ROBECO
The Investment Engineers

IMPACT MEASUREMENT

SDG Credits strategies

Quantifying the positive impact of companies in our SDG Credits strategies

Sustainable Investing Expertise by ROBECOSAM

Contents

Foreword 3

1. (How) does SDG investing contribute to a sustainable future? 4

2. A Framework for SDG Investing 8

3. How do we know our SDG scores capture companies' impacts? 10

4. Robeco SDG credit strategies 12

5. Going beyond SDG scores: quantifying a company's SDG contributions 14

6. Impact metrics SDG credit range 18

7. Impact measurement: reflections on our approach 21

8. Case studies 26

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Foreword

Seven and a half years ago, in 2015, the UN Sustainable Development Goals were launched with a deadline for achieving all 17 goals by the end of 2030. This means we are now halfway into the implementation of this landmark agenda for sustainable development. However, while we witness progress in some areas, for most of the SDGs we are not on the right track.[1]

Despite the lack of progress there is also hopeful news. Companies are increasingly stepping up their efforts to contribute to the SDGs. This is welcomed by investors that have started to integrate the SDGs into their investment processes, adding 'impact' as a third dimension to the existing risk-return considerations.

At Robeco we have pioneered SDG investing since 2018, when we first devised and applied our SDG Framework. Through this framework, we determine whether companies have a positive, neutral, or negative impact on the SDGs, and which SDGs are relevant to the business. By applying an SDG lens to our investments, we put capital to work for the attainment of the SDGs.

We have continued to build on this, and developed an impact framework to enhance our understanding of the extent to which individual companies contribute towards these goals. This offers an even more sophisticated view on which companies are helping to solve the issues at the heart of the sustainable development agenda, and which are exacerbating them. We believe impact measurement is inextricably linked with SDG investing as it enables investors to determine the outcomes of past investments and make better decisions about future ones.

With our impact measurement and reporting, we seek to inspire investors to invest in solutions that help attain the SDGs. As 'impact' is becoming a key consideration for asset owners, creating insights into the real-world effects of investment portfolios helps ensure capital is directed to the highest-impact opportunities in the most optimal way. By scaling this practice, investor capital can play an increasingly catalytic role in the second half of the 2030 Agenda, so that the private sector can shift gears and accelerate progress towards these goals.

In this report, by focusing on our credit portfolios that apply an SDG lens, we highlight the most important SDG contributions of the investee companies to reveal the associated real-world impact. Furthermore, we reflect on our impact framework, explore case studies, and examine how SDG investing can be a force for positive progress. As a frontrunner in this field, we believe that by sharing our approach and lessons learned we can inspire others to follow suit. Ultimately, our aim is to make SDG investing the new norm for sustainable investing.

"Ultimately, our aim is to make SDG investing the new norm for sustainable investing?

Victor Verberk, CIO Fixed Income and Sustainability

1. https://unstats.un.org/sdgs/report/2022/

1. (How) does SDG investing contribute to a sustainable future?

The rise of SDG investing

Sustainable investing, once a niche practice, has become a large and fast-growing segment. Estimates suggest USD 35.3 trillion, or 36% of total assets under management, is now invested sustainably,[2] compared to USD 13.6 trillion in 2012, or 21.8% of total AUM.[3] These investors have adopted a broader perspective of their fiduciary duty by incorporating all value drivers in investment decision making, including environmental, social, and governance (ESG) factors.

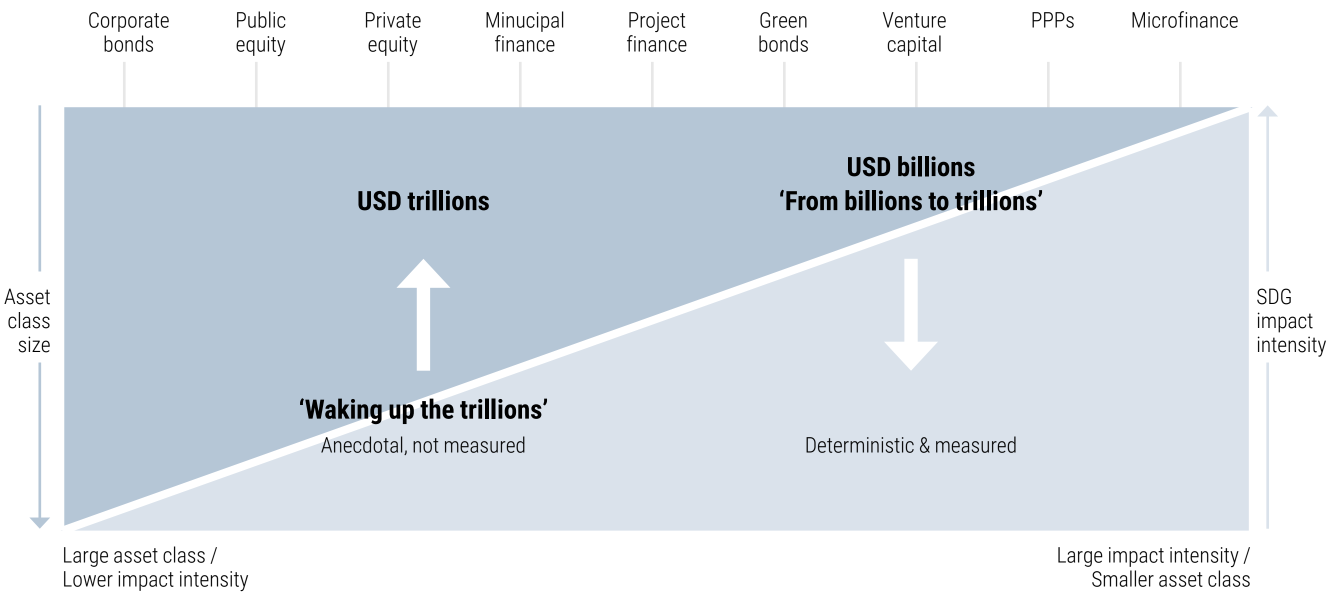
However, despite this considerable growth in sustainable investing, societal challenges continue to mount. In response, the United Nations launched the Sustainable Development Goals (SDGs) in 2015. All countries – no matter how rich or poor – agreed to work towards achieving the 17 SDGs by 2030. These goals cover a broad range of sustainability topics, from eliminating hunger and combating climate change, to promoting responsible consumption and making cities more sustainable.

Sustainable investors looking to move beyond managing ESG risks quickly adopted the SDGs as a blueprint for positive impact, with the notion that aligning their investments with these goals can help advance the 2030 Agenda. While the majority of investments targeting impact still resides in private markets, the introduction of the SDGs coincided with an influx of such strategies in the listed asset space. Most impact investors rely primarily on the SDGs to shape their impact objectives. It is estimated that the impact investing market reached USD 1.164 trillion in assets under management (AUM) in 2022.[4]

This is a welcome development given the magnitude of the challenges laid out in the 2030 Agenda. The United Nations Conference on Trade and Development (UNCTAD) estimates there is a USD 4.3 trillion annual financing gap in achieving the SDGs[5] meaning that, without the participation of public markets, the world will likely fall short on this agenda. The UN Global Compact stresses that, in order to scale SDG investing, it is important to qualify the SDG impact of large, traditional investment asset classes such as public equities and corporate bonds, by taking into account companies' real-world impact.[6]

2. http://www.gsi-alliance.org/wp-content/uploads/2021/08/GSIR-20201.pdf
3. http://gsiareview2012.gsi-alliance.org/pubData/source/Global%20Sustainable%20Investement%20Alliance.pdf
4. https://thegiin.org/research/publication/impact-investing-market-size-2022/
5. https://unctad.org/system/files/official-document/wir2022_overview_en.pdf
6. https://www.unglobalcompact.org/library/5721

Figure 1 | Scaling SDG finance for the SDGs



Source: Figure 1 derived from 'Scaling SDG Finance for the Sustainable Development Goals' UN Global Compact[7]

This is exactly what Robeco's SDG Framework sets out to do. We have pioneered SDG investing by integrating the SDGs into our investment process, to steer capital towards companies contributing to the 2030 Agenda – and away from companies hindering progress.

