client's profile is key in our approach. We monitor changes in client portfolios and provide our clients with transparent information on pertinent developments directly related to their own portfolio and other relevant services and products. We frequently meet with our key clients to gather feedback about the overall relationship.

2.2 Client research and satisfaction

Via both bespoke and syndicated market research, we remain alert to market trends and client needs. In addition, we ensure intensive personal interaction between institutional clients and distribution partners and Robeco Group's senior management, account managers, client-servicing teams and portfolio managers.

To improve servicing at Robeco, wholesale distribution and institutional clients either perform in-house studies or buy ad-hoc surveys on specific topics. Important research topics in 2015 were smart beta, ESG integration and multi-asset. For repetitive client-satisfaction research we prefer to join syndicated research initiatives together with other asset managers. We embrace such industry initiatives as an effective way for both our clients and ourselves to obtain independent feedback on our products and services and to obtain insight into areas where we could potentially improve.

Per end 2015, over 20 pension funds submitted evaluations of more than 30 mandates via the Pension Plan Perception Program serviced by Investment and Pensions Europe (IPE) on behalf of a large number of European pension funds. All clients who submitted an evaluation for both equity and fixed income mandates recommended Robeco. Hence Robeco ranks first in a universe of 70 recommended asset managers.

For Robeco's retail distribution clients, in the Netherlands only, we use third-party client panels as well as continuous feedback loops on our website, and ad-hoc surveys to obtain feedback and information on our products, services and clients' needs. Robeco retail started in July 2015 with an independent online feedback platform, where Robeco clients can rate our services. In the period July-December 2015, this resulted in Robeco retail receiving 400 ratings with an average score of 8.0. Robeco retail was recommended to others by 92%. In 2015, the average customer success score (CSS, client is fully successful on line) for Robeco retail was 80%.

2.3 Operational excellence

Based on intensive client contact, client research and the processes described above, we identify concrete actions and projects to constantly improve our servicing.

2.3.1 Customer service

In 2015, Boston Partners introduced a new client reporting system and packages. Improvements to Boston Partners' client reporting and presentation materials result in the provision of more useful information based on client feedback. A highly valued summary-holdings page informs customers of Boston Partners about recent purchases and sales as a standard feature in the client books.

Robeco also renewed its client reporting system and processes. This has resulted in much shorter timelines for monthly and quarterly reports. Furthermore, having redesigned the reports, the information and commentaries provided have become more meaningful. Robeco regularly produces specific reports for its institutional clients (e.g., CO₂-reports produced for an insurance company, enabling

them to show their ESG-stance; tailor-made commission-sharing reports produced for another client).

Robeco Group joined the 'Paperboy' initiative on behalf of the Robeco and RobecoSAM funds. This is a document-dissemination service to which clients can subscribe. It allows us to upload legal and marketing documents directly to the fundinfo.com website, a leading international platform that provides information, and features the latest versions of investment funds' mandatory publications for immediate access by subscribers.

2.3.2 Recognition

The National Quality Review (NQR) gave Harbor a 5-star rating in Q4 2015 for the quality of their call-center service and processing operations. NQR's 5-star performance is computed annually and is awarded to clients whose 12-quarter rolling average compares favorably to the top quartile of the NQR benchmark for the previous year.

Robeco retail's online platform was nominated for the Metrixlab Website of the year 2015 and won the National Contact Center Award (NCCA) online customer-service award for best online customer service. Robeco retail continuously monitors client feedback through online surveys and one-on-one client contact. We have made a series of improvements based on this feedback (i.e., better presentation of client portfolio performance figures, more personalized offering and automatic reinvestment of the yearly dividend payments with the opt-out functionality requested by the majority of clients).

In 2015, Robeco Group won the 'Asset Management Firm >100 billion' award at the Funds Europe 2015 Awards. According to the jury, Robeco Group won the award because: 'The Netherlands-based asset manager is a company on the up.' The criteria for this award are a) demonstration of exceptional outcomes for the quant investment strategy across a broad range of fund types during the twelve-month period, and b) a presence in at least four European markets. Key evidence includes assets under management at the start/end of the twelve-month period, a pattern of net inflows, the number of funds and their performance figures, and a list of markets in which the firm is active. Further

evidence of success may include a record in customer service, product development and launches, and thought leadership or research. Account was further taken of the Group's status as a champion of sustainable investing, managing over EUR 80 billion in ESG-integrated assets.

Robeco Germany received the Capital 5-star award, earning a high rating for its client-service activities. 'Capital', a monthly magazine, publishes an asset-manager ranking once a year, which covers fund-management quality and performance, and customer interaction.

2.4 Complaints

Robeco Group is appreciative of and alert to complaints and other signals from our clients, as they provide valuable input for further improving our products and client servicing. All its operating companies have procedures in place to ensure that complaints are handled in a prompt and appropriate way and are followed up with suitable measures. Senior management receives complaints reports on a regular basis. Robeco Group's audit program assesses regularly if the complaints procedures are effective and efficient, or require improvements.

In 2015, Robeco implemented new client-service dashboards integrated into the global CRM system to monitor timeliness of response and issue resolution for client queries/issues and complaints, if any.

2.5 Products and services

2.5.1 Product approval

Robeco Group aims to develop high-quality products. Before a product is introduced to the market, the product approval procedure ensures that all product proposals are assessed from the perspective of client interest, performance, financial and operational risk, regulatory requirements, reputation and liability aspects. The Group's product- and service-approval procedures help to speed up the development process of new and revised products and services by ensuring that the relevant discussions are held at the right time, and that decisions are made by the right people in the right positions. Within the scope of these

procedures, the Group addresses all matters that influence its business model, client offerings and/or risk levels. Clearly, we ensure that all products comply with the applicable laws and regulations.

2.5.2 Product solutions

Robeco Group often co-creates mandates, funds or solutions in close cooperation with clients. Some examples in 2015 are given below.

In response to feedback and requests from many of its largest institutional and intermediary relationships, Harbor filed to roll out a new non-revenue share class, called the Retirement Share Class, which will be available in 2016.

Robeco France cooperated with a French institution to develop an Asia Pacific mandate including a Sustainability Investing filter based on RobecoSAM research.

Together with a large sovereign wealth fund, Robeco Asia Pacific compiled a tailor-made factor-index solution.

In the Netherlands, Robeco combined its smart beta capabilities into tailor-made investment solutions for two large wholesale clients: multi-factor equities and global developed conservative equities (both in Dutch fund vehicles matching the needs of these clients).

2.5.3 Product monitoring

Robeco Group has a procedure in place to monitor its products according to six criteria:

- Client interest
- Relative and absolute performance
- Financial risk
- Operational risk
- Publicity
- Regulatory aspects

Some of these criteria are quantitative, whilst others are qualitative. We implement follow-up measures where necessary, and input is obtained from various departments throughout the Group's organization.

2.5.4 Transparency

We aim to make the information that we provide about our products and services easy to understand, and try to provide sufficient information to our clients, on which they can base their investment decisions. Robeco Group strives for a maximum level of transparency for its products and services in terms of their characteristics, including the risks, costs and fees.

2.5.5 Security and privacy

Safeguarding the integrity and confidentiality of Robeco Group's data is essential in providing services and protecting ourselves from cyber criminality. We have implemented advanced technical security solutions to manage security risks related to cybercrime and to protect the privacy of our clients.

2.6 Knowledge-sharing

Independent thinking is at the core of our activities and we like to share the results of these thought processes with our clients. We have many ways of sharing knowledge with clients.

A few examples of client events and publications are given below.

Client events

- During the annual 'Robeco Live' event on 15 January 2015, the company presented its macro-economic outlook for 2015 to Dutch wholesale, institutional and retail clients. Experts gave their views on what 2015 would bring. Robeco's specialists gave topical, in-depth analyses and opinions on key investment themes. Internal and external experts presented their vision for the coming financial year. Various media were used to communicate these visions to a broader public. The online reports were made available at robeco.nl. Three short promotional films could be viewed on Bloomberg TV. These thought-provoking films featured Mr. José Manuel Barroso (former European Commission President), Mr. Ha-Joon Chang (economist) and Léon Cornelissen (Chief Economist at Robeco). The full interviews could be seen on robeco.com. This event

was attended by over 250 institutional and wholesale clients.

- On 24 and 25 September 2015, RobecoSAM hosted its annual RobecoSAM Forum, a two-day conference that connects corporates and asset owners with a group of outstanding speakers and RobecoSAM experts. The theme of the Forum was 'Superhero Investing: integration, impact and beyond'. The aim was to exchange views on the impact of sustainability trends on the financial markets and to promote sustainability investing as a mainstream strategy. Over 360 guests – a new record representing USD 7 trillion in assets – attended the forum and celebrated RobecoSAM's 20th anniversary at a special dinner event.
- Robeco's annual World Investment Forum kicked off on Friday 6 November 2015. With the company extending its reach into Asia, the forum was held in Hong Kong for the first time. Some 160 delegates from 22 nations attended the event. The Robeco World Investment Forum brought together the world's leading thinkers to speak on the most pressing economic issues of our times. The central theme was: 'Hidden opportunities in a slow growth world'. Around 120 institutional clients and distribution partners from across the globe attended, together with international keynote speakers, such as Linda Yueh (member of the World Economic Forum and a contributor to CNBC and CNN), Hamish McRae (is among Europe's foremost speakers on future trends in economics, business and society) and Pippa Malmgren (former Financial Market Advisor to President G.W. Bush and Special Assistant to the President on the National Economic Council), and speakers from Robeco Group. Finally, in the closing keynote speech, Niall Ferguson, a leading British historian and academic, presented his views on what the world will look like in the years to come.

Publications

- On 19 January 2015, RobecoSAM announced the publication of its Sustainability Yearbook 2015;
- RobecoSAM's quarterly Advance Magazine contains the latest news, research and insights on sustainability investing;
- Performance Insights 2014 – a booklet on

Robeco Group's principal developments and results in 2014 – was published in March 2015.

- In November 2015, Robeco issued its annual outlook for the coming year 'Outlook 2016: The year of diminishing returns'.
- In 2015, Robeco enhanced its annual Expected Returns publication, highlighting what investors can expect for the world economy during the next five years. The printed booklet, with more than 100 pages of insights and dozens of graphs, has been widely disseminated. Additionally, the findings were discussed with clients in a series of meetings.

Sponsorship for Volvo Ocean Race 2014-2015

Robeco Group has been the proud sponsor of Team Brunel, the Dutch entry in the Volvo Ocean Race 2014-2015. In the general classification, Team Brunel finished holding an excellent second place. Sailing has many parallels to successful investing. Robeco's investments are research-driven and based on quant models. Similarly, Team Brunel's skipper and navigator use data analytics and data modeling on board. Another thing that successful sailors and investors have in common is that they both combine technical know-how with effective teamwork in leveraging the human aspect. No ocean-going yacht can operate without everyone pulling together, and the principle that we are 'all in the same boat' is one we have long been accustomed to applying in dealing with clients. The round-the-world pioneering spirit is embedded in Robeco's DNA: We were the first to take sustainability investing seriously; the first to invest in emerging markets; and one of the first to make use of data analysis based on quant models.

