

Carbon Disclosure: the Investor Perspective

Prepared for the Carbon Disclosure Forum 2010 Hong Kong



April 27, 2010

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Carbon Disclosure Project: The Investor Perspective

Part I → The Carbon Disclosure Project

Part II → CDP and Responsible Investing

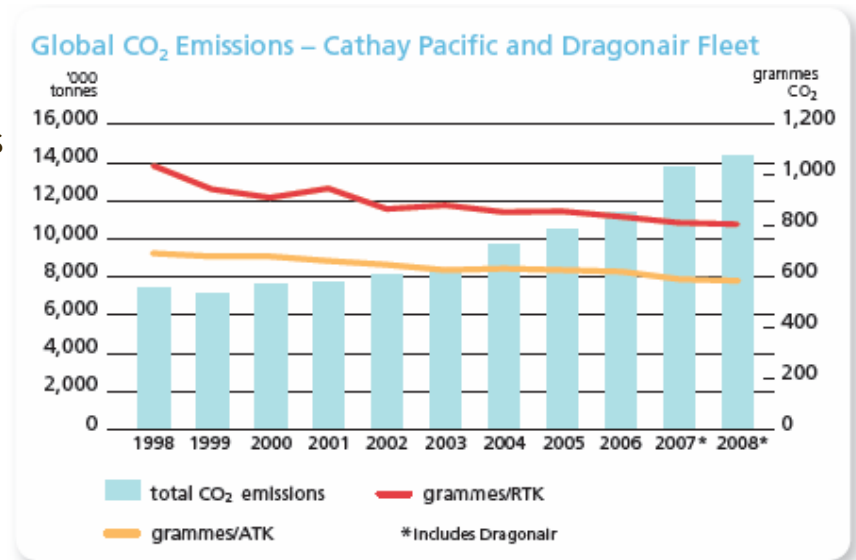
Part III → Finally..

CDP contains valuable company information

- 3700 of the largest companies in the world are asked to participate in the CDP, a majority of which now responds (Asia is lagging but gaining ground)
- The CDP contains valuable information relating to
 - Perceived **risks and opportunities** related to Green House Gas (GHG) and Climate change
 - Actual **GHG emissions** by participating institutions
 - Direct and indirect through supply chain
 - Electricity consumption
 - **Performance** against reduction targets and plans to reduce GHG emissions
 - **Governance** – how seriously are companies with regards to climate change
- We believe the information above can help to better understand companies' risks and opportunities related to climate change
- Robeco is an active participant in the CDP, together with 533 investors representing USD 64 trillion in assets
- Robeco views the CDP in a broader perspective as part of on our **Responsible Investing** theme

The importance of CDP data and company valuation

- Cathay Pacific has been respondent of CDP since 2007
- Their participation is a clear sign that Cathay management is serious about climate change and the impact of climate change on the future of the company
- Cathay worked together with the Aviation Transport Association, which resulted in significant fuel efficiency improvements
- Cathay sets clear targets for future emissions
- The key is that Cathay’s reporting provides key indications of Cathay’s actions with regards to energy use, which results in a more competitive earnings profile
- **Having such information in a central database is key to comparing and valuing companies**



Source: Robeco, Cathay Pacific CSR Report 2008, Carbon Disclosure Project Report 2008, Asia ex-Japan

How Asset Managers can help: Successful CDP Engagement with Porsche

- Porsche, a leading car manufacturing brand, was not transparent in their reporting and did not report anything related to CO2 use or other energy use
- Robeco actively engaged Porsche in 2007 and 2008, and requested on several occasions for Porsche to become a CDP participant
- Finally, in January 2009, Porsche confirmed their participation, thereby greatly improving their transparency related to climate change issues



How Asset Managers can help: Current CDP Engagement with China Shenhua Energy

- China ShenHua Energy takes part in the CDP since 2008
- Fills in questionnaire but does not answer the for investors highly relevant questions regarding scope 1 (direct) and scope 2 (indirect, e.g. through supply chain) emissions
- Together with 30 other institutional investors we requested China Shenhua to disclose scope 1 and 2 emission data in the 2010 CDP round
- Such letter was sent to around 100 companies around the world



