

# Statement on the principal adverse impacts of investment decisions on sustainability factors

**Financial market participant** ING Solutions Investment Management, 549300RGYP2I13ZXF02

## Summary

ING Solutions Investment Management ("ISIM"), 549300RGYP2I13ZXF02 considers the principal adverse effects of its investment decisions on sustainability factors. This statement is ISIM's consolidated statement on the principal adverse impacts (PAI) on sustainability factors.

This declaration on the principal adverse impacts on sustainability factors refers to the reference period from 1 January 2024 to 31 December 2024.

ISIM believes that investing goes hand in hand with responsibility for its consequences. Not only the financial consequences, but also the consequences for society. By being aware of environmental, social and governance (ESG) factors, we are better placed to manage risks and opportunities and contribute to a more Sustainable economy, making investing good for both investors and society.

To mitigate the adverse impact on sustainability factors, ISIM manages the Principal Adverse Impacts (PAIs) of its investment decisions on sustainability indicators through three ESG integration instruments: exclusions, active shareholding and through the selection of investments. This document indicates which instruments are used for each PAI indicator.

ISIM considers the adverse sustainability effects for the products that fall under the Responsible investing approach, the Sustainable investing approach, the Impact investing approach, and Pension investing approach. For financial products covered by the Traditional investing approach, we take account only of the legally required exclusions.

For each product, ISIM defines the ESG investing approach that is applied (Traditional, Responsible, Sustainable, Impact or Pension).

There are two sections in this document. The first one that includes the Responsible, Sustainable and Impact investing approaches and the second one relates to the Pension investing approach.

***Climate and other environment-related indicators:***

ISIM has committed to measure all 16 mandatory principle adverse impacts as well as two additional, which we believe are important for the planet and the society. PAIs related to real estate assets will not be applicable as a first stage given the lack of investments in those assets' classes.

***List of Potential Adverse Impact Indicators***

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity sensitive areas
8. Emissions to water
9. Hazardous waste and radioactive waste ratio

***Social and employee, respect for human rights, anti-corruption, and anti-bribery matters:***

10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (anti-personnel mines, biological weapons, chemical weapons, and cluster munitions)

***Indicators applicable to investments in sovereigns and supra-nationals:***

15. GHG intensity
16. Investee countries subject to social violations

## **Optional indicators ISIM takes into account:**

17, Investments in companies with no initiatives for reducing carbon emissions

18. Average score for income inequality

## **Data Collection methodology**

The report on principal adverse impacts on sustainability factors at entity level will collect data of related PAI's as at 31 March, 30 June, 30 September and 31 December of each year. The data to report are the 18 indicators as described here above. After each data collection, figures will be analysed trying to reduce the identified principal adverse impacts for the future. The actions to be taken will be defined once more data will be available in the market.

The average per PAI of the 4 calculations will be disclosed on our [dedicated website for SFDR](#) at the latest on June 30th each year.

PAIs (except PAI 1) will be expressed as a ratio of “current value of all investments” or as a proportion of EUR Millions invested into all investments.

In accordance with “Questions and answers (Q&A) on the SFDR Delegated Regulation (Commission Delegated Regulation (EU) 2022/1288)” dated 17 November 2022, and in consideration of further guidance provided by points 25, 26 and 27 of “Joint Consultation Paper dated 12 April 2023” issued by “Joint Committee of the European Supervisory Authorities”, ISIM will consider, for the purpose of calculations of all PAIs (except PAI 1), all direct and indirect investments made in all its financial products, which are funding investee companies or sovereigns.

Consequently, the same denominator will apply across all the PAIs (except PAI 1), although arguably this may introduce inconsistency between the numerator and denominator.

Coverage ratios disclosed in the following tables are defined as follows:

- PAIs 1 to 14 and additional PAI “Investments in companies with no initiatives for reducing carbon emissions”:

Coverage = Value of investments in investee companies held within ISIM funds where data is available / total value of investments in investee companies within ISIM funds

- PAIs 15 and 16, and additional PAI “Average score for income inequality”:

Coverage = Value of investments in sovereigns (or equivalents) held within ISIM funds where data is available / total value of investments in sovereigns (or equivalents) within ISIM funds

## **DISCLAIMERS**

**Scope 3 carbon emissions data** (which measures indirect emissions from across companies' value chains) might be subject to significant lack of data quality and accuracy and to significant data revisions over the past years. Hence, the high volatility of Scope 3 carbon emissions data can lead to inappropriate comparable figures from one year to another.

**Lack of data availability** - reliability of consolidated figures presented for some PAIs may also be altered by lack of data availability.