This sponsorship underpins Robeco Group's Strategy 2014-2018 to grow mainly outside the Netherlands and raise the company's international profile. We strongly believe that hospitality opportunities from sponsoring Team Brunel has given the company an effective international platform to strengthen its rapport with clients from all over the world.

3. Sustainability Investing

Ambitions

Promote implementation of sustainability investing to clients

Increase the assets in which ESG criteria are incorporated

Improve corporate behavior and the risk/return profile of investments

Increase the assets under voting

Increase the assets under engagement

Highlights

- Sustainability investing and ESG integration are resonating increasingly with both institutional investors and private banks
- Robeco publishes many articles and research papers on sustainability investing, including how we approach sustainability investing in our investments.
- Robeco Group organized multiple client-specific workshop programs at senior-management level.
- Over 360 guests representing USD 7 trillion in assets, attended the RobecoSAM Forum, and celebrated RobecoSAM's 20th anniversary
- Assets in which ESG integration has been implemented at year end: EUR 76.7 billion¹ (2014: EUR 82.6 billion)
- Active dialogue with 164 companies worldwide
- RobecoSAM started three new engagement themes, namely environmental challenges in the European electric utilities sector, ESG risks and opportunities in the biopharmaceutical industry, and corporate governance in Japan
- Assets under voting: EUR 45.0 billion at year end (2014: EUR 41.4 billion)
- RobecoSAM voted at 3,462 shareholders' meetings
- Assets under engagement: EUR 218.1 billion at year end (2014: EUR 65.6 billion)



Sustainability investing is integral to Robeco Group's overall strategy. We are convinced that integrating environmental, social and governance (ESG) factors results in better-informed investment decisions. Further we believe that our engagement with companies in which we invest will have a positive impact on our investment results and on society. Within Robeco Group investors, sustainability investing researchers and the engagement specialists work closely together focusing on jointly determined financially material themes.

3.1 Active Ownership

3.1.1 Focus on stewardship

Robeco welcomes the momentum stewardship codes are gaining across the globe and strongly supports the aim of investors being active owners of the companies in which they invest. Robeco has published its own stewardship policy¹ which provides transparency on Robeco's stewardship

¹ Decrease due to stricter methodology used for calculating assets in which ESG criteria are incorporated.

Robeco and sustainability investing in figures

(total AuM 2015: EUR 268 billion)

(Year end, in billion euros)	2015	2014	2013
Assets in sustainability theme funds	2.7	2.8	3.1
Assets for which ESG integration has been implemented	76.6*	82.6	74.7
Assets 'under engagement'	218.1	65.6	53.7
Assets 'under voting'	45.0	41.4	37.6

* Decrease due to stricter methodology used for calculating assets in which ESG criteria are incorporated.

activities. We disclose how we manage potential conflict of interests, monitor our investee companies, conduct engagement and voting activities and report on our stewardship responsibilities. As a further sign of Robeco's commitment to stewardship we are signatories of the UK and Japanese stewardship codes. Finally, we are committed to act in accordance with the Eumedion Best Practices for Engaged Share-Ownership, which is considered as the Dutch stewardship code³. (Eumedion represents institutional investors' interests in the field of corporate governance and related sustainability performance.)

3.1.2 Voting

Robeco votes for its investment funds and on behalf of individual institutional clients. The voting is carried out by dedicated voting analysts in our Governance and Active Ownership team. We have been voting since 1998. Currently, we vote on behalf of our institutional and retail funds and many of our mandates. Robeco visits several shareholder meetings in person, but casts most of its votes electronically. Robeco publically reports about its voting activity on its website⁴.

Robeco has a comprehensive voting policy based on 18 years of experience and insights and anticipates specific policy wishes in its mandates where this is requested. We vote at meetings relevant to their holdings, regardless of region or company. In practice, we will only refrain from voting in specific cases of share blocking. In these cases we assess the priority of the meeting and the voting impact of our positions. Our voting policy and analysis is based on the internationally-accepted principles of the International Corporate Governance Network (ICGN) and on local guidelines. The ICGN-principles provide a broad framework for assessing companies' corporate governance practices. They provide enough scope for companies to be assessed according to local standards, national legislation and corporate governance codes of conduct. Our assessment also takes into account company-specific circumstances. High-profile voting decisions are made in collaboration with investment teams and engagement specialists. Information captured from the shareholder meeting is taken into account in the forthcoming engagement activities. With our voting practices, we aim to encourage company management

to implement good corporate governance and increase long-term shareholder value and to encourage responsible corporate behavior. On a case-by-case basis we assess if we want to (co-)file a shareholder resolution as part of our voting and engagement activities.

Figures:

- Assets under voting: 2015: EUR 45.0 billion (2014: EUR 41.4 billion, 2013: EUR 37.6 billion)
- Voted at 3,462 shareholders' meeting
- In 1,868 of the meetings (55.1%) we voted differently than management recommendations for at least 1 resolution
- Voted on 36,778 agenda items
- 87.0% of resolutions voted for management recommendations
- 12.7% of resolutions voted against management recommendations
- 0.2% abstentions

Voting per region

	2015	2014	2013
North America	29%	30%	28%
Europe	21%	23%	23%
Pacific	15%	17%	22%
Emerging Markets	35%	30%	27%

Impact of voting and engagement on Petrobras' corporate governance

Meeting Dates: 29 April 2015 and 25 May 2015

A constructive and effective active-ownership program consisting of voting and engagement can encourage companies to improve their management of environmental, social and corporate governance (ESG) risks. This in turn helps decrease costs, enhancing competitiveness and profitability.

The annual shareholder meeting of Petróleo Brasileiro S.A. (Petrobras) took place in the aftermath of one of the most atrocious corruption cases in the history of the company. The company is under investigation, as Brazilian authorities have accused former Petrobras executives, and some of Petrobras' partner engineering firms, of inflating the value of service contracts and benefiting from the excess funds. So far, two former executives have been sentenced to serve several years in prison for money laundering, together with more than 100 people involved. In addition, 50 politicians are currently under investigation for taking bribes. As a result, the company has paid USD 2 billion in fines for costs related to corruption and the accounts of 2014 reported an overall loss of USD 7.2 billion. The company's annual accounts also disclosed an impairment charge of USD 14.8 billion, reflecting the decreased value of its assets.

The controversy and consequent fines led to a sharp decrease in the value of the company's assets. This blow to the financial health of the company brought uncertainty in the reporting of the annual accounts and Petrobras was forced to delay their publication. For this reason, on 25 May 2015,

the company held a special shareholder meeting with the sole purpose of seeking shareholder approval of the 2014 financial results.

Robeco has been engaging with Petrobras since early 2014 with the objective of improving the composition and independence of the board of directors. In 2015, together with other Brazilian and foreign investors, Robeco successfully nominated two board members who will serve as representatives of minority shareholders at the board. It is yet to be seen whether the new board will help the company transition to operate more independently from the government. Robeco will continue following the company closely through its engagement and voting efforts. At the annual general meeting of 29 April 2015, the board directors were elected. The new board includes no high-ranking government officials, which is a significant change to the tradition seen in recent years. It is noteworthy that three board directors refused to endorse the annual accounts. They denounced the reporting process as being deficient and they also complained about the scarce two hours that were given to directors to review the 319-page long document before deciding to endorse it. This report aimed to determine whether the USD 17 billion in write-downs were sufficient to account for the impairments on refineries and other projects where suppliers allegedly paid bribes to win contracts. At the shareholders meeting of 25 May 2015, due to the severity of accusations against the company and the concerns expressed by the independent directors, Robeco did not support the approval of the report.

3.1.3 Engagement equity and credits

In 2005, Robeco began encouraging the management of companies in which it invests to implement good corporate governance and pursue environmental and human-rights policies, the aim being to increase long-term value for shareholders. Robeco continues to believe that engagement and voting are critical elements of a successful integrated sustainability strategy and can improve the risk-return profile of its portfolios. For our engagement activities we apply a focused approach in which a relevant subset of investee companies is targeted for a constructive dialogue on environmental, social and governance factors such as corporate risk oversight, human-rights policy and environmental risk management.

Robeco's engagement program consists of two types of engagement:

Value engagement

We focus our value engagement activities on a limited number of sustainability themes that have most potential to create value at our investee companies. These sustainability themes are selected based on their financial materiality. For these financially material themes we conduct a baseline study and develop engagement profiles for the companies to be engaged. We prioritize companies in our portfolios and our client portfolios that have most exposure to the respective engagement theme. Based on the baseline study, we establish SMART (Specific, Measurable, Attainable,

Relevant, Time-bound) objectives and begin a dialogue to encourage companies to address the issues identified. We have regular meetings and conference calls with company representatives to track their progress towards meeting our engagement objectives over a three-year period. By discussing sustainability risks and opportunities with companies and providing them with insights into investors' expectations of corporate behavior, we encourage these companies to adopt better practices. Companies with sustainable business practices can create a competitive advantage and are likely to improve the risk-return profile of their shares. Value engagement is thus aimed at improving the risk-return profile of the company's stock and ultimately of our and our clients' portfolios.

Enhanced engagement

Our enhanced engagement program is focusing on companies that severely and structurally breach the principles of the United Nations Global Compact (UNGC) in the areas of human rights, labor, environment and anti-corruption. The process is based on a systematic analysis of alleged breaches of UNGC principles. For this we continuously monitor the news flow of global print and online media and other publicly available information from consumer organizations, governments and non-governmental organizations (NGOs). Companies for engagement are selected based on the severity of the alleged breaches. Enhanced engagement is aimed at influencing companies to act in line with the UNGC. In order to measure progress we use five objectives focused on elimination of the breach, policy, stakeholder dialogue, risk management systems and transparency. The engagement typically runs over a three-year period, during which we have regular meetings and conference calls with company representatives to track their progress compared to our engagement objectives.

If an enhanced engagement dialogue does not lead to the desired result, Robeco Group's Management Board may decide to exclude the company in question from Robeco's investment universe. The process for enhanced engagement is a formal part of Robeco Group's exclusion policy. The exclusion policy is applicable to Robeco and RobecoSAM.

Engagement focus areas in 2015

In 2015, we started three new engagement themes: ESG risks and opportunities in the biopharmaceutical industry, Environmental challenges in the European electric utilities sector and Corporate Governance in Japan. Robeco's themes run for a maximum of three years and we typically work on 9 to 12 themes in parallel (see below for details). Every quarter, we publish an overview of our engagement activities on our website. In 2015, Robeco conducted 185 engagement cases with a total of 164 companies worldwide.