How can SDG investing make a difference?

From the outset, the rise of investments associated with 'impact' in public markets has been accompanied by concerns about the expectation that impact and market-rate returns can be achieved simultaneously. This concern is largely twofold.

- Firstly, it is argued that public markets are not suitable for investor impact because they deal mainly in secondary trading. Because the company is not a counterparty in the transaction, the investment has no direct effect on its balance sheet, and, in turn, its ability to scale its positive impact.

- Secondly, public markets mainly concern investments in large, established companies, which often already have sufficient access to capital.[8] Given the high liquidity in the market, there would always be another investor willing to make the trade for a similar price. Such investments are thus argued as lacking *additionality*.

7. https://www.unglobalcompact.org/library/5721
8. Heeb, F., & Kölbel, J. (2020). The investor's guide to impact. Technical report, University of Zurich, Center for Sustainable

While we mainly agree with these concerns, we also firmly believe there is an important role for investors to promote sustainable business practices. More specifically, we see two mechanisms through which dedicated investing in companies that contribute to the SDGs can create impact:

- Signaling effect: by implementing SDG screening criteria and exclusions, investors can signal to the market that impact is a key consideration for making investments. When such signals gain sufficient traction, it forces companies to critically think about their access to such investors' capital. It encourages these companies to become more sustainable.
- Pricing-in effect: when more investors are seeking to invest in a particular security, e.g. that of a sustainable issuer, all else equal, this has a positive effect on its price. In the case of a fixed income security, the issuer's cost of debt decreases, meaning it will pay less interest on the loan sum of a subsequent bond issue. This enables it to attract more capital for the same price, and therefore to scale its positive impact beyond what would otherwise have happened.

It is, however, important to acknowledge that one investor, no matter its size, cannot singlehandedly have a significant effect. These mechanisms only work if they are carried out by a critical mass in the financial ecosystem. Our view is that additionality – where impact is attributed to a single actor – is not the goal in public markets. Rather, every investor has a role to play. Robeco is determined to play its part by continuing to scale our assets under management that are aligned with the SDGs.

But our aim is also to go further than that. Often, investors' inability to adequately qualify companies' SDG contributions at scale hinders their participation. Therefore, to further accelerate SDG investing in public markets, Robeco made the decision to open up its SDG scores. Through this initiative, we support other investors in assessing the alignment of their portfolios with the 2030 Agenda – and believe this can help in *'waking up the trillions'*.

2. A framework for SDG Investing

Set up in 2015 by the UN, the SDGs provide a shared blueprint for peace and prosperity for people and the planet, now and into the future. The SDGs are a perfect way to align investors with broader societal objectives. The granularity of the SDGs helps to clearly articulate how sustainability topics are applied to investment decision making and to explain specifically how finance contributes.

Our SDG Framework builds on a pioneering research tradition, and further expands on our decades-long lead in sustainable investing. The SDG score, together with the macroeconomic outlook, fundamental analysis, sustainability research and ongoing risk management, helps the investment teams reduce downside risk and select the most promising bonds for our SDG credit portfolios.

Robeco SDG Framework

With 17 goals and 169 targets, the SDGs address a very broad range of issues, some of which have mutually conflicting effects. Our SDG measurement framework provides clear, objective and consistent guidelines for dealing with these challenges.

Through this framework, companies are given a score for every SDG that is relevant to their business, indicating both the direction of the impact (positive, neutral or negative) and the intensity (high, medium or low). These 17 scores are then consolidated into one overall score. This process enables us to create a universe of investable issuers, namely those issuers considered to have a positive impact on the SDGs overall as well as aligning with individual goals.

Figure 2 | The three steps of the Robeco SDG Framework

Step 1
Products

What do companies produce?

- Positive contribution examples: medicine, water, healthcare
- Negative contribution examples: shale gas, fast food, gambling

Step 2
Procedure

How do companies produce?

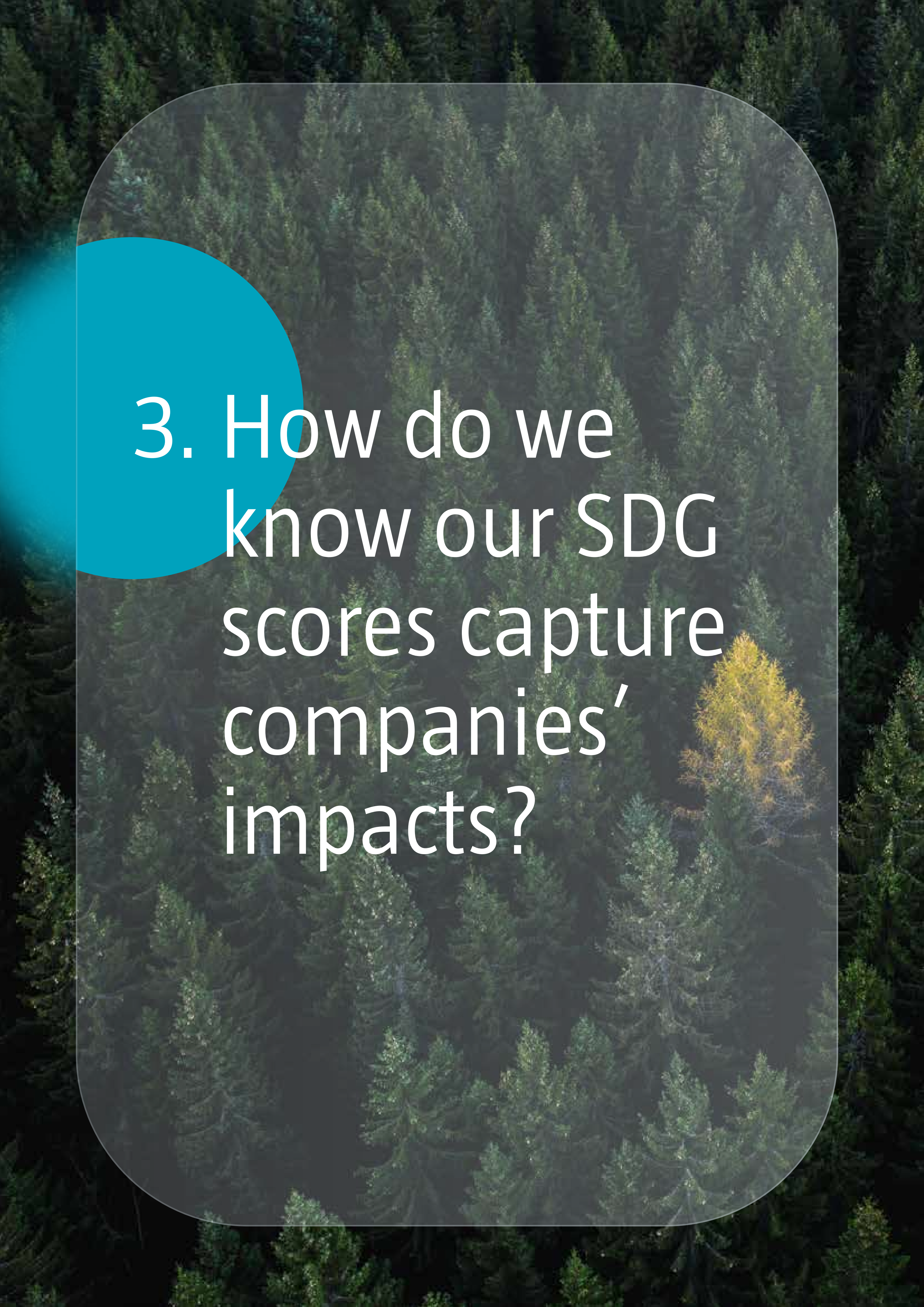
- Governance factors
- Pattern of questionable conduct?
- Differentiate between firms with highest SDG impact

Step 3
Controversies

Are controversies known?

- Example of controversies: spills, bribery and fraud, mis-selling

Source: Robeco



3. How do we know our SDG scores capture companies' impacts?

We introduced our SDG Framework in 2017 and have applied it in our SDG Credits strategies since 2018. Since then we have continued to innovate, leveraging new data and insights to best identify companies' core impact.