**Calculation methodology** - The evolution of the calculation methodology for one year to another year may slightly alter data comparisons presented in the annual Principal Adverse Sustainability Impact report..

## SECTION I: RESPONSIBLE, SUSTAINABLE AND IMPACT INVESTING APPROACHES

### Description of the principal adverse impacts on sustainability factors

#### Indicators for investee companies

Adverse sustainability indicator	Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
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#### CLIMATE AND OTHER ENVIRONMENTAL INDICATORS

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	Direct emissions expressed in tonnes of CO2 from sources owned or controlled by the companies directly, as well as emissions produced from on-site process chemistry.	<b>Exclusions</b> For the Responsible, Sustainable and Impact investing approaches, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal.
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		Scope 2 GHG emissions	N/A	N/A	Emissions expressed in tonnes of CO2 from purchased or acquired electricity, steam, heat, and cooling consumed by the industrial sites. They are indirect as the emissions themselves occur at the point of generation.	<p>For the Sustainable and Impact investing approaches, more companies will be excluded due to their impact on the climate (such as those involved in oil or non-conventional gas).</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. One of the themes on which ISIM focuses is the Company engagement 'Net zero transition'. For more information on how we engage and vote, see our voting and engagement guidelines.</p>
		Scope 3 GHG emissions	N/A	N/A	Other indirect emissions including all other indirect emissions expressed in tonnes of CO2 that are a consequence of the activities of companies, but that occur from sources not owned or controlled by companies.	
		Total GHG emissions	N/A	N/A	Total of emissions of scope 1, 2 and 3 expressed in tonnes of CO2.	
	2. Carbon footprint	Carbon Footprint 1&2 in tonnes of CO2e/mio EUR	N/A	N/A	The amount of specified emissions (in tons) divided by the amount invested (in euros) known as the carbon footprint of a portfolio. Carbon Footprint for scope 1 and 2 in tonnes of CO2e/mio EUR.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 2 will be considered in this</p>
		Carbon Footprint 1&2&3 in tonnes of CO2e/mio EUR	N/A	N/A	The amount of specified emissions (in tons) divided by the amount invested (in	

					euros) known as the carbon footprint of a portfolio. Carbon Footprint for scope 1, 2 and 3 in tonnes of CO2e/mio EUR.	<p>score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Exclusions</b></p> <p>For the Responsible, Sustainable and Impact investing approaches, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal. For the Sustainable and Impact investing approaches, more companies will be excluded due to their impact on the climate (such as those involved in oil or non-conventional gas).</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. One of the themes on which ISIM focuses is the Company engagement 'Net zero transition'. For more information on how we engage and vote, see our voting and engagement guidelines.</p>
	3. GHG intensity of investee companies	GHG intensity 1&2 in tonnes of CO2e/mio EUR	N/A	N/A	GHG intensity of investee companies for scopes 1 and 2	<b>Investment selection (Sustainability Awareness Scoring)</b>

		GHG intensity 1&2&3 in tonnes of CO2e/mio EUR	N/A	N/A	GHG intensity of investee companies for scopes 1,2 and 3	<p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 3 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Exclusions</b></p> <p>For the Responsible, Sustainable and Impact investing approaches, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal. For the Sustainable and Impact investing approaches, more companies will be excluded due to their impact on the climate (such as those involved in oil or non-conventional gas).</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. One of the themes on which ISIM focuses is the Company engagement</p>
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						'Net zero transition'. For more information on how we engage and vote, see our voting and engagement guidelines.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	Share of investments in companies active in the fossil fuel sector.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 4 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Exclusions</b></p> <p>For the Responsible, Sustainable and Impact investing approaches, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal. For the Sustainable and Impact investing approaches, more companies will be excluded due to their impact on the climate (such as those involved in oil or non-conventional gas).</p>

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A	Share of non-renewable energy consumption and energy generation of investee companies compared to renewable sources, expressed as a percentage of total energy sources.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 5 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p>
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	Energy consumption of investee companies, in GWh per million euros of revenues, by sector with major climate effects.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 6 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p>

						<p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. One of the themes on which ISIM focuses is the Company engagement 'Net zero transition'. For more information on how we engage and vote, see our voting and engagement guidelines.</p>
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	Proportion of investments in companies with branches/activities in or near biodiversity-sensitive areas where their activities have a negative impact on those areas.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 7 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. Companies that do affect biodiversity sensitive areas could be excluded by our conduct screening. Additionally,</p>

