



Sustainability in credits
SDG and Climate focused investing

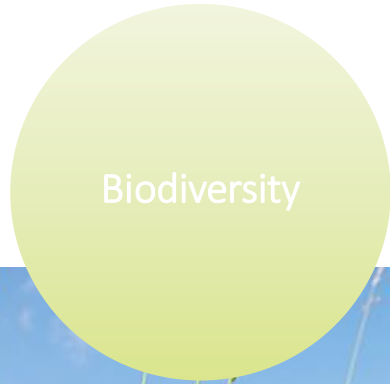
London, 10 October 2023

Peter Kwaak, Credit Portfolio Manager

Marketing materials for professional investors, not for onward distribution.

A clear focus on Sustainable Investing

In our strategy we focus on four key areas



SDG & Climate focused credit investing

Building diversified credit portfolios with a strong sustainability focus



SDG credit investing

- > Proprietary SDG scoring methodology to construct diversified and sustainable focused credit portfolios
- > In some industries it is more difficult to find eligible companies
- > Credit portfolio's alignment with the SDGs is also reflection of tactical investment views
- > SDG credit portfolio typically has a lower carbon footprint compared to the broader market

Paris Aligned Credit investing

- > Allocating capital within the limits of a 1.5 °C global warming scenario, bringing the commitment to the Paris Agreement of 2015 to life
- > Paris Aligned Corporate benchmark: 50% carbon reduction and 7% annual decarbonisation
- > Using proprietary climate scores to identify bottom-up climate leaders and laggards
- > Climate credit portfolio is diversified across industries but avoiding fossil fuel producers



SDG Credit investing

Why should investors care about the SDGs?

“SDGs help select winners, avoid losers, are part of SI regulation, and are a plan for positive impact”

Business opportunities

“SDGs present USD 12 trillion in annual business opportunities”*

Positive impact

Contributing to wealth, well-being, and a stable planet**

Risk mitigation

For instance, oil majors face a real risk of stranded assets due to climate change legislation

Regulatory compliance

The SDGs are increasingly part of SI regulation, like the EU Sustainable Finance Action Plan

* Business & Sustainable Development Commission. (2017). Valuing the SDG prize

** Steffen, W., Richardson, K., Rockström, J., Cornell, S. E., Fetzer, I., Bennett, E. M., ... & Folke, C. (2015). Planetary boundaries: Guiding human development on a changing planet. Science, 347(6223).

The SDG Framework applies a three-step analysis...

Resulting in an SDG score

Three step framework



Product

Do products and services contribute positively or negatively to the SDGs?



Procedure

Does the company's business conduct contribute to the SDGs?



Controversies

Has the company been involved in controversies?

Translating contribution into score

Considering both contribution and extent of contribution

Score	Contribution	
+3	High positive	Positive contribution
+2	Medium positive	
+1	Low positive	
0	Neutral	No contribution, no harm
-1	Low negative	Negative contribution
-2	Medium negative	
-3	High negative	

Defining the investable universe

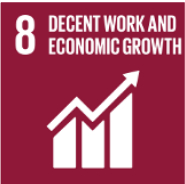





Breaking down the Bloomberg Global Corporate Index by # constituents

Score	# of constituents	
+3	3%	60%
+2	26%	
+1	31%	
0	19%	15%
-1	11%	25%
-2	7%	
-3	7%	

Source: Robeco. Data Dec 2022. Issuer data: **Bloomberg Global Aggregate Corporate Index**. These examples are for information purposes only and not intended to be an investment advice in any way.

SDG framework: Examples of KPIs used to evaluate contributions to SDGs

What do companies produce?

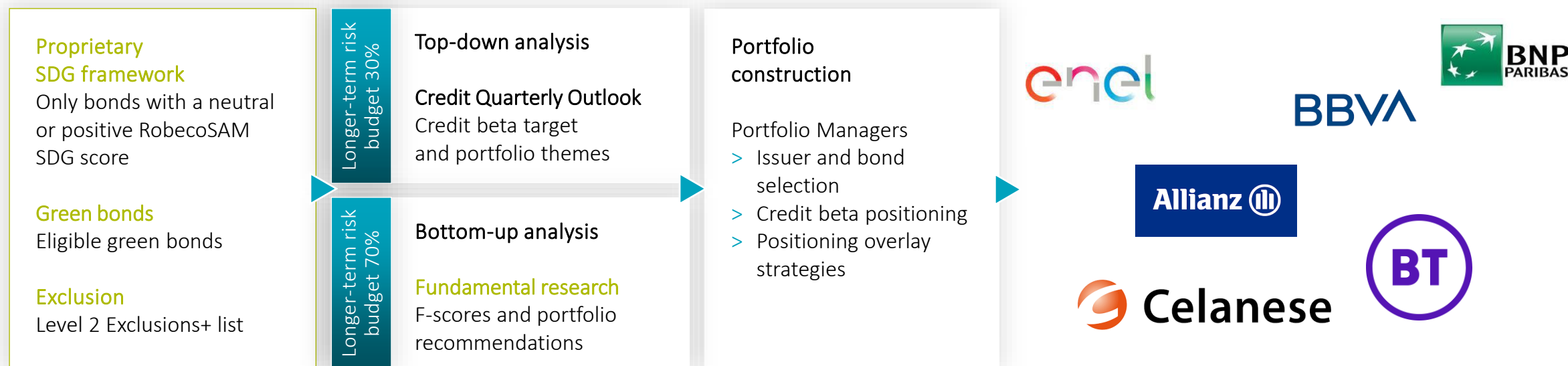
Business line	Banks	Energy (E&P)	Automotive																
SDGs	 	 	 																
Starting point	positive low (+1)	negative medium (-2)	negative medium (-2)																
KPI Example	<p>% SME loans in loan portfolio</p> <table border="1"> <tr> <td>< 15%</td> <td>≥ 15 %</td> </tr> <tr> <td>positive low (+1)</td> <td>positive medium (+2)</td> </tr> </table> <p>SDG 8 and SDG 9</p>	< 15%	≥ 15 %	positive low (+1)	positive medium (+2)	<p>% Natural gas & renewable energy in production mix</p> <table border="1"> <tr> <td>≥ 30 %</td> <td>≥ 40 %</td> <td>≥ 65 %</td> </tr> <tr> <td>negative low (-1)</td> <td>neutral (0)</td> <td>positive low (+1)</td> </tr> </table> <p>SDG 7 and SDG 13</p>	≥ 30 %	≥ 40 %	≥ 65 %	negative low (-1)	neutral (0)	positive low (+1)	<p>% BEV in product mix</p> <table border="1"> <tr> <td>≥ 7.4 %</td> <td>≥ 9.4 %</td> <td>≥ 33 %</td> </tr> <tr> <td>neutral (0)</td> <td>positive low (+1)</td> <td>positive medium (+2)</td> </tr> </table> <p>SDG 11 and SDG 13</p>	≥ 7.4 %	≥ 9.4 %	≥ 33 %	neutral (0)	positive low (+1)	positive medium (+2)
< 15%	≥ 15 %																		
positive low (+1)	positive medium (+2)																		
≥ 30 %	≥ 40 %	≥ 65 %																	
negative low (-1)	neutral (0)	positive low (+1)																	
≥ 7.4 %	≥ 9.4 %	≥ 33 %																	
neutral (0)	positive low (+1)	positive medium (+2)																	

Source: Robeco, Guidebook for SDG Framework, June 2023.

