

Taking SI to the Next Level – UN Sustainable Development Goals

Institutional Money Kongress
Frankfurt, 26th February 2019

David Hawa, Director Client Portfolio Manager

UN Sustainable Development Goals

Aimed at tackling the issues of poverty, inequality and climate change



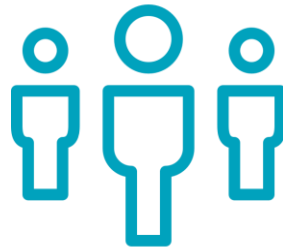
Background on the UN Sustainable Development Goals

“Rate of progress in many areas is far slower than needed to meet the targets by 2030”



5-7 TRILLION

p.a. from 2015 – 2030*



193 UN MEMBERS

adopted in 9/15

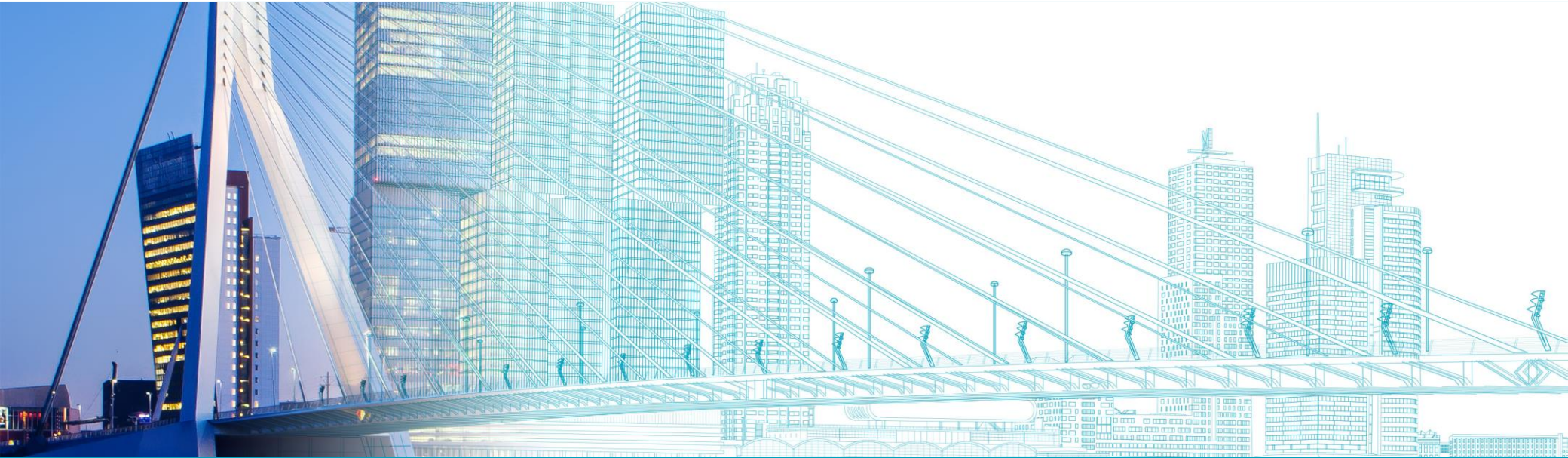


169 SUB GOALS

out of the 17 main goals

Source: SDG Progress Reports 2017

*Estimated by UN Commission on Trade and Development (UNCTAD)

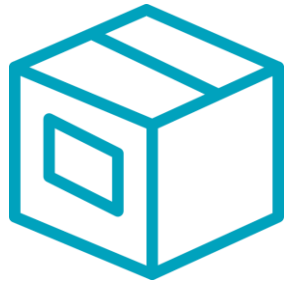


How to measure the SDG contribution?

Assessment is not easy

How to measure the SDG contribution?

3 important questions to ask



Product

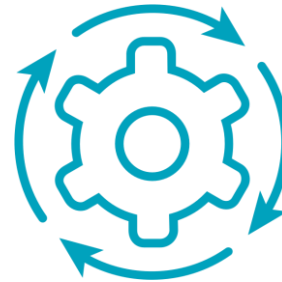
What do companies produce?

Positive contribution examples:

- > Medicine, water, healthcare

Negative contribution examples:

- > Shale gas, fast food, gambling



Procedure

How do companies produce?

Assess a company's:

- > Governance factors
- > Pattern of questionable conduct?
- > Differentiate between firms with highest SDG impact



Controversies

Are controversies known?

