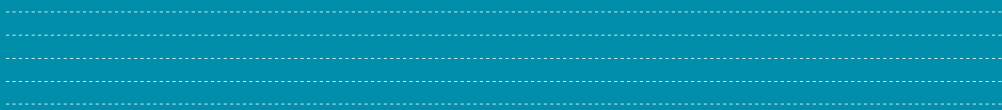
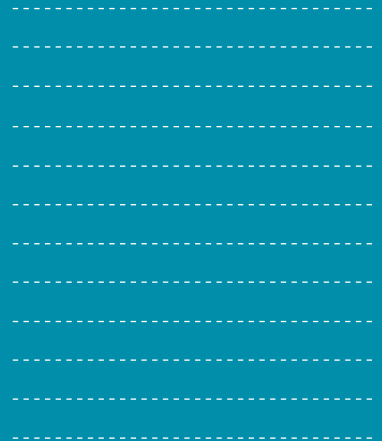




# Robeco Report on the United Nations Principles for Responsible Investment 2010



---

# Introduction

---

**This report describes Robeco's activities in 2009 with regards to the United Nations Principles for Responsible Investment. The report also states Robeco's ambitions for further implementation of these Principles in 2010 and beyond.**

More particularly, this report presents Robeco's input for the 2009 PRI Assessment Framework. Each year (since 2007) the signatories to the UN PRI complete an Assessment Framework questionnaire. For each Principle, the Framework tool allows signatories to indicate the action they already take with regard to the Principles and what their ambitions are. In addition to this, the signatories can also elaborate on the way responsible investing is embedded in the strategy and governance of their own organizations. The complete 2009 Assessment Framework as filled out by Robeco was discussed with Robeco's Global Compliance department.

This report uses definitions and phrasing similar to those used in the PRI Assessment Framework. Robeco's complete Assessment Framework for 2009 is publicly available on the UN PRI website, see [www.unpri.org](http://www.unpri.org).

The United Nations Principles for Responsible Investment (UN PRI) set a framework for good practice in responsible investing. The Principles provide guidance for signatories as they implement their own responsible-investment policies. A group of over 780 institutional investors and investment-service organizations have signed the Principles to date.

Robeco's ambition for responsible investing is based on the UN PRI, to which Robeco has been a signatory since December 2006. The Principles are as follows<sup>1</sup>:

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will report on our activities and progress towards implementing the Principles.'

The Principles refer to all activities of the signatories. In Robeco's case, the Principles therefore relate to all products, services, etc. of all Robeco's business lines worldwide.

Robeco reports in quarterly editions of Responsible Investing on our ongoing responsible investing activities such as voting at shareholder meetings, active dialogue, collaborative initiatives and conferences which we organized or to which we made our contribution. These reports can be found on Robeco's website, see [www.robeco.com](http://www.robeco.com).

<sup>1</sup> Note that the abbreviation ESG stands for Environmental, Social and Governance. The list of abbreviations used in this document is shown on the last page of this report.

# Summary and statistics

## Assets under Management

Robeco's total assets under management as on 31 December 2009: EUR 135 billion.

Assets relating to investment products where ESG factors are fully integrated into decision-making processes and overlay products such as voting and active dialogue as on 31 December 2009: EUR 28 billion.

## Voting results in 2009

Number of meetings voted at	1.854
Number of agenda items voted on	18.466
Meetings (in %) at which management was voted against	48%

## Engagement subjects covered in 2009 (%)

Corporate Governance	20%
Environment	36%
Society	41%
Human Capital	1%
Ethics	3%

Number of worldwide companies with which Robeco engaged in 2009 (some dialogues still ongoing): 188



---

# Governance, Policy and Strategy regarding the UN PRI

---

**Robeco advocates responsible investing because we believe that good corporate governance and corporate responsibility enhance long-term shareholder value. In recent years, this conviction has resulted in a coherent responsible investing strategy that underpins Robeco's investment approach. In addition, Robeco's clients have been key drivers in adopting responsible investing.**

For Robeco, responsible investing consists of five related elements:

1. Active dialogue and voting;
2. Transparency about risk, costs and investment returns;
3. An extensive range of sustainable and responsible products;
4. Integration of factors relating to the environment, society and corporate governance (ESG) into all our investment analysis and our decision-making process; and
5. Introduction of responsible-investing principles into our daily operational management.

## Robeco as an active shareholder

Robeco is an active shareholder in two primary ways, through exercising its voting rights and through active dialogue. We engage in active dialogue with the companies in which we invest about good corporate governance, and environmental or social issues. Active dialogue is an accepted means of engaging with companies to mitigate operational or reputational risk that might adversely impact shareholder value. A broad range of social and environmental issues are dealt with, such as social policy, pollution, biodiversity and ethical conduct. Corporate governance issues, such as changes in corporate structure, controlling rights and dividend payments may also be raised. Active dialogue offers a unique opportunity to acquire information about sustainability issues that our portfolio managers can use in their investment analyses. Wherever possible or necessary, Robeco collaborates with other investors to leverage its minority shareholder position for greater impact and for knowledge sharing purposes.

We use international codes of conduct such as the United Nations Principles for Responsible Investment for responsible investing and the United Nations Global Compact for corporate social responsibility.

## Scope of responsible investment approaches

Robeco's policies on responsible investment cover environmental, social and corporate governance issues. In principle, the policies cover all asset classes. Currently our approach to responsible investment has been incorporated to a large extent into internal and external management processes for the following asset classes:

- Listed equity – developed and emerging markets;
- Fixed income – sovereign and other non-corporate issuers;
- Fixed income – corporate issuers;
- Private equity (external managers used).