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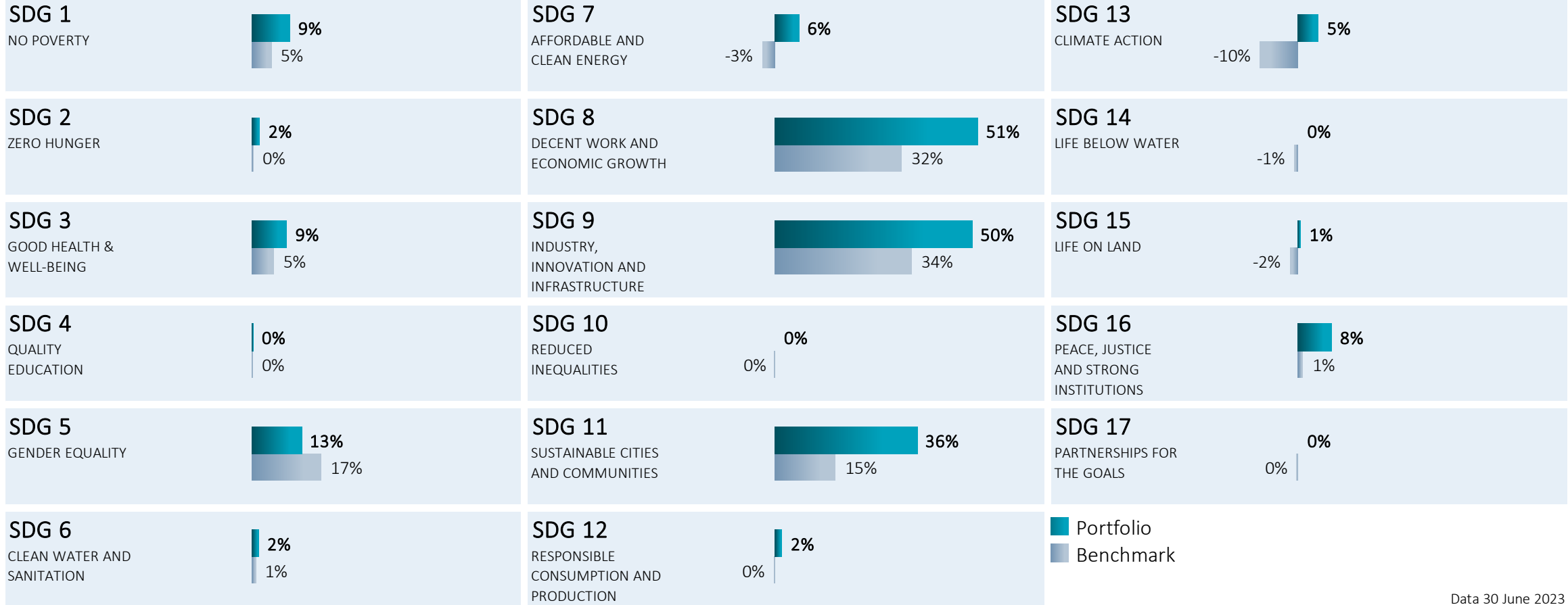
Using the SDG scores to construct a diversified credit portfolio

Combining top-down and bottom-up research



Alignment with the various SDGs

Reflection of tactical investment views...some SDGs are more difficult to invest in through the public debt market