Engagement

(Engagement cases per theme)	2015	2014	2013
Corporate Governance	50	33	35
Healthy Living	11	9	8
Community	0	4	13
Human Rights	34	23	7
Human Capital	2	0	11
Global Compact Breaches	38	31	58
Environmental Impact	24	18	31
Environmental Management	26	51	5

Engagement per region

	2015	2014	2013
North America	50%	30%	41%
Europe	93%	47%	42%
Pacific	22%	10%	5%
Emerging Markets	20%	13%	12%

Engaging the electric utilities sector

Robeco believes that the business models of power generators will significantly change by the end of the decade, moving from a centralized generation structure based on burning fossil fuels to a decentralized one based on renewables. Environmental reasons are one of the main drivers behind this development. Decentralized generation through renewables is increasing the existing overcapacity in the power markets. Coupled with low demand due to increasing energy efficiency and modest GDP growth, traditional power generation is being pushed out of favor and will ultimately need to be shut down or get paid for providing backup power. As investors, we need to know how electric utilities will deal with this shift in their industry, how they will address the huge risks and how they plan to profit from the opportunities that arise. This will allow us to pick the winners of this transformation.

Our assessment of the sector is translated into the following four engagement objectives:

1. Proactive environmental strategy

We believe companies should have a proactive environmental strategy to position themselves for future changes such as rising carbon prices. Thus we motivate electric utilities to have a clear de-carbonization strategy (i.e. from coal to gas to renewables) reflected by decreasing carbon intensity and to have a plan of how to deal with a future carbon price reflecting the reality of the emissions' impact (about 30–40€/t). We acknowledge that traditional generation will continue to play a role in the energy mix for some years to come. However, we expect electric utilities to shut down aged and less efficient coal-fired power plants.

2. Operational excellence in thermal generation

Traditional thermal generation from sources such as coal and gas will continue to play a role because it helps to mitigate the increasing volatility related to the integration of more and more renewables into the grid. That is why we expect electric utilities to strive for operational excellence at their thermal generation assets. This includes having quantified thermal-efficiency targets, upgrading coal-fired power plants to higher thermal efficiency, creating cleaner plants and sourcing coal responsibly.

3. Focus on business model innovation

The rise of distributed generation presents a significant challenge to

the current business models of electric utilities. It has the potential to substantially disrupt the ability of electric utilities to generate revenues. Therefore, we encourage electric utilities to adjust their business models by diversifying their revenues e.g. via energy services, and find ways to monetize their huge retail customer base and capitalize on digitalization (e.g. Smart Home). In addition we believe investments in grid efficiency and flexibility, targeted strategic acquisitions and green marketing and product development are suitable strategic choices.

4. Public policy

We expect electric utilities to be transparent on their lobbying activities at the national and the EU level and on their positions on relevant environmental legislation (i.e. fixing the Emissions Trading Scheme (ETS), or carbon tax). This includes ensuring consistency between the companies' views on climate change and those which are advocated for on their behalf by their representative trade association(s). This transparency allows investors to see if the utilities are indeed embracing the changes or trying to hold on to the status quo.

Course of action: In the first quarter of 2015, Robeco commissioned a research report by the utilities team of French broker Exane BNP Paribas. Based on our outline of the issue and definition of engagement objectives, the report analyzed a large number of key performance indicators such as capital expenditure, R&D spending and thermal efficiency across the peer group. Complemented with an in-house report on the public policy activities of the utilities this data set forms the basis for our engagement.

Over the next three years we will engage with 12 companies on the four engagement objectives above for the utilities sector. In June 2015, we kicked off the engagement with formal letters outlining our expectations for all these companies. In the last months of 2015, we held conference calls and meetings with all 12 companies and encouraged them to move towards our engagement objectives. For various companies we are already seeing positive progress on some of the engagement objectives, such as having a proactive environmental strategy and innovating their business models. We will continue to engage this sector for the next three years working towards achieving tangible changes at the companies.

3.1.4 Exclusions

Robeco Group has implemented an exclusion policy for companies involved in the production of, or trade in, controversial weapons, such as cluster munitions and anti-personnel mines, and for companies that structurally and severely breach the United Nations Global Compact (UNGC). For that last category, Robeco Group considers exclusion to be an action of last resort, only to be used after all other dialogue-based methods to persuade a company to improve its practices have failed. Robeco Group re-evaluates the practices of excluded companies at least once a year, and may decide to reinstate a company in the investment universe at any time if it can show that the desired change has been implemented. Robeco Group's exclusion policy and exclusion list are published on our website. The exclusion policy is applicable to Robeco and RobecoSAM.

3.2. ESG Integration by Robeco

Robeco views sustainability as a long-term driver of change in markets, countries and companies which impacts future performance. Based on this belief, ESG factors are considered as one of the value drivers in Robeco's investment process, similar to the way we look at company financials or market momentum. From an investment perspective, we believe considering material ESG factors strengthens our investment process and ultimately leads to a better-informed investment decisions.

3.2.1 Equity

At Robeco Global Equities, it is believed that a structured integration of material ESG factors makes for better-informed decisions. Robeco therefore integrates ESG into our investment decisions and valuation models by linking the most material ESG factors per company to its competitive position and value drivers. To achieve this, we take a three step approach:

1. Identify and analyze the most material factors
2. Assess the impact of the most material factors on the company's business model and competitive position
3. Quantify the impact to adjust the value driver assumptions

For every investment Robeco does the analyst makes an in-depth 'investment case' of the company, which states his or her opinion on the industry, company strategy, the product portfolio, competitiveness of the franchise and a SWOT analysis. To quantify stock potential we identify four value drivers: revenue growth, margin development, invested capital needed and risk (as defined by a discount factor). To assess the fair value of a stock, these four factors are combined in our proprietary valuation tool, which is a discounted cash flow model that explicitly takes invested capital into account.

Quantifying the impact of ESG factors on companies' valuation takes place in three steps. The first step is to focus on the most material issues, i.e. those ESG-issues that may substantially affect the company's business model and value drivers – either positively or negatively. The second step is to analyze the impact of these material factors on the individual company. The third step is to translate the associated competitive advantages and disadvantages into adjustments to value driver assumptions in valuation models. Even if the analyst decides to assign no impact to the value drivers (because the factors cancel each other out or the company is just average), these questions typically do give the analyst a deeper insight into the quality of company management and the risks involved.

The table shows an example of how the ESG impact may be quantified for a chemicals company. In this case the ESG factors have a significant and positive impact (+15%) on the value driver assumptions.

We have structurally taken this approach for two years now and can show how it affected our valuations and decisions over 2014 and the early part of 2015:

- Sales growth and margins are both adjusted more often than the cost of capital
- The average impact on target prices is 5%, ranging from -23% to +70%
- ESG is an important factor in 28% of our decisions and decisive in 9% of our portfolio decisions

Value driver	Sales growth	Margins	Cost of capital	Target price
Benchmark	Global chemicals: 4%	15% EBITDA margin in 2013	8%	
Company adjustment ex ESG	Exposure to low-growth segments: -50bps	EU recovery: >+200bp	Na	EUR 124
ESG adjustment	Innovation management: +100bps	Innovation management, Environmental management & Product stewardship: >+100bps	Na	EUR 19 (+15%)
Total	4.5%	>18% by 2017	8%	EUR 143

Integrate ESG factors in the analysis of pharma companies

With a view on industry trends, competitive dynamics, and critical success factors for the industry, the analyst evaluates the importance of various long-term intangibles. We focus our sustainability analysis on those financially material factors with the largest potential impact and biggest likelihood. The most material factors in the pharma industry were identified as:

- Product Quality and Safety
- Business Ethics
- Innovation Management
- Human Capital Management, Talent Attraction & Retention
- Quality of Earnings
- Corporate Governance

Rating the companies

For each of the material factors, we rate the companies from ‘++’ to ‘--’, which leads to an overall relative sustainability rating that is used in our actively managed strategies. We do this for highly competitive peer groups, as our goal is to identify competitive advantages even between leading companies. In the case of the pharma sector, we analyzed 15 of the largest US and European pharma companies.

Having determined the factors that are material for the sector and having evaluated the relevant companies on these factors, the sustainability analyst recommends impacts on the business value drivers of the company. This view is discussed with financial analysts who create their own views on how to incorporate material factors into their analysis of the stock, translating the associated competitive advantages and disadvantages into adjustments to value driver assumptions in valuation models.

Continuing with the example of Roche, the company’s competitive advantages are visible in the field of oncology, where Roche dominates the domain. We expect its long-term innovation edge over competitors to lead to higher pipeline success rates and stronger sustainable revenue growth. In one analyst’s model, this equated to CHF 17, or 6 % of the company’s fair value.

3.2.2 Quantitative equity

All Robeco quantitative equity strategies integrate ESG factors to ensure a better sustainability profile. The quantitative model is calibrated to ensure that the portfolio sustainability score is at least as high as that of the underlying index. Increased ESG coverage in emerging markets allows for a consistent integration of ESG-factors across all quantitative strategies.

In 2014, the RobecoSAM Quant Sustainable Global Equities strategy was launched. This strategy offers a quantitative approach to sustainability investing: the model driven stock-selection strategy is 80% based on sustainability information from RobecoSAM. The remaining 20% is based equally on valuation and momentum factors.

3.2.3 Credits

Robeco credit analysts express a view on the company fundamentals as well as an investment recommendation. The fundamental view is built on five pillars: business position, strategy, ESG factors, financial position, and structure. In the ESG block the analyst considers the impact of key ESG factors on the credit fundamentals of the issuer. The starting point is the analyst’s own views on key ESG trends and factors. In addition, the analyst closely cooperates with the sustainability investing research team of RobecoSAM.

Two factors are important when it comes to integrating ESG factors within credits. First of all, the impact must be financially material. So before concluding ESG factors contribute positively/negatively to our fundamental view, there must be a tangible impact on factors like margins,

revenues and risk profile. Second, the focus is mainly on detecting downside credit risk.

The analyst describes the five pillars – including ESG – in a credit research report. This report is discussed in a credit committee where the final fundamental view is determined. The fundamental view is expressed in a score ('F-score'), which ranges from -3 to +3. Combining the F-score with the relative value results in the investment recommendation.

3.2.4 Sovereign bonds

Robeco has developed a comprehensive and systematic ESG-ranking framework for countries, designed to complement sovereign bond ratings developed by traditional rating agencies. A group of 60 countries are assessed on the basis of various sustainability criteria. The ranking is updated twice a year. By focusing on selected ESG factors such as aging, competitiveness and environmental risks – which are long-term in nature – and taking into account a country's position in the economic cycle, the country rankings offer a view into a country's strengths and weaknesses that are not typically covered by rating agencies. Used in combination, standard sovereign bond ratings and Robeco's country

sustainability rankings can be a powerful tool to enhance risk analysis for government bonds, enabling investors to make better informed investment decisions.

