

Engagement

Report 2023



# Engagement Report 2023

## Introduction

1. Responsible, Sustainable and Impact investing approaches
2. Pension investing approach - Star Fund

## Introduction

ING Solutions Investment Management (“ISIM”), as part of ING Groep (ING), implements its engagement guidelines that define in particular the engagement objectives, and the tools that are applied to achieve them. According to ISIM [engagement](#) and voting guidelines, the engagement function is delegated to the Investment Managers.

ISIM as an asset manager believes that the engagement with other companies is an important tool to achieve the broader sustainability goals that are contributing to the people, planet, and prosperity. We truly believe that sustainable behaviour of the companies finally contributes to an improvement of the company performance and increases the shareholders' value.

## 1. Responsible, Sustainable and Impact investing approaches

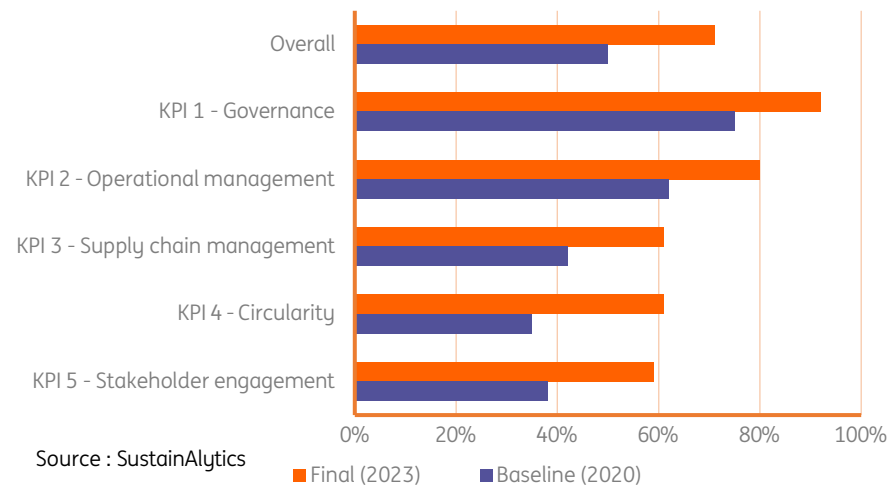
### Engagement in 2023

The Investment Managers have worked together with other investors and consultants to engage in a way to make more impact on the concerned topics. In 2023, the Investment Managers have engaged on five different ESG initiatives:

On the **topic of climate**, the engagement is done through the following programmes:

- Fighting deforestation** –The goal of this initiative has been to encourage investees to make progress on achieving sustainable, zero-deforestation supply chains. In 2023 the Investment Managers have engaged on this topic with ten companies in the food sector. The conclusion, in general, is that companies are making progress to prevent deforestation. There’s a higher awareness; more policies, but also more tools are used by the companies to retrieve information on deforestation and prevent it.
- Responsible cleantech** –The programme aims to achieve efficient and fair production with due consideration for the environment and society. The Investment Managers have engaged through Sustainalytics on this topic. Sustainalytics has approached 33 companies of which 19 have accommodated substantial dialogue. These were: Daqo New Energy, First Solar, Ford Motor Co., Goldwind, Gurit, Hanwha Solutions, Honda Motor Co., Hyundai Mobis, Johnson Matthey, LG Energy Solution, LONGi Green Energy Technology, Nordex, Plug Power, Schneider Electric, SunPower, Tesla, TPI Composites, Vestas Wind Systems and Volkswagen. Overall, the conclusion is that there is an improvement in the key performance indicators of these companies.

Responsible Cleantech Thematic Engagement: Average company accomplishment, overall and per KPI