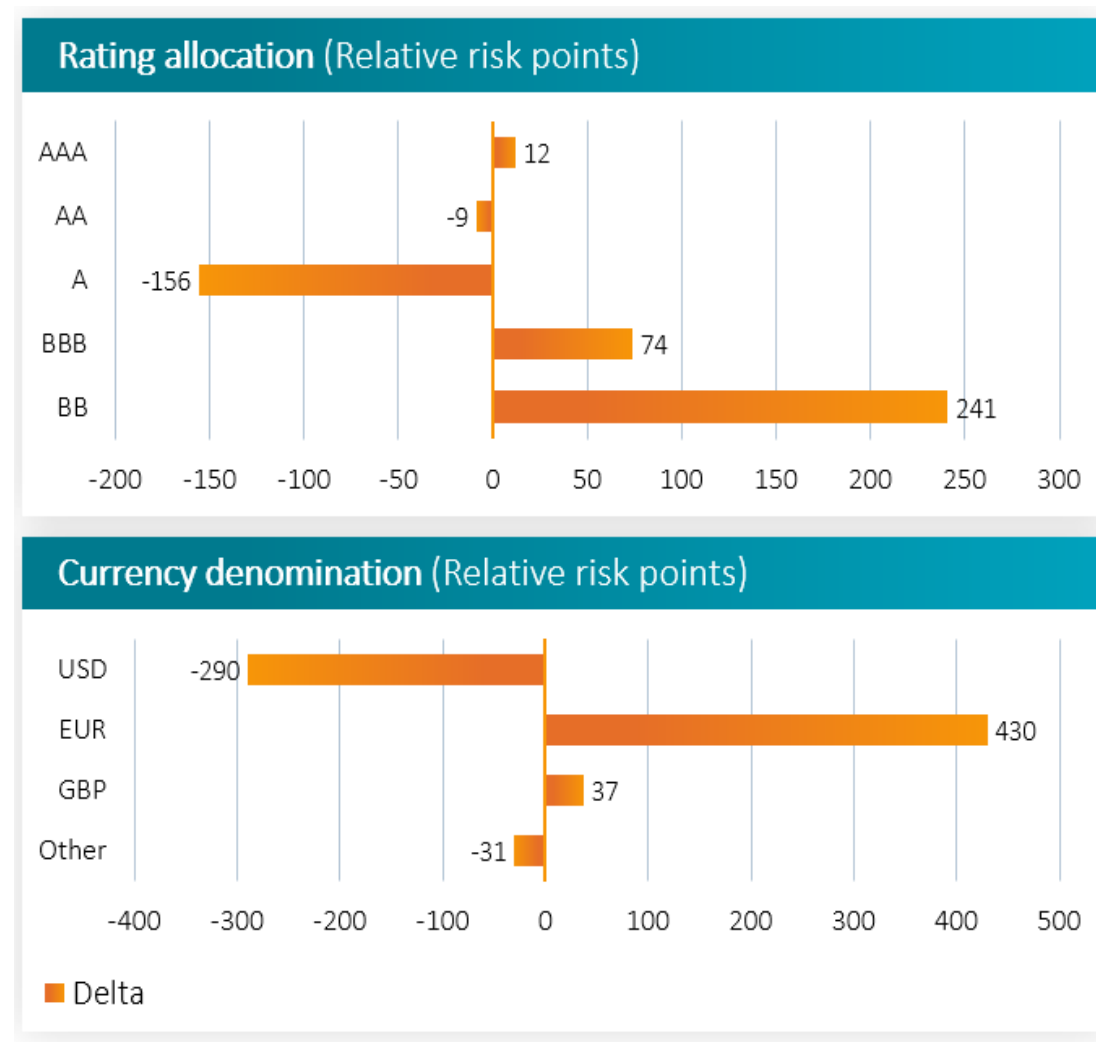
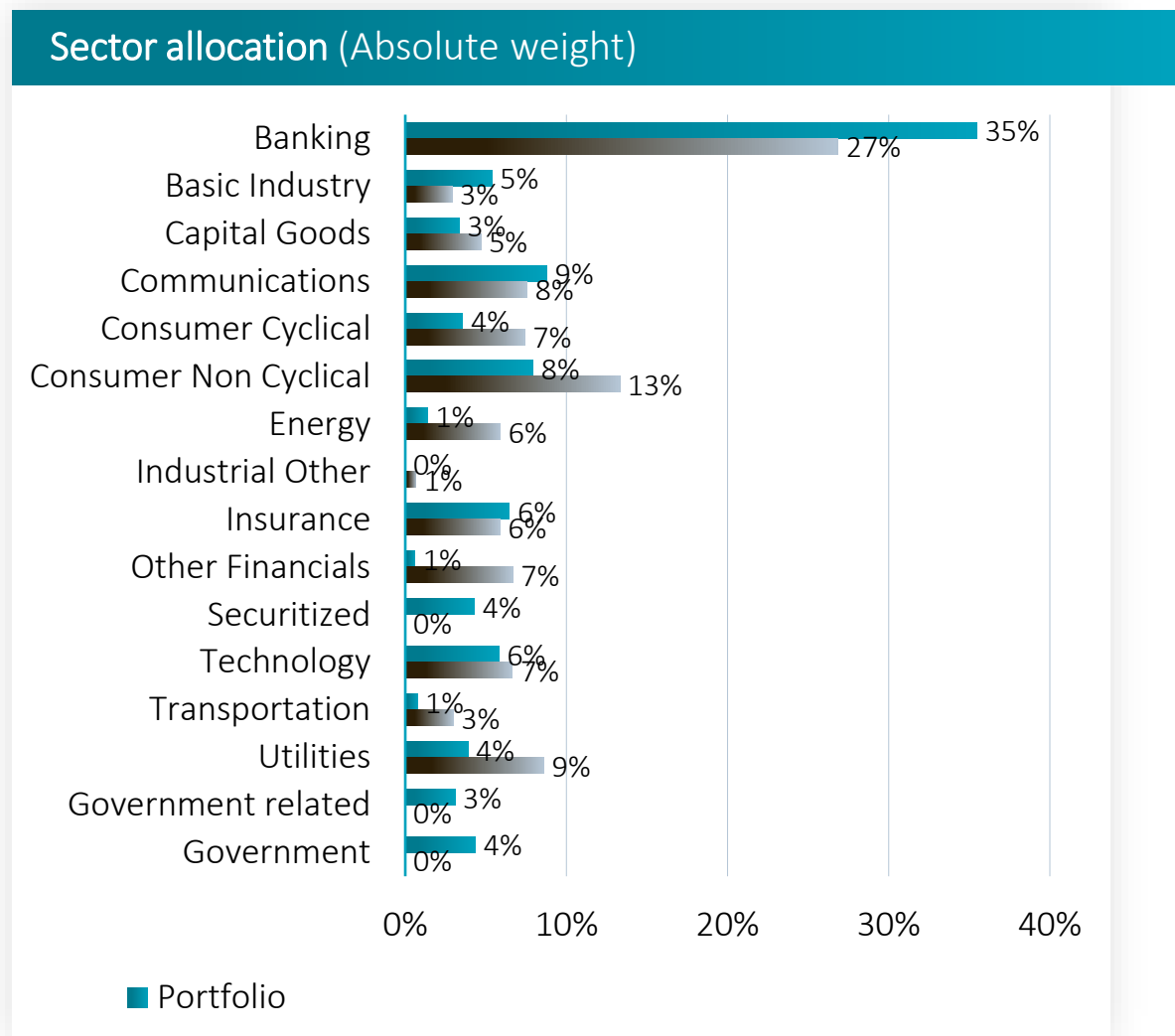


Data 30 June 2023

Source: Robeco. Net figures for individual SDGs.
 Portfolio: RobecoSAM Global SDG Credits. Index: Bloomberg Global Aggregate Corporates Index.
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Global SDG Credits portfolio