						<p>we participate in an engagement trajectory Zero deforestation.'. For more information on how we engage and vote, see our voting and engagement guidelines.</p> <p><b>Exclusions</b></p> <p>Companies that have a negative impact on biodiversity sensitive areas can be excluded based on controversy screening.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 8 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR	N/A	N/A	Hazardous and radioactive produced by investee companies, in metric tons per million euros of	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated</p>

		invested, expressed as a weighted average			investment, expressed as a weighted average.	into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 9 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Adverse sustainability indicator		Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	Share of investments in companies involved in violations of the principles of the UN Global Compact or of the OECD Guidelines for Multinational Enterprises.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 10 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Exclusions</b></p>

						<p>Breaches of the principles of the UN Global Compact or of the OECD Guidelines for Multinational Enterprises are related to controversy screening. For the Sustainable and impact investment strategies, ISIM does not invest in companies involved in serious or very serious controversial activities or products. For Responsible investment strategies, ISIM does not invest in companies involved in very serious controversial activities or products. The classification of the controversial activity or product (into serious or very serious) is determined by an external data provider.</p>
	<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises</p>	N/A	N/A	<p>Share of investments in companies without a policy to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises or without complaints handling arrangements to address violations of those UN Principles or OECD Guidelines.</p>	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 11 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p>

						<p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. One of the themes on which ISIM focuses is the Company engagement in terms of 'Sustainable and good governance'. For more information on how we engage and vote, see our voting and engagement guidelines.</p>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.	N/A	N/A	Average unadjusted pay gap between men and women in investee companies.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 12 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Active shareholding (engagement/voting)</b></p>

						<p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. We participate in an engagement trajectory regarding Human capital management, where equality is part of the conversation. For more information on how we engage and vote, see our voting and engagement guidelines.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A	Average ratio of female and male members of the board of directors of investee companies expressed as a percentage of all members of the board.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 13 will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. We participate in an engagement trajectory regarding Human capital</p>



						management, where equality is part of the conversation. For more information on how we engage and vote, see our voting and engagement guidelines.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A	Share of investments in companies involved in the production or sale of controversial weapons.	<b>Exclusions</b> ISIM does not invest for the investment strategies it manages in companies involved in the production or sale of controversial weapons.
<b>INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS</b>						
Adverse sustainability indicator		Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	GHG intensity of countries in which we are invested.	<b>Investment selection (Sustainability Awareness Scoring)</b> ISIM also includes non-financial aspects for its Sustainable and Impact investing approaches in the assessment of governments. Progress on climate policy is part of this. The Environmental Performance Index is used for this purpose. For its Impact investing approach, ISIM invests

						exclusively in green, social and sustainability bonds.
Social	16. Investee countries subject to social violations	Number of countries invested in with violations of social rights (absolute number and relative number divided by all the countries in which we are invested) as referred to in international treaties and agreements, principles of the United Nations and, where appropriate, national law.	N/A	N/A	Number of countries invested in with violations of social rights (absolute number and relative number divided by all the countries in which we are invested) as referred to in international treaties and agreements, principles of the United Nations and, where appropriate, national law.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM also includes non-financial aspects for its Sustainable and Impact investing approaches in the assessment of governments. Progress on social policy is part of this. The Social Progress Index is used for this purpose.</p> <p><b>Exclusions</b></p> <p>ISIM excludes from direct investments countries that seriously violate social rights.</p>
<b>INDICATORS APPLICABLE TO INVESTMENT IN REAL ESTATE ASSETS</b>						
Adverse sustainability indicator	Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period	
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels	N/A	N/A	N/A	ISIM does not invest directly in real estate in its investment strategies.

Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	ISIM does not invest directly in real estate in its investment strategies.
<b>OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS</b>						
Emissions	Investments in companies with no initiatives for reducing carbon emissions	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	N/A	N/A	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Sustainable and Impact investing approaches, only companies that do not rank among the last 30% will be included in the investment scope. The PAI indicator on emissions will be considered in this score. For the Responsible investing approach, the indicator will be considered in the overall assessment.</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>ISIM engages in dialogue with companies in its investment portfolios and votes at shareholders' meetings. One of the themes on which ISIM focuses is the Company engagement 'Net zero transition'. For more</p>

						information on how we engage and vote, see our voting and engagement guidelines.
Social	Average score for income inequality	Income distribution and economic inequality among participants in each economy, including a quantitative indicator.	N/A	N/A	Income distribution and economic inequality among participants in each economy, including a quantitative indicator.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects for its Sustainable and Impact investing approaches in the assessment of governments and only selects countries that score above average on this PAI. In addition, social policy is part of the selection method. The Social Progress Index will be used for this purpose. Countries implementing the death penalty will be also excluded for these investment strategies. For its Impact investment strategy, ISIM will invest exclusively in green, social and sustainability bonds.</p>

## Description of policies to identify and prioritise principal adverse impacts on sustainability factors.

With regards to its different ESG investing approaches, ISIM applies specific policies to identify and prioritise principal adverse impacts on sustainability factors.