Integrating CDP data in the investment process



For Robeco, CDP is part of Responsible Investing

- Robeco advocates Responsible Investing (RI), which consists of five collaborating factors;



- ..because we are convinced that solid corporate governance and corporate responsibility increases shareholder value

ESG Integration

- Robeco integrates ESG criteria more broadly into its investment analysis and decision making processes.
- ESG is defined by the United Nations Principles for Responsible Investment (see separate box)
- We do so because we believe ESG integration to:
 - Improve risk / return profiles
 - Lead to more comprehensive company assessments
 - Improve our risk assessments
 - Earlier discovery of potential investment opportunities
- SAM, a subsidiary to Robeco, collects sustainability data, which is then used in the investment process of Robeco’s funds and products
 - Exclusive sustainability data starting from 1995



UN Principles for Responsible Investment

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

ESG integration and Exclusion Policy: SAM analysis

SAM criteria

Analysis: 50% general and 50% industry-specific criteria

General criteria

Economic criteria

- Codes of conduct
- Compliance
- Corruption & bribery
- Corporate governance
- Risk & crisis management

Environmental criteria

- **Environmental performance**
- **Eco-efficiency**
- **Environmental reporting**

Social criteria

- Corporate citizenship
- Philanthropy
- Talent attraction & retention
- Labor practice indicators
- Human capital development
- Social reporting

Specific criteria (e.g. the car industry)¹⁾

Economic criteria

- Brand management
- Innovation management

Environmental criteria

- **Climate strategy**
- **Closed loops**
- **Environmental policy/ Management system**
- **Low carbon strategy**
- **Operational eco-efficiency**

Social criteria

- Occupational health & safety
- Stakeholder engagement
- Standards for suppliers

CDP

SAM sends companies a questionnaire 100 questions related to Economic, Environmental and Social criteria, including data related to environment, CO2 etc.

SAM also cooperates with CDP on several issues (currently water)

