RobecoSAM Corporate Sustainability Assessment (CSA)

Jvan Gaffuri

São Paulo, February 14th, 2019
Agenda

RobecoSAM Corporate Profile

Value Proposition of the CSA: Key Benefits
- Benchmarking Best Practice
- Sustainability Investing
- External Communication

Importance of the SDGs for Companies and Investors
RobecoSAM at a Glance

• Investment specialist focused exclusively on Sustainability Investing since 1995
• Offering complementary capabilities to Sustainability Investing
• Powering the Dow Jones Sustainability Indices since 1999
• Servicing a global and diversified client base
• Approximately 100 employees headquartered in Zurich, Switzerland
• USD 21.5 billion in clients assets under management, advice and/or license
• USD 119 billion in assets managed by Robeco integrate RobecoSAM’s ESG data
RobecoSAM’s Capabilities

A full set of Sustainability Investing (SI) services and solutions

- **Asset Management**
  - Thematic Equities
  - Impact Equities
  - European Equities

- **SI Solutions**
  - ESG Integration
  - Environmental & Social Impact
  - Exclusions

- **Active Ownership & Engagement**
  - Active Ownership
  - Voting

- **Indices**
  - Core
  - Themes
  - Customized

- **Sustainability Services**
  - Company Assessment
  - Benchmarking Services

* through Robeco
RobecoSAM integrated research approach and application

Sustainability Investing enables investors to achieve superior risk/return

An integrated approach to company valuation considers both financial and non-financial criteria and leads to better informed investment decisions.

Source: RobecoSAM
RobecoSAM and S&P Dow Jones Indices (SPDJI)

**DJSI & SPDJI**

- Continued collaboration between RobecoSAM and S&PDJI to expand ESG index offering
- Launch of DJSI MILA (Latin America) in 2017 together with SPDJI, International Finance Corporation (World Bank) and MILA.
- Japan Human Capital Index together with Bank of Japan
- S&P RobecoSAM ESG Indices to cover key S&P Benchmarks such as S&P500, S&P Europe 350, S&P Global 1200, Topix 150
- Development of ESG Factor scores – a new way of scoring sustainability information and integration into financial products

**Product Examples**

- Gender Equality
- Sustainable Development Goals
RobecoSAM Corporate Profile

Value Proposition of the CSA: Key Benefits
• Benchmarking Best Practice
• Sustainability Investing
• External Communication

Importance of the SDGs for Companies and Investors
What is Corporate Sustainability?

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

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

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

Source: RobecoSAM
Companies’ Top Reasons for Addressing Sustainability

Background
Companies are increasingly formalizing the way they govern sustainability programs. McKinsey conducted a survey to find out the reasons of company’s increased engagement in sustainability. A larger share of respondents than ever before say the top reason for implementing a sustainability agenda is better alignment between an organization’s practices and its goals, missions, or values. Also, the results suggest another reason for companies’ increased engagement in sustainability which is due to increase in significance of certain stakeholders such as consumers and employees.

Source: Sustainability’s Deeping Imprint (2017), McKinsey & Company, Pages 1 & 2
Key Benefits of Participation in the RobecoSAM CSA

Participating in the CSA can have numerous internal and external benefits for companies

- **Benchmarking feedback and database**: Scorecard
- **Reputation and brand**: Being identified as a global sustainability leader can enhance your reputation in the eye’s of customers, employees and other stakeholders
- **Sustainability investing**: If a company is selected as a Sustainability Leader and is represented in one or more of the Sustainability Indices, it can attract new investors looking for a sustainability exposure
- **DJSI member logo/ RobecoSAM Yearbook distinction**
- **Improving internal communication within company – Drive internal change**
Benchmarking Best Practice
The Benchmarking Process

Competitive benchmarking typically involves the following repetitive steps:

**Step 1:**
Measure your performance
Establish your sustainability baseline and quantify your progress.

**Step 2:**
Benchmark against your peer group
Different options from detailed analysis to a question level deep dive

**Step 3:**
Learn from data
Discuss the results with management and operational functions

**Step 4:**
Take action
Set or adjust your strategy to close the identified gaps.

Source: RobecoSAM
Materiality Matrix for the Banks Industry

Source: RobecoSAM
RobecoSAM Corporate Sustainability Assessment
Systematically addressing material ESG factors since 1999