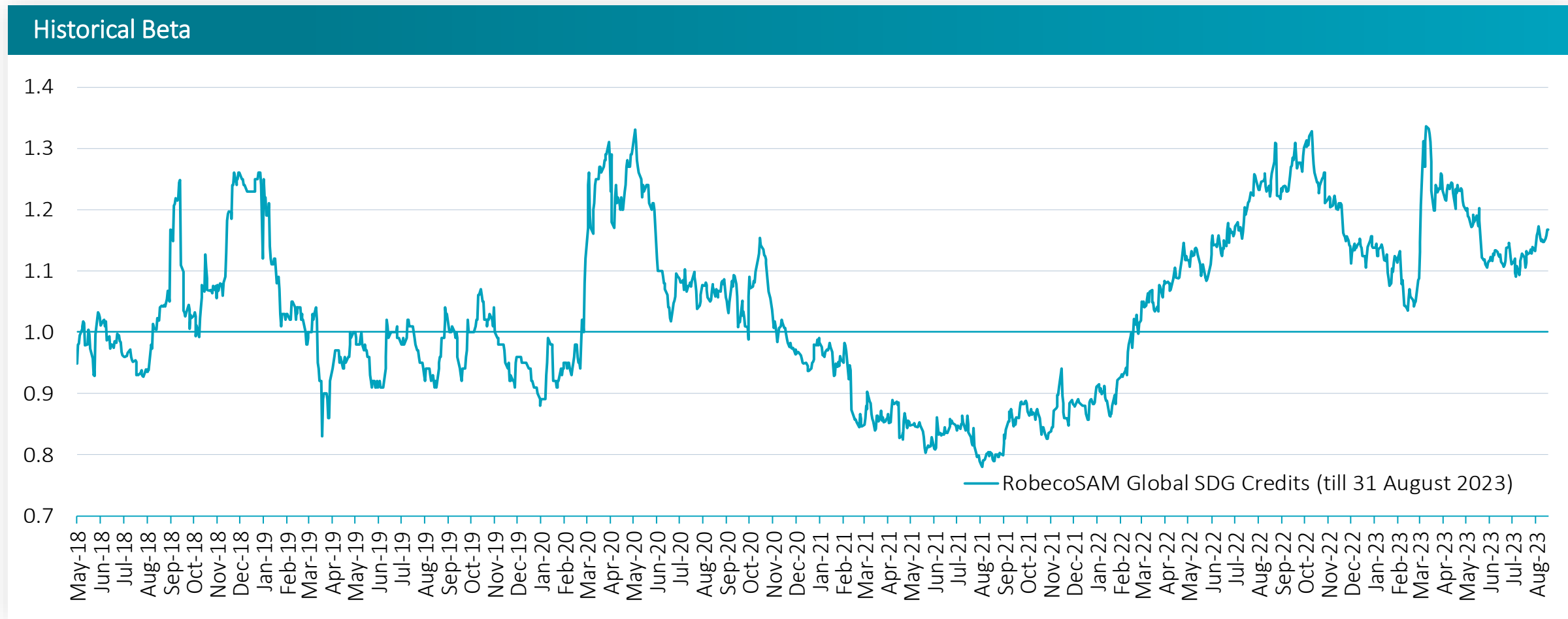
Diversified across sectors but in some sectors (Energy) it is more difficult to find eligible companies



Source: Robeco, Bloomberg. Portfolio: RobecoSAM Global SDG Credits. Benchmark: Bloomberg Global Aggregate Corporates Index. Data end of August 2023. This example is for information purposes only and not intended to be an investment advice in any way.

Positioning: Beta

RobecoSAM Global SDG Credits



Source: Robeco, Bloomberg. Portfolio: RobecoSAM Global SDG Credits. Benchmark: Bloomberg Global Aggregate Corporates Index. This example is for information purposes only and not intended to be an investment advice in any way.

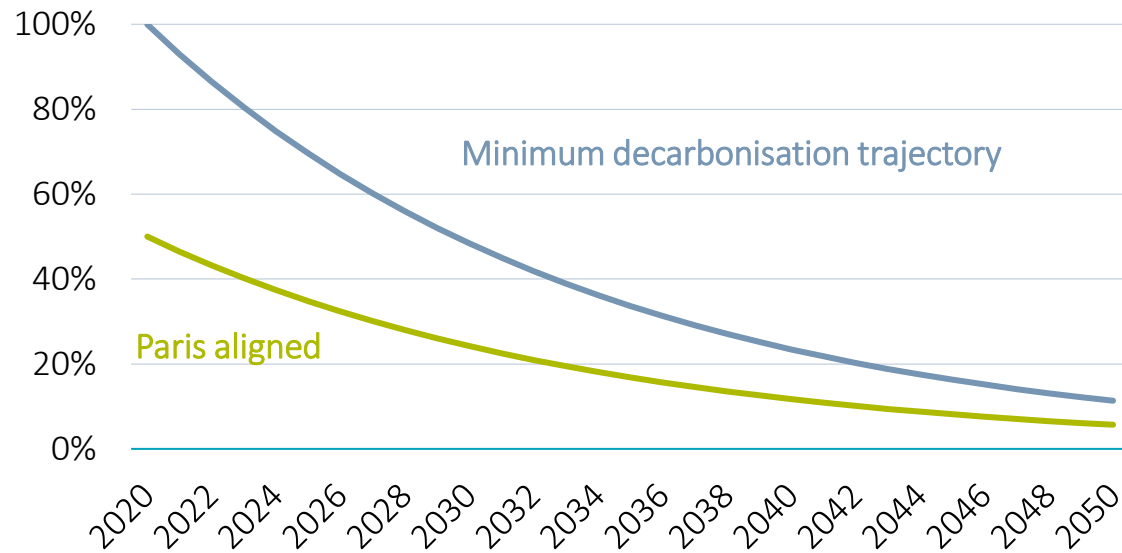
Paris Aligned credit investing

A Paris aligned credit portfolio

Keeping temperature rise “well below 2 °C”

- > Paris Agreement ambition is to keep temperature rise well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 °C
- > Robeco Fixed Income Climate strategy allocates capital within the limits of a 1.5 °C global warming scenario¹. Bringing the commitment to the Paris Agreement of 2015 to life

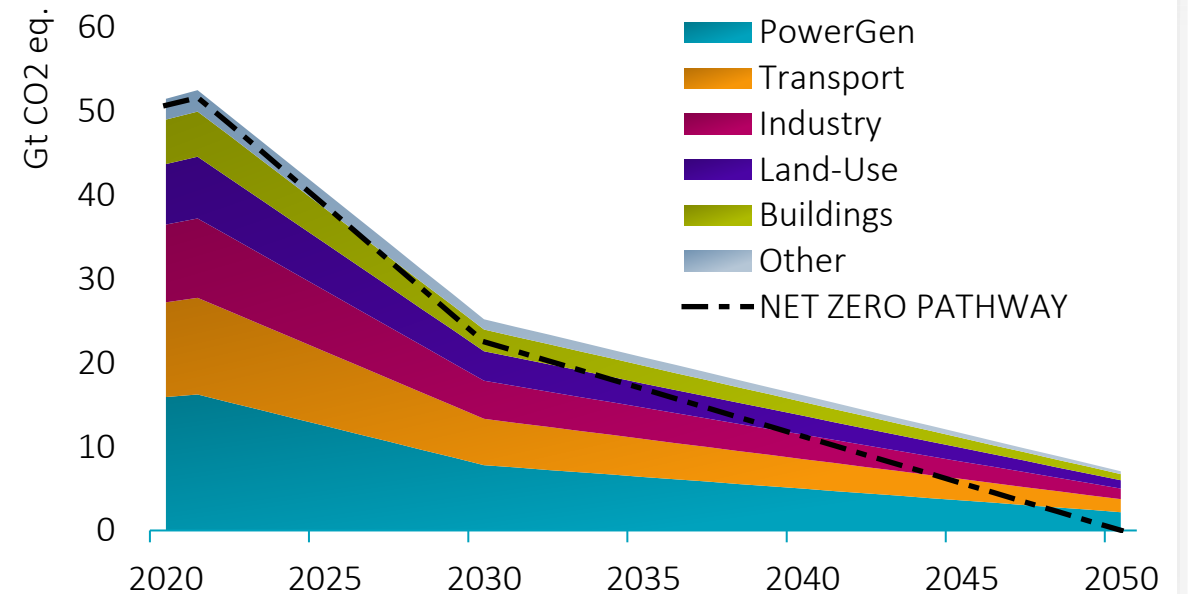
Emission intensity relative to global economy in 2020