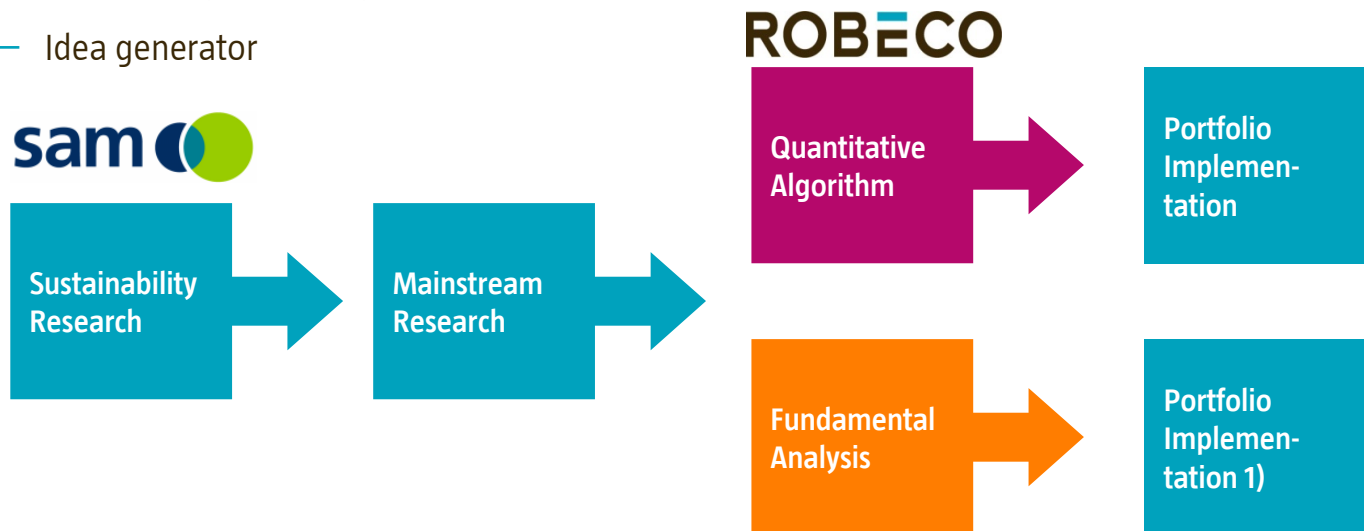


1) For the specific criteria for other industries, see The Sustainability Yearbook 2009. This can be downloaded at: http://www.sam-group.com/yearbook/download/yearbook_current.pdf



ESG integration and Exclusion Policy: how does it work?

- The data from all respondents to the SAM questionnaire is ranked and sorted
- Scores are attached to sub categories and total score for each company is calculated using proprietary model
- This score and subscores are used to value companies, either through
 - Quantitative algorithms (overweight high ranking companies, underweight low ranking companies)
 - Fundamental analysis: qualitative judgment on company performance
 - Screens: e.g. excluding companies with scores below certain level
 - Idea generator



Exclusion Policy

- Some companies are serious violators of international guidelines on responsible investment (for example the United Nations Global Compact)
- Robeco strives to enter into a dialogue with companies (unless the violation is core business of a company, in which case dialogue is not a feasible strategy)
- If dialogue does not result in improvement, exclusion from Robeco's investment universe may result
- Robeco does not invest in countries or companies that make a core business of;
 - Cluster munitions
 - Anti-personnel mines
 - Biological and chemical weapons
- Currently three countries and 12 companies excluded from investment

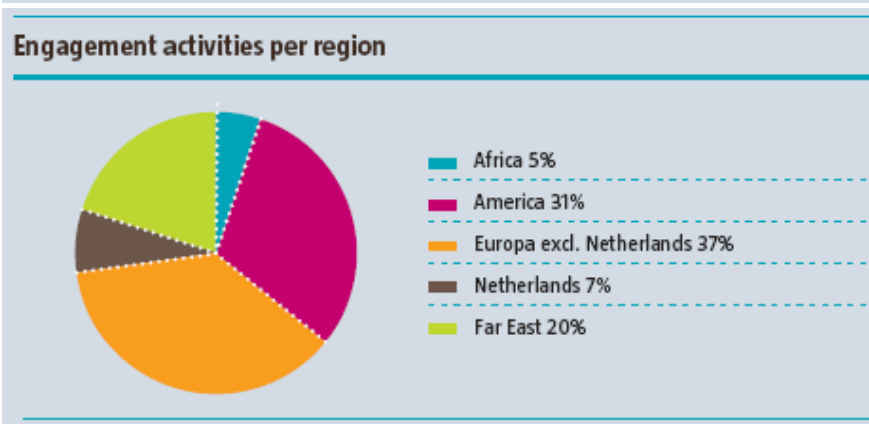


Engagement

- Engagement is a key part of responsible investing and in the long term beneficial to companies and their shareholders



| Engagement | | |
|------------------------------|-------------|------|
| | 4th Quarter | Year |
| Number of engagement cases | 97 | 188 |
| Subjects covered (%): | | |
| Corporate Governance | 12% | 21% |
| Environment | 52% | 35% |
| Society | 35% | 41% |
| Human Capital | 0% | 1% |
| Ethics | 1% | 3% |







- CDP data is a key input for Robeco’s engagement strategy
- We use the information from CDP to assess company performance and identify areas for improvement
- E.g. Porsche, Shenhua Energy etc.