- over 4’500 analyzed companies annually (60 sectors)
- Sources: Web based Questionnaire, Company Documents, Media & Stakeholder Analysis
- Assessment internally and externally audited

<table>
<thead>
<tr>
<th>Dimension and Criteria – Banks</th>
<th>Weight</th>
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<td>Risk &amp; Crisis Management</td>
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<td>Codes of Business Conduct</td>
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<td>Tax Strategy</td>
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<td>Occupational Eco-Efficiency</td>
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<tr>
<td>Climate Strategy</td>
<td>4</td>
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<td>Financial Inclusion</td>
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<td>Business Risks and Opportunities</td>
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<td>Social Dimension</td>
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<td>Social Reporting</td>
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<td>Human Rights</td>
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<td>Talent Attraction &amp; Retention</td>
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<td>Corporate Citizenship and Philanthropy</td>
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<td>Occupational Health and Safety</td>
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<td>Controversial Issues, Dilemmas in Lending &amp; Financing</td>
<td>4</td>
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<tr>
<td>Financial Inclusion</td>
<td>4</td>
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</tbody>
</table>

Source: RobecoSAM
Benefits of Participating in the DJSI

Benchmarking best practice
- Creating a sustainability baseline, ability to set targets
- Objective, independent analysis of sustainability performance across all criteria
- Comparison against leading industry peers

Improvement of Corporate Sustainability Performance
- Strengthening internal networks and communication
- Raise awareness of sustainability throughout the organization
- Improve data and sustainability disclosure

Leading Sustainability Innovation
- Clarify the link between sustainability performance and business benefits
- Create buy-in from senior management on importance of sustainability for greater investments into sustainability
- Progress in driving positive change at companies and
- Provide more relevant information for investors, clients and stakeholders
Sustainability Investing
The Value of Intangible

Components of S&P 500 Market Value
Source: Ocean Tomo, LLC (*January 1, 2015)

The graph depicts percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not. In 1975, more than 80% of corporate value reflected in the S&P® 500 in tangible assets while intangible assets accounted for less than 20% of the value. By 2015, these values have witnessed an inversion with intangible assets now accounting for 87% and tangible assets accounting for the remaining 13% of the corporate value.
Corporate Sustainability: More Integrated and Strategic

The Evolution of CSR

History of Sustainability Investing

- Early-stage social directives issued by churches: focus on use of money, do no harm
- 1970’s and 80’s Foundation of alternative banks, social funds
- Proxy voting and engagement are relatively new topics in the SRI space

1700: US Methodist: use of money

1960/70s: Anti war, civil rights movement
1980s: START-1, disarmament, Tschernobyl
1990s: Negative screening: tobacco, gambling, etc.
2000s: Positive screening, theme investing
2010s: Integration and Socio-economic impact

1987: Brundtland
Late 70s/early 80s: social inequality, labour / nuclear issues
1990: Social Index
2003: Equator principles,
2006: UNPRI
2009: FSB
2012ff: Stewardship Codes
2015: SDG

1997: Kyoto Protocol
2000:
2010:

Ethical Exclusions Positive Screening/Integration Impact

Source: RobecoSAM
UNPRI’s Six Principles for Responsible Investment

**Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.

**Principle 6:** We will each report on our activities and progress towards implementing the Principles.

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**Strategic Objectives 2015-18: From Awareness to Impact**

- Support signatories making progress towards implementing the Principles
- Enhance signatory accountability mechanisms
- Engage and facilitate dialogue with key decision makers
- Provide opportunities for signatories to convene, to share knowledge and to collaborate for change and impact
- Strengthen the PRI voice and brand
- Facilitate collaboration between academics and investors, and use our knowledge to educate signatories and stakeholders

Source: PRI Secretariat (2016); PRI Work Programme 2015-2016)
UNPRI: Growth in PRI Signatories and Assets Under Management

UNPRI: Six voluntary and aspirational set of investment principles offering different actions for incorporating ESG issues into the investment practice. These principles are developed by the investors, for the investors. By implementing these principles, signatories contribute towards developing a more sustainable global financial system.

Source: PRI Secretariat (2018)
Investors seek to optimize the risk/return ratio, through...

