Sustainability Investing at Robeco and RobecoSAM
Robeco and RobecoSAM可持续性投资
Beijing, November 2018

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Active Ownership
For professional investors
Sustainability & ESG investing – what is the difference?
可持续性投资与环境、社会及治理（ESG）投资——区别是什么？

The terminology can be confusing
这两个术语可能令人困惑

- Social Responsibility
  社会责任
- Green Bonds
  绿色债券
- Corporate Engagement
  企业参与
- Ethical investing
  伦理投资
- ESG consideration
  ESG考虑
- Impact funds
  影响力投资基金

The UN PRI definition: “We believe that an economically efficient, sustainable global financial system is a necessity for long-term value creation. Such a system will reward long-term, responsible investment and benefit the environment and society as a whole.”

The Robeco/RobecoSAM definition: “the pursuit of superior financial returns coupled with positive environmental, social and corporate governance outcomes”.

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> The Robeco/RobecoSAM definition: “the pursuit of superior financial returns coupled with positive environmental, social and corporate governance outcomes”.
Sustainability Investing (SI) and performance
可持续性投资及绩效
Meta-studies show that sustainable businesses are more successful
元研究表明，能可持续发展的企业更为成功

- Total shareholder returns
  股东总回报
  80% confirm
  80%确认

- Operational performance
  运营绩效
  88% confirm
  88%确认

- Lower cost of capital
  降低资金成本
  90% confirm
  90%确认

Higher returns
更高的回报

Lower risk
风险较低

Source: Robeco, Clark & Feiner
How investors can approach SI
投资者如何进行可持续性投资
Drivers and motivations for sustainability investing
可持续性投资的驱动因素和动机

- Do your duty
  - Regulatory Requirements
  - Fiduciary duty

- Protect image
  - Stewardship code
  - Recognition from Government & Industry organization

- Improve risk/return
  - Brand & reputation
  - Societal norms & values

- Fulfil beliefs
  - Improve risk/return profile
  - Respond to client demand

- Align personal values with financial goals
How investors can address ESG issues in their portfolios

投资者如何解决其投资组合中的ESG问题

Three broad approaches 三种广泛采用的方法

> Investors have different aims and objectives regarding sustainability, and different risk and return requirements.
> Our Active Ownership programme supports each of these approaches.

Using financially material ESG information to improve the risk/return profile

Avoiding investments in areas of controversial products or business practices

Investing for socio-economic impact, alongside the financial returns
World-class sustainability research

Materiality Analysis provides valuable context for evaluating corporate sustainability strategies

Identify key sources of value creation in 60 industries

Prioritize by likelihood and magnitude of impact

Companies that are most likely to continue to create value in a sustainable way

Example: materiality of ESG criteria in the pharmaceutical industry

Cash and Capital Management

Strategy to Improve Access to Healthcare

Supply Chain Management

Environmental Management & Product Stewardship

Customer Relationship Management

Human Capital Management

Innovation Management

Market Access Strategy

Corporate Governance

Business Ethics

Product Quality and Safety

Most financially material factors

Source: RobecoSAM
World-class sustainability research

Proprietary bottom-up Corporate Sustainability Assessment of more than 4,500 companies

RobecoSAM maintains a global database of more than 4,500 listed companies with up to 600 data-points per company. These data are used by our analysts to develop an overall sustainability score per company which in turn inform our security selection process and can be aggregated to the portfolio and market index level, as shown below.

* As of end-2016
Robeco’s advanced approach to ESG Integration

We believe our approach leads to better informed decisions and therefore value creation for our clients. 我们相信我们的方法可以帮助客户做出更明智的决策，从而为他们创造价值

- Focus on material issues & intangible assets 关注重大问题和无形资产
- Avoid short-termism 避免短视化行为
- Non-consensual frameworks and data sources 特殊的框架和数据来源
- Active dialogue with companies adds to performance 与公司的积极对话提高了绩效

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**Standard practice**

- **Low hanging fruit**
  - Screening, Scoring, Voting, Exclusion

**Robeco approach**

- **Materiality analysis**
  - Link to business models & competitive positions

- **Integration** into cases & models: quantification
  - Link to value drivers
Integration of financial & sustainability analysis 整合财务和可持续性分析

Sustainability dimension of analysis strengthens our security selection process
Equity Example: POSCO – South Korean steel producer

<table>
<thead>
<tr>
<th>Base Case</th>
<th>ESG analysis</th>
<th>Adjusted Case</th>
<th>Active Ownership</th>
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</table>
| 6.5% WACC       | > The company has allegedly turned tropical forests into palm oil plantations in Indonesia via its subsidiary PT Bio Inti Agrindo.  
                  > The company appears to be using cotton produced by child labour and forced adult labour in Uzbekistan.  
                  > POSCO community relations programs appear weak: their project in Odisha, India has faced significant and violent opposition from local residents.  
                  > Former POSCO chairman, among other executives was arrested and investigated in relation to a ‘slush fund’ of USD 8.8m. | +200bp WACC surcharge  
                  -118% Reduced Upside                   | 8.5% WACC                  |
| +176% Upside    |                                                                                                  | +58% Upside               | Voting & Engagement |

Source: Robeco. For illustrative purposes only. This information is intended to provide the reader with information on Robeco’s specific capabilities, but does not constitute a recommendation to buy or sell certain securities or investment products.
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