Examples of controversies

- > Spills
- > Bribery and fraud
- > Mis-selling

SDG rating methodology

All companies are analyzed based on:



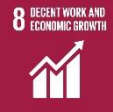

- > Contribution to the SDGs: positive/neutral/negative
- > Extent of the contribution: high/medium/low

Assessment	Impact	SDG Score
Positive	High	+3
	Medium	+2
	Low	+1
Neutral		0
Negative	Low	-1
	Medium	-2
	High	-3

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

1. What do companies produce?

Extensive set of rules and KPIs - RobecoSAM guidebook

Sector	 Banks		
SDG	  		
Starting point	Positive Low +1		
KPI 1	%SME loans / total loans <hr style="border-top: 1px dashed #00a0c0;"/> > 25% Positive Medium +2		
KPI 2	<25% Positive Medium +2	> 25% Positive Medium +2	> 50% Positive High +3

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

1. What do companies produce?

Extensive set of rules and KPIs - RobecoSAM guidebook

Sector



Energy (E&P)

SDG



Starting point

Negative
Low -1

%Natural Gas in production mix

KPI 1

> 65%	45-65%	30-45%
Positive Low	Neutral	Negative Low
+1	+0	-1

%Fracking in production mix

KPI 2

> 20%	> 50%	> 80%
-1 notch	-2 notches	-3 notches

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

1. What do companies produce?

Extensive set of rules and KPIs - RobecoSAM guidebook

Sector



Automotive

SDG



Starting point

Negative
Medium -2

%EV/hybrids in production mix

KPI 1

>5%	>10%
Neutral	Positive Low
+0	+1

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

2. How do companies produce?

SDG also govern how companies operate

Scrutinise companies

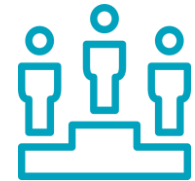
Firm's governance framework

Conduct track record

Environmental policies

...

Qualitative assessment



Differentiate

between firms with the highest SDG impact



Downgrade

firms with serious or structural breaches

2. How do companies produce?

SDG also govern how companies operate

No child labor, safe working environment and labor rights



2. How do companies produce?

SDG also govern how companies operate

Reduced pollution and resource efficiency



2. How do companies produce?

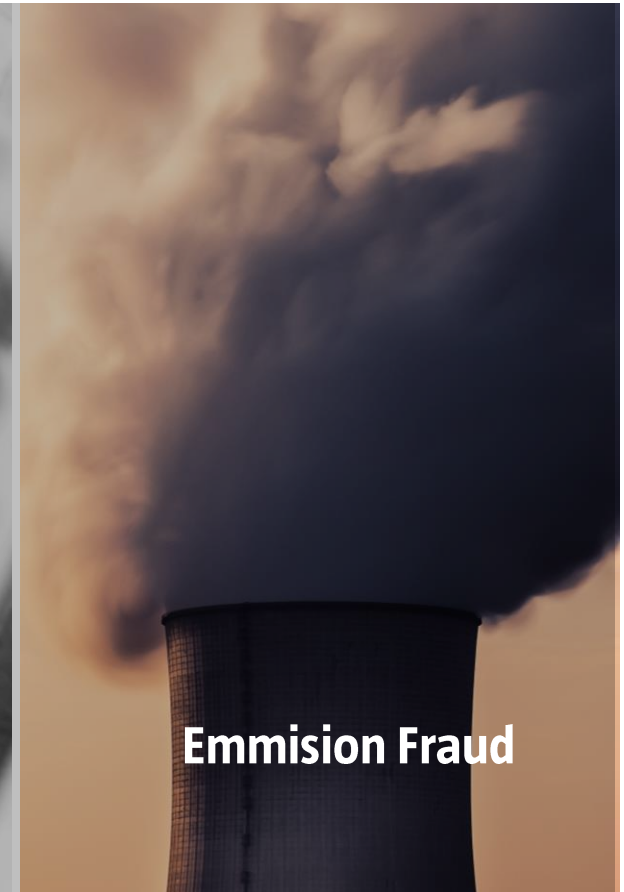
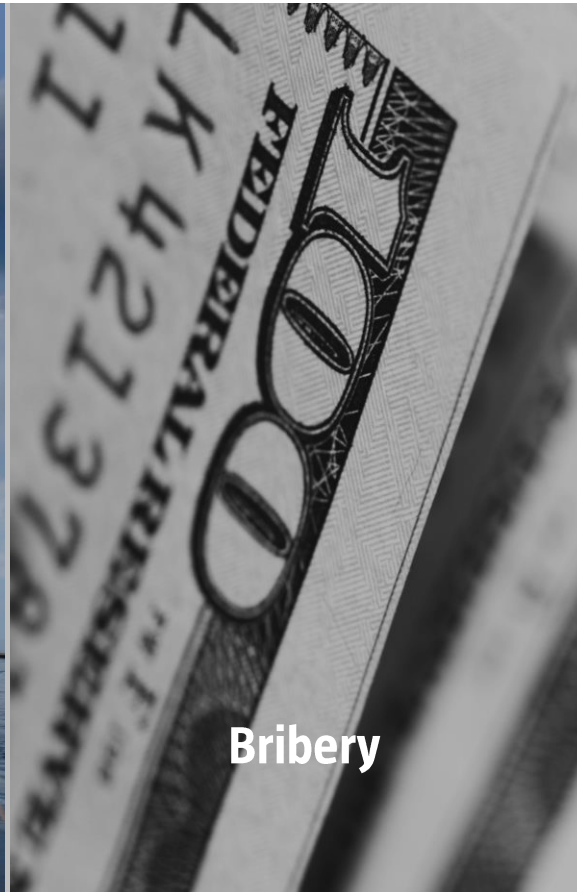
SDG also govern how companies operate

No bribery, protection of fundamental freedom, strong institutions



3. Are controversies known?

Having the right products and procedures is not always sufficient



3. Are controversies known?

Having the right products and procedures is not always sufficient

Controversies

One off?
Properly dealt with
by management?