- **Exclusions/Negative Screening**
  - “Sleep well at night”

- **ESG Integration**
  - “Smart Investing”
  - Financial materiality understood and managed

- **Impact Investing**
  - “Making a difference”
  - Objectives on top of financial returns

Source: RobecoSAM
Sustainability Investing Approaches

Investors seek to optimize the risk/return ratio, through...

ESG Integration
“Smart Investing”

Source: RobecoSAM
Integrated View on Company’s Valuation

- How is value created in the industry?
- What long term trends could impact the sources of value creation?

- What are the material aspects of the industry (tangible and intangible) that need to be managed by companies to continue to create value?

- How do these intangibles aspects relate to long-term competitiveness and value creation?

- What are the most appropriate key performance indicators to use to assess the relative performance of companies in the industry?

- What adjustments are needed to the assumptions of the company's valuation model?
- Which companies stand out as well-positioned to succeed?

Source: RobecoSAM
Megatrends are shaping the world

Secular trends are changing the world in which companies operate

- Acceleration of Global Changes
- Exceeding Earth’s Carrying Capacity
- Shifting Demographic & Consumer Behavior
- Increased Regulation
- Accelerated Innovation
- Natural Resource Scarcity
- Climate Change
- Demographic Shifts

Competitive Edge

Competitive advantage for companies with better management of risks and opportunities
Driving Forces in the Oil & Gas Upstream & Integrated Industry (OGX)

- **Access to Energy**
  - Smaller reserves, more complex geology, new technologies, higher political risks
  - Ability to manage environmental, health and safety, ethical and stakeholder risks

- **Climate Change**
  - Transition to lower carbon economies

Ensure cash-flows by wisely managing reserves, energy mix, and open up new opportunities

Source: RobecoSAM
Financial Materiality Framework

RobecoSAM’s definition of materiality of sustainability

RobecoSAM defines Materiality as “Any factor which might have a present or future impact on companies’ value drivers, competitive position, and thus on long-term shareholder value creation”

Key Question: How do different forms of capital impact financial performance?

Forms of capital:
- Intellectual capital
- Customer capital
- Manufactured capital
- Human capital
- Environmental capital
- Social capital
- Financial capital & business model

Impact on financials:
- Growth (Revenue)
- Profitability (Costs)
- Capital Efficiency
- Risk profile
Integration of Sustainability into financial valuation

**Economic Criteria**
- Corporate governance
- Risk & crisis management
- Brand management
- etc.

**Environmental Criteria**
- Operational eco-efficiency
- Climate strategy
- Environmental reporting
- etc.

**Social Criteria**
- Human capital development
- Stakeholder engagement
- Supply chain management
- etc.

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<table>
<thead>
<tr>
<th>Revenues</th>
<th>Costs</th>
<th>Earnings</th>
<th>Return on Invested Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>Invested Capital</td>
<td>Weighted Avg. Cost of Capital</td>
<td></td>
</tr>
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</table>

RobecoSAM Intrinsic Value
### Top-Down Analysis for the OGX Industry: Focus Aspects

<table>
<thead>
<tr>
<th>Megatrend</th>
<th>Key Success Factor</th>
<th>Performance Indicators</th>
<th>Value drivers</th>
</tr>
</thead>
</table>
| **1) Climate Change/ Energy Transition** | Climate strategy           | 1. Climate related emissions and targets  
2. Internal Carbon Pricing  
3. Climate governance | Risk  
  • Regulatory  
  • Reputational  
  • Shareholders divesting  
Profitability  
  • Change management |
|                                   | Operational excellence      | 1. Water risk management  
2. OEE (absolute/trends)  
3. Flaring and methane emissions | Risk  
  • Discontinuation of operations  
  • Regulatory  
Profitability  
  • Efficient Operations |
| **2) Demand for lower carbon energy sources** | Energy Mix                  | 1. Natural gas bias, LNG share, Oil sands  
2. Renewable Energy  
3. Downstream low-carbon products | Growth  
  • Renewable projects  
Risk  
  • Emissions regulations  
  • Competing low-carbon technologies  
  • Shareholders divesting |
| **3) Employee rights**            | Occupational Health and Safety | 1. Fatalities  
2. Total recordable injury frequency rate  
3. Occupational illness frequency rate | Profitability  
  • Reputations  
Risk  
  • Lack of skilled workforce |
| **4) Aging workforce in energy sector** | Human Capital Management    | 1. Turnover rate  
2. Training programs  
3. Skills and age mapping | Profitability  
Risk  
Growth |

Source: RobecoSAM
Sustainability Investing Approaches

Investors seek to optimize the risk/return ratio, through...