Incorporation of responsible investment into Robeco's investment processes means that, following the definitions as provided by PRI, Robeco has both long and short term RI objectives relating to various aspects of our RI programme across regions that are regularly updated or reviewed. Larger organisational objectives at Robeco have been reduced to individual objectives for which staff members are held accountable on a regular basis. Our organisation has invested considerably in RI implementation and processes.

Clear responsibility related to responsible investment implementation is taken by management board members, senior management, (senior) portfolio managers, financial analysts and RI or ESG specialists.

Robeco has a policy on generic exclusions in place. Areas where Robeco applies exclusions relate to controversial weapons (for equity and corporate bond investments) and resolutions called by the United Nations Security Council (for government bond investments). Furthermore, companies that are in breach of the principles of the United Nations Global Compact could become a candidate for exclusion in case a constructive dialogue with the company would not lead to the desired

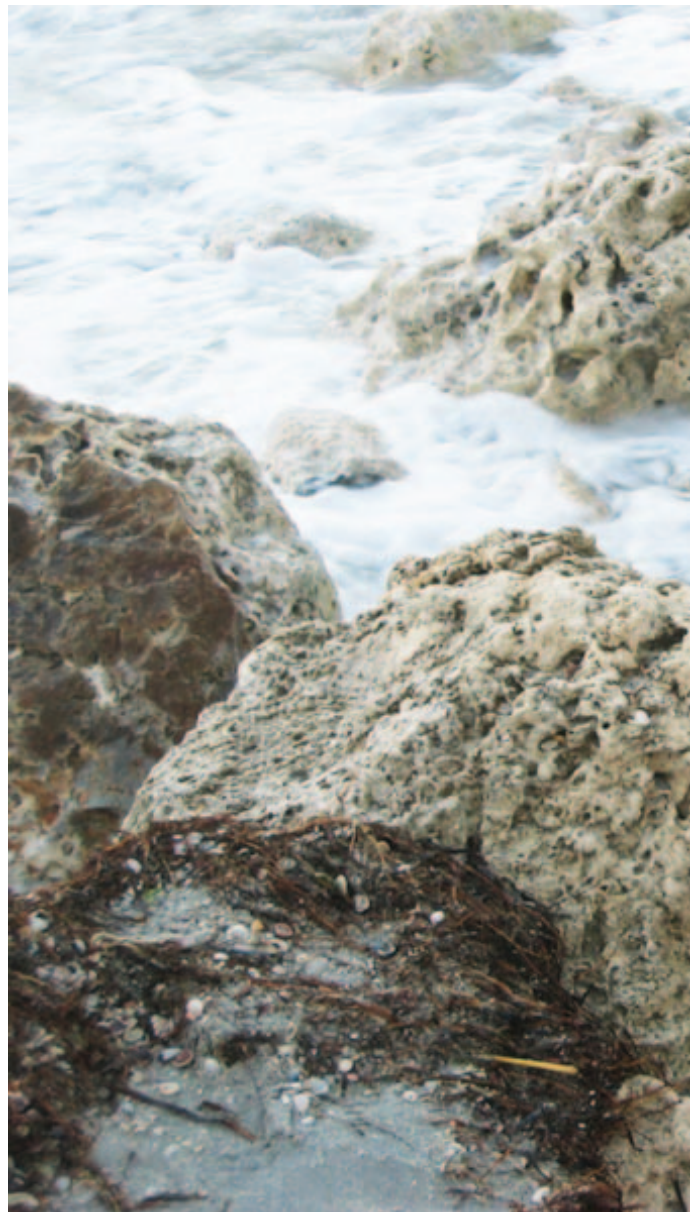
---

results. The exclusions policy and the resulting exclusions list can be found on Robeco's website: [www.robeco.com](http://www.robeco.com).

### **Operational Management**

Robeco is a full subsidiary of Rabobank, a bank known for its initiatives in the field of social responsibility. In 2010, Robeco will focus even more on being responsible in all its activities; we will reduce our CO<sub>2</sub> footprint, use less paper without an FSC certificate and encourage our employees to use resources responsibly.

As a responsible investor, Robeco attaches considerable importance to doing business in a respectable and open manner. Robeco treats people and the environment responsibly. Robeco believes it can only be successful if its employees feel committed to these ambitions and core values. We realize that our people are important to realizing our corporate goals. The ambitions, goals and specific measures of our policy are based on this idea. Our ambitions for each environmental and social subject translate into specific targets that can be attained if the associated measures are applied.



---

# Principle 1

## We will incorporate ESG issues into investment analysis and decision-making processes

---

**Robeco strives for a broader integration of environmental, social and governance criteria in its investment analysis and decision making processes. In 2010 this integration will be in place for the majority of Robeco's investment products. We expect ESG integration will improve risk/return, it leads to more comprehensive company assessments, improves our company risk assessment, and results in earlier discovery of business opportunities. Reporting on ESG integration will become an integral part of each Robeco product information package.**

To an increasing extent, Robeco's portfolio managers who manage listed equity, private equity (fund of funds), government bonds and corporate bonds portfolios take ESG factors into account in their investment analysis and decision making processes. This is an evolutionary process for which the first steps have been taken in 2008 and which will ultimately cover all portfolios that are managed by Robeco's portfolio managers. Note that Robeco's subsidiary SAM has been a leader in this area for many years already.