Source: Robeco. Stylized trajectory

¹In line with the Paris-aligned benchmark.

Sector decarbonisation



Source: IPCC, IEA, BAML research

Solactive Paris Aligned Global Corporate Index

Same characteristics as broader market benchmark but with specific carbon requirements

Characteristics Paris Aligned Benchmark

- > Same characteristics as broader market benchmark, in terms of yield, duration and rating
- > Lower carbon footprint¹ from the start, and 7% year-on-year emission reduction
 - > Corporates: scope 1, 2, and 3 emissions
 - > Based on ISS Emission data used in the Solactive benchmark
- > Sector diversification, excluding fossil fuel production and utilities > 100g CO₂/KWh

Requirements Paris Aligned Benchmark

- > Carbon Intensity Reduction at inception: 50% vs market
- > At least 7% self-decarbonisation annually

Activity exclusions:

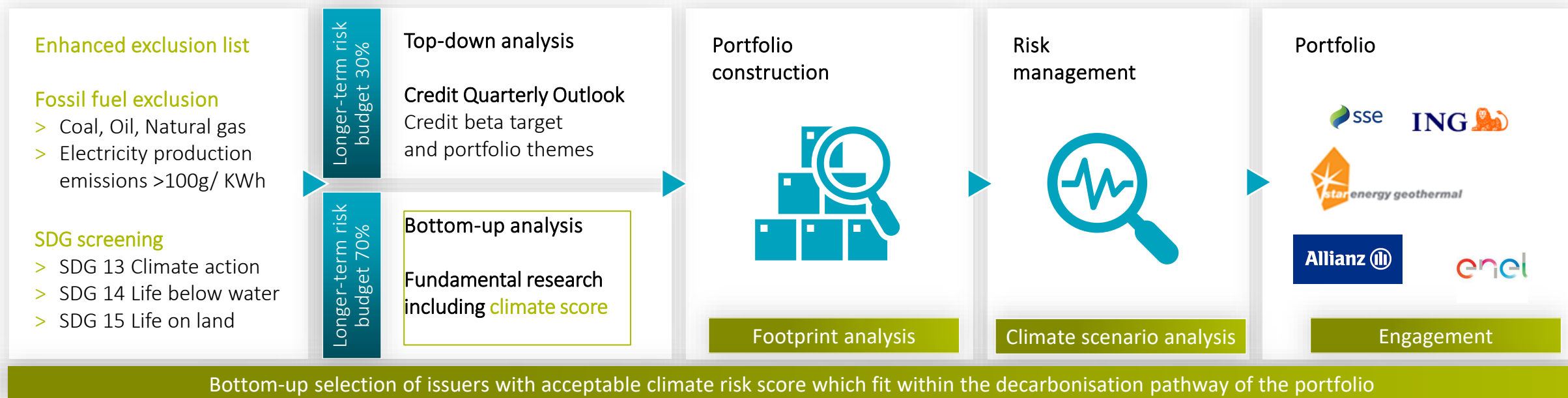
- > Coal (>1% of revenues)
- > Oil (>10% of revenues)
- > Natural Gas (>50% of revenues)
- > Electricity producers with carbon intensity of lifecycle GHG emissions higher than 100g CO₂/kWh (>50% of revenues)

¹Equal to what is defined as carbon intensity in the EU benchmark regulation calculated as footprint per invested USD

Source: Solactive, Robeco. These examples are for information purposes only and are not intended to be an investment advice in any way.

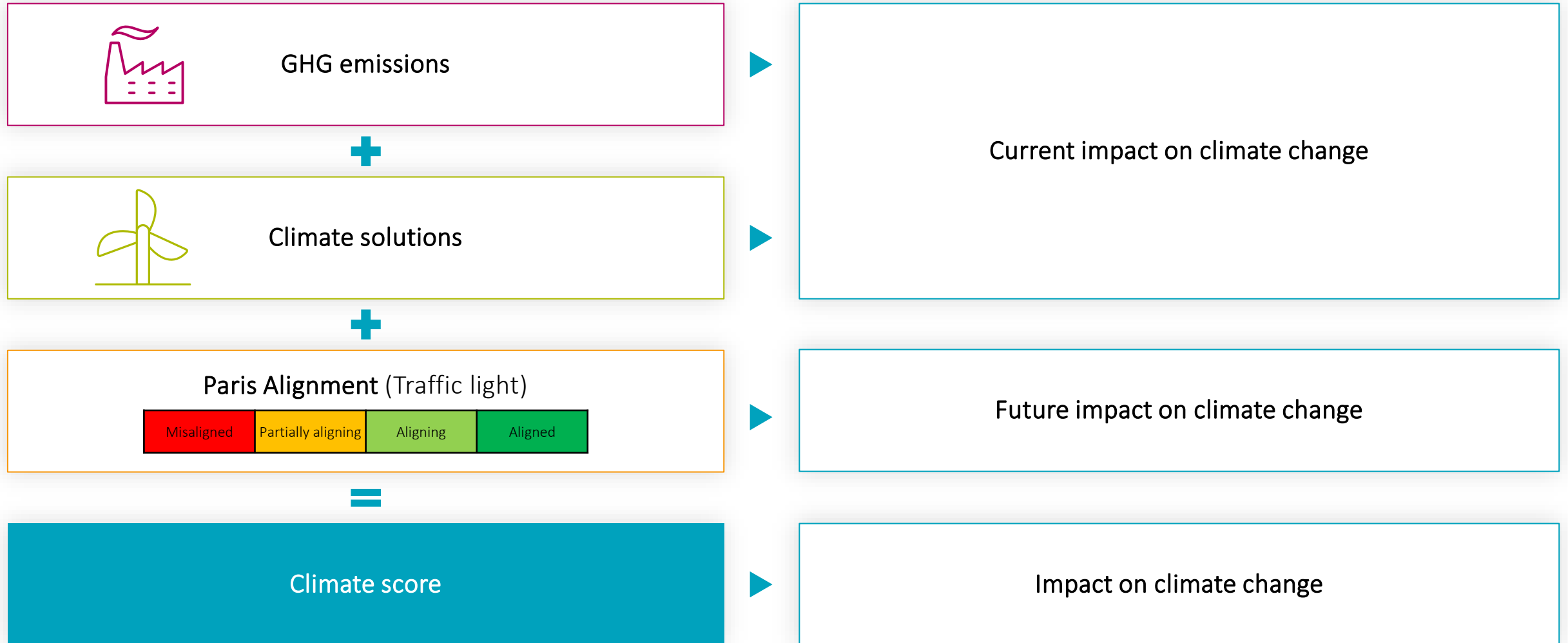
Building a Paris Aligned credit portfolio