Impact Investing
“Making a difference”

Objectives on top of financial returns

Source: RobecoSAM
What is Impact Valuation?

- **Impact Valuation** is the process or method through which a company evaluates the Impact of its environmental and social externalities.

- **Traditional** sustainability reporting focuses on:
  - **Inputs**:
    - Natural Input: e.g. Water consumed (in mln cubic mt)
    - Social Input: e.g. Number of FTEs
    - Economic Input: e.g. Investments in R&D for environmental product/processes/services (in mln USD)
  - **Business Activities**:
    - Operations / manufacturing activities
    - Services
  - **Outputs**:
    - Natural Output: e.g. C02, NoX, SoX (avoided) emissions
    - Social Output: e.g. Revenues generated by microfinance investments, number of injuries per million hours worked.

- Impact Valuation goes **beyond** traditional sustainability reporting.
Cementos Argos Value Added Statement 2017

Sustainability Investing Approaches

Investors seek to optimize the risk/return ratio, through...

Exclusions/ Negative Screening
“Sleep well at night”

Risk/Return consequences accepted where possible

Source: RobecoSAM
### Values-based Exclusions

#### Exclusion Criteria

<table>
<thead>
<tr>
<th>Exclusion Criteria</th>
<th>Sub area for exclusion</th>
<th>Company Revenue Threshold</th>
<th>Nr of Stocks</th>
<th>Benchmark Exposure</th>
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<tbody>
<tr>
<td>Firearms</td>
<td>Production</td>
<td>0%</td>
<td>1</td>
<td>0.4%</td>
</tr>
<tr>
<td>Weapons</td>
<td>Military Contracting</td>
<td>5%</td>
<td>5</td>
<td>1.2%</td>
</tr>
<tr>
<td>Controversial Weapons</td>
<td>Nuclear Weapons, Cluster Munition, Land Mines (production, key parts)</td>
<td>0%</td>
<td>5</td>
<td>1.2%</td>
</tr>
<tr>
<td>Child labor / ILO standard**</td>
<td></td>
<td>0%</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Tobacco</td>
<td>Production and Key Parts</td>
<td>0%</td>
<td>3</td>
<td>2.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>10</td>
<td>3.9%</td>
</tr>
<tr>
<td>Alcohol</td>
<td>Production or Sales</td>
<td>5%</td>
<td>11</td>
<td>4.6%</td>
</tr>
<tr>
<td>Gambling</td>
<td>Production</td>
<td>5%</td>
<td>2</td>
<td>0.2%</td>
</tr>
<tr>
<td>Adult Entertainment</td>
<td>Production, Services, Print</td>
<td>5%</td>
<td>1</td>
<td>0.1%</td>
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<tr>
<td>Nuclear Energy</td>
<td>Production</td>
<td>0%</td>
<td>13</td>
<td>2.4%</td>
</tr>
<tr>
<td></td>
<td>Sales</td>
<td>0%</td>
<td>11</td>
<td>1.1%</td>
</tr>
<tr>
<td>Stem cells</td>
<td></td>
<td>0%</td>
<td>10</td>
<td>9.6%</td>
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<tr>
<td><strong>Total Enhanced</strong></td>
<td></td>
<td></td>
<td>56</td>
<td>21.7%</td>
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</table>

**Sources of Data:** Sustainalytics, RobecoSAM

* Double counting of companies corrected at total level only

**Additional internal screen on top of Sustainalytics research

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**& Exclusions based on controversial business behavior (e.g., UN Global Compact violations)**

Applied on MSCI World Developed per end of September 2016
Exclusions Related to Fossil Fuel Value Chain

Creating a fossil free portfolio

- Fossil fuel extraction harms future generations as a consequence of climate change
- It does not seek to address possible pathways to a zero/low carbon economy
- It does not address consequences of changing regulation or technology (asset stranding)