But how do we know our SDG scores are good scores?

To understand this better, we wrote an academic paper entitled "ESG to SDG: Do Sustainable Investing Ratings Align with the Sustainability Preferences of Investors, Regulators, and Scientists?", to assess if our SDG scores adequately capture companies' impact on sustainable development. We conducted three tests in the paper:

- Do these metrics align with investors' revealed sustainability preferences?
- Do these metrics align with sustainable investing regulation?
- Do these metrics align with climate science?

We found that the SDG scores align well with these tests. Companies that are on asset owners' exclusion lists, companies that breach the EU Taxonomy's DNSH principle, and companies that are among the 100 highest emitters predominantly get negative SDG scores. In turn, companies that are included in sustainable thematic strategies and/or generate the majority of their revenues from activities aligned with the EU taxonomy – and thus contribute to climate action – overwhelmingly receive positive scores through our SDG Framework.

Conversely, we found that none of the ESG ratings align with the sustainability preferences of investors, regulators and scientists. ESG ratings are not suited to differentiate between companies with positive and negative impact.

As such, we consider our SDG scores to be a good tool to account for companies' impacts in our investment process. This is not to say that ESG ratings have no value. On the contrary: ESG ratings are critical in our investment approach and help us, once we have identified which companies support the SDGs, avoid sustainability risks and seize opportunities. Our SDG scores and ESG assessment therefore forms an integrated sustainable investing approach. Jointly, these two metrics target positive impact on the SDGs while pursuing financial performance.

4. Robeco SDG credit strategies

Robeco's SDG Credit strategies are a powerful investing tool that can help build wealth while aligning with the Sustainable Development Goals. The SDG Credits range includes options for investors with a traditional, global focus, as well as those looking for a more flexible, income-rich option. All four strategies are actively managed and use our proprietary SDG framework to select companies that contribute to the SDGs, and exclude those companies that hinder progress to achieving the goals.

ROBECOSAM GLOBAL SDG CREDITS

Objective
To provide long-term capital growth while also contributing to the SDGs.

Approach
Targets investment grade credits, but to a limited degree can also invest in quality high yield and emerging market credits. The strategy will not invest in assets that have a rating lower than 'B-' from at least one of the recognized rating agencies.

Benchmark
Aims to outperform the Bloomberg Global Aggregate Corporates Index.

ROBECOSAM SDG CREDIT INCOME

Objective
The strategy aims to maximize income while also contributing to the SDGs.

Approach
Builds on the investment team's views on overall market conditions as well as thorough fundamental analysis. It has flexibility to invest in all fixed income segments, including investment grade, high yield and emerging market corporate bonds.

Benchmark
Has no benchmark but aims to optimize yield and income.

ROBECOSAM EURO SDG CREDITS

Objective
To provide long-term capital growth while also contributing to the SDGs.

Approach
Combines top-down views on the market with skilful issuer selection to construct a portfolio that is diversified across issuers and sectors, providing a diversified exposure to the Euro investment grade credit market.

Benchmark
Aims to outperform the Bloomberg Euro Aggregate Corporate Bond Index.

ROBECOSAM SDG HIGH YIELD BONDS

Objective
To provide long-term capital growth while also contributing to the SDGs.

Approach
Invests in corporate bonds with a sub-investment grade rating, with a structural bias to the higher-rated part of the high yield market. Managed by an experienced team through a disciplined and repeatable investment process.

Benchmark
Aims to outperform the Bloomberg Global High Yield Corporate Index.

5. Going beyond SDG scores: quantifying a company's SDG contributions

We apply the Robeco SDG framework in our SDG Credit strategies to define the investable universe, consisting of companies that either have a neutral impact or contribute positively to the SDGs. Per portfolio, we report on overall SDG score alignment, including versus the index, as well as alignment with individual SDG scores. Figure 3 shows the alignment of the portfolios in our SDG Credits range across individual SDGs.

Impact indicators to quantify SDG contributions

While the SDG Framework is a great tool to create investment strategies that are in line with the goals of the 2030 Agenda, it does not quantify the difference companies are making in the real world. For instance, a pharmaceutical company could receive an SDG score of +2, indicating it has medium positive impact, thanks to its creation of adequate and safe medicines that help reduce mortality and morbidity. Only by quantifying the outputs and outcomes that our investee companies provide, do we discover the real-world effects our investments are associated with.

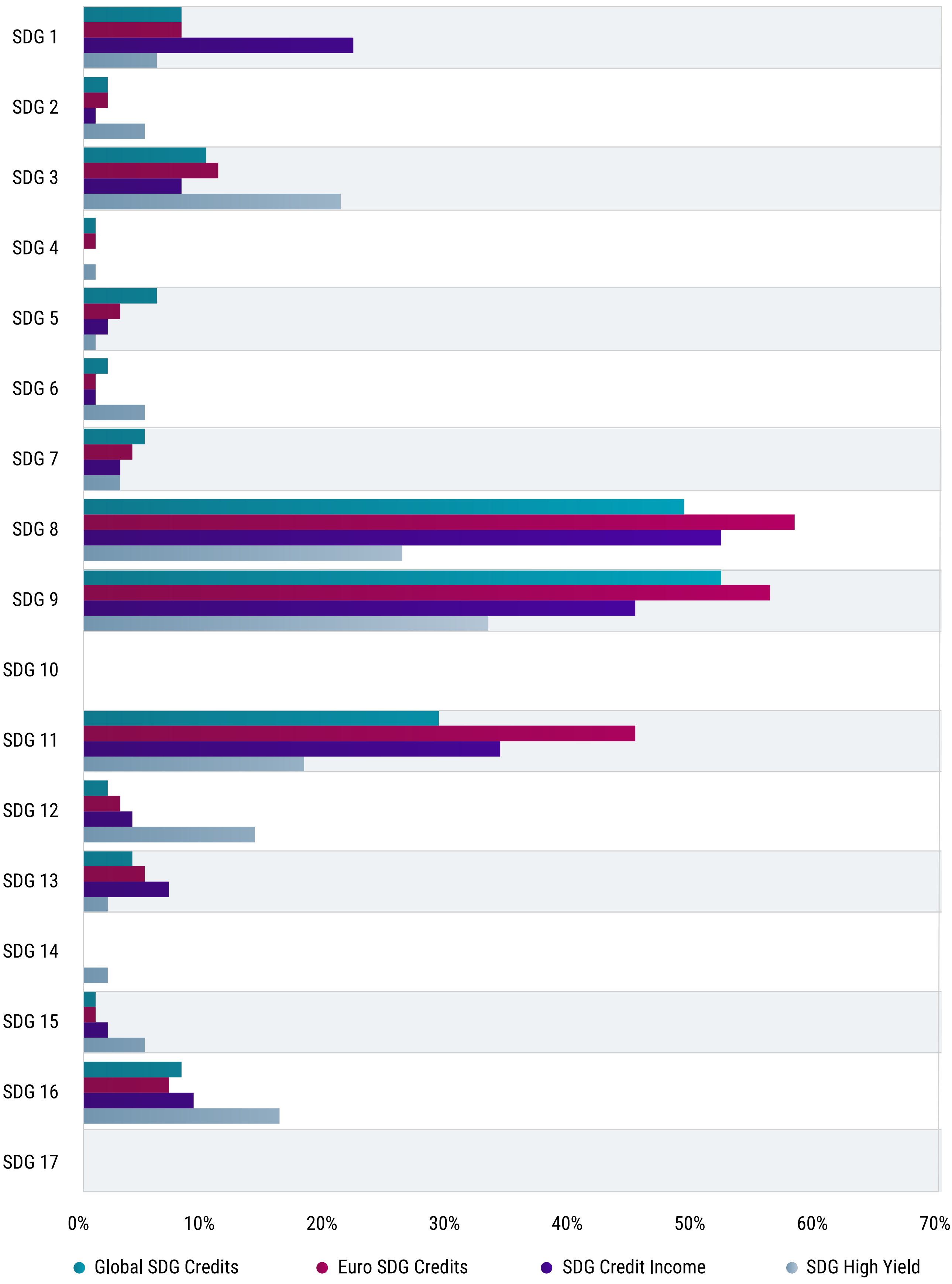
To this end, Robeco has created a framework through which we capture companies' contributions to relevant SDGs in a concise, consistent and comparable manner. It consists of indicators that are linked to official SDG targets and indicators. For holdings with a positive SDG score, we measure the overall contribution and attribute part of this impact to our investment, based on the value of the holding relative to the company's enterprise value. In so doing, we only show the impact exposure that is attributable to our investment based on the capital we allocated. Next, we aggregate the results per impact indicator.