Climate change is fully integrated in every step of the process



Climate score measures a company's impact on climate change

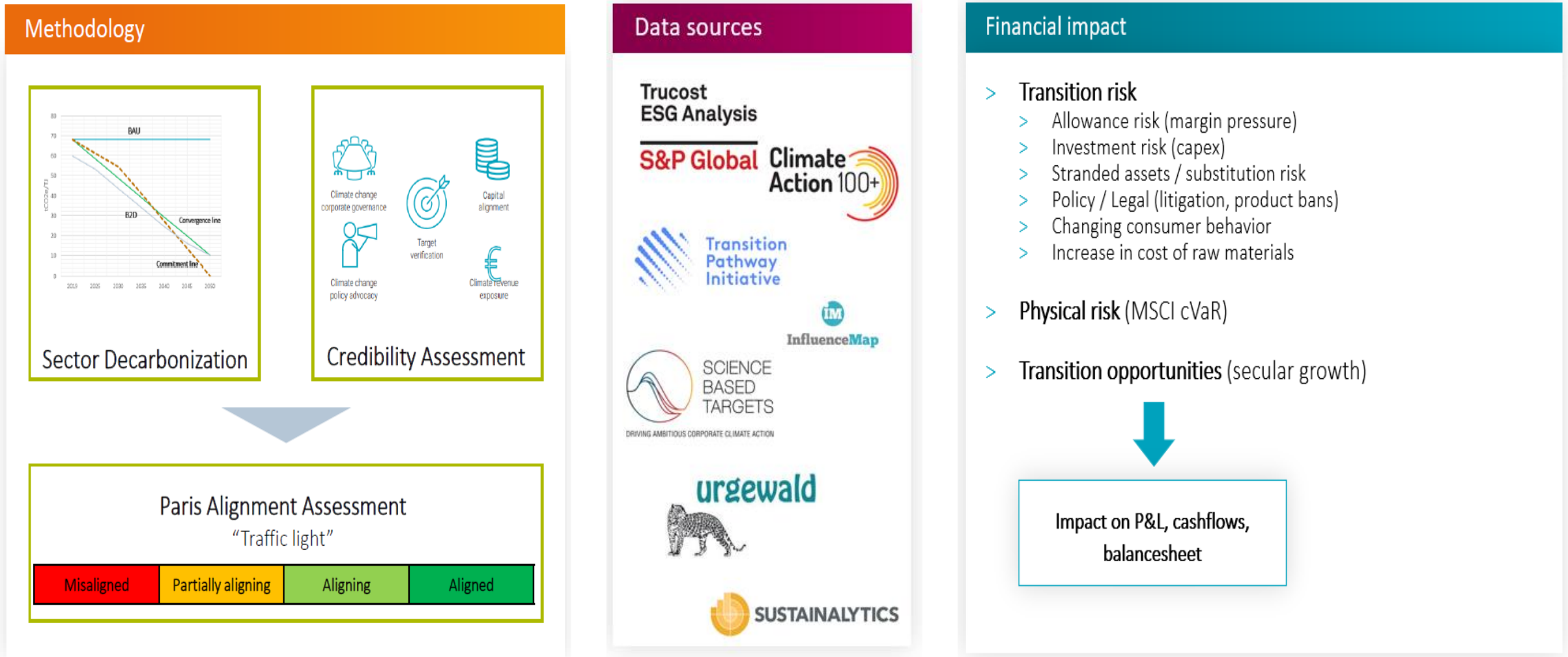
It factors in both the current impact of a company and future impact through mitigation activities



Source: Robeco
These examples are for information purposes only and are not intended to be an investment advice in any way.

The future impact: How Paris-aligned are companies?

Alignment is scored by analyzing carbon reduction plans and the credibility of those plans



Source: Robeco
These examples are or information purposes only and are not intended to be an investment advice in any way.

Examples in the steel sector

Forward-looking assessment is a key differentiator

	SSAB	JSW Steel	
GHG Emissions	Should Scope 3 downstream be included for this sector?	No	No
	Carbon footprint (tCO2e/EVIC)	3,106 (-3)	3,663 (-3)
	% thermal coal revenues	0%	0%
	GHG Emissions score	-3	-3
Climate solutions	Does the company have significant climate related revenues (SDG 13)?	0	0
	SDP score	100	50
Paris Alignment	Credibility assessment	Has targets (100) B2D SBTi approval (50) Insufficient capex (0) Positive lobbying (75) Good governance (100) Total CA: 62 CA notches (+1)	Has targets (100) No SBTi approval (0) Insufficient capex (0) Neutral lobbying (50) Good governance (100) Total CA: 50 CA notches (-11)
	Thermal coal expansion plans	No	No
	Total traffic light	Aligned (+3)	Partially aligning (+1)
	Final Company Climate Score	0	-2

Source: Robeco, April 2023. These examples are for information purposes only and not intended to be an investment advice in any way.