Robeco's investment funds are being externally verified on the extent to which ESG factors are integrated in the investment processes through a fund classification process. This verification also entails active ownership and exclusion policies that are applied to the investment funds. This fund classification process is conducted by Sustainalytics. The results of these verifications are updated annually and published on Robeco's website.

---

### Highlighted – ESG Integration in Robeco's credit portfolios

---

Robeco strives to achieve as broad an integration as possible of factors relating to the environment, social issues and governance (ESG) in its investment processes, while also entering into an active dialogue with companies. This has the objective of encouraging companies to practice corporate social responsibility and to adopt a socially responsible corporate policy. Below we outline briefly the way in which ESG factors are integrated into the investment process for corporate bonds.

A team of 14 people is responsible at Robeco for investments in corporate bonds. The team comprises five portfolio managers and nine analysts. The portfolio managers are concerned mainly with such matters as general market trends, risk positioning and portfolio management. The analysts focus on evaluating the credit risk of individual companies and on giving investment advice.

When analysts evaluate credit risk, they consider various factors, including the size of the market, market positioning, the growth potential of the industry, the focus on growth through acquisitions, the amount of loan capital, cash-flows, financial outlook, and covenant quality. In addition, ESG factors play an explicit role in the evaluation of credit risk. A basic principle is that companies with a well-

established ESG policy show better investment returns in the long run than companies that lag in this respect, and this has become apparent in a number of cases. An effective environmental policy is not only commendable from an ethical point of view, for example, but can also help reduce costs. Consider, for instance, lower energy consumption, but also the reduced risk of legal claims being made on the grounds of pollution, or of boycotts initiated by consumer groups. A strong system for practicing corporate governance that effectively separates responsibilities can potentially make corporate operations more balanced, with less risk of irresponsible acquisitions etc. taking place. Companies with an effective social policy will generally be hampered less by strike action, for example. An effective ESG policy can therefore reduce the risk of ‘incidents’.

Companies’ policies and practices on ESG issues are assessed using the SAM (Sustainable Asset Management) analysis. SAM, a company established in Switzerland, is a full Robeco subsidiary and has been active in the field of responsible investing since 1995. SAM assesses the relative performance of ESG policies by means of questionnaires, and produces a rating. Robeco’s analysts receive the ratings and can see in which areas a company scores well and where there is still room for improvement. To supplement the ratings supplied by SAM, the analysts also look at analyses made by EIRIS (an external data provider). Finally, the companies are also examined with a view to establishing

whether they have recently been involved in controversies (fraud, fines, scandals, etc.) and how this affects their relative ESG position.

An important part of investing in corporate bonds is seeking to eliminate downside risk as far as possible. The risk of a company defaulting weighs heavily in the decision-making process. This often leads to attractive-looking investments not being implemented in the portfolios because the profit opportunities fail to outweigh the ultimately much greater potential loss if a company should go bankrupt in the end. As a result, ESG-data evaluation also frequently takes place in this context.

The credit quality of possible investment candidates is therefore assessed on the basis of a number of different financial factors including market position, financial policy and strategy. ESG data contribute to our final view on companies, with a focus on identifying possible downside risk.

The ESG policy described above is integrated into all investment processes for corporate bonds. In addition, Robeco has recently launched the Robeco Euro Sustainable Credits fund. This fund follows the clear guideline that investments within each sector may only be made in the top 50% of the most sustainable companies according to the rating method used by SAM, which is a clear best-in-class approach.

#### Examples of factors included in the ESG assessment conducted by SAM

Governance	Social	Environmental
Corporate Governance	Labor Practice Indicators	Eco-efficiency
Corruption & Bribery	Talent Attraction & Tetention	Environmental Reporting
Risk & Crisis Management	Corporate Citizenship	

---

# Principle 2

## We will be active owners and incorporate ESG issues into our ownership policies and practices

---

**Robeco holds shares in various companies on behalf of its clients. Robeco is an active shareholder in two primary ways, through exercising its voting rights and through active dialogue.**

For these active ownership activities, we use international codes of conduct such as the United Nations Principles for Responsible Investment for responsible investing, the United Nations Global Compact for corporate social responsibility. For voting at shareholder meetings we also use the principles defined by the International Corporate Governance Network (ICGN).

### Exercising voting rights

Each share gives the holder the right to vote at the shareholders' meetings of the companies concerned. By making active use of this right, Robeco can increase the quality of management of the company and improve its sustainability. Robeco is of the opinion that this enhances shareholder value in the long run, as sustainable companies with strong corporate governance systems often perform better. Robeco exercises voting rights all over the world on the shares in its investment funds. Robeco's proxy voting policy covers environmental, social and governance issues. Our policy deals with national and regional differences.

The principles defined by the ICGN form an internationally recognized code for good corporate governance, the basic principles of which allow sufficient scope for assessing companies according to local standards. The national laws and codes of conduct for corporate governance, such as the Dutch Corporate Governance Code in the Netherlands, which was anchored in legislation in 2009, are leading in the assessment of companies and shareholder meetings. Circumstances specific to individual companies and/or shareholder meetings also play a part in this.

In addition to applying Robeco's own voting policy, we also implement client specific voting policies.

Robeco would vote at every possible meeting on all possible ballots as long as this would be in the interest of our clients. In case we decided not to vote at a meeting because (for instance) share blocking would be applied then this would be consistent with our policy.