Robeco integrates ESG factors into the investment process via the country sustainability ranking. The output of the country sustainability ranking is a score for each of the countries in the investment universe. This makes it possible to rank countries and to see how the scores evolve over time. Changes in the scores and the resulting ranking act as flag for developments that could be relevant. In addition to the ranking, we discuss individual countries on a regular basis, to identify material changes in their ESG profile. ESG factors are incorporated in the country reports in which fundamentals of a country are discussed. For all investment decisions we write an investment thesis. In such a thesis the ESG risks or opportunities are a standard element. Obviously, ESG information only plays a role in investment decisions when deemed relevant. For instance we incorporate them into country allocation decisions, but not into yield-curve decisions.

3.2.5 Thematic investing by RobecoSAM

Long-term megatrends such as demographic change, scarcity of natural resources, pollution, and climate change determine the competitive environment in which companies operate. The megatrends create long-term sustainability challenges and opportunities. Companies that respond to such challenges and seize these new market opportunities enhance their ability to create long-term shareholder value.

The thematic investment strategies of RobecoSAM are supported by an investment process which allows for consistency in the stock-selection approach while maintaining a strong focus on fundamental analysis to build a portfolio of high-conviction stocks. RobecoSAM's sustainability expertise is integrated at different stages of the investment process. First, the construction of the thematic universe is based on the long-term sustainability challenge that is addressed by the theme (e.g. energy efficiency). Analysts define the theme universe by identifying companies worldwide that offer products and services addressing the sustainability challenges related to the given theme. Companies are then analyzed with regard to liquidity

Quantitative approach to cut carbon footprint

Taking a quantitative approach can limit the environmental impact of companies in a managed equity portfolio. Together with one of Robeco's clients we have looked at ways to reduce the carbon footprint of the portfolios we manage for them. Our research shows that only a few critical sectors account for over 80% of the environmental footprint in the global economy. So we target these four sectors – energy, materials, utilities and transportation – plus any other company with a similarly high footprint. The objective is to reduce the carbon footprint of the portfolios without major impact on other portfolio characteristics. The flexibility of the client-optimized, quantitative-investment process allows for a reduction of the carbon footprint. For the enhanced indexing products we manage for the client, we do not allow an overweight in any of the 20% highest footprint companies in the four industry groups. For the Conservative Equities mandate, no position is allowed in any of the 10% highest footprint companies in the four industry groups. In total, for our enhanced indexing strategies, we have reduced the carbon footprint by about 15% from the original situation. For the Conservative Equities mandate the carbon reduction is closer to 40%.

factors, such as market capitalization and trading volume. Second, the sustainability profile of an analyzed company influences its attractiveness in the fundamental valuation. RobecoSAM integrates the company's sustainability performance in our financial analysis to estimate the stock's fair value. Third, in portfolio construction RobecoSAM actively monitor and mitigate sustainability risks through media screening.

In 2015, RobecoSAM launched the Global Child Impact and the Global Gender Equality Impact investment strategy. Both investment strategies are based on bottom-up stock selection, which alongside the financial attractiveness of a company also considers its endeavors regarding children's rights and gender equality. At the heart of both investment strategies lie the 'Global Child' and 'Gender Equality' company ratings generated by RobecoSAM's ESG database, which monitors over 3,000 companies.

3.2.6 Private Equity

RobecoSAM Private Equity manages private equity fund-of-fund products and mandates, with some co-investments in the clean tech / resource efficiency space. Sustainability factors are considered in the selection, appointment and monitoring of private equity managers for all of RobecoSAM's Private Equity strategies. RobecoSAM Private Equity is in active dialogue with its fund managers on ESG-issues, their relevance for private equity investments and their implementation in investment processes. RobecoSAM Private Equity circulates an Annual Responsible Private Equity questionnaire to the fund managers, our General Partners (GP). This questionnaire consists of four sections: a general section focusing on overall fund policies and practices followed by three more specific sections focusing on ESG-issues and their management. The questionnaire covers the following aspects:

- ESG strategy & policy: investment strategy and integration of responsible investment, with questions on the private equity fund's specific responsible private equity investment characteristics
- ESG policy implementation: implementation of ESG issues concerning the integration of the private equity fund's responsible investment strategy in its investment

decision-making process and the construction of its portfolios

- ESG performance: impact of responsible investment and examples, detailing concrete results of responsible investment in terms of performance for both the portfolio companies and the private equity fund
- Review and next steps: looking into the private equity fund's next steps with responsible investment and the expected results on the fund's performance and portfolio companies

We assess different ESG indicators and calculate a total ESG-score for each Private Equity fund. This ESG score appears on the ESG Fund Factsheet which shows how a particular fund scores relative to the peers in the engagement universe and over time.

The annual assessment presents a basis for the engagement with the GPs on how they incorporate ESG analysis in their investment process. A standardized and comprehensive assessment framework enables RobecoSAM Private Equity to quantify, compare and benchmark the ESG performance of Private Equity funds which can help the latter monitor their own progress and identify areas for improvement.

Based on the comprehensive analysis we provide fund-specific recommendations on how to better incorporate ESG considerations in due diligence as well as the monitoring of portfolio companies the GPs are invested in. The recommendations are being discussed with the GPs during the engagement calls as well as during the regular meetings with the GPs.

3.3 Promoting the implementation of sustainability investing

3.3.1 Sustainability initiatives

Robeco Group is a participant in the United Nations Global Compact. The UN Global Compact is a strategic initiative for businesses that are committed to aligning their strategies and operations with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business as a primary driver of globalization can help ensure that markets, commerce,

technology and finance advance in ways that benefit economies and societies everywhere.

As part of our commitment to making financial markets more sustainable, Robeco and RobecoSAM are also members of organizations such as the European Sustainable Investment Forum (Eurosif), UNPRI, Asian Corporate Governance Association (ACGA), Eumedion, The Institutional Investors Group on Climate Change (IIGCC), Carbon Disclosure Project (CDP), Certification of Environmental Standards (Ceres) and Swiss Sustainable Finance. The active contribution to these important platforms for collaborative action on sustainability issues enables Robeco Group to help shape the global investment agenda.

3.3.2 Corporate sustainability assessment

Every year, RobecoSAM publishes The Sustainability Yearbook. The yearbook describes the latest trends in

RobecoSAM has been assessing the sustainability performance of the largest listed companies on a yearly basis since 1999. Some 2,126 companies from 42 different countries were assessed on their performance in financially material ESG criteria for the Sustainability Yearbook 2016. RobecoSAM awarded 77 RobecoSAM Gold Class medals, 74 RobecoSAM Silver Class medals and 97 RobecoSAM Bronze Class medals to the evaluated companies.

3.3.3 Dow Jones Sustainability Indices

The Dow Jones Sustainability World Index was launched in 1999 as the first global sustainability benchmark. The Dow Jones Sustainability Index family is offered cooperatively by RobecoSAM and S&P Dow Jones Indices. The family tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for companies who want to adopt sustainable best practices.

The Dow Jones Sustainability Index family comprises global, regional, and country benchmarks. S&P Dow Jones Indices and RobecoSAM together can create customized versions of the indices, as well as sustainability-optimized versions of standard indices with a low tracking error, to meet investors' specific requirements for their unique investment objectives, including industry and country exclusions.

3.3.4 Environmental Impact Monitoring tool

RobecoSAM's Environmental Impact Monitoring tool enables investors to quantify, communicate and optimize the environmental impacts of their listed equity and corporate bond portfolios. It measures the impact of investors' portfolios on a series of tangible environmental indicators and indicates the magnitude of their portfolios' environmental impact per invested dollar. The key quantitative indicators screened for are: greenhouse gas (GHG) emissions, energy consumption, water use and waste generation. The data can subsequently be used to enable investors to make better informed decisions on how to optimize their portfolios in order to maximize the positive or limit the negative environmental impacts of their investments.

Positive impact of the thematic stock pick Gamesa

Gamesa is one of the world's biggest wind turbine suppliers and developers of wind farms with production centers in Spain and China. The annual equivalent of its 29 gigawatt wind-energy installations across the world amounts to more than 6.4 million tons of petroleum per year and prevents the emission of more than 40 million tons of CO₂ per year. This corresponds to the annual emissions of more than 6 million cars. By investing in companies like Gamesa, investors will reduce greenhouse gas emissions and improve energy security on the long term.

sustainability research and industry-specific, material ESG drivers. It is based on RobecoSAM's corporate sustainability assessment and has become a global reference book for corporate sustainability.

The Yearbook looks back at companies' sustainability performance in 2014, includes the best 15% per industry and ranks them Gold, Silver or Bronze. The top-performing company from each of the 59 industries analyzed is awarded RobecoSAM Industry Leader status. Split by region, Europe holds the greatest number of companies included in the Yearbook, as well as the most RobecoSAM Gold Class medal winners.

3.3.5 Publications on Sustainability Investing

On websites, in newsletters and at events Robeco continuously discloses specific insights into sustainability investing, including how we approach sustainability investing in our investments. Many articles and research papers are available describing ESG integration by investment teams.

As the investment process differs for different investment funds, we introduced a Sustainability Investing Classification System. For every publically traded fund we publish on our website the structural approach in ESG integration and whether voting, engagement and an exclusion policy apply.

Adding value through diversity

The topic of gender diversity is rapidly gaining attention. More and more companies are convinced that a well-diversified board adds value to their organization. Robeco also incorporates this philosophy in its voting and engagement practices. When assessing corporate boards, we determine if the board is sufficiently independent and if directors have relevant experience. We also assess how diversified boards are in terms of skills, background, age, tenure and gender.

With the intention to contribute to the diversity debate, Robeco carried out a quantitative research into the relationship between gender diversity on boards and stock performance. The unique sustainability data collected by RobecoSAM, the quantitative approach of Robeco's quant researchers and its corporate governance knowledge put Robeco in an optimal position to carry out such research.

A set of different statistical methodologies were used in order to increase the robustness of the research. In order to avoid biased results, corrections were made for the gender exposures to sectors, markets and other factors known to drive stock returns.

In the analysis, Robeco has been found a positive relationship between gender diversity of company boards and stock returns. The results are promising and support the focus in engagement on this topic: the conclusion stays the same when using different methodologies and after correction for other performance-related exposures and effects. The link is especially visible from 2009 onwards. However, a large part of the results is not statistically significant, partly due to the relatively short research period (2004–2013). In order to make final conclusive statements on the effect of diversity on stock performance, Robeco would need a larger and more consistent data set that covers a longer period of time.



4. Governance

Ambitions

Continuous optimization of the effectiveness of our internal controls in the interest of our clients

Operate in a model where accountability and a balance of power can be demonstrated

Highlights

- Robeco Group further developed its Enterprise Risk Management framework, consisting of risk taxonomy, a risk appetite statement and a risk report
- The purpose of the framework is to more explicitly and effectively integrate risk-management dimensions into strategic decision-making

Robeco Group ensures that its corporate management is strong, responsible and transparent and guarantees the interests of all stakeholders.