In the following chapter we illustrate for each strategy in our SDG Credits range the impact that can be attributed to a EUR100 million investment, which allows for comparison across strategies.

WHEN ANALYZING THE IMPACT FIGURES, KEEP IN MIND THAT:

- We only measure the impact of companies with a positive SDG score. However, not all companies with a positive SDG score report on their impact, though, while others' impact reporting is not always fully compatible with our framework. These companies are excluded from the analysis. Per strategy, we show the proportion of the holdings that have been covered with an impact metric.
- There are cases where companies provide relevant information on their impact, but where additional calculations are required to turn this data into informative metrics. Therefore, the impact reported contains estimates and margins of error. An additional consideration is that some companies in the portfolio may be working towards the same outcome (e.g. both treated the same patient in the reporting year); as individual company impact effects are aggregated, the metrics reported may include double counting.
- The investment in the strategy has no causal relation with the impact metrics. For example, increasing the portfolio exposure to a specific issuer does not imply that the issuer will increase its positive impact.

Figure 3 | Portfolio alignment with individual SDGs



Source: Robeco

This report shows the portfolios' impact alignment with the Sustainable Development Goals. The graphs depict the portfolio weight allocated to companies contributing each individual SDG. As a company can have an impact on several SDGs (or none), the values shown in the report do not add up to 100%.

The chart above illustrates the alignment of the individual strategies with the SDGs.

It shows that, for all strategies, the largest exposure is to companies contributing to SDG 8 and SDG 9. Examples of such companies are banks, insurance companies and professional service providers. Furthermore, we see that SDG 11 is also a relatively investible SDG, associated with residential home developers, EV manufacturers, and banks involved in mortgage financing. Most strategies also align well with SDG 3, with the relevant companies here including pharmaceuticals, automotive suppliers (through contributions to car safety), and producers of personal care products. Similarly, we see that particularly SDG 5, SDG 10 and SDG 17 are least investible for these strategies. This is primarily because companies typically are not considered to have a material impact on these SDGs through their products and services.

More specifically, the graph illustrates that Euro SDG Credits has a relatively high positive exposure to SDG 11, while SDG Credit Income is the most invested in companies that are aligned with SDG 1. Furthermore, SDG High Yield has the highest alignment with SDG 3 and SDG 16. The latter mostly reflects investments in telecom companies.

In chapters 4 and 5 we analyse whether this is also translated in the impact metrics.

6. Impact metrics SDG credit range

Figure 4 | In one year, EUR 100 million invested in RobecoSAM Global SDG Credits is associated with…

1. No poverty	- Reaching **28** people with microfinance or microinsurance (1.4)
2. Zero hunger	- Reaching **1,500** people with inputs for a healthy diet (2.1.1) - Providing 2 agricultural machines (2.3)
3. Good health and well-being	- Reaching **2,600** people with medical services (3.8.1) - Providing **430** people with health insurance coverage (3.8)
6. Clean water and sanitation	- Treating **130,000** m3 of wastewater (6.3.1) - Providing **1,100** people with hygiene products (6.2)
7. Affordable & clean energy	- Distributing energy to **350** households (7.1) - Operating **2** KM of electricity transmission lines (7.1) - Generating **400** MWh of renewable energy (7.2)
8. Decent work and economic growth	- Providing **1** company with services to improve productivity (8.3) - Extending **6.6** million EUR of financing to SMEs (8.3)
9, Industry, innovation and infrastructure	- Providing **4,800** metric tons of material inputs (9.1) - Providing 1 construction machine
11. Sustainable cities and communities	- Issuing **1.4** million EUR mortgage financing to low- and middle-income households (11.1) - Providing **2** electric vehicles (11.2)
12. Responsible consumption and production	- Recycling **63** metric tons of materials (12.5)
15. Life on land	- Conserving **17** hectares of forests (15.2)
16. Peace, justice and strong institutions	- Providing **12,500** people with telecommunication services (16.10)

The numbers in brackets represent the official UN SDG target or indicator the impact metric is linked to. The impact of 228 companies in the portfolio representing 52.63% of its market value has been aggregated, rounded and shown per EUR 100 million invested. Holdings as of 30 June 2022. Market value of the holding is normalized by the company's enterprise value.
Source: Robeco

Figure 5 | In one year, EUR 100 million invested in RobecoSAM Euro SDG Credits is associated with…

1. No poverty	- Reaching **9** people with microfinance or microinsurance (1.4)
2. Zero hunger	- Reaching **2,000** people with inputs for a healthy diet (2.1.1)
3. Good health and well-being	- Reaching **7,600** people with medical services (3.8.1) - Providing **740** people with health insurance coverage (3.8)
4. Quality education	- Supporting **70** student with educational services (1.4)
6. Clean water and sanitation	- Treating **130,000** m3 of wastewater (6.3.1) - Providing **5,000** people with hygiene products (6.2)
7. Affordable & clean energy	- Distributing energy to **500** households (7.1) - Operating **1.5** KM of electricity transmission lines (7.1) - Generating **550** MWh of renewable energy (7.2)
8. Decent work and economic growth	- Extending **13** million EUR of financing to SMEs (8.3)
11. Sustainable cities and communities	- Issuing EUR **4.2** mln mortgage financing to low- and middle-income households (11.1) - Constructing **6** residential homes (11.1) - Providing **3** electric vehicles (11.2)
16. Peace, justice and strong institutions	- Providing **14,800** people with telecommunication services (16.10) - Providing **50** people with online or physical security services (16.10)

The numbers in brackets represent the official UN SDG target or indicator the impact metric is linked to. The impact of 138 companies in the portfolio representing 69.5% of its market value has been aggregated, rounded and shown per EUR 100 million invested. Holdings as of 30 June 2022. Market value of the holding is normalized by the company's enterprise value.
Source: Robeco

Figure 6 | In one year, EUR 100 million invested in RobecoSAM SDG Credit Income is associated with…

1. No poverty	8. Decent work and economic growth	15. Life on land
- Reaching **300** people with microfinance or microinsurance (1.4)	- Extending **19** million EUR of financing to SMEs (8.3) - Providing **5** companies with services to improve productivity (8.3)	- Conserving **23** hectares of forests (15.2)
2. Zero hunger	**9. Industry, innovation and infrastructure**	**16. Peace, justice and strong institutions**
- Reaching **650** people with inputs for a healthy diet (2.1.1) - Providing **2** agricultural machines (2.3)	- Providing **4,800** metric tons of material inputs (9.1) - Providing 1 construction machine (9.1)	- Providing **14,500** people with telecommunication services (16.10)
3. Good health and well-being	**11. Sustainable cities and communities**	
- Reaching **2,400** people with medical services (3.8.1) - Providing **800** people with health insurance coverage (3.8)	- Issuing **1.4** million EUR mortgage financing to low- and middle-income households (11.1) - Providing **2** electric vehicles (11.2)	
7. Affordable & clean energy	**12. Responsible consumption and production**	
- Distributing energy to **6,000** households (7.1) - Operating **300** M of electricity transmission lines (7.1) - Generating **16** MWh of renewable energy (7.2)	- Recycling **131** metric tons of materials (12.5)	

The numbers in brackets represent the official UN SDG target or indicator the impact metric is linked to. The impact of 159 companies in the portfolio representing 54.9% of its market value has been aggregated, rounded and shown per EUR 100 million invested. Holdings as of 30 June 2022. Market value of the holding is normalized by the company's enterprise value.
Source: Robeco

Figure 7 | In one year, EUR 100 million invested in RobecoSAM SDG High Yield Bonds is associated with…