...

Qualitative assessment

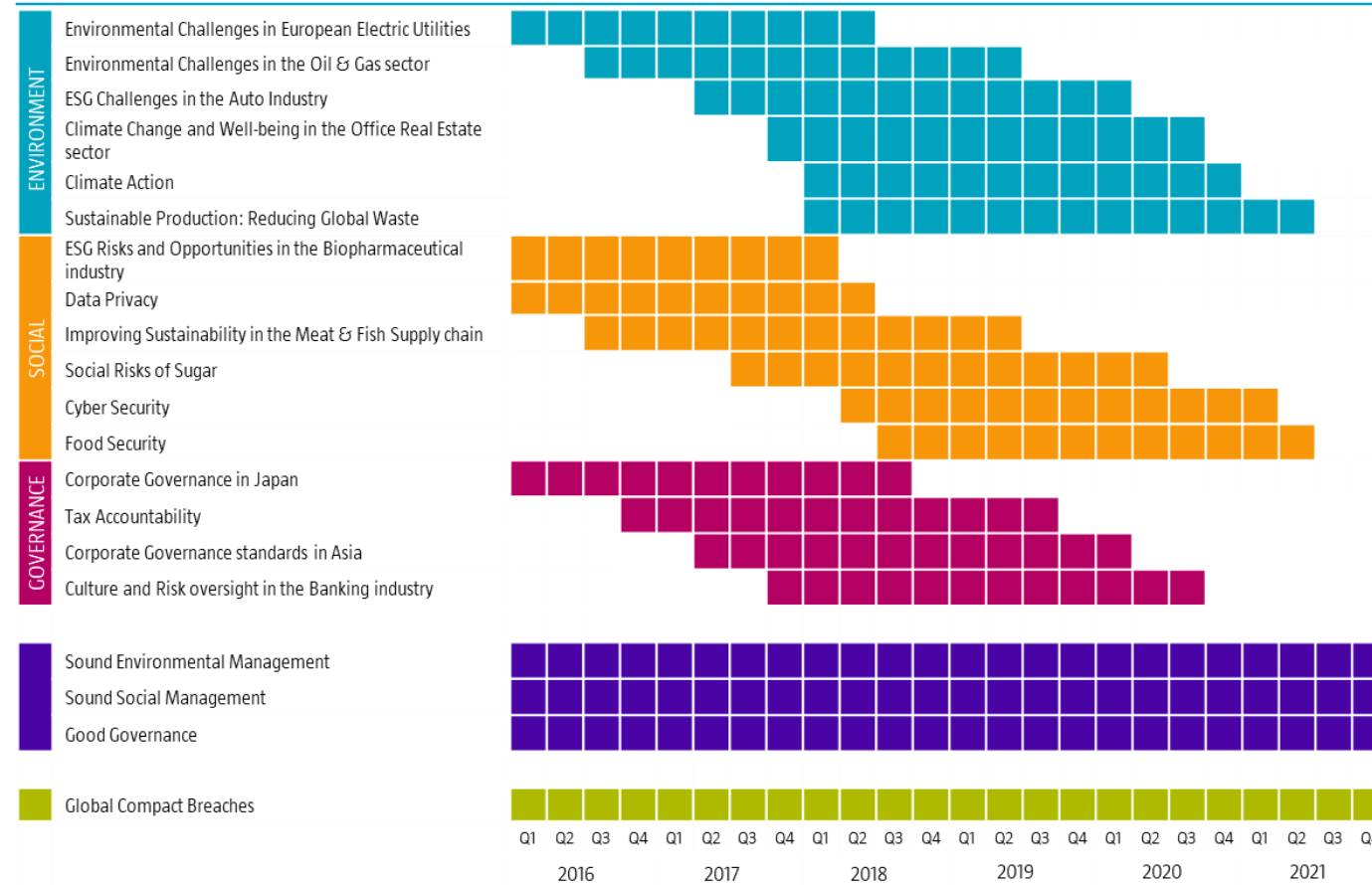


Downgrade
if assessment isn't satisfactory

3. Engagement with investee companies

Constructive dialogue with investee companies to discuss ESG related risks and opportunities