4.1 Mission

Our mission is: 'To enable our clients to achieve their financial objectives through superior investment returns and solutions'. Our key convictions are as follows:

- Since our establishment in 1929, we have maintained a long-term view on investing
- Every investment strategy should be research-driven and executed in a disciplined way
- Solid risk management is essential for successful investing
- Sustainability investing leads to better-informed investment decisions

We will accomplish our mission with employees who are truly engaged and empowered to use their full potential, working together to obtain the best possible results for our clients.

4.2 Supervisory Board and Management Board

4.2.1 Supervisory Board

In 2015 the Supervisory Board of Robeco Group met five times, while a number of intermediate conference calls were held. The meetings were attended by most of its members.

In the meetings of the board and its respective committees (the Audit & Risk Committee, the Nomination, Remuneration & Corporate Governance Committee, the Investment Committee), due attention was paid to developments in the financial markets, the performance of

the Robeco products, the position of clients, the financial results and employee developments and conditions, as well as other matters.

The board understands and endorses the emphasis on regulatory control resulting in a process of constantly increasing and changing rules and regulations and the importance of monitoring compliance to the rules throughout the organization. This subject therefore receives the board's due attention and is dealt with at every meeting.

Members of Robeco Group's Supervisory Board as per end of December 2015:

- D.P.M. (Dick) Verbeek, Chairman (up to and including 9 December 2015)
- A. (Bert) Bruggink (up to and including 21 January 2015)
- A.C. (Arjen) Dorland
- S.E. (Sjoerd) Eisma
- M.E. (Michael) Gower (since 21 January 2015)
- M. (Makoto) Inoue
- J.J.M. (Jeroen) Kremers
- Y. (Yoshihiko) Miyauchi
- J.J. (Jan) Nooitgedagt
- A.M. (Alan) Rubenstein

All Supervisory Board members have sworn the Dutch banking oath.

4.2.2 Management Board

The Management Board of Robeco Group acts on the basis of shared responsibility, on the understanding that all members have their own focus areas. The composition in 2015 was as following:

- R.M.S.M. (Roderick) Munsters (Chairman, up to and including 31 October 2015)
- D.A. (David) Steyn (Chairman, since 1 November 2015)
- L.M.T. (Leni) Boeren
- H.W.D.G. (Hester) Borrie
- H.A.A. (Hans) Rademaker
- J.B.J. (Jurgen) Stegmann (up and including 1 May 2015)
- R. (Roland) Toppen (since 1 December 2015)

Company Secretary

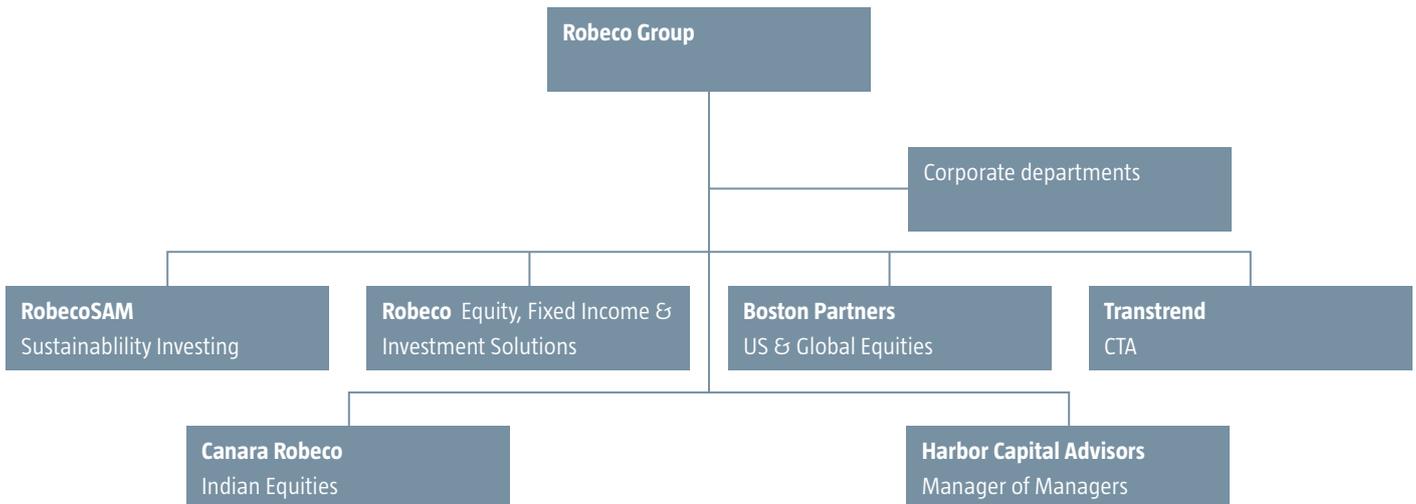
- S. (Stefan) Gordijn (since 1 October 2015)
- D.H. (Dave) Cross (up to and including 30 September 2015)

All Management Board members have signed an Integrity Statement and sworn the Dutch banking oath.

4.2.3 Governance changes 2016

On 17 May 2016 Robeco Group announced that it will separate its activities into Robeco Institutional Asset Management B.V. (Robeco), which will have its own Supervisory Board and executive management to emphasize its position as an autonomous global asset manager, under the name Robeco, with its headquarters in Rotterdam, preserving the strong name and history, and Robeco Group. The latter will be transformed from an operating company into a financial holding company.

The new corporate governance structure will further separate the holding activities of Robeco Group, and the asset management businesses of its subsidiaries: Boston Partners, Harbor, Transtrend, RobecoSAM and Robeco. The new structure reflects current global industry and market



trends, guaranteeing continued expertise in investments, distribution and client servicing.

Robeco will get its own dedicated Supervisory Board and dedicated support functions. Day-to-day management remains with Leni Boeren, Roland Toppen, Peter Ferket, Ingo Ahrens and Karin van Baardwijk, who form the Executive Committee of Robeco.

Leni Boeren will lead the transition to the new governance and remain a member of the Management Board of the Robeco Group and several Boards of Robeco Group's subsidiaries until the transition is completed. Leni Boeren will leave Robeco Group once the transition is completed.

As a financial holding company, RG will not perform any asset management activities. Subject to final regulatory approval, the Supervisory Board and the Management Board will be replaced by a simplified financial holding board chaired by Makoto Inoue.

As part of the new governance structure, the outgoing chairmen of the two boards, Bert Bruggink and David Steyn respectively, have stepped down and will join ORIX Group. The other members of the Supervisory Board of Robeco Groep will step down once the transition to the new governance is completed.

4.2.4 Diversity in Robeco Group's boards of directors

Since 1 January 2013, it has been a legal requirement for companies to aim to have at least a 30% quota of women on their management and supervisory boards. Robeco Group's Management Board consisted per the End of 2015 of two women and three men, and therefore met the required percentages. The current composition of the Supervisory Board does not meet this requirement.

4.3 Risk Management

The following section presents an overview of Robeco Group's approach to risk management.

4.3.1 Governance

Robeco Group's risk management is built on a model incorporating three lines of defense. This starts with a primary risk management responsibility for line management in their day-to-day decision-making process. The second-line functions are fulfilled by Group Compliance (GC) and Group Risk Management (GRM), which develop and maintain risk policies and frameworks to enable line management to effectively handle their risk-management responsibilities.

The Group Internal Audit function (GIA) acts as the third line of defense and provides independent assurance on internal control by means of various audits and reviews. Both the second and third-line activities are independent, with no link to Robeco Group's commercial functions. GC and GIA report directly to the CEO. GRM reports directly to the CFO. Furthermore, we have established several cross-functional committees that have specific decision-making powers.

4.3.2 Audit & Risk Committee

The Supervisory Board of Robeco Group has an Audit & Risk Committee (A&RC) to supervise the financial reporting process, the control environment, the system of internal controls, risk management and internal audit. The A&RC also reviews the process used to monitor compliance with legislative and regulatory requirements and its own internal policies. The A&RC relies on reporting from GRM, GC, GIA, Group Finance and the external auditor, and on updates from the business entities.

4.3.3 Group Risk Management Committee

There are several risk management committees to ensure comprehensive and consistent risk oversight throughout the Robeco Group. The Group Risk Management Committee (GRMC) is the highest body within Robeco Group that focuses on risk. It consists of the members of the Management Board and relevant staff departments. The GRMC is chaired by the CFO of Robeco Group and is responsible for evaluating and approving group-wide policies relating to risk management topics. The GRMC also assesses whether the risks relating to Robeco Group's activities remain within the defined risk-tolerance levels. If risks exceed these levels, the GRMC can take steps to

remedy this. The GRMC is supported by various local risk-management committees that are responsible for individual business entities and by (sub-)committees that focus on specific issues (e.g., valuation, security, crisis management and new products).

4.3.4 Robeco Group Control Framework and ISAE 3402

Robeco Group uses the Robeco Group Control Framework to set the standard for managing risks within the company. The objective of the Control Framework is to maintain integrated control of Robeco Group's operations and ensure compliance with laws and regulations. The Control Framework consists of several building blocks that combine to create a continuous process in which all significant risks are identified, measured, monitored and controlled. Robeco Group's defined risk appetite plays a central role in the Control Framework, as it defines the scope of the framework and provides high-level guidance for determining significant risks and defining and implementing controls.

Robeco Group has the following ISAE 3402 statements in place as assurance reports for clients:

- Robeco(asset-management activities)
- Private Equity
- Integrated Asset Management
- Flexioen
- Robeco Retail Savings Administration

4.3.5 Compliance with laws and regulations

Changes to laws and regulations relating to financial markets and funds (e.g., remuneration policies for the financial sector, the Financial Markets Amendment Act 2015, UCITS V, EMIR, MiFID II, MAR) could lead to an increase in operational costs for Robeco Group products and affect Robeco Group's ability to grow its business. To manage these risks, Robeco Group is actively involved in establishing new laws and regulations or in revising the existing ones. It does this by participating in representative associations (e.g., EFAMA, DUFAS) and by remaining in close contact with (Dutch) government bodies. In addition, all relevant staff departments initiate and/or monitor the implementation of new or revised laws and regulations.

4.4 Code of conduct

Robeco Group has a Code of Conduct. The Code contains guidelines for the following areas:

Core values – these values form the basis of our behavior and provide guidance for our day-to-day activities. This is exemplified by the fact that all Management Board members have signed an Integrity Statement. Retail and institutional clients: Robeco Group knows its clients and acts in their best interests, treating them with respect and communicating with them in an open, honest and trustworthy way.

Products and services – Robeco Group develops quality products and services and informs investors of the product specifications in a fair and equitable manner. The company is also responsible to its clients for any activities outsourced to third parties.

The investment process – Robeco Group seeks to maximize the value of client portfolios, while taking into account its clients' objectives and constraints. Robeco Group has strict rules to safeguard fair trading and to manage possible conflicts of interest between Robeco Group as a manager of client assets, and investors.