### RESPONSIBLE, SUSTAINABLE AND IMPACT INVESTING APPROACHES

ISIM has two policies related to the identification and prioritisation of the principal adverse impacts on sustainability:

1. Global Environmental and Social Risk Management Policy

ISIM as part of ING Group is following ING Global Environmental and Social Risk Management Policy. Based on this policy, a range of companies are excluded from investments due to their activities or behaviour. This policy can be found [here](#)

## 2. Responsible Investment Guidelines

How ISIM further considers the principal adverse impacts on sustainability depends on the investing approach described in the Responsible Investment Guidelines. ISIM distinguishes four types of investing approaches in these guidelines: Traditional, Responsible, Sustainable and Impact. In the Sustainable and Impact investing approaches, limiting adverse impacts on sustainability is a higher priority than in the Responsible investing approach. The Traditional investing approach does not consider adverse impacts on sustainability beyond regulatory requirements.

With the Responsible, Sustainable and Impact investment policies, ISIM limits adverse impacts on sustainability by means of exclusions, active shareholding and the selection of investments and financial products. More exclusions apply to the Sustainable and impact investment policies and greater priority is given to excluding companies with adverse impacts on sustainability in the selection of investments. Below is a brief explanation of the ESG integration tools. The active shareholding tool instrument is explained below in a separate section.

### Exclusions

With Responsible and Sustainable investments, ISIM aims not to invest in companies whose services, products or behaviours are at the expense of people, the environment or society. That is why the Investment managers ('Investment Manager') with the delegated mandates from ISIM assesses companies on their activities and behaviour before investing in a company (via shares or corporate bonds for example). Companies may change over time, which is why Investment Manager checks the data of all companies in the portfolios every year to determine whether they still meet the requirements of the Responsible investment guidelines.

For the Responsible investing approaches, ISIM limits investments in companies that:

- have violated the principles of the UN Global Compact and the OECD's Guidelines for Multinational Enterprises.
- produce controversial weapons (anti-personnel mines, biological weapons, chemical weapons, and cluster munitions).
- produce electricity from coal-fired power plants or are involved in the extraction of coal.
- manufacture tobacco products.

We exclude companies that derive some of their revenues from these sectors. In the case of controversial weapons, we have set a threshold of 0%. If companies generate more than 5% of their revenue from production and 10% associated with service for the other activities, they are not included in the Responsible investing approach. In addition, ISIM applies criteria based on the behaviour that companies display.

For the Sustainable and Impact investing approaches, ISIM limits investments in companies that:

- have violated the principles of the UN Global Compact and the OECD's Guidelines for Multinational Enterprises.
- produce controversial weapons (anti-personnel mines, biological weapons, chemical weapons, and cluster munitions).
- produce electricity from coal-fired power plants or are involved in the extraction of coal.
- manufacture tobacco products.
- are involved in Disputed Weapons (white phosphorus, depleted uranium, and nuclear weapons), Other weapons, oil, non-conventional gas, nuclear energy, adult entertainment, gambling, fur, or alcohol.

We exclude companies that derive some of their revenues from these sectors. In the case of controversial and disputed weapons, we have set a threshold of 0%. If companies generate more than 5% (and 30% for nuclear energy) of their revenue from production and 10% associated with service for the other activities, they are not included in the Sustainable and Impact investing approaches. In addition, ISIM applies criteria based on the behaviour that companies display.

### **Company selection (Sustainability Awareness Scoring)**

Investment manager includes non-financial aspects for its Responsible, Sustainable and Impact investing approaches when assessing companies. These non-financial aspects are translated into an indicator score. For the Sustainable and Impact investing approaches, Investment Manager invests only in companies that do not rank among the last 30% in the investment scope. For the Responsible investing approaches, the indicator is considered in the overall assessment. The scores for adverse impacts on sustainability account for 40% of the weight when calculating this indicator. The Investment Manager also includes non-financial aspects for its Sustainable and Impact investing approaches in the assessment of governments. These non-financial aspects are also translated into an indicator score. This score is considered in the overall assessment.