Engagement Themes



206
Engagement cases

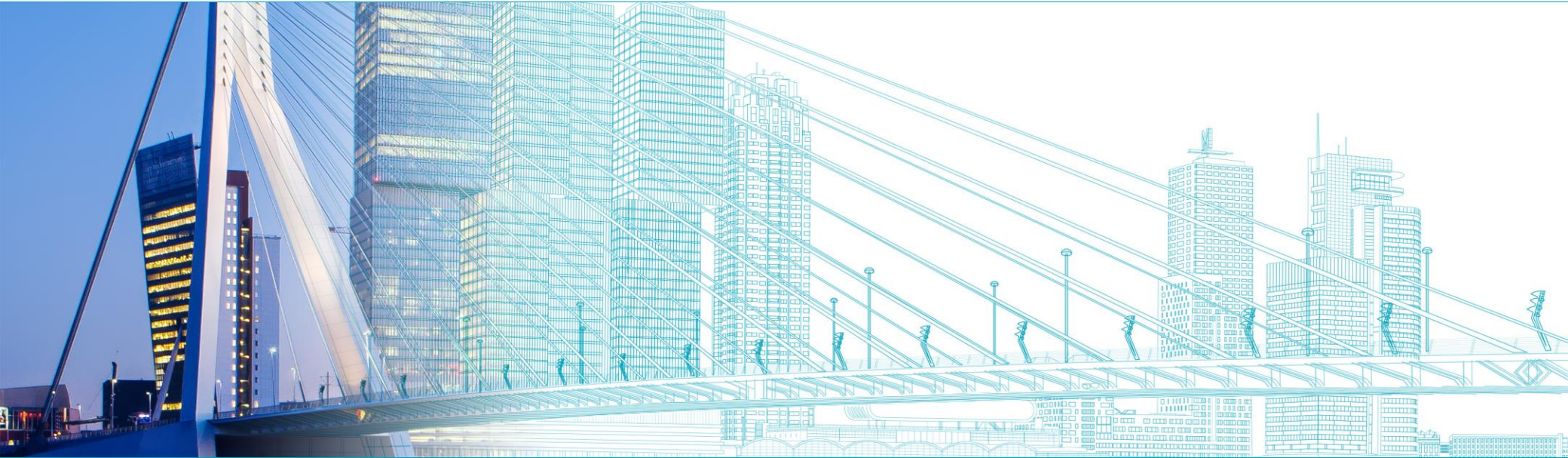
177
Companies engaged

87%
Cases closed successfully

4,733
Shareholder meetings voted in 2017

60%
Meetings with votes against management

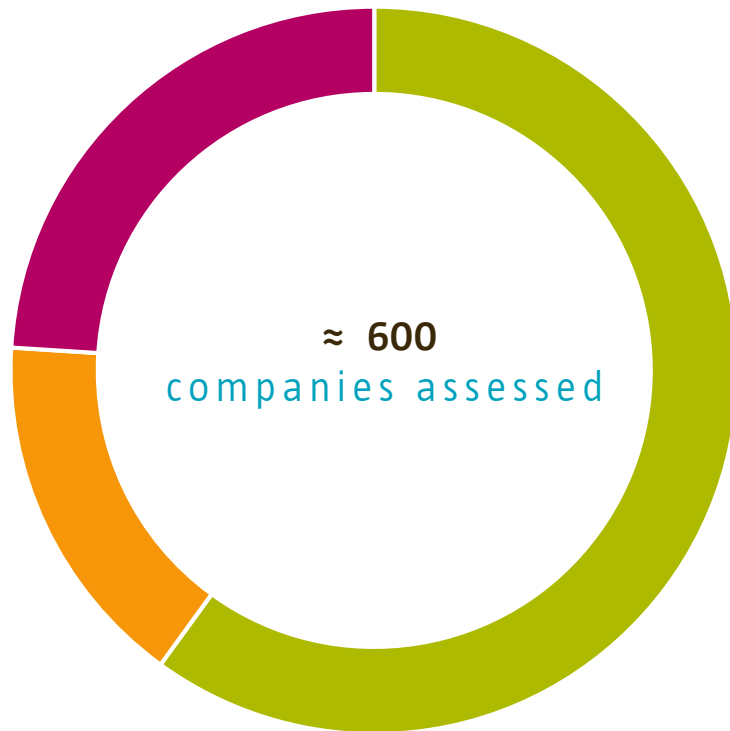
Source: Robeco. End of December 2017.