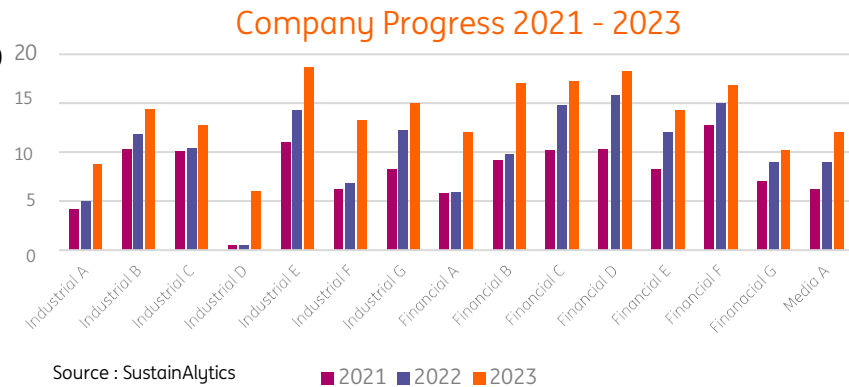
On the **topic of financial health**, Investment Managers engaged through the following programmes:

- Human Capital and the Future of Work** - The engagement focuses on driving a proactive human capital management approach in hiring, developing, and retaining talent to address the transformations caused by emerging trends. Companies should also implement diversity, equity, and inclusion strategies and programs to create an inclusive corporate working environment. Lastly, the engagement sought to encourage better human capital management-related disclosures. In 2023 there were 21 engagement meetings and the exchanged emails mounted up to 477. Key Performance Indicators (KPIs) were established, and they show the performance of the companies on governance, risk and impact assessment, human capital

management, diversity, equity and inclusion, and collaboration. All engaged companies progressed in that period.

We acknowledge that human capital management is a complex and long term process that requires constant adaptation to market dynamics. Therefore, in the evolving world of work, engagement with companies on human capital management and diversity, equity and inclusion is vital. Companies need to keep pace with market complexities and should remember that people are their most valuable asset. A case study on engagement with Siemens is presented later in this document.

- Platform Living Wage Financials (PLWF)** – The programme aims to encourage, support, and monitor companies to facilitate living wages in global supply chains. In 2023, the Investment Managers collaborated with 20 other financial institutions on the topic of living wage with companies in the garment, food, and retail sectors. The Platform Living Wage Financials (PLWF) continued to engage with investee companies and grew its leverage. The latest available report on this topic from the Platform is dated October 2023 and covers the period of 2022 year. The number of engaged companies was 38. Even though some companies made progress, the overall progress on the topic of living wage and living income remains slow. That's far from desirable since many employees struggle with rampant inflation. Living wages seem to be more important than ever before. The engagement of the PLWF wants to increase its focus on what is happening on the ground, in what way are companies implementing living wages and living incomes. There is an increase in the analysis by investees on the wage gap, which is a great first step, however it is still lacking on effective implementation to decrease the gap.



On the **topic of governance**, Investment Managers engaged on:

- Governance of Sustainable Development Goals (SDGs).** The programme aims to discuss the way companies approach their sustainable development goals.

In 2023 the UN evaluated the progress made on the SDGs as we are halfway since their start in 2015. The evaluation of the 17 SDGs shows that only 15% of the targets are on track. Even more troubling: 37% of the targets have either stalled or regressed below the 2015 starting line. So extra attention to the SDGs is needed. The ultimate objective of engagement on the governance of the SDGs is to encourage companies to define meaningful SDG strategies that align with their business models and plans and seek out opportunities that produce positive outcomes in line with the 2030 SDG agenda.

The thematic engagement on the SDGs has ended this year. In 2023 Sustainalytics hosted 19 meetings and exchanged 459 emails. The Investment Manager has engaged with companies on five key topics, namely SDG strategy, risk and impact assessment, board oversight, reporting, and stakeholder engagement. After four years of engagement, 20 of the companies with whom there was an active engagement, have improved on

all topics.

Even though some progress has been made, there is still plenty of work to do. That's why the UN Global Compact named its newest SDG campaign towards business **#ForwardFaster**. In September 2024, the UN Summit of the Future will take place, aiming to accelerate the efforts to meet the existing international commitments and take concrete steps to respond to emerging challenges and opportunities.

In the future, the Investment Managers will continue the engagement on the topic of the governance on SDGs, but in a slightly different manner. The new programme is called the **"Sustainability and Good Governance Stewardship Programme"**. It will pursue the goals of the governance of SDGs engagement, with additional goals to try to mitigate the effects of climate change. Since the engagement trajectories on the Future of work and Responsible cleantech have also ended, the Investment Manager will replace them by other engagements.