### **Fund selection**

The Investment Manager invests other funds such as investment funds, index funds or ETFs. The Investment Manager assesses the adverse impact on sustainability of financial products by comparing their relationship with the adverse impact of their investments following the approach defined by ISIM to dealing with adverse impact, as outlined above. To do this, Investment Manager sends an ESG fund survey to the managers of these products asking them how their product deals with subjects such as controversial weapons, tobacco, coal, and UN Global compact violators.

ISIM has selected those topics because they are being considered as positively affecting the mitigation of adverse consequences. The responses to the survey allow the Investment Manager to categorise these funds into one of the four ESG approaches mentioned above based on the management of adverse impacts on sustainability.

ISIM sees two options for classification of adverse impacts. The fund manager of the other funds does not take any adverse impact into account, in which case Investment Manager will use this fund only for portfolios where the Traditional investing approach applies. Or the fund manager does consider adverse consequences, in which case the fund may be eligible for all investing approaches, depending on the level and degree of integration. If the fund manager meets some but not all the conditions, the Investment Manager may decide to initiate an engagement process in which the fund manager is asked to meet all the conditions within two years. Depending on the conditions that are not yet met, Investment Manager may decide to categorise these funds as funds that also consider adverse impacts on sustainability. If the engagement procedure is not successful, the fund is placed in a lower category.

An additional survey is launched to determine whether a fund manager takes account of the additional exclusions for the Sustainable and Impact investing approaches. The responses to this survey and the subsequent interview that Investment Manager has with the fund manager provide the Investment Manager with insight into the extent to which the fund manager is aware of the extent of adverse impact that companies or governments may have on social and environmental factors. Fund managers who are more considering this impact can be categorised as sustainability compliant. In addition to taking account of adverse impacts, we expect fund managers of Sustainable funds to meet other standards as well. These standards are described in the ISIM Responsible Investment Guidelines, which can be found at [ing-isim.lu/ESG](http://ing-isim.lu/ESG).

A full list of the data sources that ISIM uses for portfolio asset allocation, monitoring and reporting purposes can be found in Appendix 1.

Following the assessment of the policies described above, a margin of error remains with respect to the identification and prioritisation of adverse impacts on sustainability. This margin of error exists using third-party data that can make an incorrect estimate. Human overall assessment also plays a role, which can be subjective. A fund might never be perfectly aligned. When using externally managed assets, we invest in those products that are closest to our own policies, but this almost never matches 100%. For a positive judgement it is crucial that the differences in the sustainability approach of the fund manager are limited and explainable.

## **Engagement policy**

As a shareholder, ISIM is engaged, in some cases, with the companies in which it invests. This means that, using our shareholder rights, we can hold companies accountable for their responsibility to create long-term value for all stakeholders. In this way we contribute to responsible entrepreneurship and good corporate governance.

We do this in various ways. The Investment Manager engages in dialogue with companies, and we vote at shareholders' meetings. In this way we contribute to a system of good governance and bring the interests of our investors directly to the attention of the companies. However, we will vote when the benefits for the investment products outweigh the costs of voting. Indeed, if there is a disproportion between the cost of voting and the possible impact of our vote, the

votes will not be casted. Where we make use of external asset managers, we rely on their voting policy and engagement. For more information on how we vote and engage, see our [voting guidelines](#) and our [engagement guidelines](#).

Our engagement focuses on two themes, which are in line with ING Group's sustainability objectives:

1. Climate change
2. Financial health

Our engagements focus mainly on improving companies' awareness of key sustainable developments in order to improve their resilience and thus that of their investors. It is not about telling them what they are not doing right, but about telling them how to do it better.

ISIM's funds are invested into direct investments (equities and bonds) or investment funds, what implies that engagement can be exercised in two ways. Engagement with companies is organized through a collaborative initiative with other investors and/or engagement advisors, or through engagement performed by the Investment Managers of these investment funds.

- Direct investment in companies

There are two types of cooperation:

- i. cooperation with an engagement advisor
- ii. cooperation with other investors

Investment Managers engage through the following programmes:

a) Zero deforestation – The programme encourages investees to make progress on achieving sustainable, zero-deforestation supply chains. The data and analytics provided by Satelligence allows the engagement group to detect and quantify loss in vegetation and forest cover, caused by plantation expansion or other incidents linked to palm oil commodity production (cooperation with other investors);

b) Net Zero Transition – The program focusses on supporting institutional investors' efforts to advance their net zero stewardship ambitions by establishing an effective climate-focused dialogue with high-emitting companies on their journey to net zero carbon emissions (cooperation with engagement advisor);

c) Human Capital Management - The program focusses on human rights and labour practices. This program encourages companies to adopt globally agreed corporate standards, including the UN Guiding Principles on Business and Human Rights;



d) Platform Living Wage Financials (PLWF) – The program wants to support the adoption of the payment of a living wage by the different companies in the supply chain of the garment and food and retail sector (cooperation with other investors);

e) Sustainable & Good Governance – The program focusses on sustainable business practices, effective governance structures and accountability mechanisms (cooperation with engagement advisor);

- Investments in other funds

Concerning investments into other funds, Investment Managers assess engagement policies of these other funds and engagement performed by them.