Outcome of the SDG framework

Outcome of the SDG framework

We analyzed circa 600 companies



60%
positive contributions

7%		21%		32%
high		medium		low

16%
neutral contributions

24%
negative contributions

5%		9%		10%
low		medium		high

14% step 2 and 3 adjustments

Source: Robeco, RobecoSAM. Data September 2018

Outcome of the SDG framework

Some sectors contribute to the SDGs and others are lagging



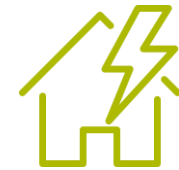
Grid operators



Healthcare/pharma



Banks



Utilities



Unhealthy food



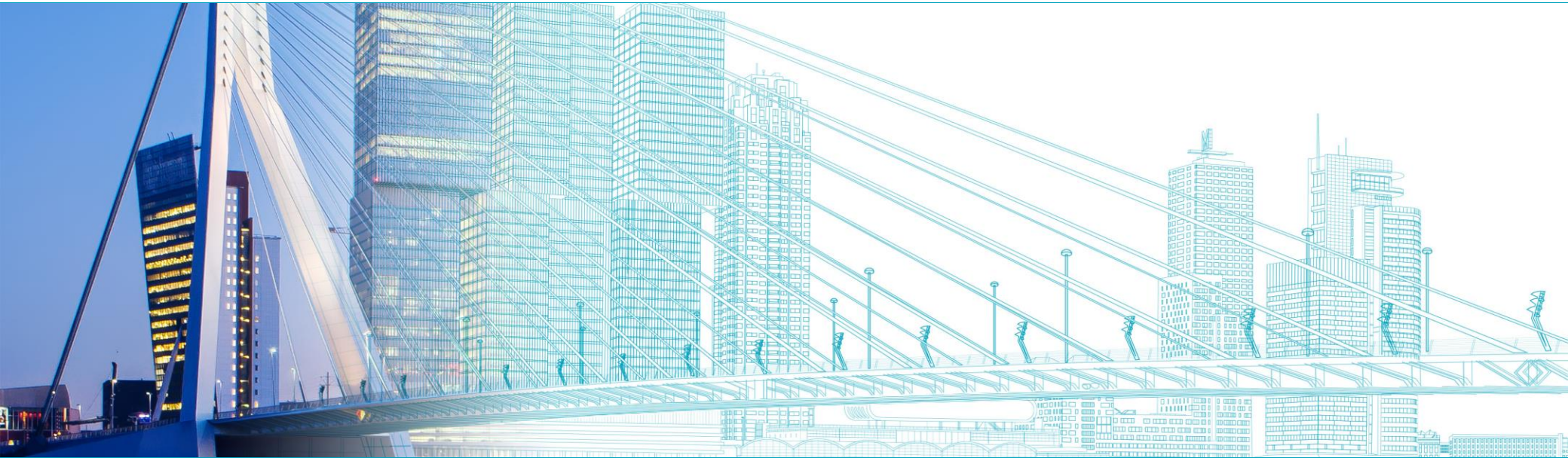
Soft drink/alcohol



Car manufactures



Energy



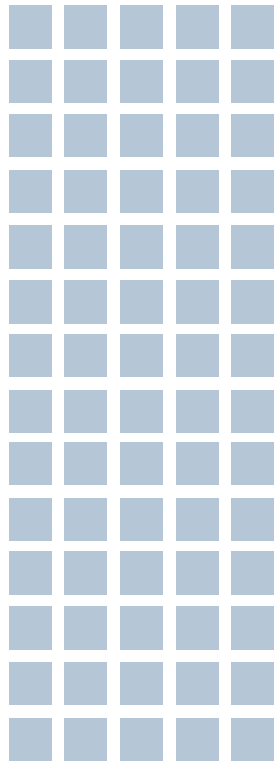
Portfolio construction

Building a SDG Credit Portfolio

Portfolio construction