Personnel and organization – Robeco Group employs people who are honest, qualified, cooperative and results oriented. Robeco Group has procedures in place to identify and manage possible conflicts between the interests of private individuals, Robeco Group and investors.

Robeco Group's Code of Conduct supports an open and honest culture, where it is possible to address each other on the subject of potential infringements or malpractices. Everyone should feel free to discuss any malpractices they notice, either with their own manager or with the managers of other departments, and with Group Compliance.

4.4.1 Whistle-blowing policy

Robeco Group adheres to Regulations regarding whistle-blowing. In 2015, all Group entities had their own whistle-blowers rules in line with local legislation and regulation. These regulations state how it should deal with the confidentiality of the information, the procedures to be followed and the protection of the whistle-blower. These regulations contain rules guaranteeing that a report made in good faith about a (possible) infringement or malpractice will not have any consequences for the employment-law position of the whistleblower, that this will not have any effect on the whistleblower's fixed or variable remuneration, and that this will not have a negative impact on the whistleblower's regular performance reviews.

4.4.2 Regulations regarding private investment transactions

All employees working for Robeco Group are subject to detailed regulations regarding private investment transactions and the handling of price-sensitive information. These rules and regulations aim to prevent the use of price-sensitive information (or semblance of such use), as well as any trading on the basis of price-sensitive information, and any entanglement of business and private interests.

4.4.3 Bribery and corruption

Robeco Group has a zero-tolerance stance concerning bribery and corruption of any kind. Robeco Group does not want to be involved in the misuse of public or private office to obtain improper advantage. Robeco Group is committed to complying fully with all applicable anti-bribery and anti-corruption laws. The corruption and bribery principles apply to all permanent and temporary employees of Robeco Group.

4.5 Robeco Group tax policy

Robeco Group's tax policy makes a distinction between our asset management company and our funds.

4.5.1 Robeco Group as an asset management company

Robeco Group's objective is to act at all times in accordance with applicable laws. Robeco Group does not use tax structures that are intended for tax avoidance only. The tax policy supports the Groups' overall business strategy and objectives. We are guided by relevant international standards, for example the OECD Guidelines.

4.5.2 Taxation of investment funds

In our view investment proceeds should be taxed at the level of the investor to the extent the investors are subject to taxation. Our investment funds should be tax neutral, thus should not create any additional tax burden. Our tax policy is to minimize additional taxation (tax leakages) at investment fund level for our clients.

We ensure that, as a company, we have the mechanisms in place to adhere to the above principles. These principles are consistent with the Group's Code of Conduct. The Group maintains a team of tax professionals who are in dialogue with our business and senior management.

4.5.3 Robeco as an active owner

In its active ownership activities Robeco takes into account the tax policy of a holding. During 2016, the topic of tax accountability will be a focus area for engagement. We expect holdings in which Robeco invests to comply with the legal and regulatory framework that is applicable to their business activities. Companies should assess the risks associated with their approach to tax and match this risk profile with investors' risk appetite and the need to maintain the trust of stakeholders.



5. HRM

Ambitions

Hire, grow and retain diverse talent

Invest in the personal and professional development of our staff

Support and promote health and vitality of our staff

Score higher than the benchmark on employee engagement

Highlights

- In accordance with the overall growth strategy, the increase in staff in 2015 was predominantly a consequence of new hires of portfolio managers and client facing staff
- The average spent on development per employee at Robeco was EUR 1,700
- Two group-wide leadership conferences were held for our top management teams, and the Leadership Competency Model was implemented
- Several new initiatives to stimulate the vitality of employees were launched.
- General employee engagement (Robeco and RobecoSAM) was rated 7.5 compared to 7.3 in 2014. The benchmark for financial services is currently 7.3. These high scores earned Robeco the title 'Best Employer 2015' in the financial services category in the Netherlands

Robeco Group can only be successful if its employees are empowered and committed to the ambitions and core values of the company. We recognize that our people are key in realizing our company goals.

In accordance with the overall growth strategy, the increase in staff in 2015 was predominantly a consequence of new hires of portfolio managers and client facing staff in the US and Asia. The increase at Robeco in Europe is mainly due to our new office in the UK.

5.1 Key figures

Number of employees (FTEs)	2015	2014	2013
Robeco & Robeco Group	807	786	825
RobecoSAM	119	116	114
Harbor	129	119	112
Boston Partners	148	135	126
Transtrend	63	62	58
Total number of employees	1266	1218	1245
New employee hires (total number)	2015	2014	2013
Male	91	78	69
Female	64	31	49
Total	155	109	118
Turnover (percentage)	8%	9%	14%

There has been a considerable increase in the international mobility of our employees, through both temporary assignments and permanent relocations.

5.2 Employee Value Proposition

Robeco Group's Employee Value Proposition reflects the value of what we offer employees in exchange for their commitment and performance on the job. In essence, it is the promise that we make to current and potential employees:

Truly engaged – The opportunity to really leave a mark on the company. We stimulate this by being transparent about the company's strategy, objectives, successes, challenges and decision-making; by making clear which results we expect from our employees and giving them the freedom to decide how to achieve them, delegating responsibilities as much as possible and providing ample room for their own initiative.

Bound to grow – Collaborating with the best in the world. Working with the Group means being challenged by highly motivated and intelligent colleagues; constantly gaining and sharing knowledge and skills; being part of a highly dynamic and professional organization; and working for prestigious and demanding clients from all over the world. In addition, we expect our employees to leave the trodden path, explore new opportunities, innovate and push their boundaries.

Well rewarded – The total financial reward at the Group is clearly linked to the business strategy and the results achieved. The way we reward our staff is externally competitive and internally fair, with ample room for differentiation, based on relative market value and performance, using an integrated assessment of results and behavior. Our performance and reward policy is transparent and clearly communicated.

5.2.1 Remuneration

In 2015 for the first time, we incorporated all significant reward components such as annual salary increases and variable remuneration into a single integrated process with which to manage performance and determine reward. This new process ensures a complete and balanced assessment of an individual’s performance, and increases transparency in terms of how variable and fixed remuneration are determined on the basis of performance and market practice. This policy is applied throughout Robeco and RobecoSAM.

We can only be successful if employees are empowered and committed to the ambitions and core values of the company. A fundamental part of the assessment of individual performance will therefore be to consider the degree to which the Group’s core values – Client-centered, Innovative, Sustainable and Connecting – are applied in daily practice.

5.3 Employee engagement

In June 2015, 819 employees (87% of all employees of Robeco, Robeco Group and RobecoSAM) completed the annual employee-engagement survey. General engagement was rated 7.5 compared to 7.3 in the previous survey in 2014. The benchmark for financial services is currently 7.3.

The scores for both response and overall engagement have increased. Moreover, the results compared to the relevant benchmark have improved further. The 2015 survey was optimized based on an evaluation of the 2014 survey and input from a sounding-board session involving 12 employee representatives from throughout the organization, including the Works Council.

Robeco was chosen ‘Best Employer 2015’ in the financial services category in the Netherlands. Effectory and Intermediair carried out their Best Employer Survey for the 15th time in 2015 for the purpose of obtaining an objective evaluation of employers in the Netherlands. Over the last year, 314,218 employees evaluated their employers. Our position – first place on the list – was determined by the results of the Employee Engagement Survey held in the Netherlands in 2015.

With the introduction of the Robeco Reward Framework, the employee-engagement survey has become part of the performance-management process. From the second half of September, all results were discussed at department level during the workshop ‘Embed & Improve’, followed by plans of action for 2016. The most important topic throughout the entire organization is vitality, for which programs have been developed and launched. Robeco and RobecoSAM both aim to constantly improve the level of commitment and engagement of their employees and to maintain a high standard of leadership and productivity.

	2015	2014	2013
General engagement	7.5	7.3	7.3
Number of respondents	819	791	820
% of total surveys sent out	87	86	87

In previous years, the general satisfaction of employees was the focus of attention. Now we work with the general level of engagement of our employees, since this is broader in scope.

5.4 Personal and organizational development

Our people's development is one of the key drivers for accelerating growth. Our mission is to nurture talented leaders and experts, and to inspire and guide them towards achieving their best potential and performing to their best ability in realizing our business strategy.

5.4.1 Leadership

Leadership in delivering on our Strategy 2014-2018 was a key theme in 2015. Robeco Group organized two group-wide Group Leadership Conferences for our top-management teams. The teams shared their ideas about how to strengthen the Group further. At the beginning of 2015, a survey was sent out to Robeco senior management. This survey provided effective insight into Robeco's behavioral strengths and showed us where we can strengthen our organization further. Senior management conference was organized with the aim of raising Robeco leadership to the next level. A further goal was to enhance Robeco senior management's engagement in implementing the Group's Strategy 2014-2018.

We also introduced a leadership profile, which specifies the leadership behaviors that drive the implementation of our strategy. This model is used in the performance management cycle to enable the definition of clear development goals for our senior managers.

5.4.2 Human capital development

Learning is a key component of Robeco Group's strategy. In 2015, we focused on initiatives with which we can obtain significant results in expanding our learning culture. Our constant striving to improve has found expression in the setting up of our own learning & development offering and process.

In 2015 at Robeco and RobecoSAM, we encouraged our employees to pursue professional development as a means of obtaining industry-specific education and of working on their own personal career goals. In 2015, we introduced a job-oriented competency model to help employees and managers set their development goals. A job competency describes the skill, knowledge or attitude that enables

employees to perform their job.

In the first quarter of 2015, we celebrated the conclusion of a number of international talent programs. The focus of these programs was to teach participants to recognize their motivation and talents, and to enhance their personal leadership qualities.

In the last quarter of 2015, we started preparing for the module Managing at Robeco, with which managers are given the opportunity to create their own learning path.

The average spent on development per employee at Robeco in 2015 was EUR 1,700. In the forecast for 2016, this budget has been increased to EUR 2,000 per employee. This is in line with our key driver for accelerating growth and training talented leaders and experts to achieve their best potential and perform optimally.

5.5 Health and vitality

We believe that vital employees contribute to the success of our organization and that of our clients. Robeco Group therefore focuses increasingly on the vitality and working environment of its employees and their healthy work-life balance. The sickness percentage at group level, 2.56%, has remained stable compared to 2014 (2.44%).

Our employees are key in realizing the company's goals. Ensuring the vitality and sustainable employability of our personnel therefore has paramount importance. The possibility of working from home and keeping flexible hours is conducive to a better work-life balance. The Group is supportive in providing the means for this (e.g. health checks – a safety, health and welfare service – a health-benefits program – coaching – stress reduction workshops – provision of healthy foods and beverages – encouraging employees to commute by bike). Harbor has a corporate membership with Divvy (Chicago's bike share system) for their employees. RobecoSAM employees participate in Bike to Work, a popular Swiss participative campaign involving riding your bike to work that puts as many as 50,000 people on their saddles throughout Switzerland.