Portfolio management of ISIM's funds and with that engagement has been delegated to external Investment Managers. Some of the Investment Managers are part of the ING Group and, hence exercise engagement in line with the afore-mentioned guidelines. Investment Managers, which are not part of ING Group, may apply their engagement policies. However, such engagement policies can only be applied if the alignment with ISIM's engagement guidelines has been assessed and if such policies encompass engagement themes and objectives defined within ISIM's engagement guidelines.

## SECTION II: PENSION INVESTING APPROACH

Description of the principal adverse impacts on sustainability factors

Indicators for investee companies						
Adverse sustainability indicator	Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENTAL INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	Direct emissions expressed in tonnes of CO2 from sources owned or controlled by the companies directly, as well as emissions produced from on-site process chemistry.	<b>Exclusions</b> For the Pension investing approach, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal extraction, oil sands extraction, shale oil and gas and arctic drilling.
		Scope 2 GHG emissions	N/A	N/A	Emissions expressed in tonnes of CO2 from purchased or acquired electricity, steam, heat, and cooling consumed by the industrial sites. They are indirect as the emissions themselves occur at the point of generation.	
		Scope 3 GHG emissions	N/A	N/A	Other indirect emissions including all other indirect	

					emissions expressed in tonnes of CO2 that are a consequence of the activities of companies, but that occur from sources not owned or controlled by companies.	
		Total GHG emissions	N/A	N/A	Total of emissions of scope 1, 2 and 3 expressed in tonnes of CO2.	
2. Carbon footprint	Carbon Footprint 1&2 in tonnes of CO2e/mio EUR	N/A	N/A	The amount of specified emissions (in tons) divided by the amount invested (in euros) known as the carbon footprint of a portfolio. Carbon Footprint for scope 1 and 2 in tonnes of CO2e/mio EUR.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 2 is considered in this score.</p> <p><b>Exclusions</b></p> <p>For the Pension investing approach, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal extraction, oil sands extraction, shale oil and gas and arctic drilling.</p>	
	Carbon Footprint 1&2&3 in tonnes of CO2e/mio EUR	N/A	N/A	The amount of specified emissions (in tons) divided by the amount invested (in euros) known as the carbon footprint of a portfolio. Carbon Footprint for scope 1, 2 and 3 in tonnes of CO2e/mio EUR.		

	3.	GHG intensity of investee companies	GHG intensity 1&2 in tonnes of CO2e/mio EUR	N/A	N/A	GHG intensity of investee companies for scopes 1 and 2	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 3 is considered in this score.</p> <p><b>Exclusions</b></p> <p>For the Pension investing approach, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal extraction, oil sands extraction, shale oil and gas and arctic drilling.</p>
			GHG intensity 1&2&3 in tonnes of CO2e/mio EUR	N/A	N/A	GHG intensity of investee companies for scopes 1,2 and 3	
	4.	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	Share of investments in companies active in the fossil fuel sector.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the</p>

						<p>investment scope. PAI indicator 4 is considered in this score.</p> <p><b>Exclusions</b></p> <p>For the Pension investing approach, ISIM will exclude companies with a very negative impact on the climate such as companies with revenues deriving, above a certain threshold, from coal extraction, oil sands extraction, shale oil and gas and arctic drilling.</p>
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A	Share of non-renewable energy consumption and energy generation of investee companies compared to renewable sources, expressed as a percentage of total energy sources.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 5 is considered in this score.</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>One of the pillars of the engagement framework of the investment manager for the Pension Investing approach is “Climate transition”. For more information on how we engaged and voted, see our annual voting and engagement reports.</p>

	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	Energy consumption of investee companies, in GWh per million euros of revenues, by sector with major climate effects.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 6 is considered in this score.</p>
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	Proportion of investments in companies with branches/activities in or near biodiversity-sensitive areas where their activities have a negative impact on those areas.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 7 is considered in this score.</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>One of the pillars of the engagement framework of the investment manager for the Pension Investing approach is “Climate transition”. For more information on how we engaged and voted, see our annual voting and engagement reports.</p>