Engagement

- Quarterly report on all activities and progress



| Current activities | | | | |
|---------------------|---|--|---|---|
| |  Environment |  Ethics |  Corporate Governance |  Society |
| Philips | | | | ➔ |
| Renault | | | | ➔ |
| Repsol | | ✓ | | ➔ |
| Royal Dutch Shell | | | ➔ | |
| RWE | ✓ | | | |
| Salzgitter | | | | ✗ |
| Samsung Electronics | | | ✓ | |
| Singapore Telecom | | | ➔ | |

- Engagement on;
 - Environment
 - Ethics
 - Corporate Governance
 - Society

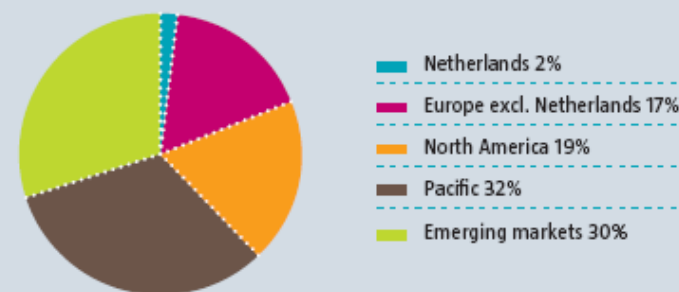
- Public reporting will make investors and companies more aware of potential issues and make call for action more urgent..

Voting

- Robeco votes on behalf of its clients
- Voting on several issues, related to
 - Transparency
 - Auditors
 - Shareholders' rights
 - Corporate Boards
 - Remuneration
 - Good Corporate Citizenship

| Voting behavior | | |
|--|-------------|--------------|
| | 4th Quarter | Year to date |
| Total number of meetings at which Robeco voted | 246 | 1,854 |
| Total number of agenda items on which Robeco voted | 1,540 | 18,466 |
| % of meetings at which Robeco voted against | 30% | 48% |

Meetings per region



Meetings at which Robeco voted against the company's management according to the ICGN principles*

| | |
|----------------------------|----|
| Transparency | 2 |
| Auditors | 1 |
| Shareholders' rights | 35 |
| Corporate boards | 31 |
| Remuneration | 22 |
| Good corporate citizenship | 2 |

* ICGN statement on global principles for corporate governance.

Responsible Products and Sustainability Investments

- Robeco has been active in responsible investing since 1999, when we introduced “Robeco Sustainable Equities”
- Some capabilities fully “responsible” others still integrating;



Use external rating firm Sustainalytics to assess our funds on 4 criteria:

- ESG
- Exclusion
- Active ownership
- Sustainability



Sustainability theme funds

| |
|---|
| Robeco Consumer Trends Equities D EUR |
| Robeco Duurzaam Aandelen |
| Robeco Health & Wellness Equities D EUR |
| SAM Biofuel Certificate |
| SAM Smart Energy EUR D |
| SAM Smart Materials Fund EUR B |
| SAM Sustainable Climate CHF B |
| SAM Sustainable Healthy Living EUR B |
| SAM Sustainable Water EUR B |

Topics of assessment for classification

| Sustainability Theme Funds | ESG Integration | Active Ownership | Basic Exclusion Policy |
|----------------------------|-----------------|------------------|------------------------|
| Basic | Intermediate | Advanced | Yes |
| Advanced | Intermediate | Advanced | Advanced |
| Advanced | Advanced | Advanced | Yes |
| Advanced | Advanced | Advanced | Yes |
| Advanced | Advanced | Advanced | Yes |
| Advanced | Advanced | Advanced | Yes |
| Advanced | Advanced | Advanced | Yes |
| Advanced | Advanced | Advanced | Yes |

Robeco funds

| |
|---|
| Robeco |
| Robeco 130/30 Emerging Market Eq D |
| Robeco 130/30 European Equities D |
| Robeco 130/30 North Amer Equities D EUR |

Topics of assessment for classification

| ESG Integration | Active Ownership | Basic Exclusion Policy |
|-----------------|------------------|------------------------|
| Intermediate | Advanced | Yes |
| Basic | Intermediate | Yes |
| Basic | Advanced | Yes |
| Intermediate | Advanced | Yes |

Transparency and Risk Management

- Robeco is a full subsidiary of Rabobank, known for its SRI activities
- We strive to operate in a responsible manner in all our business processes, including
 - Reducing carbon footprint
 - Recycling
 - FSC paper
 - travel policy etc

Operational Management

- Current markets and clients demand insight, transparency and risk management
- Robeco communicates clearly and pro-actively on its investment philosophy, investment risks, costs and returns



Finally..