Tooling: Carbon data & Climate analytics available in our Company Dashboard

To support analysts and portfolio managers

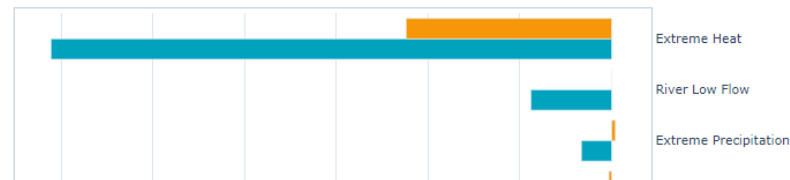
Overview	Survey	Material Factors	Active Ownership	Climate	Sustainalytics	Investments
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Climate change risks and opportunities

Measure	Source	Value	Industry (GICS3)		
			Median	Percentile	Sample Size
Current emissions					
Scope 1+2 / EVIC (tCO2e/\$m)	Robeco default	274.44	370.40	46	140
Scope 1+2+3 upstream / EVIC (tCO2e/\$m)	Robeco default	311.78	453.88	44	140
Scope 1+2+3 / EVIC (tCO2e/\$m)	Robeco default	552.31	708.91	42	140
Scope 1+2+3 / EVIC (tCO2e/\$m)	MSCI	598.27	812.16	42	109
Scope 1+2+3 / EVIC book (tCO2e/\$m)	ISS	978.44	1,896.47	28	151
Scope 1+2+3 / Revenue (tCO2e/\$m)	Robeco default	1,465.19	1,746.51	49	139
Scope 1 (tCO2e)	Robeco default	45,254,999.00	3,214,476.05		139
Scope 2 (tCO2e)	Robeco default	7,855,954.00	8,488.99		139
Scope 3 (tCO2e)	Robeco default	53,775,904.61	1,128,743.42		139
Transition risks and opportunities					
Policy Climate VaR (1.5°C scenario, %)	MSCI	-90.38	-50.06	73	150
Technology Opportunities Climate VaR (1.5°C scenario, %)	MSCI	96.22	11.13	11	148
Physical risks and opportunities					
Physical Climate VaR (3°C Average, %)	MSCI	-6.28			
Physical Climate VaR Category	Robeco	Low			

[Climate Value at Risk \(CVaR\) explanation](#)

Top 5 physical risk hazards (3°C Average, %)



Climate change alignment: Robeco proprietary assessment

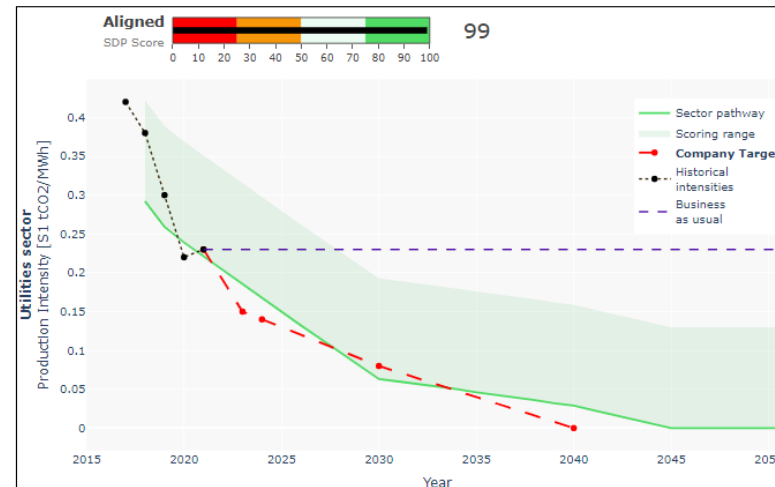
Measure	Source	Score
Climate score		1
GHG emissions score	Robeco	-1
Climate solutions score	Robeco	0
Paris alignment score	Robeco	2

Paris Alignment Assessment (Traffic Light; score: 0-100, 0 worst, 100 best)	Robeco	Aligned
Sector decarbonisation pathway (SDP) score (0-100, 0 worst, 100 best)	Robeco	99.2
Credibility Assessment (Value: 0 to 100, 0 worst, 100 best; Score: -35 to +25)	Robeco	79.2

- Components SDP Score
- Components Credibility Assessment

[Paris Alignment Assessment \(Traffic Light\) explanation](#)

Sector Decarbonisation Pathway Alignment (TPI Below 2°C or Equivalent)