1. No poverty	7. Affordable & clean energy	12. Responsible consumption and production
- Reaching **52** people with microfinance or microinsurance (1.4)	- Installing **300** KWh renewable energy capacity (7.2) - Generating **17** MWh of renewable energy (7.2) - Saving **81** MWh energy through efficiency solutions (7.3)	- Recycling **6,000** metric tons of materials (12.5)
2. Zero hunger	**8. Decent work and economic growth**	**15. Life on land**
- Reaching **5.000** people with inputs for a healthy diet (2.1.1)	- Extending **3.5** million EUR of financing to SMEs (8.3) - Providing **4** companies with services to improve productivity (8.3)	- Conserving **14** hectares of forests (15.2)
3. Good health and well-being	**9. Industry, innovation and infrastructure**	**16. Peace, justice and strong institutions**
- Reaching **27,500** people with medical services (3.8.1)	- Providing **10,200** metric tons of material inputs (9.1) - Providing **100** construction machines (9.1)	- Providing **29,000** people with telecommunication services (16.10) - Providing **10** people with online or physical security services (16.10)
6. Clean water and sanitation	**11. Sustainable cities and communities**	
- Distributing **422** m3 of drinking water to **320** people (6.1) - Providing **21,000** people with hygiene products (6.2) - Treating **20,000** m3 of wastewater (6.3.1)	- Issuing **200,000** EUR mortgage financing to low- and middle-income households (11.1) - Constructing **1** residential home (11.1)	

The numbers in brackets represent the official UN SDG target or indicator the impact metric is linked to. The impact of 203 companies in the portfolio representing 49.3% of its market value has been aggregated, rounded and shown per EUR 100 million invested. Holdings as of 30 June 2022. Market value of the holding is normalized by the company's enterprise value.
Source: Robeco

7. Impact measurement: reflections on our approach

In this chapter we analyze the impact metrics provided on the previous pages and highlight some reflections on our impact measurement approach.

Reflection I: Our impact framework creates a real-world reflection of our SDG scores

Before analyzing the impact metrics above, it is important to understand that there are various factors that can influence the magnitude of a particular impact metric. These include 1) the number of companies in a portfolio that are covered by an impact metric, 2) the magnitude of an investee company's impact, and 3) the value of the investment in a company relative to its enterprise value. Growth in any of these three factors will, all else equal, lead to higher impact figures. These dimensions are important to consider when comparing results across strategies and drawing conclusions.

That said, there is clear consistency between the portfolios' alignment with individual SDGs and the impact figures of corresponding strategies. For instance, Euro SDG Credits is associated with the highest figure of mortgage finance extended to low- and middle-income households (EUR 4.2 million), which is in line with the high positive exposure of this strategy to SDG 11. Similarly, SDG Credit Income, which has the second-largest exposure to SDG 1, is most invested in issuers that provide microfinance.

The same alignment is noticeable with SDG High Yield, which has the highest exposure to SDG 3 and SDG 16. Despite having the lowest coverage, we see that this strategy has the highest impact figures related to number of patients reached (27,500) and people provided with access to telecommunication services (29,000).

Despite some of the challenges in measuring the impact of these portfolios – such as data availability – we believe our impact framework does an adequate job in translating our SDG scores into real-world impact.

Reflection II: Complement product impact with operational impact for a more holistic picture

Generally, when assessing investee companies' sustainability practices, investors predominantly focus on operational impact. Few measure the impact of a company's products and services, which we believe is the core of a company's impact and where they can have additionality. To us, it is critical to be able to select those companies that make a meaningful contribution to the SDGs in a way that others are not able to, and that are best positioned to scale their positive impact with additional capital.

However, we acknowledge it is equally important to account for potential negative operational impact (e.g. environmental footprint of production). This helps to distinguish companies that are able to deliver their products and services without disproportionate environmental or social pressures, and provides a more complete picture of a company's impact.

Our SDG Framework applies a holistic perspective on companies' impact by incorporating insights on their products as well as business conduct. In the case of our impact framework, we are in the process of expanding it to include meaningful metrics for operational impact alongside the existing metrics that relate to a company's core business.

Reflection III: It is not always possible to accurately reflect SDG contributions along the value chain

Another issue of impact measurement relates to identifying who in the value chain is generating the impact.

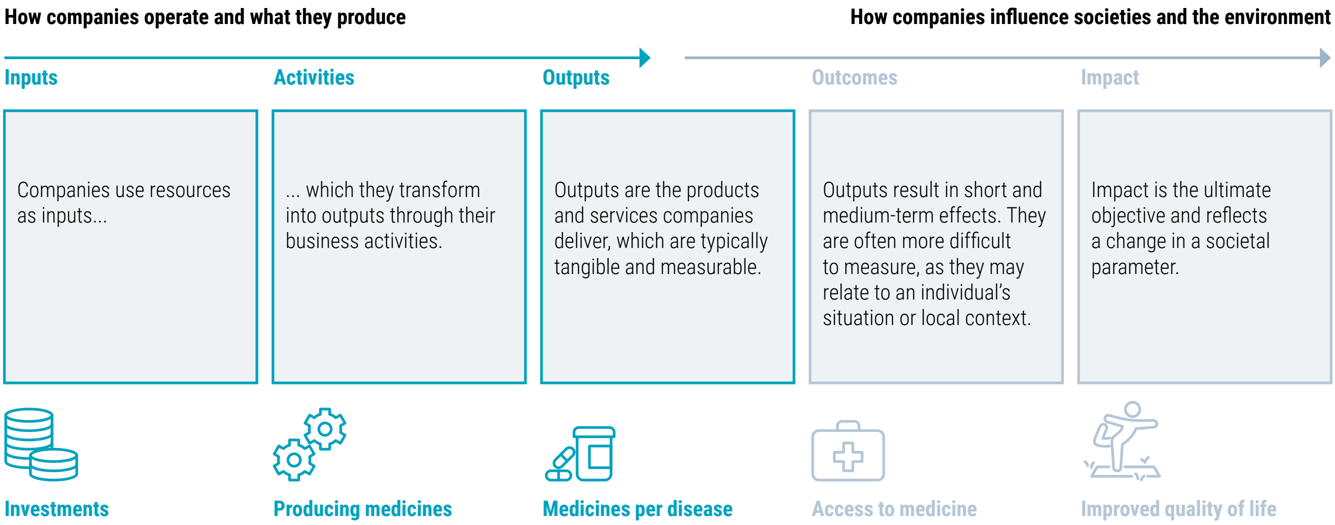
Supply-chains are complex by nature and many actors contribute, either directly or indirectly, to a variety of end-products. Because the contributions of end-products are tangible, it is fairly straightforward to assess their benefits in terms of the SDGs. For example, we know that an electric vehicle is cleaner than an internal combustion engine (ICE) vehicle, and thus we can safely qualify it as an SDG contribution (SDG 11.2). However, the same cannot be said for companies that operate further upstream in the supply chain. For instance, what is the impact of a company that manufactures car parts such as safety belts? While we know this is important for the safety of passengers (SDG 3.6), it is difficult to quantify the real-world effects in isolation and, with that, the company's contribution to this SDG target.

While we acknowledge that upstream companies are crucial in delivering end-products that generate positive impact, we have opted for an approach that keeps impact measurement simple yet pragmatic: we do not measure the impact of companies where their specific contributions are unclear. As a result, the positive impact of downstream companies are better reflected than those of upstream companies. But more importantly, this approach reduces the margin of error in our analysis as well as the risk of double-counting impact along the value chain.

Reflection IV: Measuring outcomes and impact is meaningful, yet challenging to do reliably

Impact practitioners often draft a 'theory of change' that describes a sequence of cause-and-effect actions or occurrences that they believe will contribute to a set of impact objectives. It starts with inputs and activities, which are followed by outputs, outcomes and, ultimately, impact .

Figure 8 | 'Theory of change' example



Source: Robeco

In our effort to identify companies' ultimate impact, we try to understand the ways in which they contribute to the SDGs. Since 2017, we have been pioneering in assessing companies' activities through our SDG Framework. More recently, we formulated key impact indicators to translate these SDG scores into the next steps of the theory of change, to better understand their real-world effects.