Robeco's internal Responsible Investing department is responsible for undertaking all voting activities. Dependent on the nature of the ballots, Robeco's portfolio managers are involved in assessing the ballots as well.

In case Robeco attends shareholder meetings in person, or in case Robeco is represented by an other shareholder, we explain to the board of directors why we abstain from voting or why we vote against a particular agenda item.

If Robeco votes by proxy, occasionally companies are informed on our voting behavior depending on for instance the content of the agenda items, Robeco's stake in the company, voting behavior of other shareholders and public debates on the agenda items.

Currently Robeco uses RiskMetrics Group as the external provider of analyses of the shareholder meetings. We also use their electronic voting platform for proxy voting activities. Although the analyses provided by RiskMetrics Group are taken into account, Robeco undertakes an additional assessment of the resolutions and remains responsible for the final voting decisions.

### Active Dialogue

Robeco's active dialogue focuses on companies in which we have a substantial interest and/or in which we have invested considerable assets (equity or corporate bonds). Furthermore, the sustainability issues that are discussed should relate to the opportunities and risks that affect the factors that determine a company's value. A company's management should also be able to influence these issues. If Robeco's engaged shareholdership proves unsuccessful, the decision may be made to sell the shares in the company concerned. The decision to do this is taken by the fund managers.

Robeco conducts active dialogues with companies that are in our clients' equity and corporate bond (credits) portfolios. These dialogues cover environmental, social and corporate governance issues. We have written policies available on our website which elaborate on our process.

Active dialogues are conducted by Robeco's own staff. Both specialized engagement professionals and portfolio managers are involved in this. Robeco also participates in various collaborative projects with other institutional investors worldwide.

In 2009 Robeco's internal staff conducted 27 extensive engagement cases and 94 moderate engagement cases. Within collaborative projects, other investors represented Robeco in an additional number of 67 moderate engagement cases.

Using definitions provided by UN PRI, an engagement case is deemed extensive if Robeco has had multiple instances of focused interaction with a company on ESG issues with a view to changing the company's behaviour. Robeco was predominantly engaging with people at the company with the authority to change corporate behaviour. The engagements were systematic and Robeco began them with a clear goal in mind. Extensive engagement includes more than writing letters and entails bilateral meetings or telephone conferences with the management with the intent to address Robeco's issues.

Using UN PRI definitions, an engagement case is deemed moderate if Robeco had more than one interaction with a company on ESG issues. According to these definitions, the moderate engagement cases are somewhat systematic but the specific desired outcome may not have been clear at the outset. However Robeco's approach is such that for any engagement case that we start we have defined the desired outcomes beforehand. Moderate engagement cases, in our view, involve less contact events and intense dialogues with companies compared to extensive engagement cases.

On the basis of the UN PRI definitions, an engagement would have been deemed basic if Robeco had directly contacted companies but our engagements would have tended to be ad hoc and reactive. Robeco may not have pursued the issue beyond our initial contact with the company. Robeco may have signed letters authored by others. Robeco's engagements might be more about gathering information than seeking ESG related improvements. Robeco's agents may or may not have identified other investors to work with to basically address the issues you have identified.

In 2009 Robeco's engagement activities covered environmental, social and corporate governance issues. The following table shows how all engagement activities are divided among these categories.

	<b>Robeco's internal staff</b>	<b>Robeco represented by other investors</b>
<b>Environmental</b>	16%	24%
<b>Social</b>	31%	0%
<b>Governance</b>	18%	11%
Total number of engagement cases in 2009 (some still ongoing): 188		

We use Simple, Measurable, Achievable, Realistic and Timely objectives and we monitor the outcomes – a so called S.M.A.R.T. approach. These parameters are set prior to starting any engagement case. Based on these measures, 50% of all engagement cases which were finalized in 2009 could be deemed successful.

### Cooperation

Wherever possible or necessary, Robeco collaborates with other investors to leverage its minority shareholder position for greater impact and for knowledge sharing purposes. Examples include Eumedion, an alliance of institutional investors in the area of corporate governance, the Carbon Disclosure Project, a cooperative organization that focuses on transparency in corporate carbon dioxide (CO<sub>2</sub>) emission and the CEO Water Mandate, a public/private partnership of companies committed to

---

enhanced water management. Robeco also supports the United Nations' Principles for Responsible Investment, participating in multiple steering and working groups of this initiative. Institutional investors that adhere to these principles commit to stimulating responsible investing, both within and outside their companies.

### **Active ownership activities for private equity**

Robeco has a longer lasting track record on sustainable and responsible private equity, starting with the first sustainable private equity fund of funds in the industry in 2004. These private equity funds of funds promote the implementation of the UN PRI and in addition require their third party investment managers to integrate environmental, social and governance elements in their investment decisions. This is reviewed on an annual basis with a questionnaire set up by Rabobank and Robeco, in which the third party managers explain how they carry out this ESG integration assignment. The more detailed the examples are, the better the score becomes. The feedback of Rabobank is shared with the third party managers. In order to receive an investment from the recent programs, it is mandatory for third party managers to adhere to this process.

---

### **Highlighted active dialogue and voting activities in 2009**

---

#### **Shareholders reopen discussion with Dutch companies during 2009 on remunerations**

Throughout the world, thousands of shareholders' meetings take place every year in spring. In the Netherlands, most listed companies also traditionally have their annual meeting at this time of year. This spring, Robeco was present or represented at more than twenty annual meetings, both to speak and to vote. Before and after these shareholder meetings, Robeco participated in active dialogues with these companies as well.