<table>
<thead>
<tr>
<th>Sector*</th>
<th>Nr of Stocks</th>
<th>Benchmark Exposure</th>
<th>Nr of Stocks</th>
<th>Benchmark Exposure</th>
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<tr>
<td>Energy</td>
<td>50</td>
<td>5.1%</td>
<td>83</td>
<td>6.7%</td>
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<tr>
<td>Industrials (Transportation)</td>
<td>2</td>
<td>0.0%</td>
<td>12</td>
<td>0.8%</td>
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<tr>
<td>Materials</td>
<td>18</td>
<td>1.1%</td>
<td>18</td>
<td>1.1%</td>
</tr>
<tr>
<td>Utilities</td>
<td>16</td>
<td>0.8%</td>
<td>17</td>
<td>0.8%</td>
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<tr>
<td>Total</td>
<td>86</td>
<td>7.0%</td>
<td>134</td>
<td>9.4%</td>
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</table>

*Including number of companies and exposure in benchmark/universe
Current trends influencing Sustainability Investing

- Trend towards passive investing and fee pressure
- ESG Standards
- Low interest environment
- Material factors become visible/tangible and economically relevant
- Fintech, Big Data and AI
- Increased pressure from stakeholders
- Mainstreaming
- Regulation density
- SDGs
- We are Sustainability Investing.
Barriers & Challenges

- Misconceptions about fiduciary duty
- Diversity of terminology/approaches
- Career risk
- False perceptions and cynicism about SI
- Short-term biases
- Absence of accountability in decision making
- Decision paralysis
- Proof of concept
External Communication
RobecoSAM Sustainability Yearbook
Additional Recognition and visibility for sustainability leaders

One of the world’s most comprehensive publications on corporate sustainability; providing sector insights into the sustainability challenges and opportunities for companies as well as showing the sustainability leaders.

<table>
<thead>
<tr>
<th></th>
<th>Global</th>
<th>Brazil</th>
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<tbody>
<tr>
<td>Top 1% Gold</td>
<td>73</td>
<td>0</td>
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<tr>
<td>Top 5% Silver</td>
<td>78</td>
<td>1</td>
</tr>
<tr>
<td>Top 10% Bronze</td>
<td>118</td>
<td>6</td>
</tr>
<tr>
<td>Top 15% Mention</td>
<td>210</td>
<td>11</td>
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</table>

**13th edition in 2017**

- >35'000 visitors on the microsite
- >105'000 page views (av. 3 min per visit)
- >3’000 printed copies in circulation
- >950 impressions on live paper
- >1’100 clippings in several medias

[http://yearbook.robecosam.com](http://yearbook.robecosam.com)

Source: RobecoSAM
Where are the most sustainable companies located?

Source: RobecoSAM
# DJSI Indices: Methodology

<table>
<thead>
<tr>
<th>DJSI World Starting Universe</th>
<th>Consist of the largest 3’500 (in 2019) companies by float-adjusted market-cap from the S&amp;P Global BMI Index that have been invited to participate to the CSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invited Universe</td>
<td>Consist of all companies that have been analyzed based on the CSA</td>
</tr>
<tr>
<td>Assessed Universe</td>
<td>Rule-based selection of top 10% most sustainable companies per industry, based on their sustainability scores</td>
</tr>
<tr>
<td>DJSI World Index</td>
<td>Rule-based selection of top 10% most sustainable companies per industry, based on their sustainability scores</td>
</tr>
</tbody>
</table>

Source: RobecoSAM
DJSI Selection Rules

1. **Eligibility:** Companies are only eligible for selection if their score is at least 40% of the highest score within the respective index universe.

2. **Best-in-class selection**: Select 10% best companies per industry for World (20% for World Enlarged/regional indices, 30% for country indices, 10% for Emerging Markets).

3. **Error margin:** Select companies outside the best-in-class interval if they are within an absolute 0.3 score distance of the last company selected in the respective industry in step 2.

4. **Buffer rule:** Select existing components if they are within the top 15% of their industry for World (30% for World Enlarged/regional indices, 45% for country indices, 15% for Emerging Markets).

* Industries may be merged to ensure that at least one company can be selected at the best-in-class level (provided it passes the eligibility criteria).

Source: RobecoSAM
DJSI Indices - Constituent selection

Selection of most sustainable companies per industry

High

10% DJSI World; DJSI Emerging Markets

20% DJSI Europe; DJSI North America; DJSI Asia/Pacific; DJSI World Enl.