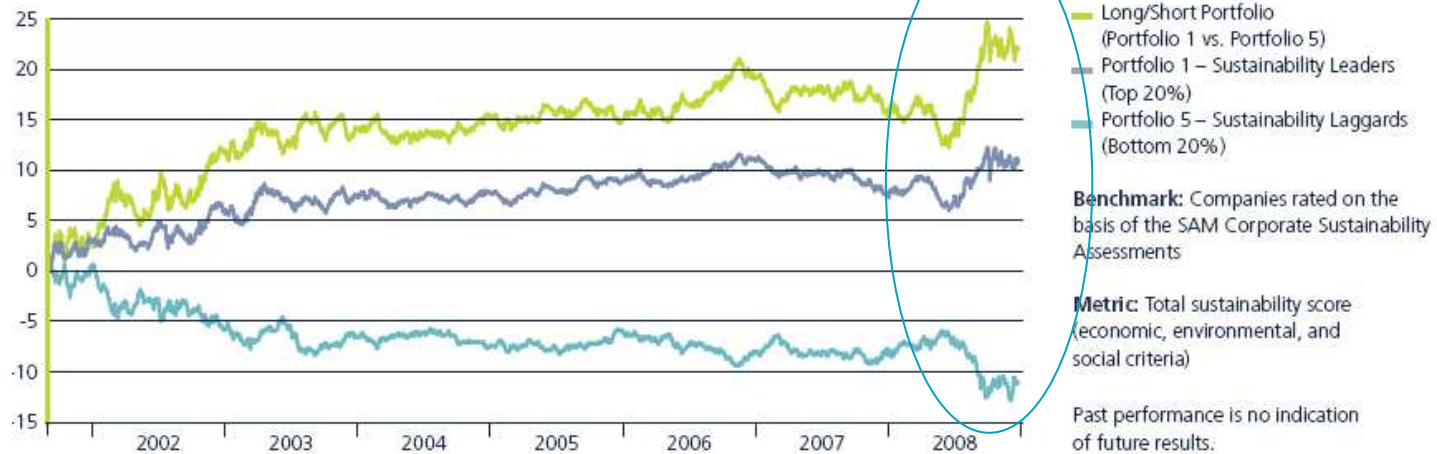


Does it add any value?

- Companies are ranked according to a Sustainability questionnaire, sent out yearly by SAM (part of Robeco group). This questionnaire contains questions relating to performance on ESG, including CO2 and Climate change related data

SUSTAINABILITY CAN OUTPERFORM

Cumulative Log Outperformance in %
Source: SAM



“Flight to quality”

Mercer
 November 2009
 study reviews 16
 performance
 impact studies:
 — 10 positive
 — 4 neutral
 — 2 negative-
 neutral

| | Portfolio 1 – Sustainability Leaders | Portfolio 5 – Sustainability Laggards | Long/Short (Pf. 1 vs. Pf. 5) |
|------------------------------------|--------------------------------------|---------------------------------------|------------------------------|
| Outperformance (p.a. in %): | 1.48 | -1.46 | 2.98 |
| Tracking Error (in %): | 3.17 | 3.22 | 4.90 |
| Information Ratio: | 0.47 | -0.45 | 0.61 |
| T-Stat: | 1.28 | -1.25 | 1.68 |

Source: Robeco, SAM, Mercer Study: “Shedding Light on Responsible Investment: Approaches, returns and impacts”, November 2009

How can Asset Managers contribute to the success of CDP?

- Be a signatory!
 - 534 institutional investors across the globe
 - Representing USD 64 trillion in assets
 - ...its free

- **Be an active participant!**