Like last year, the remuneration policy for managers was the focus of attention. As a result, Robeco's presence at the Shell shareholders' meeting received considerable publicity. On behalf of ten institutional investors we advocated thoroughly reviewing remuneration policies, and specified the conditions we consider a remuneration policy must meet. Our grounds for doing so were that Shell's non-executive managers had for the second consecutive year made use of their discretionary authority to raise variable remuneration. For us this meant that the current remuneration policy was not working. A large majority of the shareholders present voted with us against the remuneration report. We contacted the company in this connection before and after the shareholders' meeting. The company has meanwhile responded to the clear message conveyed by the shareholders. The remuneration policy was also the focal point

---

with other companies. For some companies, the public attention they received was sufficient reason to withdraw the item relating to their remuneration policy from the agenda prior to the meeting. This was the case with such companies as Heineken, Randstad and DSM. Various companies also announced that they would review their remuneration policy for managers in 2010, taking into account national and international developments in the field of remuneration structures. Amongst others, Heineken, TNT, Wolters Kluwer and DSM have announced a complete review. Managers' remuneration is expected to draw much attention again in 2010. Robeco will again be looking critically and constructively at the proposals put forward.

#### **Salient points from the season of shareholders' meetings in 2009 worldwide**

Last year's shareholders' season, Robeco backed a number of shareholders' motions that gave shareholders a say in the way members of the board of managers are remunerated. Such motions are also known as 'say-on-pay' motions. In the Netherlands, such involvement is already regulated, but in many other countries this is not (yet) the case. Robeco and other shareholders are particularly concerned about how remuneration for management correlates with the performance of the members of the board; payment of large bonuses without superior performance from managers is being accepted less and less by shareholders. Apart from the link between performance and remuneration, shareholders

would also like the remuneration policy to be a stimulant for managers to demonstrate the desired behavior commensurate with the strategy of the company. The shareholders' dissatisfaction with the remuneration policy is expressed at company shareholders' meetings. We have noted that such proposals are increasingly being placed on the agenda of shareholders' meetings. Shareholders' motions relating to the appointment of an independent chairman to the board of management were accepted at a number of different companies. Examples are the United States companies Bank of America, Weyerhaeuser and Office Depot. The non-independent chairman of the board of management of Bank of America stepped down after more than 30% of shareholders had voted against his reappointment. In addition, a majority of shareholders voted in favor of a binding shareholders' motion on the independence of the chairman. Hitherto, such binding shareholders' motions have not received majority support from shareholders. Shareholders are also increasingly placing environment-related items on the agenda. Shareholders at the shareholders' meeting of Freeport-McMoRan Copper & Gold, for instance, requested that a director with environmental expertise be nominated, since the company's activities in the mining sector had caused damage to the environment. This can also damage shareholder value in the long run. This motion just missed getting the majority of the votes.



---

# Principle 3

## We will seek appropriate disclosure on ESG issues by the entities in which we invest

---

**Disclosure on ESG issues is a necessary condition for being able to assess these issues. Transparency is not a goal in itself, yet a vital part of responsible corporate practice. Therefore, transparency is a recurring subject of our dialogues with entities we invest in. It enhances the analysis undertaken by investors and therefore transparency ultimately benefits Robeco's clients on the longer term as well.**

We participate in a number of collaborative initiatives that endeavour to mainstream ESG disclosure in business practices, such as the Carbon Disclosure Project and the group of PRI signatories focusing on the UN Global Compact CEO Water Mandate initiative. We are also member of the UN PRI Sudan Engagement Group which, among other goals, seeks for disclosure of companies on their Sudanese operations and revenue flows. Robeco has become a signatory to the Water Disclosure Project in 2010 as well.

For Robeco's listed equity and corporate bond portfolios, Robeco's specialized engagement professionals asked from investee companies information about their ESG policies, practices or performance. For Robeco's private equity funds of funds, these data is collected by the external investment managers that are hired by Robeco. The companies were asked to produce standardised and/or systematic reporting about their ESG policies, practices and performance in 2009.

Formats or frameworks that companies could follow are the following:

- Integrated with regular financial reports;
- standalone corporate responsibility or sustainability reports;
- Global Reporting Initiative (GRI);
- Carbon Disclosure Project (CDP);
- CEO Water Mandate – communication on progress;
- Country-level company form of the Extractive Industries Transparency Initiative (EITI)
- Tailored survey as developed by Robeco's subsidiary SAM.

---

### Highlighted - Robeco promoting the CEO Water Mandate in collaboration with other investors

---

One of the fundamental indicators of sound corporate governance and responsibility is transparency and disclosure; they are the barometers which indicate the effectiveness of a company's stakeholder management, awareness of their own CSR risk exposure and communication on the company's broader goals and ambitions.

For issues of emerging importance, it is increasingly relevant for companies to disclose on their policies and practices to be aware of their risk exposure but also to find new opportunities for innovation to drive company performance and generate value for the shareholder. Water scarcity is one such issue that has become on the forefront of agendas worldwide. Robeco has been undertaking and supporting several engagement efforts such as active dialogue with companies we invest in within the food and beverage and textile sector. We also support many activities such as the CDP-Water Disclosure Project. However, many of these efforts are exemplar of increasing efforts by other investors which need to be given cohesion and direction to have salience with the companies we engage with. The CEO water mandate aims to do just that.