30% DJSI Australia; DJSI Korea

40% DJSI Chile; DJSI MILA

TSS*

Low

*Total Sustainability Score
RobecoSAM Percentile Ranks on Bloomberg

Percentile ranks on Bloomberg

• Total, dimension and criteria-level

• Information will be the same as presented on the Company Benchmarking Scorecard

• Companies will have access to the percentile ranks within their industry through the online assessment portal – https://assessments.robecosam.com

• Companies that have not participated in the assessment will be able to access their scorecard, if they have been assessed by RobecoSAM using publicly available information.
What are the Benefits for Companies

Companies can benefit from increased use of the results of the CSA, beyond RobecoSAM’s own investment products and the Dow Jones Sustainability Indices

- An increasing number of analysts access sustainability ratings and rankings through Bloomberg
- Companies can now demonstrate
  - Their leading **sustainability performance** to the global investment community – increasing the return on their investment into completing the CSA
  - That they **are among the most sustainable companies** within their industry
- Investor relations personnel can now more easily **answer questions** about a company’s DJSI ranking when speaking to analysts and investors
- Sustainability officers can get **additional buy-in** from senior management in demonstrating the external benefits of the CSA in order to improve their sustainability practices
**RobecoSAM on Bloomberg – Total Rank**

<table>
<thead>
<tr>
<th>Metric</th>
<th>09/13/2018</th>
<th>06/01/2018</th>
<th>04/20/2018</th>
<th>01/31/2018</th>
<th>10/01/2018</th>
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<tbody>
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<td>Terna Rete Elettrica Nazionale SpA</td>
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<td>95</td>
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<td>Red Electrica Corp SA</td>
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<td>Acciona SA</td>
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<td>Electricite de France SA</td>
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<td>AES Corp/VA</td>
<td>75</td>
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</tbody>
</table>

**Source:** Bloomberg
RobecoSAM on Bloomberg – Total Rank Comparison
RobecoSAM on Bloomberg – Rank comparison for a specific criterion
Agenda

- RobecoSAM Corporate Profile
- Value Proposition of the CSA:
  - Key Benefits
    - Benchmarking Best Practice
    - Sustainability Investing
    - External Communication
- Importance of the SDGs for Companies and Investors
The Sustainable Development Goals as Starting Point

The 17 UN Sustainable Development Goals (SDG’s) and its 169 associated targets have become an accepted standard for measurements that should lead to a positive change for society, the economy and our planet.

Applications for businesses & investors:

• Linking SDG’s to the companies’ activities
• Financial portfolio reporting with respect to SDG exposure
• Thematic investment strategies with high exposures to SDG’s
• Fundamental portfolio construction to design impact investing strategies

Source: United Nations Department of Public Information
RobecoSAM is one of the first asset managers to meet this challenge by developing a proprietary SDG framework which consists of a 3-step approach. This analysis represents the basis for the RobecoSAM SDG Impact Investing products.

### Measuring an Investment’s Impact on the SDGs

#### Step 1:

**Product focus – Company Value Proposition**

<table>
<thead>
<tr>
<th>What do companies produce?</th>
<th>Do products or services contribute positively or negatively to SDGs?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive examples:</td>
<td>Medicine, Water, Healthcare</td>
</tr>
<tr>
<td>Negative examples:</td>
<td>Shale gas, fast food, gambling</td>
</tr>
</tbody>
</table>

#### Step 2:

**Company policies & processes**

<table>
<thead>
<tr>
<th>How do companies operate?</th>
<th>Do companies’ business practices and conduct contribute to SDGs?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on research and Corporate Sustainability Assessment:</td>
<td>Based on research and Corporate Sustainability Assessment:</td>
</tr>
<tr>
<td>• Governance factors</td>
<td>• Governance factors</td>
</tr>
<tr>
<td>• Patterns of questionable conduct</td>
<td>• Patterns of questionable conduct</td>
</tr>
<tr>
<td>• Differentiate between highest SDG impact</td>
<td>• Differentiate between highest SDG impact</td>
</tr>
</tbody>
</table>

#### Step 3:

**Continuous Monitoring**

<table>
<thead>
<tr>
<th>Are there any legal disputes ongoing?</th>
<th>Has the company been involved in controversies?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controversies examples:</td>
<td>• Spills</td>
</tr>
<tr>
<td>• Bribery &amp; fraud</td>
<td>• Misselling</td>
</tr>
</tbody>
</table>
Product Focus – What does a Company Produce?