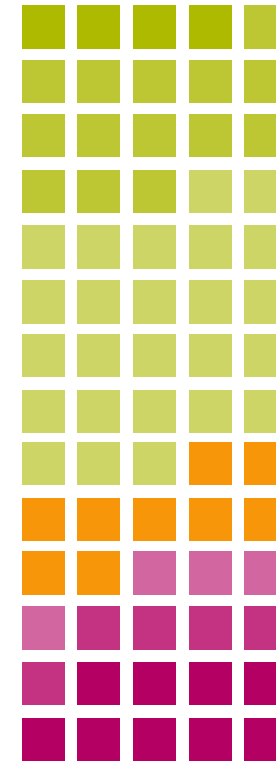
Building a SDG Credit Portfolio

Research Universe



Application of SDG Research

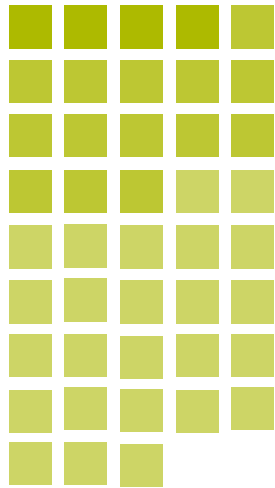
SDG Eligible Universe



Portfolio construction

Building a SDG Credit Portfolio

SDG Eligible Universe



Portfolio Construction

Top down view

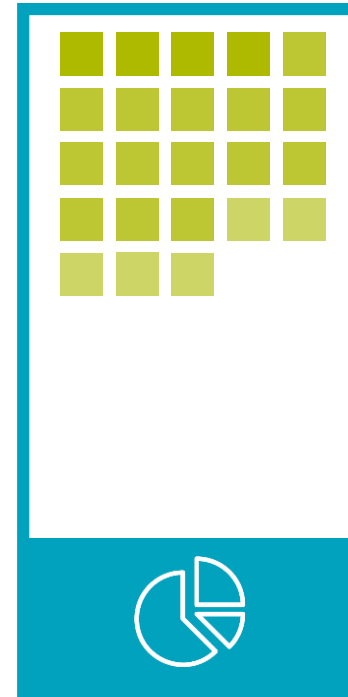
Credit beta targets and
top down themes

Robeco's Investment Process

Bottom up issuer selection

F-scores and investment
recommendations

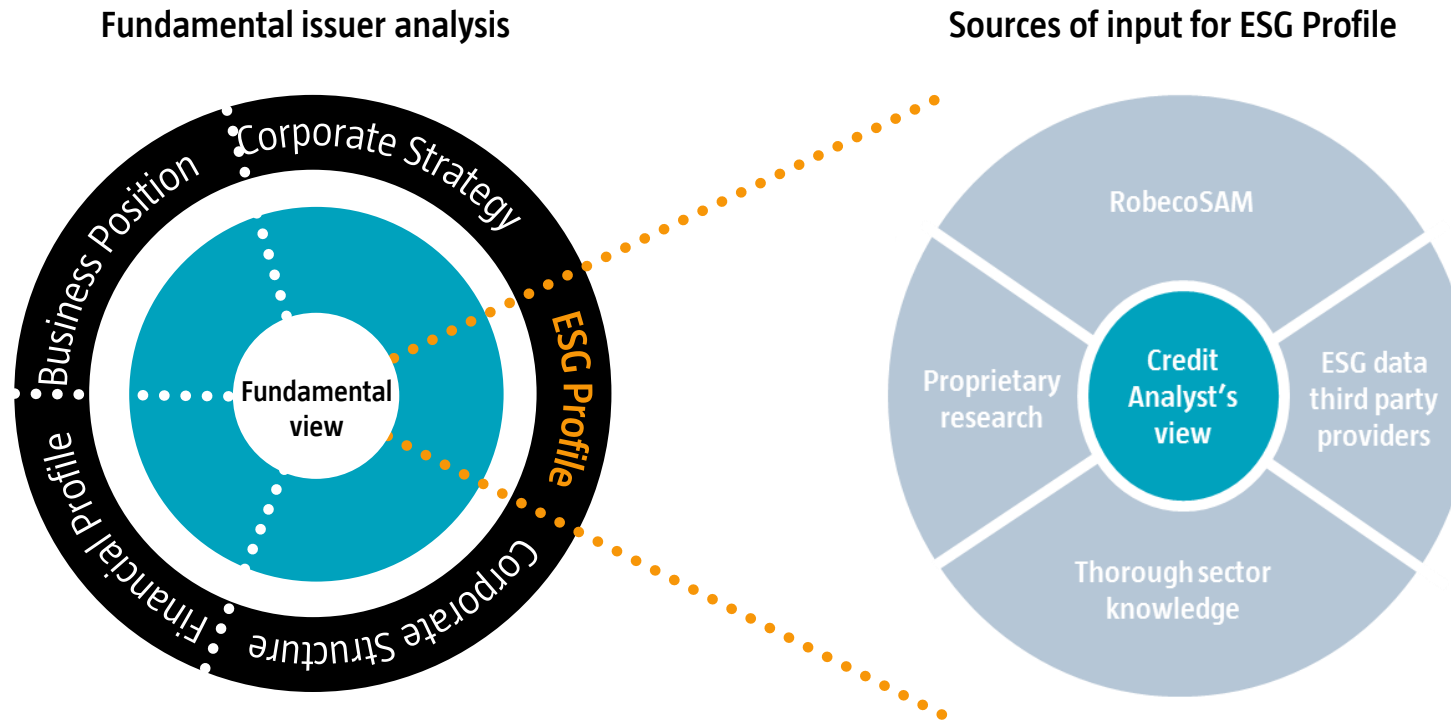
SDG Global Credit Portfolio



ESG integration in fundamental issuer analysis

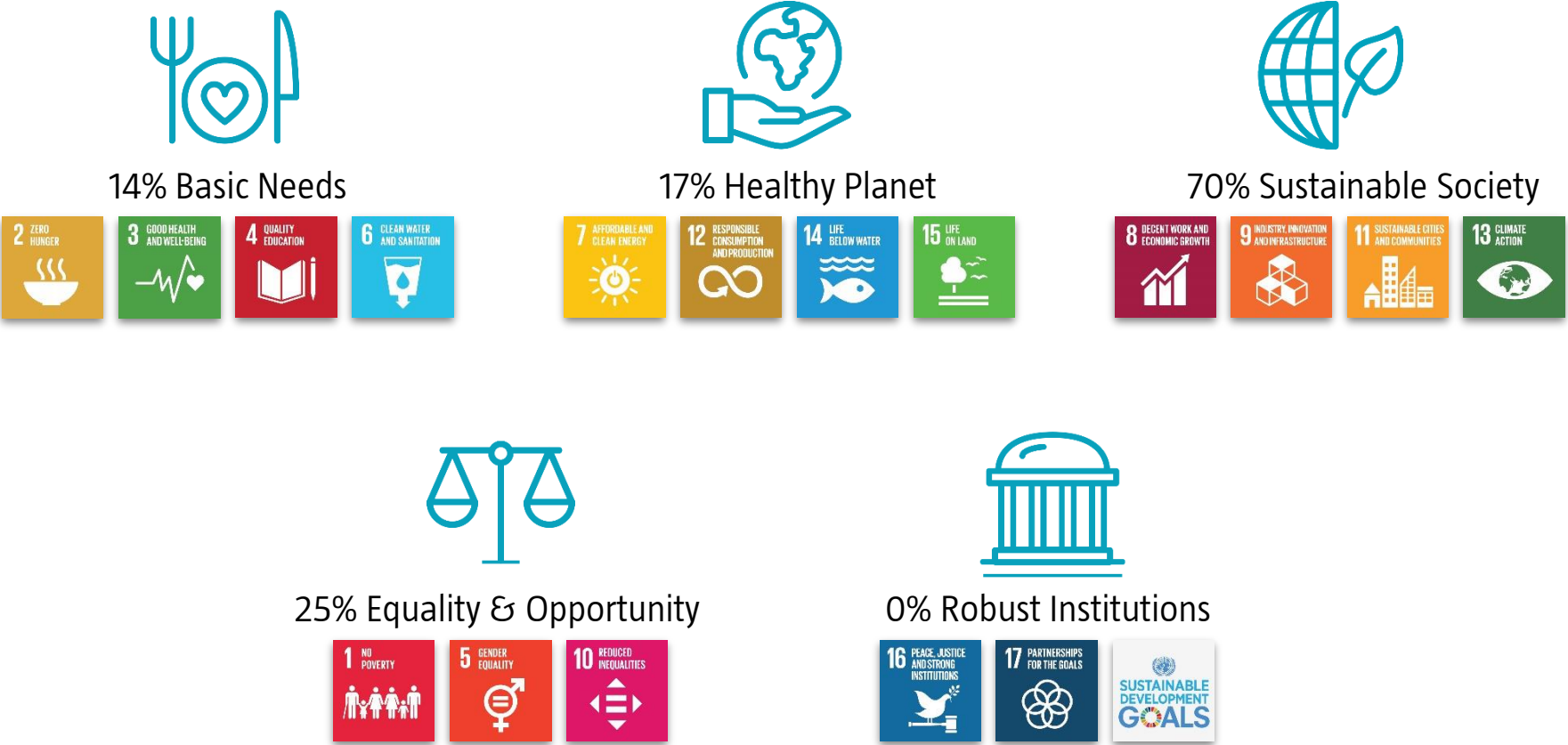
Key focus of fundamental issuer analysis is to identify downside risks