## Case: Engagement with Siemens AG through Sustainalytics

**Country:** Germany

**Sector:** Industrials

**Engagement Category:** Thematic

**Theme:** –Future of Work

### Background

The Investment Manager started the engagement with Siemens, one of the largest German technology companies, employing around 320,000 people worldwide, on human capital management and the future of work in 2020. Considering the complex environment brought up by the Covid 19-pandemic and the acceleration of emerging trends such as digital transformation and new ways of working, the goal of the engagement was to encourage and support the company to implement a proactive human capital management approach. Think about ways of hiring, developing, and retaining talent, addressing the transformations caused by emerging trends, strengthen its diversity, equity, and inclusion (DEI) strategies and programs to create an equitable and inclusive corporate environment and simultaneously improve its human capital related disclosures.

### Engagement efforts

Over three years, the Investment Manager held over ten meetings and exchanged multiple emails with the investor relations team and leaders responsible for human capital management. The continued efforts with the company focused on understanding emerging trends that could impact the company, preparing challenging questions and insights based on their external disclosure, providing best practices and recommendations on where the topic was heading, and emphasizing the importance of the topic to institutional investors.

### Outcome

The engagement with Siemens has coincided with its remarkable progress in preparing for the future of work. The Investment Manager supported them in better understanding investor expectations to strengthen its human capital management practices and DEI efforts and improve its human capital-related

disclosures. The company was very responsive and appreciative of the Investment Manager input and feedback on its human capital management strategy and initiatives. According to the company, the challenging questions, the valuable and relevant insights on the topic, and the continuous interaction with institutional investors provided them with new perspectives to align their people strategy with the business strategy and improve their human capital-related disclosures with a focus on measurable outcomes rather than number of activities. The engagement process confirmed the increasing relevance of their people focused investment and strategy for today's capital market decisions. Furthermore, the ongoing dialogue not only offered valuable insights but also highlighted the importance of DEI for institutional investors, reinforcing executive buy-in and underscoring DEI as a potential decisive distinction.

Today, Siemens is a strong example of a business leaning into the challenges and opportunities of the new world of work. Siemens has designed a clear strategic workforce planning to align its people strategy with business goals, adopted new working models, and adopted innovative initiatives to enhance the flexibility, adaptability, and skills of its employees. The company continuously designs and deploys initiatives to reskill and upskill employees, future-proofing the workforce and the organization in line with emerging trends. In terms of DEI, the company has set ambitious targets and customized roadmaps to advance its demographic diversity representation in top management while making the company more equitable and inclusive. Siemens has been recognized as a leader in a case study by the World Economic Forum's Good Work Alliance, a tangible outcome of all the efforts throughout the years.

## 2. Pension investing approach - Star Fund

ING Solutions Investment Management (“ISIM”) applies engagement policies for its Pension investing approach, defined by ISIM’s Statement on the principal adverse impacts of investment decisions on sustainability factors ([Adverse impact statement EN.pdf \(ing-isim.lu\)](#)).

### Engagement in 2023

In 2023, the Investment Manager of Star Fund has engaged on the following themes:

	Thematic Engagements	Engagement objectives	Other Engagement Areas
Climate transition	Material GHG emissions data GHG emissions reduction targets; Climate transition strategy; Biodiversity	Promote disclosure of material GHG emissions Discuss companies goals to reduce GHG emissions Identify and address adverse impacts on biodiversity, resulting from deforestation and plastics in the supply chain	Encourage the use of the SASB standards and Task Force on Climate related Financial Disclosures frameworks
Inclusive Growth	Board diversity; Workforce diversity in Japan	Focus attention on both gender and ethnic diversity on corporate boards globally. Promote best practices and disclosure with respect to diversity and inclusion within the workforce. Encourage best practices related to labour rights	Encourage the publication of workforce diversity data Encourage the use of best practices for diversity and inclusion initiatives
Corporate Governance	Global norms violations; Regional governance best practices; Controversy incidents	Identify and address the impacts on controversial business practices and violations of global norms Strengthen shareholder rights and commitments to best governance practices	Encourage alignment between executive compensation and shareholder interest Gather information to make informed proxy voting decisions





In 2023, Star Fund's Investment Manager has engaged with four companies in the following manners:

**Country:** United States

**Sector:** Consumer Discretionary

**Engagement Category:** Thematic

**Theme:** Biodiversity and Nature - Plastics

- The Investment Manager has engaged with the Investor Relations team, Sustainability Officer, and General Counsel of a US consumer discretionary company. They have identified the company for engagement under the Biodiversity and Nature – Plastics engagement initiative in which they seek to engage with consumer goods companies to encourage disclosure of packaging metrics in line with Sustainability Accounting Standards Board (SASB).
- They have been engaging with this company since 2021 regarding key sustainability issues. In November 2021, they discussed the company's efforts to reduce plastics usage, improve sustainability in sourcing, and strengthen its point of store recycling programs.
- During this engagement, they have followed up on the company's progress on its target to reduce virgin plastics in its signature children's meal toys by 2025. The company is on track to meet its goals and has increased its focus on improving sourcing and ensuring that the toys are eligible for the company's end of life recycling program.
- They have also discussed how the company is improving recyclability opportunities in its stores, which is a challenge because the company operates primarily through franchisees and the state of recycling infrastructure varies significantly between markets. The company noted that many of its home markets have now mandated recycling programs and for markets without such programs, the company is partnering with its suppliers and local stakeholders to identify best practices that work on a local level.

**Country:** Netherlands

**Sector:** Consumer Staples

**Engagement Category:** Thematic

**Theme:** Biodiversity and Nature - Plastics

- In November 2023, the Investment Manager has engaged with members of the Investor Relations team at a Dutch consumer staples company. They had identified the company for engagement under our Biodiversity and Nature – Plastics engagement initiative in which they seek to engage with consumer goods companies to encourage disclosure of packaging metrics in line with SASB.
- They have engaged with the company in December 2022 to discuss its 'maximizing circularity' strategy and how it was reducing the use of plastics in its packaging. They have discussed the company's strategy for improving the recyclability of packaging across all its products.
- In November 2023, the company confirmed that 38% of its packaging is now recyclable. They also discussed the impacts of potential future public policy changes on its operations, for example the rollout of more deposit return schemes for different types of packaging.
- The Investment manager has encouraged the company to disclose its metrics around packaging within its operations in line with SASB, allowing us to track this information and measure progress over the long-term.

- The company confirmed it is in the process of calculating this information and aims to disclose in the next annual report.
- We will seek to continue engaging with the company on its progress on its packaging disclosures and strategy.

**Country:** Netherlands

**Sector:** Consumer Staples

**Engagement Category:** Providing feedback

**Theme:** Climate Transition

- In January 2024, the Investment Manager has engaged with the Chief Financial Officer, Corporate Secretary and the Investor Relations team of a Dutch consumer staples company.
- The Investment manager discussed the company's progress on its climate transition plan to achieve net zero by 2040. The company advised scope 1 and 2 emissions are only a small percentage of its overall footprint; therefore, they are focusing on working with suppliers to reduce scope 3 emissions. As part of its scope 3 reduction strategy, the company engaged with its supply chain to encourage providers to set science-based targets and disclose detailed climate reduction plans.
- The Investment Manager will seek to continue monitoring the company's climate transition progress.

**Country:** Netherlands

**Sector:** Consumer Discretionary

**Engagement Category:** Thematic

**Theme:** Controversial Incidents

- In August 2023, the Investment Manager has engaged with the General Counsel and the Investor Relations team of a Dutch consumer discretionary company. They had identified the company for engagement under our controversial incidents engagement initiative due to concerns around diesel emissions.
- The company has acknowledged its manipulation of emissions data, and a US Department of Justice (DOJ) consent decree was issued in 2019. The company advised it has undertaken a series of changes to its internal processes to avoid this situation arising again, including implementing a new training overview to ensure the teams that have direct responsibility over some of the recommendations have appropriate training to fulfil their duties. Additionally, independent auditors were appointed by the DOJ, to provide guidance on mitigation strategies, including more detailed reporting and updating its Code of Conduct.
- As a result of the company's cooperation, the criminal lawsuit was settled via plea agreement in June 2022. Civil litigations are still pending. The company was not able to provide any further information but said the litigation will take time to resolve.
- The Investment Manager has encouraged the company to continue to report clearly on the progress it makes in implementing the recommendations set out in the plea agreement.