Based on an extensive set of rules and indicators, a company’s contribution is classified as positive, neutral or negative, depending on the industry and the company’s value proposition. Additionally, the actual impact is rated low, medium or high. A company’s exposure can be linked to one or several SDGs.

The high, medium, and low impact designation is based on the following criteria:

- The value proposition of the product or service;
- Percentage of revenues that positively contribute to SDGs;
- Percentage of revenues that detract from achievement of the SDGs;
- Percentage of revenues from emerging markets;
- Additionality (e.g. the company’s efforts to expand into underserved markets, in terms of new product and service offerings new business models and entry into new countries/regions)

For reporting purposes, the 17 SDGs are grouped into 5 Impact Areas:

- Basic Needs: SDG 2, 3, 4, 6
- Healthy Planet: SDG 7, 12, 14, 15
- Sustainable Society: SDG 8, 9, 11, 13
- Equality & Opportunity: SDG 1, 5, 10
- Robust Institutions: SDG 16, 17
The chart depicts the percentage of market capitalization of the DJSI World Index (green) and MSCI World Index (blue), broken down by level of impact on the SDGs. Impact level varies from high positive (dark green/dark blue), to neutral (light grey) to high negative (dark grey). 65% of the market capitalization of the DJSI World Index and 56% of the market capitalization of the MSCI World Index is considered to have a positive impact on the SDGs.

Source: RobecoSAM
# SDG Impact Exposure of DJSI World Index & MSCI World Index

## Dow Jones Sustainability World Index vs. MSCI World

Data as of 30.06.2018

<table>
<thead>
<tr>
<th>Basic Needs</th>
<th>Healthy Planet</th>
<th>Sustainable Society</th>
<th>Equality &amp; Opportunity</th>
<th>Robust Institutions</th>
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### 2 - Zero Hunger

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</table>

### 6 - Clean Water & Sanitation

<table>
<thead>
<tr>
<th>11 - Sustainable Cities &amp; Communities</th>
<th>12 - Responsible Consumption &amp; Production</th>
<th>13 - Climate Action</th>
<th>14 - Life Below Water</th>
<th>15 - Life on Land</th>
<th>16 - Peace, Justice &amp; Strong Institutions</th>
<th>17 - Partnership for the Goals</th>
</tr>
</thead>
<tbody>
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### 13 - Climate Action

<table>
<thead>
<tr>
<th>14 - Life Below Water</th>
<th>15 - Life on Land</th>
<th>16 - Peace, Justice &amp; Strong Institutions</th>
<th>17 - Partnership for the Goals</th>
</tr>
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</table>
### Global Impact- and SDG-Investing

<table>
<thead>
<tr>
<th>Focus</th>
<th>Traditional</th>
<th>Responsible</th>
<th>Sustainable</th>
<th>Finance-first</th>
<th>Impact-first</th>
<th>Philanthropy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Limited or no regard for environmental, social, or governance (ESG) practices</td>
<td>Mitigate risky ESG practices in order to protect value. Includes ‘negative screening’, i.e., screening out of harmful effects of investments</td>
<td>Adopt progressive ESG practices in portfolio decisions that may / are expected to enhance value</td>
<td>Address societal challenges that generate competitive financial returns for investors</td>
<td>Address societal challenges where returns are unproven, and/or where risks to investors are not known as yet</td>
<td>Address societal challenges that require a below market financial return and/or disproportionate risk for investors</td>
</tr>
<tr>
<td></td>
<td>Delivering competitive financial returns</td>
<td>Mitigating Environmental, Social and Governance (ESG) risks</td>
<td>Pursuing Environmental, Social and Governance Opportunities</td>
<td>Focusing on measureable high-impact solutions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**‘SDG Investing’ (SDGI)**

Source: Discussion paper prepared by C-Change (www.c-change.io)**. Jointly commissioned by the Financing for Development Office and the Division for Sustainable Development of the United Nations Department of Economic and Social Affairs. Based on (a) Boston Consulting Group (2015); (b) Multiple Sources, C-Change Analysis
Contact us in case of questions

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