- > Assessment of the ESG Profile is a fixed part of issuer analysis
- > ESG information unveils risks that otherwise would remain beneath the surface
- > In over 30% of cases, we adjust our fundamental view on the basis of ESG Profile



Source: Robeco

Portfolio's contribution to the United Nations Sustainable Development Goals



Source: RobecoSAM Global SDG Credits, RobecoSAM. Data end of December 2018

Deep insight in the environmental footprint



Source: RobecoSAM. Data end of September 2018

*European average figures per year

Average carbon dioxide emissions from new passenger cars per year; average 20,000 km and 130 g CO2-eq/km; in t CO2-eq (source: www.eea.europa.eu) 2.6

Average electricity consumption per household and year; in MWh (source: www.ec.europa.eu/Eurostat) 3.9

Average water consumption per person and year; in m3 (source: www.eea.europa.eu) 47.5

Average waste generation per household and year; in t (source: www.ec.europa.eu/eurostat) 0.4

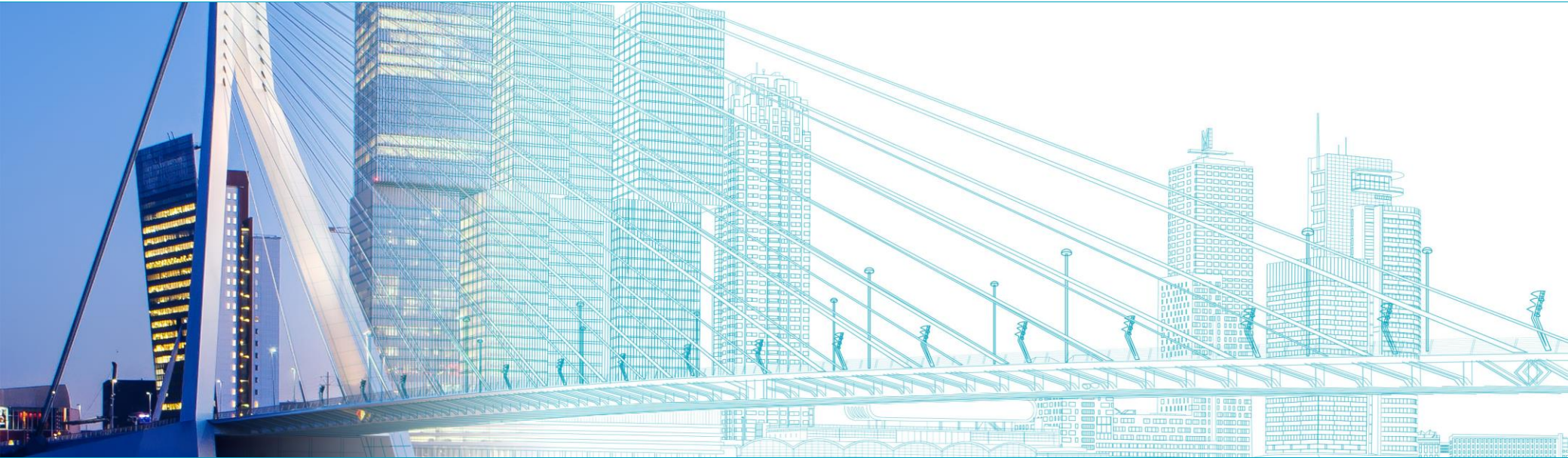
Green bonds often have a positive SDG score