The CEO Water Mandate – a public-private initiative created by the UN Global Compact

---

and implemented by the UNPRI aims to help companies develop, implement and disclose water sustainability policies and practices and exchange views and best practice on issues that go beyond basic water disclosure, such as integrated watershed management and public policy. In December 2008, a USD 1.5 trillion investor coalition of signatories to the PRI asked CEOs of 100 of the world's biggest companies to join the CEO Water Mandate. In order to encourage companies to endorse the CEO water mandate, UNPRI signatories including Robeco sent a letter to the CEO and held webinars describing the initiative and underscoring the benefits of endorsing. Many of the Water Mandate endorsers are considered sector leaders with respect to sustainability issues, by joining the mandate they not only re-affirmed their commitment to these principles but also served to promote base practice models to peers in their sectors on emerging issues such as water management. As a result of UNPRI signatory efforts, 15 companies or roughly 25% of all Mandate endorsers had joined the initiative by April 2010. They include major companies such as Nike, GlaxoSmithKline, Royal Dutch Shell and DSM. Since 2008, CEO water mandate steering committee members led by Robeco have continued to engage with the remaining companies via webinars and conference calls.

By working with the CEO water mandate Robeco is facilitating the implementation of the Principles for Responsible investment across

the investment community. For examples, one of the key principles of the UNPRI is seeking appropriate disclosure on ESG issues with entities in which we invest. Robeco will increase its active participation in platforms such as the CEO Water Mandate which promote corporate disclosure on ESG issues.

---

---

# Principle 4

## We will promote acceptance and implementation of the Principles within the investment industry

---

**Robeco cooperates with other investors to promote the Principles in the investment industry. We also advise clients on responsible investment policies. Some clients decided to become a signatory to the PRI among others based on this advice. We encourage our peer organisations and institutional clients to consider RI/ESG issues in their policies and practices.**

Robeco actively participates in conferences and seminars on these subjects, also by delivering key note speakers and panellists. Robeco contributes to written publications by submitting articles which address all kinds of issues relating to responsible investing, such as ESG integration, active ownership and disclosure. In all these cases we refer to the PRI as being the benchmark to be followed as a reference for responsible investment.

Robeco includes RI/ESG considerations when working with service providers and/or external investment managers. This is specifically applied to searching for service providers or external managers, drafting contractual agreements and structuring incentive schemes.

We follow this approach for (among others) the following types of service providers:

- Brokers;
- Investment research providers;
- Proxy voting service providers; and
- External investment managers (private equity).

Robeco's broker evaluation process include an ESG component and we have a budget to pay for brokers or other research providers to conduct research on ESG issues. Robeco actively identifies ESG issues and suggest them to brokers or other investment research providers to a large extent. To a moderate extent Robeco engaged in dialogue, lobbying or initiatives pertaining to government and/or industry regulations related to RI/ESG issues in 2009.

---

### Highlighted – Improving the voting chain

---

Since 2007 Robeco has joined forces with a number of other parties to organize a seminar covering the voting practice of professional investors and the latest developments in the field of voting policy. This seminar is an event in the Netherlands for professionals who are active in the voting chain. Early 2010 the focus lay on voting at shareholders' meetings in an international context. The chairman of Eumedion, the Dutch platform for corporate governance, introduced this subject. During the panel discussions, various perspectives of cross-border voting at shareholders' meetings was debated. Each panel member dealt with a number of premises about which the participants could express an opinion. The seminar was organized for the fourth time this year and was a big success. About 120 attendees participated.

---

---

# Principle 5

## We will work together to enhance our effectiveness in implementing the Principles

---

**Together with our institutional clients, we discuss how to develop RI policies and strategies to ensure their implementation. We also have dialogues with brokers, data and research providers to work together in implementing the Principles and to make sure that ESG factors are integrated in the data and research that are provided by them. Robeco also works together with other institutional investors to promote effective implementation of the Principles e.g. by delivering presentations at seminars or conferences, by hosting webinars, conference calls and alike.**

Robeco has initiated several specific Principle-related collaborative initiatives and industrial associations in connection with the first four PRI Principles. We have also adopted a leadership position within a number of established initiatives or associations and have worked actively with a number of other investors on specific issues of relevance to the Principles.

In 2009 we joined collaborative engagement activities led by other signatories that were posted on the Engagement Clearinghouse forum. We also led a collaborative engagement activity on the Carbon Disclosure Project and co-posted information on this on the Engagement Clearinghouse forum.



---

### Highlighted – Robeco is active in global, European and national alliances

---

Robeco is actively involved in diverse alliances in the field of responsible investing. These alliances are global, European or national in nature. Whenever we decide to form an alliance, we do this with a view to playing an active role within that alliance. We do not participate if we can foresee that we will not be able to contribute actively.

Within the scope of our quarterly Responsible Investing we frequently focus closely on developments within these alliances. For instance, in the second quarter of 2009, we gave an account of progress made in the CEO Water Mandate steering group, the efforts made to persuade companies to sign the United Nations Global Compact (hereinafter: UN Global Compact) and the Carbon Disclosure Project. This article gives an impression of the wide variety of alliances in which Robeco participates, and the manner in which Robeco is actively involved in these alliances.