						<p><b>Exclusions</b></p> <p>For the Pension investing approach, ISIM will exclude some companies from activities having a negative impact on biodiversity (oil sands extraction, shale oil and gas and arctic drilling). Moreover, ISIM will exclude companies involved in violations of the UNGC principles (which namely encompasses principles on precautionary approach to environmental challenges). Finally, when selecting Sustainable investments, ISIM will apply controversy screening.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 8 is considered in this score.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	Hazardous and radioactive produced by investee companies, in metric tons per million euros of investment, expressed as a weighted average.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only</p>

						companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 9 is considered in this score.
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Adverse sustainability indicator		Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	Share of investments in companies involved in violations of the principles of the UN Global Compact or of the OECD Guidelines for Multinational Enterprises.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 10 is considered in this score.</p> <p><b>Exclusions</b></p> <p>An assessment to what extent issuers act in accordance with UN Global Compact or the OECD Guidelines for Multinational Enterprises will be performed. For the Pension investment</p>



						strategies, violation of these International Norms and standards are not tolerated.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	Share of investments in companies without a policy to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises or without complaints handling arrangements to address violations of those UN Principles or OECD Guidelines.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 11 is considered in this score.</p>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies.	N/A	N/A	Average unadjusted pay gap between men and women in investee companies.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 12 is considered in this score.</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>One of the pillars of the engagement framework of the investment manager for the Pension Investing approach is “Inclusive growth”. For more</p>

						information on how we engaged and voted, see our annual voting and engagement reports.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A	Average ratio of female and male members of the board of directors of investee companies expressed as a percentage of all members of the board.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM will also include non-financial aspects in the assessment of companies. These will be translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% will be included in the investment scope. PAI indicator 13 is considered in this score.</p> <p><b>Active shareholding (engagement/voting)</b></p> <p>One of the pillars of the engagement framework of the investment manager for the Pension Investing approach is “Inclusive growth”. For more information on how we engaged and voted, see our annual voting and engagement reports.</p>
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A	Share of investments in companies involved in the production or sale of controversial weapons.	<p><b>Exclusions</b></p> <p>ISIM does not invest for the investment strategies it manages in companies involved in the production or sale of controversial weapons.</p>

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS						
Adverse sustainability indicator		Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A	GHG intensity of countries in which we are invested.	<p><b>Investment selection (Sustainability Awareness Scoring)</b></p> <p>ISIM also includes non-financial aspects for its Pension investing approach in the assessment of governments. Progress on climate policy is part of this. The Environmental Performance Index is used for this purpose.</p>
Social	16. Investee countries subject to social violations	Number of countries invested in with violations of social rights (absolute number and relative number divided by all the countries in which we are invested) as referred to in international treaties and agreements, principles of the United Nations and, where appropriate, national law.	N/A	N/A	Number of countries invested in with violations of social rights (absolute number and relative number divided by all the countries in which we are invested) as referred to in international treaties and agreements, principles of the United Nations and, where appropriate, national law.	<p><b>Exclusions</b></p> <p>ISIM excludes from direct investments countries that seriously violate social rights.</p>

  

INDICATORS APPLICABLE TO INVESTMENT IN REAL ESTATE ASSETS						
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Adverse sustainability indicator		Metric	Effects [year n]	Effects [year n-1]	Explanation	Actions taken, and actions planned, and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels	N/A	N/A	N/A	ISIM does not invest directly in real estate in its investment strategies.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	ISIM does not invest directly in real estate in its investment strategies.
<b>OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS</b>						
Emissions	Investments in companies with no initiatives for reducing carbon emissions	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	N/A	N/A	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	<b>Investment selection (Sustainability Awareness Scoring)</b> ISIM will also include non-financial aspects in the assessment of companies. These are translated into an indicator score, namely the Sustainability Awareness Scoring. For the Pension investing approach, only companies that do not rank among the last 30% are included in the investment scope. The PAI indicator on Emissions is considered in this score.
Social	Average score for income inequality	Income distribution and economic inequality among participants in each	N/A	N/A	Income distribution and economic inequality among participants in each economy, including a quantitative indicator.	<b>Investment selection (Sustainability Awareness Scoring)</b> ISIM will also include non-financial

		economy, including a quantitative indicator.				aspects for its Pension investing approach in the assessment of governments and will only select countries that score above average on this PAI. In addition, social policy is part of the selection method. The Social Progress Index is used for this purpose. Countries implementing the death penalty are also excluded for these investment strategies.
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## PENSION APPROACH

ISIM has developed and implemented stringent policies to identify, prioritise, and address principal adverse impacts. In this section a summary of these policies is provided. These policies are described more into details in the [“Responsible Investment Guidelines - Pension Approach”](#) of ISIM.