Taking a closer look at our indicators, we see that most of these capture companies' outputs, and in some cases, outcomes. For instance, 'metric tons of industrial inputs provided' is an output, while the 'number of low- or medium-income households provided with mortgage financing' can be classified as an outcome metric since it depends on an individual's situation. It is clear the latter metric is better suited to illustrate the positive difference a company is making. As such, the more we are able to translate outputs to outcomes, the more meaningful and insightful our impact reporting becomes. This is a key focus for the further development of our impact framework.

Unfortunately, it is very challenging to understand how these outcomes, in turn, result in changes in societal parameters (impact), as there are many factors involved. For instance, we cannot simply isolate the effects of 'metric tons of waste treated' by a certain company on the amount of plastics entering our oceans or other ecosystems. As a result, it is not feasible to do this across all our indicators and at the scale of a diversified investment portfolio. Instead, we focus on outputs and, where we can, outcomes, to reflect the SDG contributions of our investee companies as the best available proxy for the societal impact they generate.

Reflection V: We cannot assess all dimensions of impact at a portfolio level

Most of the key impact indicators reflect what a company does, and how much of it the company realizes. They do not consider other dimensions of impact as set out by the Impact Management Project (IMP).[9] This initiative brought together a broad range of impact practitioners to build consensus on how impact should be measured. The outcome of this process is probably the closest the impact community has come to global standard setting.

Coming back to the example of the healthcare company: knowing how many patients this company has reached is meaningful, but delving deeper would give an even more holistic view. For example, one could identify patients with lower access to healthcare (the 'who'), the degree of health improvement they experienced ('depth') and the time period during which the patients experience that improvement ('duration').

However, there are several issues associated with measuring impact across all dimensions. To start with, such granularity prohibits aggregation (e.g. adding two different stakeholder groups) and is unsuitable for comparing results. Furthermore, as companies' disclosures on these types of dimensions are uncommon, it would require a lot of time to conduct this research, meaning it is unfeasible to scale this approach to a wider investment portfolio. Above all, the assumptions we would need to make would result in a larger margin of error. For these reasons, our framework focuses on what we deem the most important dimensions.

Still, the five dimensions remain useful in case studies as they provide a holistic picture of an individual company's core impact. This is illustrated in the next chapter.

9. https://impactfrontiers.org/norms/five-dimensions-of-impact/

Figure 9 | Five dimensions of impact

The Impact Management Project reached global consensus that impact can best be understood across five dimensions

Impact dimension	Impact question each dimension seeks to answer
What	What outcome(s) do business activities drive? How important are these outcomes to the people (or planet) experiencing them?
Who	Who experiences the outcome? How underserved are the affected stakeholders in relation to the outcome?
How much	How much of the outcome occurs across scale, depth and duration?
Contribution	What is the enterprise's contribution to the outcome, accounting for what would have happened anyways?
Risk	What is the risk that impact does not occur as expected?

Source: Impact Management Project

Reflection VI: while impact measurement may be challenging, it is crucial for SDG investing

In this chapter we've highlighted some reflections on (and limitations of) impact measurement. Evidently, the practice is still in its infancy, partially due to the lack of standardization and company disclosures. This means we have to conduct our own research and make informed assumptions where there still are data gaps.

As a result, impact metrics are not at a stage where they can systematically be integrated into our investment processes. However, this is not the objective of our efforts to measure and report impact. Rather, it is about understanding how a portfolio is contributing to (or detracting from) the sustainable development agenda and creating transparency around this.

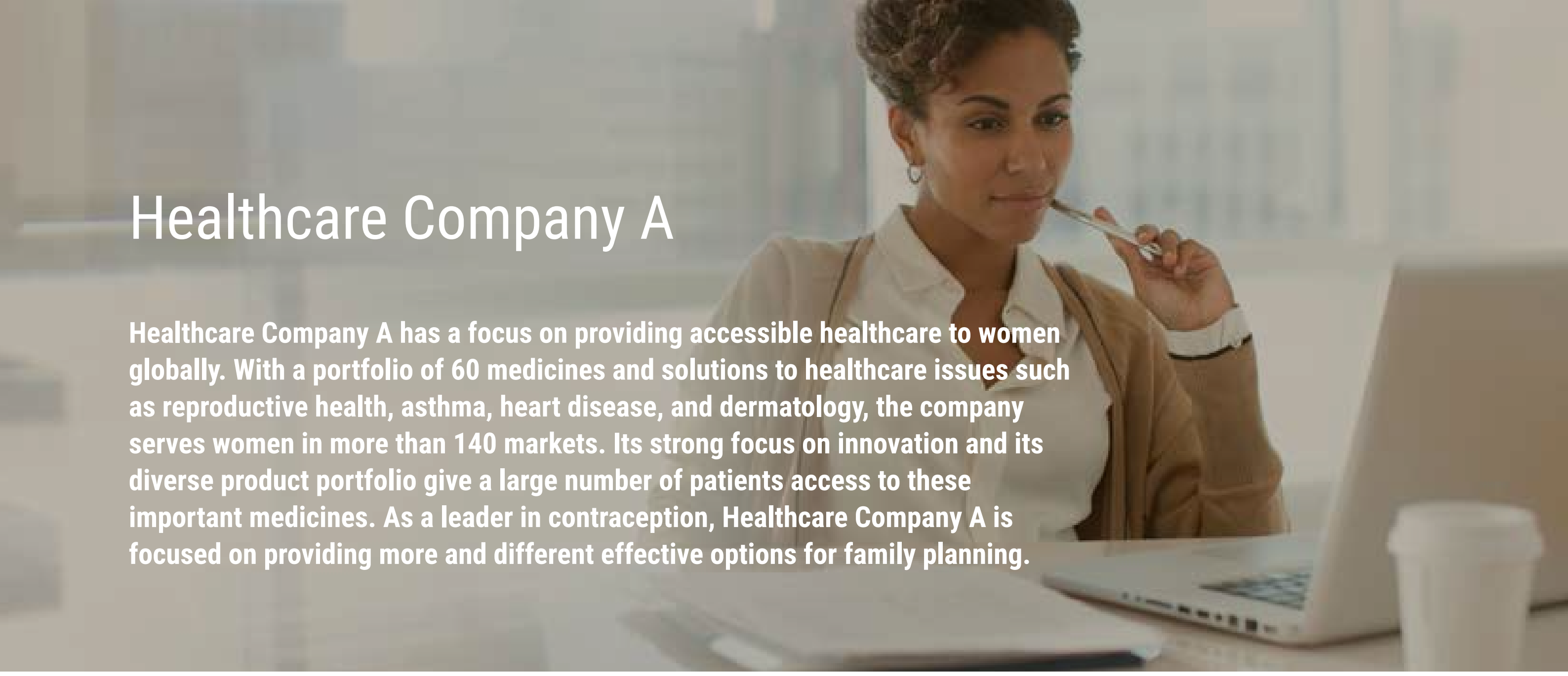
At Robeco, we only create impact reports for strategies that exclude companies with material negative impact, as determined by our SDG Framework. For clients that invest in these strategies, impact is a key consideration, thus we see it as part of our fiduciary duty to identify the real-world impact of the companies in which they are invested, and to make these as tangible as possible.

Through these efforts, we seek to attract more capital for our SDG investing strategies, which can, in turn, be allocated to companies that provide solutions to societal issues. As discussed in Chapter 1, this is a key lever through which Robeco can make a positive impact as investor.

In addition, our impact framework is under ongoing development as we continue to implement our lessons learned and new data comes available. As such, we believe our approach offers a useful stepping-stone to further advance impact measurement in listed assets.

8. Case studies

The below case studies highlight the impact of several issuers across five dimensions. The cases represent actual holdings in this strategy but have been anonymized. All relevant information is derived from company websites and/or reporting.



Healthcare Company A

Healthcare Company A has a focus on providing accessible healthcare to women globally. With a portfolio of 60 medicines and solutions to healthcare issues such as reproductive health, asthma, heart disease, and dermatology, the company serves women in more than 140 markets. Its strong focus on innovation and its diverse product portfolio give a large number of patients access to these important medicines. As a leader in contraception, Healthcare Company A is focused on providing more and different effective options for family planning.