On a global level, Robeco has been actively involved in the UN PRI organization, which promotes observance of the Principles of Responsible Investment (PRI). Robeco has been a PRI signatory since 2006. We currently play an active role in at least five UN PRI working groups. These are working groups that take action to:

- 
1. Ensure companies sign the UN Global Compact;
  2. Encourage companies who are already signatories to the UN Global Compact to communicate more actively about their progress;
  3. Enter into dialogue with companies about their corporate activities in Sudan;
  4. Set frameworks to address human rights and labor standards issues at the company level;
  5. Ensure companies report about their impact on forests as a result of using agricultural products as a commodity; and
  6. Encourage companies to sign the CEO Water Mandate and to establish a water policy.

During the annual UN PRI event in Sydney, Australia, Robeco informed other institutional investors about the results achieved by the CEO Water Mandate steering group. Our efforts played a part in inducing a number of companies including Royal Dutch Shell, DSM and GlaxoSmithKline to sign the CEO Water Mandate. At the UN PRI event in Mumbai, India, Robeco informed local institutional investors and companies about the opportunities offered by Responsible Investing.

Robeco has been affiliated with the International Corporate Governance Network (ICGN) since 2005. This global network sets up and promotes standards for good corporate governance. Our specialists in the field of

corporate governance are members of the ICGN, and Robeco is therefore closely involved in the development of international standards. Robeco has a seat on the ICGN committee, which deals with investors' responsibilities. In addition, Robeco has for many years applied the international ICGN principles as a standard for good corporate governance when voting at shareholders meetings and when engaging in active dialogue with companies.

The Carbon Disclosure Project (CDP) asks companies worldwide for transparency in disclosing their CO<sub>2</sub> emissions. Robeco is not only a signatory to this project along with many institutional investors, but has also been an active member of this organization since 2007. Robeco works in close cooperation with the CDP to call upon companies worldwide to be transparent in reporting on emissions.

In the third quarter of 2009, Robeco became a member of the Institutional Investors Group on Climate Change (IIGCC). This alliance focuses on establishing a dialogue with companies on climate change and on influencing policy-makers. The climate declaration discussed in more detail elsewhere in Responsible Investing was drafted by the IIGCC. This is another alliance in which we wish to play an active role.

Robeco has been involved in the European Network of Social Investment Forums, known as Eurosif, since 2008. Robeco takes part in a number of Eurosif working and steering groups.

One such example is Robeco's presence in the steering group that studies the relationship between executive remuneration and long-term sustainability.

Robeco has been active in the Netherlands since 2005 through Eumedion (formerly Stichting Corporate Governance Onderzoek voor Pensioenfondsen), the Governance Platform and Stemmen Nederland. Since 2008, Robeco has been active through the French Social Investment Forum. Within the scope of the Eumedion governance platform, Robeco is involved in committees whose objective it is to consider changes to the structure of shareholders' meetings, legal developments and studies into change at corporate-management level.

---

---

# Principle 6

## We will each report on our activities and progress towards implementing the Principles

---

**Transparency is not a goal in itself, yet it is a vital part of Responsible Investing and of responsible corporate practice. We offer our clients and other stakeholders maximum transparency on how we implement the PRI Principles. We offer more general and tailor made voting and engagement reports to our institutional clients and a high-level report to our retail clients. We are completely transparent on how we generate these reports and about the data used in them.**

While transparency is important, sometimes engagement actions must remain confidential. Companies and thereby our investments and our clients' interests could be adversely impacted if the content of dialogues becomes public knowledge, even if the content does not justify such damage. This is the case especially while a dialogue is still ongoing. Therefore Robeco is cognizant on the need to balance confidentiality and transparency.

New in 2009, Robeco has its mutual funds classified on RI criteria by an external verification provider. The criteria are based on four pillars: ESG integrations, active ownership, exclusions and (thematic) sustainability. The results of this classification process is published on Robeco's website for each fund that is managed by Robeco's portfolio managers. See [www.robeco.com](http://www.robeco.com).

In addition Robeco has an exclusion policy in place and a list of companies and countries that are excluded from investments (equity/credits and government bonds respectively). Both the policy and the list are published on the website of Robeco.

Robeco's yearly PRI Assessment Framework is disclosed on the public PRI website. In addition, Robeco publishes its own yearly report on how it implements the Principles. This report is mainly based on Robeco's answers to the questions of the PRI Assessment Framework.

Robeco's policies on voting and active dialogue can be found on Robeco's website as well. Detailed voting results and broader outlines of our active dialogues are also published on the website on a quarterly basis.

---

### Highlighted – Robeco's ESG fund classification

---

Independent classification is a means of showing how Robeco and third party funds score on important aspects of responsible investing in terms of our own targets in this area.

Robeco wishes to be transparent and to reveal the instruments we use within the scope of our responsible-investing policy and the extent to which responsible investment criteria are integrated in investment decision making. Another aim is to use classification to enable comparison with funds offered by other providers. Robeco believes investment funds that invest responsibly and make structural efforts to integrate ESG factors into their investment policy will in the long run have a better risk/return ratio than funds that do this less or not at all. Robeco asked an independent institute to examine its funds in the light of four elements of responsible investing:

- Integration of ESG factors;  
Active ownership;
- Sustainability;
- Exclusion policy.

The four selected elements reflect the principal differences between funds engaged in responsible investing, and represent criteria widely used in this sector.

The results of the classification process for Robeco's funds are found on the website of Robeco, [www.robeco.com](http://www.robeco.com) and are updated on an annual basis.