Green bonds

- > More and more issuers issue green bonds next to traditional bonds
- > Performance of these bonds tends to be good, as dedicated funds are chasing these bonds

In the SDG framework both the issuer and the green bond are screened and scored separately

- > If the issuer has a negative SDG score the green bond could still have a positive score
- > Green bonds often contribute positively to SDG 13 (climate action)



Key takeaways

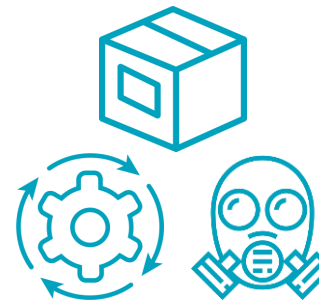
Key takeaways

Our commitment



Committed

Robeco is committed to making
SDGs a cornerstone of its investments



3-Step Framework

Developed in close collaboration
between Robeco and RobecoSAM

Key takeaways

There are several sectors that are currently lagging



Unhealthy food



Soft drink/alcohol



Car manufactures



Energy

Key takeaways

There are more than enough names in the universe to build a global SDG Credit Fund for a positive impact



Grid operators



Healthcare/pharma



Banks



Utilities

Wichtige Informationen

Gemäß §63 Abs. 6 WphG weisen wir darauf hin, dass die Informationen eine Werbemitteilung darstellen und nicht allen gesetzlichen Anforderungen zur Gewährleistung der Unvoreingenommenheit von Finanzanalysen genügen. Einem Verbot des Handels vor der Veröffentlichung von Finanzanalysen unterliegen sie nicht. Diese Informationen wurden von Robeco Institutional Asset Management B.V. (Robeco) zusammengestellt und dienen lediglich zur Information und sind nur für diejenige Person bestimmt, an die sie gerichtet ist. Sie basieren auf den Angaben, die dem Fondsverwalter zur Verfügung stehen. Zukunftsgerichtete Aussagen sind Aussagen, die nicht Tatsachen der Vergangenheit beschreiben. Sie umfassen auch Aussagen über unsere Annahmen und Erwartungen. Solche Aussagen beruhen auf Planungen, Schätzungen und Prognosen, die der Robeco-Gruppe bzw. Ihren Mitarbeitern zur Verfügung stehen. Zukunftsgerichtete Aussagen gelten daher nur an dem Tag, an dem sie gemacht werden. Wo erforderlich, können Angaben auf anwendbaren und brauchbaren Schätzungen, jeweils nach Auffassung des Fondsverwalters, basieren. Auf den Inhalt dieses Dokuments wird keinerlei Garantie gegeben. Der Inhalt basiert auf Informationsquellen, die als zuverlässig erachtet werden. Es wird jedoch weder eine Garantie noch eine Erklärung in Bezug auf die Richtigkeit und Vollständigkeit dieser Information abgegeben, weder ausdrücklich noch stillschweigend. Keine Robeco-Investmentgesellschaften noch ihre Vorstandsmitglieder oder Mitarbeiter haften für Informationen bzw. für die in diesem Dokument geäußerten Empfehlungen, die ohne Vorwarnung geändert werden können. Wir übernehmen keine Verpflichtung, solche Aussagen angesichts neuer Informationen oder zukünftiger Ereignisse anzupassen, noch haftet die Robeco-Gruppe für die Richtigkeit der abgedruckten Informationen. Zukunftsgerichtete Aussagen beinhalten naturgemäß Risiken und Unsicherheitsfaktoren. Eine Vielzahl wichtiger Faktoren kann dazu beitragen, dass die tatsächlichen Ergebnisse erheblich von zukunftsgerichteten Aussagen abweichen. Der Wert der Anlagen kann schwanken. Ergebnisse der Vergangenheit sind keine Garantie für die Zukunft. Sämtliche Angaben werden durch Robeco, Rotterdam, Niederlande, geliefert. Der Verkaufsprospekt, das Verwaltungsreglement bzw. die Satzung, der jeweils neueste Jahresbericht und, sofern veröffentlicht auch der neueste Halbjahresbericht sind in englischer Sprache und die wesentlichen Anlegerinformationen in deutscher Sprache erhältlich im Internet unter www.robeco.de sowie kostenlos per E-Mail oder postalisch bei Robeco Deutschland, Taunusanlage 17, 60325 Frankfurt am Main. Sämtliche Urheberrechte, Patente, intellektuelle und sonstige Eigentumsrechte, die auf den Inhalt dieser Information Anwendung finden, wurden von Robeco erworben und gehören Robeco. Es werden weder Rechte in Lizenzen abgegeben noch zuerkannt noch in irgendeiner Weise auf andere Programme übertragen, die Zugang zu diesen Informationen haben. Robeco Institutional Asset Management B.V. ist bei der niederländischen Finanzaufsichtsbehörde in Amsterdam registriert. Robeco Deutschland (Handelsregister Nr. 55163), ist die Zweigniederlassung der Robeco Institutional Asset Management B.V. Stand aller Angaben, soweit nicht anders angegeben: Februar 2019