Below is a brief explanation of the ESG integration tools for the Pension investing approach.

### Exclusions

Within the Pension investing approach, ISIM aims not to invest in companies whose services, products or behaviours are at the expense of people, the environment or society. That is why the Investment Manager with the delegated mandates from ISIM assesses companies on their activities and behaviour before investing in them (via shares or corporate bonds for example). Companies may change over time, reason why Investment Manager checks the data of all companies in the portfolios every year to determine whether they still meet the requirements of the “Responsible investment guidelines - Pension Approach”.

The Pension investing approach imposes the following restrictions on business activity and business conduct:

- Restrictions are applied to issuers involved in controversial activities and having controversial behaviours. This implies restrictive responsible investment criteria based on which restrictions (considering predetermined income thresholds as indicated below) are applied about investments in:
  - Development, production, or maintenance of controversial weapons, or the trade in these weapons (0%)
  - Tobacco production (5%)
  - Coal mining (5%)
  - Oil sands (5%)

- Gambling (5%)
- Weapons (5%)
- Adult entertainment (5%)
- Special furs and leathers (5%)
- Polar drilling (5%)
- Shale oil and gas (5%).
- Restrictions are applied to companies that have violated the principles of the UN Global Compact or the OECD's Guidelines for Multinational Enterprises.
- Restrictions are applied to issuers according to arms embargoes enacted by the United Nations Security Council and/or subject to a "call to action" on the Financial Action Task Force list.

### **Company selection (Sustainability Awareness Scoring)**

Investment manager includes non-financial aspects for its Pensions investing approach when assessing companies. These non-financial aspects are translated into an indicator score. For the Pension investing approach, Investment Manager invests only in companies that do not rank among the last 30% in the investment scope. The scores for adverse impacts on sustainability account for 40% of the weight when calculating this indicator. The Investment Manager also includes non-financial aspects for its Sustainable and Impact investing approaches in the assessment of governments. These non-financial aspects are also translated into an indicator score. This score is considered in the overall assessment.

### **Engagement policy**

Portfolio management of ISIM's funds responding to the Pension Investing Approach has been delegated to an external Investment Manager, which is not part of the ING Group. With that engagement has been delegated to this external Investment Manager.

In accordance with ISIM's engagement guidelines, this investment Manager may apply its engagement policies as the alignment of such engagement policies with ISIM's engagement guidelines has been assessed and as such policies encompass engagement themes and objectives defined within ISIM's engagement guidelines.

The Investment Manager applies different methods to drive beneficial change, which includes engaging with companies to mitigate the adverse impacts of our investments. The Investment Manager votes at the shareholder meetings and actively engages with companies both as a shareholder and as a bondholder

on a range of issues where there is a change potential. Where possible, the Investment Manager collaborates with international organizations and with other institutional investors to strengthen the impact of our efforts.

Below we have provided a summary of the approach to engagement and voting in relation to principal adverse impacts within the Pension investing approach.

The stewardship framework focuses on three different pillars:

1. Climate transition (including themes such as Biodiversity and Nature, Climate Transition and Strategy or Material GHG emissions reduction targets)
2. Inclusive growth (including themes such as Board diversity)
3. Corporate Governance (including themes such as Controversial incidents and Global Norms Violations)

More information about engagement can be found in the [ISIM Engagement Guidelines](#).

## References to international standards

ING Group endorses many initiatives relating to international standards. The following standards apply explicitly to ISIM's investment activities:

- United Nations Global Compact ('UNGC'). The UNGC is a non-binding agreement of the United Nations to encourage companies around the world to pursue sustainable and socially Responsible policies, and to report on their implementation. The UN Global Compact is a principles-based framework for companies that defines ten principles in the areas of human rights, labour, the environment, and anti-corruption. At ISIM, we expect the companies in which we invest to comply with these principles. If a company in which we invest does not comply with these principles, we will sell this position within a predetermined term.
- UN-backed Principles for Responsible Investment ('PRI'). The PRI provides six principles that offer a menu of possible actions to integrate ESG issues into investment practices. We also recognise that the application of these principles can better align investors with the wider objectives of society. We integrate these principles into our investing approaches and encourage our suppliers to do the same. We will report annually to the PRI, which is publicly accessible.

We do not use forward-looking climate scenarios. Our portfolios are globally diversified portfolios that consider environmental factors, but also social and governance factors. The forward-looking climate scenarios are still full of uncertainties and offer only a limited view of the future. We monitor developments in this area and will consider these scenarios as soon as the data is more accurate and relevant.



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