---

---

# Codes of conducts

---

**Robeco uses national and international codes of conduct as guiding principles and anchors for responsible investing.**

## United Nations Principles for Responsible Investment

Robeco signed the United Nations' Principles for Responsible Investment (PRI) in December 2006. The PRI comprise six guidelines for good practice in responsible investing. The principles are as follows:

- P1.** We will incorporate environmental, social and governance (ESG) issues into our investment analysis and decision-making processes.
- P2.** We will be active shareholders and incorporate ESG issues into our ownership policies and practices.
- P3.** We will request the entities in which we invest to provide appropriate disclosure on ESG issues.
- P4.** We will promote acceptance and implementation of the Principles within the investment industry.
- P5.** We will work together to enhance our effectiveness in implementing the Principles.
- P6.** We will each report on our activities and progress towards implementing the Principles.

## The United Nations Global Compact

The PRI provide a framework for responsible investment. The fundamental principles of the United Nations Global Compact offer companies (not necessarily investors) a framework for responsible entrepreneurship.

The Global Compact requires companies to embrace, support and adopt a number of core values within their own sphere of influence in the field of human rights, labor standards, the environment and anti-corruption measures.

The Global Compact consists of ten universal principles:

### Human rights

1. Companies should support and respect the protection of human rights as established at an international level,
2. They should ensure that they are not complicit in human-rights abuses.

### Labor standards

3. Companies should uphold the freedom of association and recognize the right to collective bargaining.
4. Companies should abolish all forms of compulsory labor.
5. Companies should abolish child labor.
6. Companies should eliminate discrimination in employment.

## Environment

7. Companies should adopt a prudent approach to environmental challenges.
8. Companies should undertake initiatives to promote greater environmental responsibility.
9. Companies should encourage the development and diffusion of environmentally friendly technologies.

## Anti-corruption

10. Companies should adopt measures to counter all forms of corruption.

## International Corporate Governance Network (ICGN)

Robeco buys shares in companies, thereby making us co-owners of these companies. Each share entitles the owner to vote at shareholders' meetings. By making active use of this right, we can increase control over the company's management and improve the company's sustainability, which may eventually result in higher shareholder value. This is of course good news for our clients.

Robeco bases its voting policy on the principles of the International Corporate Governance Network (ICGN). This is an internationally recognized code for good corporate governance, the basic principles of which allow sufficient scope for assessing companies according to local standards. The national laws and codes of conduct for corporate governance,

such as the Nederlandse Corporate Governance Code in the Netherlands, which was anchored in legislation in 2009, are leading in the assessment of companies. Circumstances specific to individual companies also play a part in this.

## ICGN statement on global principles for corporate governance<sup>1</sup>

**1. Aim of the company – to create sustainable value for shareholders:** The company aims to achieve optimal sustainable returns for its shareholders in the long term.

**2. Corporate boards:** The board's responsibilities include corporate strategy, risk policy, monitoring implementation and performance, major capital expenditures, governance practices, selecting key executives and aligning their remuneration with the longer term interests of the company and its shareholders. Members of the management or supervisory boards must act independently in the best interests of all shareholders of the company; they are accountable to the shareholder body as a whole.

**3. Good citizenship; relations with stakeholders and ethical business conduct:** The executive board is responsible for maintaining relations with stakeholders. Companies should comply with a widely recognized national corporate-governance code

and carry out their activities in an economically, socially and ecologically responsible manner.

**4. Risk management:** The executive board is responsible for the effective and dynamic risk management of a company.

**5. Corporate remuneration policies:** Corporations should follow the best practices for remuneration as set out in ICGN<sup>2</sup>.

**6. Audits:** The annual audit should be carried out by independent, external auditors who should be proposed for approval at the shareholders' meeting.

**7. Disclosure and transparency:** Companies should disclose relevant information that is pertinent to them on a timely basis.

**8. Shareholders' ownership responsibilities and voting rights and legal remedies:** Shareholders should be able to exercise their rights and should be given reasonable notice of all relevant matters.

**9. Responsibility of shareholders:** Shareholders actions should be oriented towards achieving long-term value creation and the company's targets. Shareholders should observe the national and international best practices for corporate governance.

## List of abbreviations

The following abbreviations are used in this report:

<b>UN PRI</b>	United Nations Principles for Responsible Investment
<b>ESG</b>	Environmental, Social and Corporate Governance
<b>RI</b>	Responsible Investing

<sup>1</sup> This text is a summary of the ICGN statement on global principles for corporate governance, as amended on 18 November 2009 (Washington, DC, USA). The complete text can be found on [http://www.icgn.org/files/icgn\\_main/pdfs/best\\_practice/global\\_principles/icgn\\_global\\_corporate\\_governance\\_principles-revised\\_2009.pdf](http://www.icgn.org/files/icgn_main/pdfs/best_practice/global_principles/icgn_global_corporate_governance_principles-revised_2009.pdf)

<sup>2</sup> See [http://www.icgn.org/files/icgn\\_main/pdfs/best\\_practice/exec\\_remun/2006\\_executive\\_remuneration.pdf](http://www.icgn.org/files/icgn_main/pdfs/best_practice/exec_remun/2006_executive_remuneration.pdf)

## Robeco Institutional Asset Management

Coolsingel 120  
3011 AG Rotterdam  
Nederland

**T** +31 10 224 2412

**E** [assetmanagement@robeco.com](mailto:assetmanagement@robeco.com)

**I** [www.robeco.nl](http://www.robeco.nl)

Robeco Institutional Asset Management B.V. (RIAM) is registered with the Netherlands Authority for the Financial Markets in Amsterdam.