3. Good health and well-being	
Target 3.7	By 2030, ensure universal access to sexual and reproductive healthcare services, including for family planning, information and education, and the integration of reproductive health into national strategies and programs.
Target 3.8	Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services, and access to safe, effective, quality and affordable essential medicines and vaccines for all.

What

Healthcare Company A improves women's health by providing 60 medical solutions to healthcare issues such as reproductive health, asthma, heart disease and dermatology. Representing 12.2% of their revenue, their main product is a hormonal birth control implant. The aim of the company is to provide better access to contraceptive products and increase the availability of products to inhibit unwanted pregnancies.

Who

Each year, 121 million women have unintended pregnancies, of which 60% end in abortion.[10] However, 45% of all abortions are unsafe, causing 5-13% of all maternal deaths.[11] This is a result of a range of factors such as lack of information and access to healthcare, harmful societal norms, unsuitable medical options, or poverty.[12]

How much

Scale

Healthcare Company A provided birth control implants to 20 million women, preventing an estimated 40 million unintended pregnancies. It is working towards its goal of reaching 100 million women in low and middle-income countries by 2030, to prevent unintended pregnancies.

Duration

The birth control implants have a lifespan of three years before needing to be replaced.

Contribution

Healthcare Company A is the only company in the world to focus exclusively on serving women's healthcare, contributing to significant relevant expertise. By also focusing on low- and middle-income countries, it serves underserved communities that would otherwise not have been reached.

Risk

As with most medicines, there are side effects that can hamper the effectiveness of birth control implants, and that could result in patients removing the implant early on. Studies indicate a high discontinuation rate of birth control implants (5-20%),[13, 14] therefore limiting the impact that the company can make.

10. https://www.unfpa.org/sites/default/files/pub-pdf/EN_SWP22%20report_0.pdf
11. Ibid.
12. Ibid.
13. G/Medhin, T., Gebrekidan, K. G., Nerea, M. K., Gerezgiher, H., & Haftu, M. (2019). Early implanon discontinuation rate and its associated factors in health institutions of Mekelle city, Tigray, Ethiopia 2016/17. BMC Research Notes, 12(1). https://doi.org/10.1186/s13104-018-3992-3
14. Nageso, A., & Gebretsadik, A. (2018). Discontinuation rate of implanon and its associated factors among women who ever used Implanon in Dale District, southern Ethiopia. BMC Women's Health, 18(1). https://doi.org/10.1186/s12905-018-0678-x

Renewable Energy Company B

Renewable Energy Company B is one of India's fastest-growing renewable energy companies, focusing on developing and storing clean energy through wind, solar and hydropower. By building, owning, and operating these renewable solutions, it is strategically situated across the country's business landscape. Renewable Energy Company B has ambitious plans to invest USD 20 billion in the next three to five years to develop new renewable energy assets in India and help the country shift away from its reliance on coal-based energy generation.

7. Affordable & clean energy	
Target 7.1	Ensure universal access to affordable, reliable and modern energy services
Target 7.2	Increase the share of renewable energy in the global energy mix by 2030

What

Renewable Energy Company B produces and stores renewable energy for India's energy sector. Renewable energy is obtained from natural sources such as wind, sunlight and water, leading to far lower GHG emissions than fossil fuel energy does. In addition, its energy storage solutions ensure 24/7 access to renewable energy for its customers. Through further innovation in this space, the cost of energy is expected to decrease by 20% in the next five years, providing greater access to renewable energy in India.

Who

The company generates renewable energy that replaces more carbon-intensive energy from fossil fuels, and ultimately prevents carbon being emitted into the atmosphere, benefitting the planet. Through its efforts to drive down energy prices, it works towards ensuring widespread access to affordable and clean energy in India.

How much

Scale

Renewable Energy Company B operates 7.5 GW of wind, solar and hydropower generation capacity across 15 states in India, of which 1 GW was added in 2021. In that same year, the company produced 9,745 GWh of renewable energy, equal to the average energy consumption of over 8 million Indians.[15] It also operates 22 GWh of energy-storage capacity.

Depth

Coal-fired power generation currently accounts for 75% of India's energy.[16] By providing carbon-free energy, Renewable Energy Company B therefore contributes to a substantial reduction in CO2 emission at a national level. By making clean energy affordable, Renewable Energy Company B makes a significant difference in people's lives, as energy access is at the heart of development.[17]

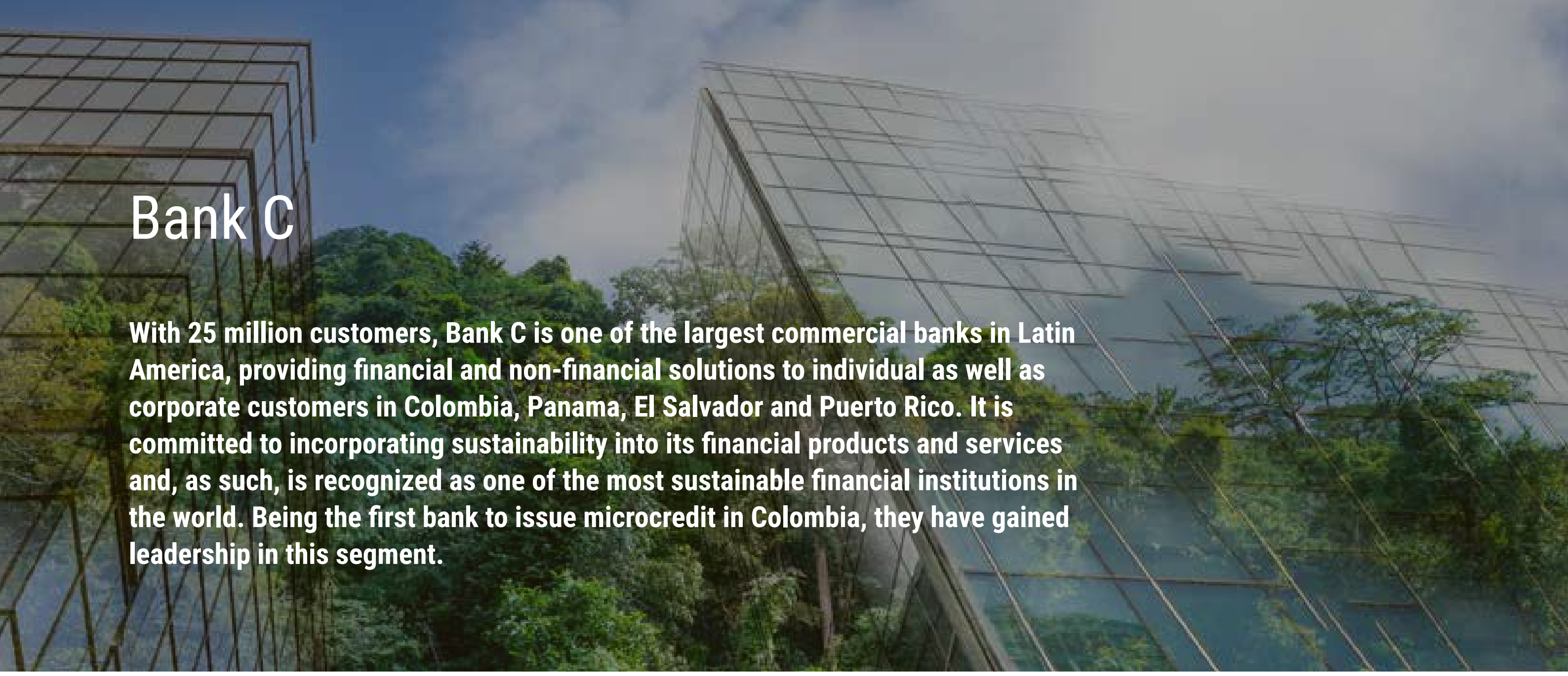
Contribution

As a leader in renewable energy in India, Renewable Energy Company B produces clean, affordable and dispatchable energy domestically, which currently heavily relies on carbon-intensive energy sources. As such, it helps drive the energy transition in India. Through a combination of its energy generation and storages solutions, the company improves access to clean energy and has a unique impact on people's lives.