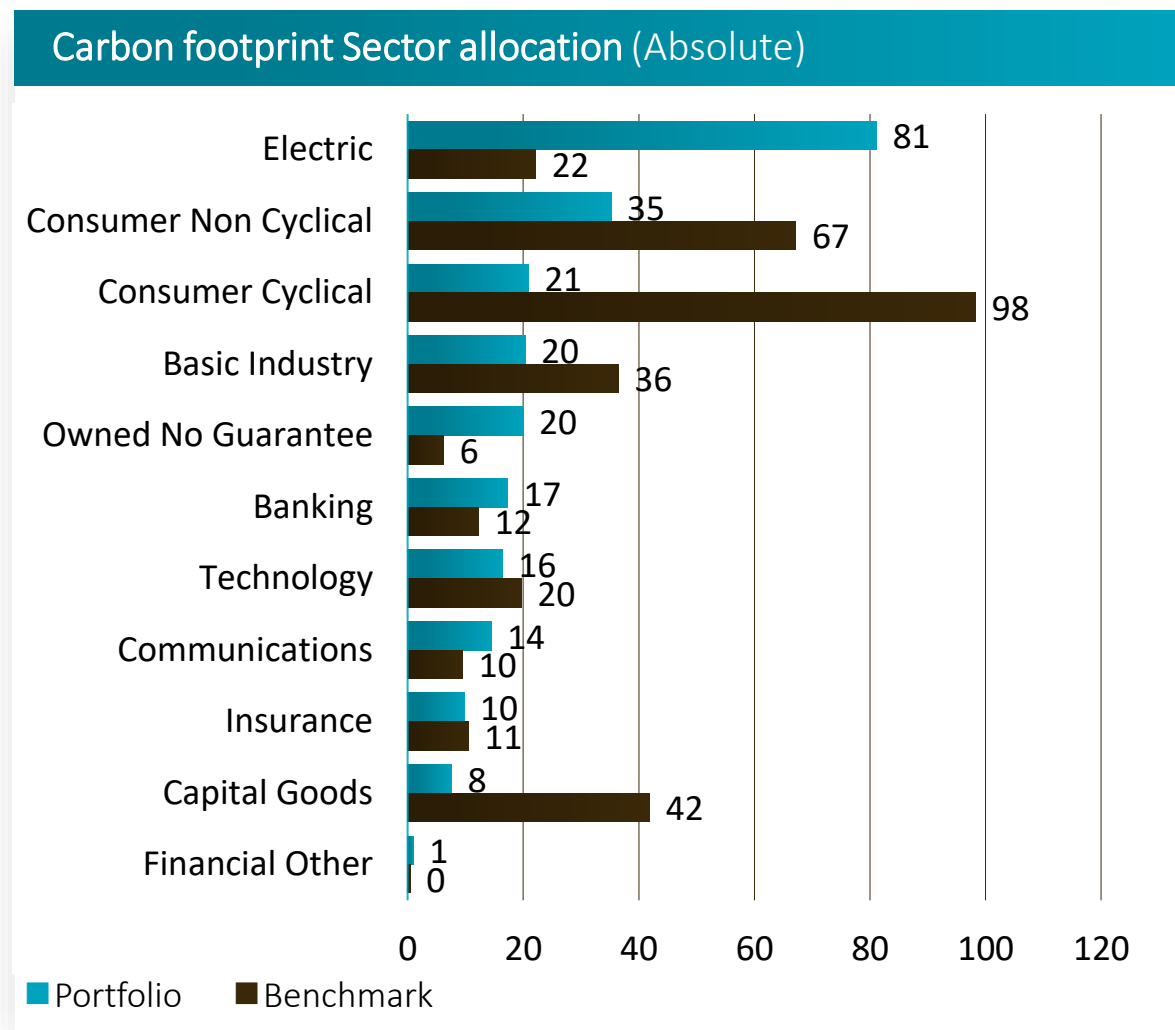
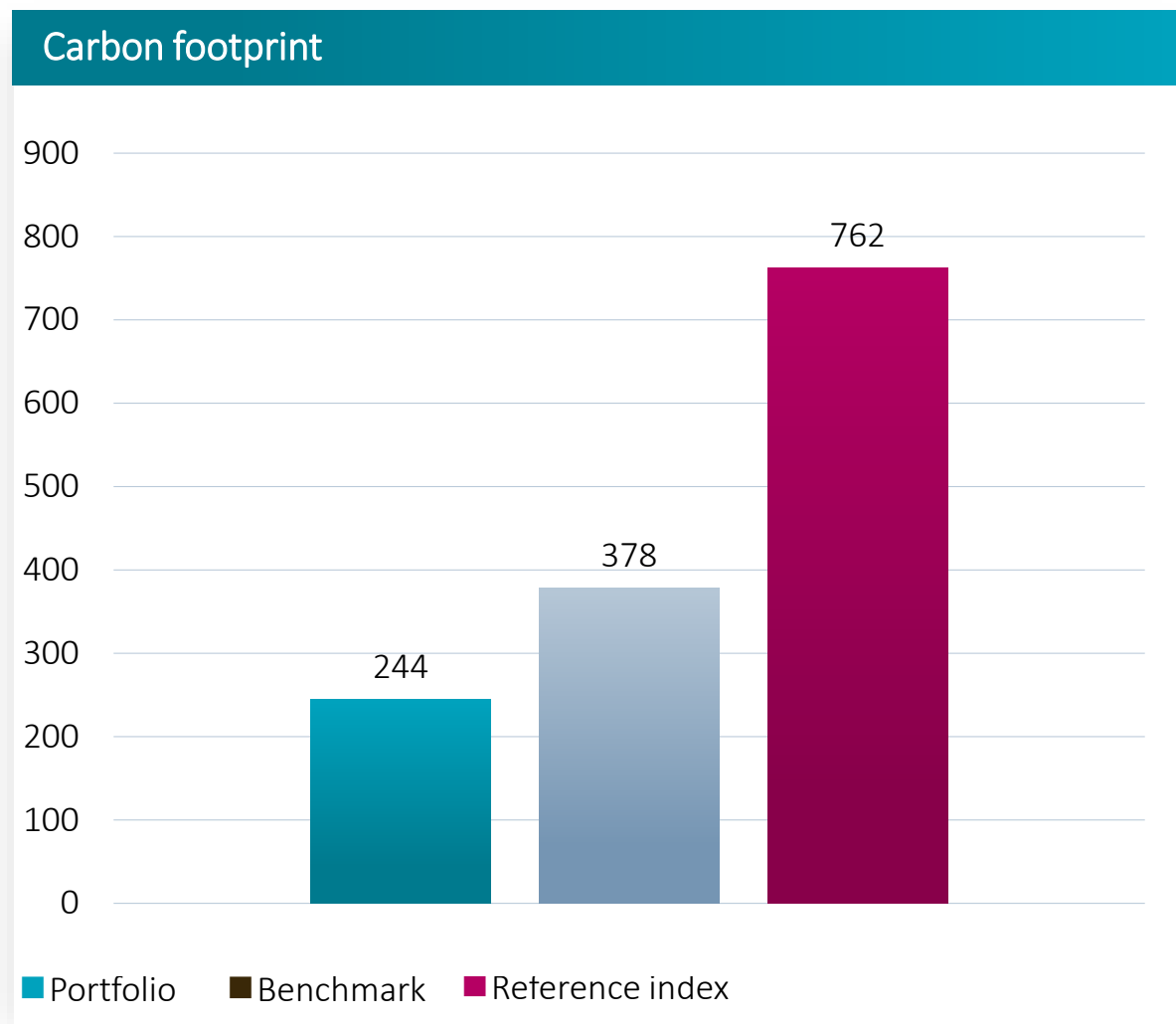


Company Dashboard
All proprietary and data vendor SI information accessible throughout Robeco

Forward looking example
Alignment of company vs sector decarbonisation pathway by SI analysts

Climate Credit portfolio: Carbon footprint

Portfolio Carbon footprint in line with Paris aligned decarbonisation



ISS Carbon Footprint Scope 1+2+3/EVIC BOOK, expressed as tCO2e/mUSD invested.

Source: Robeco, Solactive, Bloomberg. Portfolio: RobecoSAM Climate Global Credits. Benchmark: Solactive Paris Aligned Global Corporate Index. Reference index: Bloomberg Global Aggregate Corporates Index.

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Positioning: Characteristics

RobecoSAM Climate Global Credits

Characteristics	Portfolio	Solactive	Bloomberg
Yield to Worst (Unhedged)	5.5%	5.2%	5.3%
Yield to Worst (Hedged to EUR)	4.6%	3.9%	4.1%
Yield to Worst (Hedged to USD)	6.3%	5.7%	5.8%
Yield to Worst (Hedged to GBP)	6.1%	5.5%	5.6%
Interest rate duration (OAD in years)	6.2	6.2	6.0
Spread duration (OASD in years)	4.8	6.3	6.1
Credit spread (OAS in bps)	174	123	133
Coupon	3.7%	3.2%	3.5%
Risk points	967	825	873
Numbers of issuers	121	863	2,102
Average rating	A3/BAA1	A3/BAA1	A3/BAA1

Source: Robeco, Solactive, Bloomberg. Portfolio: RobecoSAM Climate Global Credits. Solactive: Solactive Paris Aligned Global Corporate Index, Bloomberg: Bloomberg Global Aggregate - Corporates. Data end of August 2023. This example is for information purposes only and not intended to be an investment advice in any way.

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