Robeco Group is the kind of employer to encourage employees to live healthy lives and get sufficient exercise. We therefore offer subsidized gym memberships and/or an in-house sports facility (our office in France). In the Netherlands, a pilot we started offers an in-house sports facility (fit20) and subsidized membership for outdoor sport (The BootcampClub). The high level of participation in the fit20 pilot is proof of its success. It will be decided shortly whether these facilities will continue to be provided in the new office building FIRST. This will depend on the future success of the pilot.

5.6 Working environment

We strive to provide an office environment in which employees enjoy working. One that allows them to do their work efficiently and effectively, and helps them to realize optimal result for our clients.

In 2015, several offices replaced their furniture with ergonomic chairs and height-adjustable desks, thus creating a pleasant working environment with the aim of preventing work-related sickness.

5.6.1 New offices in the FIRST building

In 2010, when the Management Board drew up the Robeco Group Strategy 2010-2014, it was agreed that the success of the strategy for 2010-2014 and beyond depended on making cooperation and innovation key preconditions. The discussions in 2010 on how best to implement the strategy in terms of office premises were held with this in mind. This resulted in the decision to move to a new office space in Rotterdam.

The FIRST building is located in the heart of Rotterdam's prestigious central district, right opposite Rotterdam central station, making it easily accessible for employees who travel with public transport.

Robeco's headquarters moved to FIRST in May 2016. Robeco aims to create a more open and transparent working environment at FIRST, encouraging communication, greater flexibility at work (Activity Based Working) and the more efficient use of office space. FIRST will offer high-quality

IT-services, leading to improved user satisfaction as a result of support provided to enable working any place, any time. In 2015, much time went into preparing the move in terms of fitting out the premises and organizing IT-facilities, but also to prepare staff for the move to FIRST.

5.6.2 New office in the UK

In November 2015, Robeco opened its new UK office in Augustine House on the south side of Austin Friars, in the City of London. Robeco's commitment to the UK market is now set in stone and, with the opening of our office in London, a key hub for the institutional and wholesale business globally. Robeco Group is now well established in all of the world's major financial centers.

Our new UK office in the City of London is easy accessible by public transport. The concept Activity Based Working has been implemented, and this provides an open and transparent working environment that encourages communication through the efficient use of office space.

5.7 Diversity

The basic principle of equal opportunity applies to all employees. Equal-opportunity employment is an explicit component of application procedures. All vacancies are broadly available in such a way that no groups are excluded.

Age diversity	2015	2014	2013
under 30 years	12%	12%	12%
30-50 years	70%	72%	74%
over 50 years	18%	16%	14%

Gender diversity	2015	2014	2013
Male	67%	66%	65%
Female	33%	34%	35%

Management Diversity table

Management diversity	2015		2014		2013	
	Male	Female	Male	Female	Male	Female
Senior management (2015: 11%)	84%	16%	83%	17%	75%	25%
Middle management (2015: 17%)	80%	20%	81%	19%	81%	19%
No management responsibility (2015: 72%)	60%	40%	60%	40%	60%	40%

The percentage of female employees decreased in 2015 due to the fact that the relative outflow percentage of women was higher compared to the relative outflow percentage of men.

Robeco Group has signed the charter Talent to the Top in order to set long-term male-female diversity goals and monitor diversity within the organization each year.

The PinkCapital women's network promotes diversity at Robeco in the Netherlands. The network now has 120 members. Pink Capital provides a platform for exchanging knowledge and experience and helps participants build a network at Robeco. PinkCapital also serves as a means of finding suitable role models to allow women to develop a clear view of their own career trajectory.

PinkCapital is also active in the external networks Women in Financial Service (WIFS) and Monitoring Talent to the Top.

GreenCapital at RobecoSAM has special provisions for female staff (e.g., mentoring programs and training courses, and events specifically for women), opportunities for working from home and for part-time employment.

5.8 Dutch Pension Fund for Robeco

In 2015 Stichting Pensioenfond Robeco held a survey amongst its members to assess their risk appetite with regard to their pension. Among the active members, 61% completed the survey, 13% of which in part only. Among the pensioners, 44% of participants completed the questionnaire and 7% completed it in part. This response is higher than observed in similar types of studies. In light of the overwhelming participation of scheme members in this survey, their risk appetite will be taken into account in decisions on the risk budget of the pension fund.

In 2015, new legislation was implemented that enables indexation to become more future proof for all generations.

The coverage ratio of Stichting Pensioenfond Robeco was calculated to amount to 118% at the end of December 2015.

6. Environment

Ambitions

Conscious in our use of resources

Highlights

- Robeco Group compensates the carbon emissions generated on an annual basis for the Robeco Group
- At least 80% of Robeco Group's overall energy consumption is green

We aim to take a variety of measures with regard to the environment. The main goal is to reduce Robeco Group's environmental footprint.

6.1 Energy and water use

Robeco Group actively strives to reduce the use of energy and water, and promotes the use of sustainable energy. Various energy-saving measures are being implemented to achieve an overall reduction in energy consumption throughout the Robeco Group. Energy-saving motion detectors to turn on / turn off lighting, and daylight-dependent lighting systems are installed in the Rotterdam offices. Total water usage for the Group is measured and monitored. At least 80% of the overall energy consumption is green. All offices use green energy, unless the office is not able to connect to green energy. Total and green energy usage for the Robeco Group offices is measured and monitored.

Energy and water use Robeco Group	2015	2014	2013
Energy consumption (kWh)	4,558,931	4,815,226	4,064,825
Water consumption (m3)	14,880	16,039	15,507

In 2015, RobecoSAM's on-site production of renewable energy (e.g. solar, wind) was 97,627 kWh.

6.2 Waste

Robeco Group actively strives to reduce the amount of waste it produces and to recycle it if separate processing is locally serviced. Robeco Group aims to separate and recycle paper and cardboard waste in all offices. We use environmentally safe cleaning products as far as possible.

Waste Robeco Group	2015	2014	2013
Residual waste (kg)	141,767	80,501	91,154
Paper and cardboard waste (kg)	139,342	77,679	75,880

Paper waste increased in 2015. This can be explained by the fact that Robeco employees in different offices have started preparing the move towards a 'paperless' office. In 2016 the roll-out of a new IT workplace takes place, focusing on digitalization of work processes.

6.3 Paper

Robeco Group actively strives to reduce the use of paper. All offices apply measures to reduce the use of printing paper, one of which is to use tablets to read documents. Staff are encouraged (and in turn encourage receivers) not to print emails using a standard email footer. Two-sided printing or two pages per sheet printing is set as default in our printers. Central printers are standard, and personal desk printers are an exception. Increasingly, the documents for different board and committee meetings are made available on iPad and the meetings are therefore completely paperless. All paper used by Robeco Group is FSC certified.

Paper used Robeco Group	2015	2014	2013
Paper (kg)	27,856	32,709	35,032

6.4 Responsible purchasing

For Robeco Group, corporate-responsibility considerations are part of the criteria (together with price and quality aspects) for making important purchasing decisions in the Netherlands.

When buying products such as paper, cleaning substances, coffee and furniture, Robeco Group applies sustainability criteria to the materials and manufacturing method used.

In 2015, for instance, Robeco in Rotterdam decided to embrace a new way of working when processing mail and packages. There is now a single vendor that gathers, delivers

and collects all mail. This reduces the number of transport movements.

6.5 Mobility

Robeco Group actively strives to reduce the amount of transportation needed, to make employee transportation more efficient, and to choose a mode of transport that has less impact on our environment. Employees who frequently hold meetings between the Group offices in different countries and/or time zones have access to webcams and advanced meeting software. Company cars in the Netherlands are low-emissions certified or within low carbon-emission ranges. The maximum carbon emissions, expressed in grams per kilometer, vary between 139 to 168 for gasoline cars and 117 to 144 for diesel cars. Electric mobility is also included in the Group's company-cars policies and many of today's new company cars are plug-in hybrids or full hybrids.

The use of PHEVs (Plug-in Hybrid Electric Vehicles) is increasing. At this moment, 25% of lease drivers are driving a PHEV.

Robeco aims to optimize flexibility and efficiency in mobility, so employees are encouraged to use public transport. Robeco introduced a public transport card for its employees. Currently Robeco is developing a Vision on Mobility which is in line with the BREEAM-NL (Building Research Establishment Environmental Assessment Method) the building certificate for its sustainable head office, FIRST Rotterdam.

Transportation Robeco Group	2015	2014	2013
Road kms in leased cars	6,700,546	5,017,074	5,511,380
Road kms for business purposes with cars owned by employees	57,635	106,500	69,719
Flight kms for business purposes	18,722,015*	13,140,109	8,576,697
Public transport for business purposes	653,123	481,531	

* The increase in flight kilometers is a consequence of Robeco expanding its business globally.

Robeco Group is compensating the carbon emissions generated by supporting number of projects for a period of four years

India: Andipatti Wind Power Project – Located in the state of Tamil Nadu, India, a 49.5 MW wind power project delivers zero emissions renewable electricity to the southern regional grid. The project reduces carbon emissions and improves air quality in the region. In addition, the project contributes to the local economy and the livelihood of residents by creating jobs.

Mali: Cookstove Project – Traditional indoor cookstoves on biomass are inefficient and dirty, the indoor smoke from biomass ranks in the top 10 risk factors for the global burden of disease. Improved cookstoves burn biomass fuel more cleanly and 33% more efficiently. Our Mali project offers end users an additional 20% discount on an efficient stove to phase out traditional stove use.

Brazil: Mato Grosso – Spread across individual farms in the Brazilian states of Mato Grosso (11 farms) and Mato Grosso do Sul (18 farms), covered in-ground anaerobic digesters use biogas from animal waste to generate electricity for on-site consumption. The project reduces carbon emissions by approximately 45,000 - 50,000 tonnes per year.

Employees are increasingly mobile as journeys are getting simpler and more flexible. Robeco Group is aware of the opportunities this provides to enable employees to work and travel in different ways. For example, we enable lease drivers to park outside the urban area at a park+ride zone and to access the city using public transport.

Our offices are located on public transport nodes. Within the city limits, we stimulate the use of public transport by offering employees a public transport service card. We also offer employees at Robeco in the Netherlands personal travel advice for commuting as part of our BREEAM-NL transport plan.

6.6 Carbon footprint compensation

Robeco Group compensates the carbon emissions generated on an annual basis. Robeco Group has signed a declaration stating that it aims to reduce the CO₂ emissions resulting from the activities of every one of its employees. Robeco Group has achieved CarbonNeutral® certification by reducing CO₂ emissions to net zero in accordance with The CarbonNeutral Protocol.