Risk

The company generates energy through solar, wind and hydropower, for which the generated amount depends on the number of sun hours, wind and water available in India. As this is dependent on external factors, there is the risk of disruption to its ability to provide energy. Furthermore, the company is mindful of the risk of extreme weather events on its power grid.

15. https://www.moneycontrol.com/news/trends/current-affairs-trends/indias-per-capita-power-consumption-rising-but-wide-variations-persist-across-states-6663841.html
16. Ministry of Coal (n.d.) Generation of Thermal Power from Raw Coal. https://coal.nic.in/en/major-statistics/generation-of-thermal-power-from-raw-coal
17. https://www.worldbank.org/en/news/feature/2018/04/18/access-energy-sustainable-development-goal-7



Bank C

With 25 million customers, Bank C is one of the largest commercial banks in Latin America, providing financial and non-financial solutions to individual as well as corporate customers in Colombia, Panama, El Salvador and Puerto Rico. It is committed to incorporating sustainability into its financial products and services and, as such, is recognized as one of the most sustainable financial institutions in the world. Being the first bank to issue microcredit in Colombia, they have gained leadership in this segment.

1. No poverty	
Target 1.4	By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
8. Decent work and economic growth	
Target 8.3	Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

What

Bank C improves financial inclusion among underserved populations by providing access to financial services.

Who

The company serves a wide range of clients such as individuals, companies, small and medium-sized enterprises (SMEs), and governments in Colombia, Panama, El Salvador and Puerto Rico. Clients include 9.3 million microentrepreneurs and self-employed workers and 5.6 million micro-businesses in Colombia.

How much

Scale

13% or 3.25 million of Bank C's clients are micro-businesses with EUR 56 billion in disbursements. 27% of the 6 million customers who are using their digital banking app are first timers in the financial sector.

Depth

Bank C realized a 172% growth in granting microcredits in 2021, allowing people of low socioeconomic background access to financial services that would have otherwise been underserved. This supports entrepreneurs in starting their business or expanding their current business, thereby reducing socioeconomic gaps.

Duration

The duration of microcredit typically ranges from 36-120 months depending on the client's needs.

Contribution

The company makes a unique contribution by offering digital as well as in-person financial solutions to customers who would otherwise have been unbanked. Through their large network, they have a presence in 99% of all Colombian municipalities, reaching the most remote communities.

Risk

With the risk of rising interest rates, clients may no longer be able to afford credit from Bank C and, as a result, fewer businesses or individuals may reap the benefits of microfinance.

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Additional information relating to RobecoSAM-branded funds/services
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The Management Company is not making any representation with respect to the eligibility of any recipients of the Prospectus to acquire the Shares therein under the laws of South Korea, including but not limited to the Foreign Exchange Transaction Act and Regulations thereunder. The Shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the Shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in South Korea or to any resident of South Korea except pursuant to applicable laws and regulations of South Korea.

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Additional information for investors with residence or seat in Malaysia
Generally, no offer or sale of the Shares is permitted in Malaysia unless where a Recognition Exemption or the Prospectus Exemption applies: NO ACTION HAS BEEN, OR WILL BE, TAKEN TO COMPLY WITH MALAYSIAN LAWS FOR MAKING AVAILABLE, OFFERING FOR SUBSCRIPTION OR PURCHASE, OR ISSUING ANY INVITATION TO SUBSCRIBE FOR OR PURCHASE OR SALE OF THE SHARES IN MALAYSIA OR TO PERSONS IN MALAYSIA AS THE SHARES ARE NOT INTENDED BY THE ISSUER TO BE MADE AVAILABLE, OR MADE THE SUBJECT OF ANY OFFER OR INVITATION TO SUBSCRIBE OR PURCHASE, IN MALAYSIA. NEITHER THIS DOCUMENT NOR ANY DOCUMENT OR OTHER MATERIAL IN CONNECTION WITH THE SHARES SHOULD BE DISTRIBUTED, CAUSED TO BE DISTRIBUTED OR CIRCULATED IN MALAYSIA. NO PERSON SHOULD MAKE AVAILABLE OR MAKE ANY INVITATION OR OFFER OR INVITATION TO SELL OR PURCHASE THE SHARES IN MALAYSIA UNLESS SUCH PERSON TAKES THE NECESSARY ACTION TO COMPLY WITH MALAYSIAN LAWS.

Additional information for investors with residence or seat in Mexico
The funds have not been and will not be registered with the National Registry of Securities or maintained by the Mexican National Banking and Securities Commission and, as a result, may not be offered or sold publicly in Mexico. Robeco and any underwriter or purchaser may offer and sell the funds in Mexico on a private placement basis to Institutional and Accredited Investors, pursuant to Article 8 of the Mexican Securities Market Law.

Additional information for investors with residence or seat in Peru
The Superintendencia del Mercado de Valores (SMV) does not exercise any supervision over this Fund and therefore the management of it. The
information the Fund provides to its investors and the other services it provides to them are the sole responsibility of the Administrator. This Prospectus is not for public distribution.

Additional information for investors with residence or seat in Singapore
This document has not been registered with the Monetary Authority of Singapore ("MAS"). Accordingly, this document may not be circulated or distributed directly or indirectly to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. The contents of this document have not been reviewed by the MAS. Any decision to participate in the Fund should be made only after reviewing the sections regarding investment considerations, conflicts of interest, risk factors and the relevant Singapore selling restrictions (as described in the section entitled "Important information for Singapore Investors") contained in the prospectus. Investors should consult their professional adviser if you are in doubt about the stringent restrictions applicable to the use of this document, regulatory status of the Fund, applicable regulatory protection, associated risks and suitability of the Fund to your objectives. Investors should note that only the Sub-Funds listed in the appendix to the section entitled "Important information for Singapore Investors" of the prospectus ("Sub-Funds") are available to Singapore investors. The Sub-Funds are notified as restricted foreign schemes under the Securities and Futures Act, Chapter 289 of Singapore ("SFA") and invoke the exemptions from compliance with prospectus registration requirements pursuant to the exemptions under Section 304 and Section 305 of the SFA. The Sub-Funds are not authorized or recognized by the MAS and shares in the Sub-Funds are not allowed to be offered to the retail public in Singapore. The prospectus of the Fund is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses does not apply. The Sub-Funds may only be promoted exclusively to persons who are sufficiently experienced and sophisticated to understand the risks involved in investing in such schemes, and who satisfy certain other criteria provided under Section 304, Section 305 or any other applicable provision of the SFA and the subsidiary legislation enacted thereunder. You should consider carefully whether the investment is suitable for you. Robeco Singapore Private Limited holds a capital markets services license for fund management issued by the MAS and is subject to certain clientele restrictions under such license.

Additional information for investors with residence or seat in Spain
Robeco Institutional Asset Management B.V., Sucursal en España with identification number W0032687F and having its registered office in Madrid at Calle Serrano 47-14º, is registered with the Spanish Commercial Registry in Madrid, in volume 19.957, page 190, section 8, sheet M-351927 and with the National Securities Market Commission (CNMV) in the Official Register of branches of European investment services companies, under number 24. The investment funds or SICAV mentioned in this document are regulated by the corresponding authorities of their country of origin and are registered in the Special Registry of the CNMV of Foreign Collective Investment Institutions marketed in Spain.

Additional information for investors with residence or seat in South Africa
Robeco Institutional Asset Management B.V. is registered and regulated by the Financial Sector Conduct Authority in South Africa.

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Additional information for investors with residence or seat in Uruguay
The sale of the Fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627. The Fund must not be offered or sold to the public in Uruguay, except under circumstances which do not constitute a public offering or distribution under Uruguayan laws and regulations. The Fund is not and will not be registered with the Financial Services Superintendency of the Central Bank of Uruguay. The Fund corresponds to investment funds that are not investment funds regulated by Uruguayan law 16,774 dated 27 September 1996, as amended.

ROBECO
The Investment Engineers

Please visit the Robeco website
for more information