6.7 New sustainable head office

When building or renovating offices, Robeco Group applies environmental standards with regard to the buildings and the materials used inside the buildings. Sustainability is a salient characteristic feature of the FIRST building in Rotterdam, which is situated opposite the central train station. FIRST has been awarded a four-star (excellent) BREEAM-NL new-building certificate by the Dutch Green Building Council. The site is easily accessible by public transport, car and bicycle; and it is a sustainable construction in the heart of Rotterdam. Robeco rents a large part of the building (16,000 m²).

Robeco has implemented new ways of working, dependent on place and time, and supported by a new IT workplace concept. This means Robeco will continue to become a more paper-independent organization. The setup and facilities at FIRST in Rotterdam stimulate this process, also in terms of digitizing documents that are then available across the globe for support and knowledge sharing.

The concept of FIRST in Rotterdam places a priority on the vitality of the people who work in the building ('fit for the job'). This runs via the setup of workplaces and meeting areas (including standing areas and deskbikes), but also in the form of a new approach to catering. Good food is key, with local and seasonal products that require minimal 'food miles'.

FIRST is a low-energy office, partly thanks to the efficient thermal storage system. For summer cooling, cold water stored in winter is used. And in the winter, the warm water stored in summer is used for heating. Water for flushing in the toilets is rainwater.



7. Society

Ambitions

Provide funds and time to employees and initiatives throughout the Robeco Group for meaningful, diversified and local commitment to programs that benefit society

Robeco Group recognizes the importance of understanding and managing its social impact. Earning the trust of the communities in which we operate is fundamental to building our reputation and maintaining our social license to operate. Our contribution to society incorporates a broad range of activities. This includes providing valuable employment opportunities, using local suppliers where possible, donations, employee volunteering and direct economic contribution through payment of taxes. As part of our social commitment, we select projects for cash donations on condition that our employees are actively involved. The Group encourages employee volunteering and supports the participation of its employees in social initiatives. An additional priority for the Group is education: many of our highly skilled employees are involved with academia or support educational initiatives. The Group maintains a bottom-up approach when supporting social causes, driven by engaged employees and initiatives taken by its local offices.

7.1 Social sponsoring

7.1.1 Social commitment

Robeco Group actively supports projects that embrace social commitment in the Netherlands. A Social Commitment Committee, consisting of the CIO of Fixed Income, the head of Global Marketing and a representative from International Sales, is responsible for maintaining and implementing this policy. The committee assesses requests for support for social-commitment projects submitted by employees. Once a year, the Social Commitment Committee evaluates the policy and its implementation and reports its findings

Highlights

- Budget spent in 2015 on social commitment by Robeco in the Netherlands was EUR 53,240 (2014: EUR 52,254)
- Harbor, spent USD 315,363 in 2015 on social sponsoring (2014: USD 211,784)
- A number of employees in the Netherlands spent one day on voluntary work during paid office hours (total of 174.5 hours)
- Collaboration between Robeco Group and Het Concertgebouw (27 years), resulting in the Robeco SummerNights, was renewed in 2015. The 2015 summer program attracted over 70,000 visitors

to the Management Board of Robeco Group. The budget spent in 2015 was EUR 53,240 (2014: EUR 52,254). The Social Commitment Committee submits proposals and also decides which requests for financial support of community projects to approve. The main criteria are: a project should aim to improve the living conditions (including the living environment) and the health or personal development of people who suffer from a serious condition, are underprivileged or the victims of circumstances for which they cannot be held responsible. The employees of the office concerned should actively participate in the project, which should be located in the geographical area of the particular office in which the request originates. In 2015, we supported 10 community projects sponsored from our social-commitment budget.

7.1.2 Robeco's Christmas donations to a good cause

133 of Robeco employees in the Netherlands donated their Christmas gift (worth EUR 50) to one of three charities:

- Robeco Roparun Team 266 (donations towards supporting people with cancer)
- Centre for Sustainability (CS) in the Philippines (CS is committed to preserving the coral reef and rainforest on the island of Palawan, which has a unique biodiversity and is home to a UNESCO world heritage site)
- Stichting de Vruchtenburg (Location Rotterdam and Leiden) (a psycho-oncology center for people with cancer and their friends and relatives)

Each employee donation was matched by Robeco.

7.1.3 Robeco SummerNights in Het Concertgebouw in Amsterdam

Robeco Group considers music worth investing in. Music inspires and brings people from different backgrounds closer together. This is the reason why for 27 years Robeco Group has sponsored the Robeco SummerNights, a set of concerts held in the world-famous Het Concertgebouw in Amsterdam. The 2015 summer program at this celebrated concert hall attracted over 70,000 visitors.

Robeco Group's long-standing collaboration with Het Concertgebouw, which took off in 1988, was renewed earlier in 2015. A special booklet was produced to celebrate this and to give further concrete expression to this year's theme of the Connecting Power of Music.

7.1.4 Beleggr

Beleggr is a Robeco initiative in collaboration with Science Interchange, organized by Erasmus University in Rotterdam. It aims to generate financial awareness in young people at an early age, as this forms the foundation for greater autonomy when they grow up. In a game, children learn the principles of investing: assessing risk, diversification and trading with a long-term view. Beleggr is a class competition for years 7 and 8 of elementary school. Each class begins with a virtual capital of EUR 1,000 with which they can buy the shares of ten different fictitious companies. The winner is the group with the most responsible investment approach.

This is measured using returns realized, active response to news and the degree of risk the pupils are willing to take. A total of 18 groups took part. The class of OBS De Wilgenstamschool in Rotterdam became Best Investment Class in the Netherlands. The group received a check of EUR 1,000 for the Oranje Foundation (orange foundation: The Orange Foundation helps young people in arrears in tangible and intangible ways), the good cause they played for. A total of sixteen classes joined the new competition in the school year 2015 - 2016.

7.1.5 Harbor

Harbor strongly encourages the support of charities and non-profit organizations through its company-wide gift-matching program. Within the scope of this program, Harbor matches contributions to charities by employees

on a one-to-one basis up to USD 100,000 per employee, depending on officer level.

Employees, who donate to charities by providing their services in a volunteer leadership role, receive a three-to-one match up to USD 30,000. In total, Harbor spent USD 315,363 in 2015 on social sponsoring (2014: USD 211,784) in cash, and USD 6,578 on in-kind giving. Harbor believes this approach of matching gifts allows Harbor to support a broad and diverse array of charitable, community and educational endeavors that are meaningful to its employees.

7.1.6 RobecoSAM

RobecoSAM participates in Drink and Donate. Drinking Switzerland's clean tap water leads to the donation of water to those lacking access. The goal of the initiative is to create awareness about water scarcity. In 2015, RobecoSAM's Christmas charity contribution was donated to Aiducation International (www.aiducation.org), an organization that awards merit-based scholarships to bright and deserving high-school students in developing countries. A partner of the Swiss Climate Foundation since September 2015, RobecoSAM supports projects with an immediate impact on sustainability in environmental and business practices in Switzerland. The Swiss Climate Foundation awards funds to small and medium-sized enterprises that help to protect the climate by improving the energy efficiency of their operations or offering new ways to protect our climate through innovations.

7.2 Social activities

7.2.1 Robeco's voluntary work

Social commitment is promoted not only through financial support, but also by allowing Robeco employees in the Netherlands to spend one day per year doing voluntary work designated by Robeco Group. In 2015, many Rotterdam employees performed one day's voluntary work during paid office hours (174.5 hours in total). This time was spent on activities such as language workshops with migrants and packing gift boxes for Jarige Job, a foundation which enables underprivileged families to celebrate their children's birthday.

7.2.2 Robeco Hong Kong's voluntary work

On Friday 28 August 2015, 32 volunteers from our Robeco Hong Kong office participated in a cleanup event in partnership with HK Cleanup, a charity organization that aims to reduce waste in Hong Kong. The group cleaned up a three-kilometer walking trail and one of the beaches. During the three-hour cleanup, the teams picked up about 300 kilograms of garbage.

7.2.3 Roparun

A team of Robeco Rotterdam employees participated in the Roparun over the Whitsun weekend in 2015 for the fifth time. This is a relay run from Paris (520 kilometers) or Hamburg (580 kilometers) to Rotterdam. Our team was one of the 345 teams participating. The objective of the Roparun is to raise money for initiatives that support people with cancer. In 2015, the Robeco Rotterdam team consisted of 22 employees from various departments of our organization, working together to meet this physical challenge. Thanks to our Robeco colleagues and sponsors, the team was able to raise EUR 31,210 for the Roparun Foundation in 2015. Over the last five years, the Robeco Rotterdam team has raised and donated a total of EUR 129,046.

7.2.4 Transtrend

Transtrend supports initiatives that promote education. Firstly, because inspiring education has enabled Transtrend to do the work it is doing; and secondly, Transtrend would not be able to survive without professionals. As Transtrend's roots are quant-oriented, it focuses its efforts exclusively on quantitative education. Transtrend supports math education for secondary school students in the Netherlands and is one of the partners of the Dutch Mathematical Olympiad, which is a math competition for students at secondary schools. Transtrend employees also give guest lectures in schools.

7.3 Academic activities

7.3.1 Robeco Quantitative Strategies

Robeco Quantitative Strategies is the department that deals with quantitative investment strategies and products. Its staff has a quantitative background in econometrics, mathematics, economics or physics. Some hold part-time positions at universities. The department offers internship positions to

students in the final phase of their study. The department has many years' experience publishing academic research and has an extensive collection of internally generated and frequently cited investment research papers. In 2015, Robeco worked in association with the following academic institutions:

- VU University of Amsterdam (Netherlands);
- Erasmus University of Rotterdam (Netherlands).

7.3.2 Netspar

Netspar is a Dutch network for studies on pensions, aging and retirement, which aims to connect pension practitioners in the public and private sectors and policymakers with pension scientists. Netspar thus contributes to improving the pension system through academic and applied research, network development and knowledge-transfer programs. Robeco became a partner to Netspar in 2011 and prolonged its partnership in 2015 for a four-year period. This partnership means that Robeco employees can actively participate in research projects, attend seminars, have access to research papers and executive programs, and co-draft Netspar publications. In close cooperation with Netspar, Robeco actively provides knowledge input and practical experience to the EU and Dutch pension policymaking process. Robeco is a member of the Board of Netspar and of the Scientific Council, has hosted several Netspar meetings and events, and provides lectures for the Pensions Executive Master.

7.3.3 RobecoSAM

RobecoSAM implements a proactive approach to developing its research partnerships with selected academic institutions. In all research initiatives, RobecoSAM assumes an active role in designing, leading and actively supervising projects. In 2015, RobecoSAM was involved in research work in collaboration with the following academic institutions:

- Harvard Business School, Organizational Behavior (US);
- Harvard Kennedy School of Government (USA) and Foundation Strategy Group (USA);
- University of Cologne (Germany);
- Warwick Business School, University of Warwick (UK);
- Imperial College London, Centre for Environmental Policy (UK);
- University of Queensland (Australia) / University of Strathclyde (UK);
- University of Siena (Italy).

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