



Engagement

Report 2022

# Engagement Report 2022

1. Responsible-, Sustainable- and Impact Investing

2. Pension Approach - Star Fund



## 1. Responsible, Sustainable and Impact Investing

As part of ING Groep ("ING"), ING Solutions Investment Management ("ISIM") applies engagement guidelines defined by ING ([https://www.ing-isim.lu/webisim/content/dam/isim/pdf/sustainability/en/ING\\_Engagement\\_guidelines\\_English.pdf](https://www.ing-isim.lu/webisim/content/dam/isim/pdf/sustainability/en/ING_Engagement_guidelines_English.pdf)). These guidelines define in particular what we mean by engagement, why we engage, how we engage, how we cooperate with other investors and how we report.

### Engagement in 2022

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

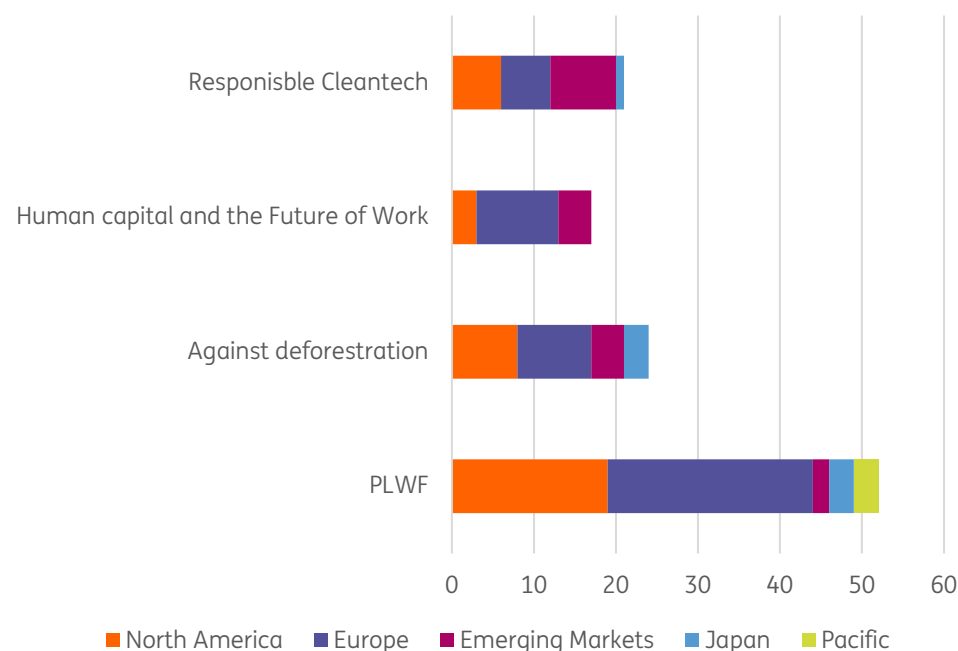
- **Fighting deforestation** – The programme aims to help preventing the further loss of biodiversity by listed companies as well as helping to mitigate the climate and environmental risks associated with deforestation.
- **Responsible cleantech** – The programme aims to achieve efficient and fair production with due consideration for the environment and society.

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

- **Human Capital and the Future of Work**, – The programme aims to encourage companies to develop active policies for hiring, developing, and retaining talent.
- **Platform Living Wage Financials (PLWF)** – The programme aims to encourage, support, and monitor companies in order to facilitate living wages in global supply chains.

Eligible climate-related subjects may include the energy transition and biodiversity. In relation to financial health, the discussion involves employees' rights to a living wage in companies' supply chains.

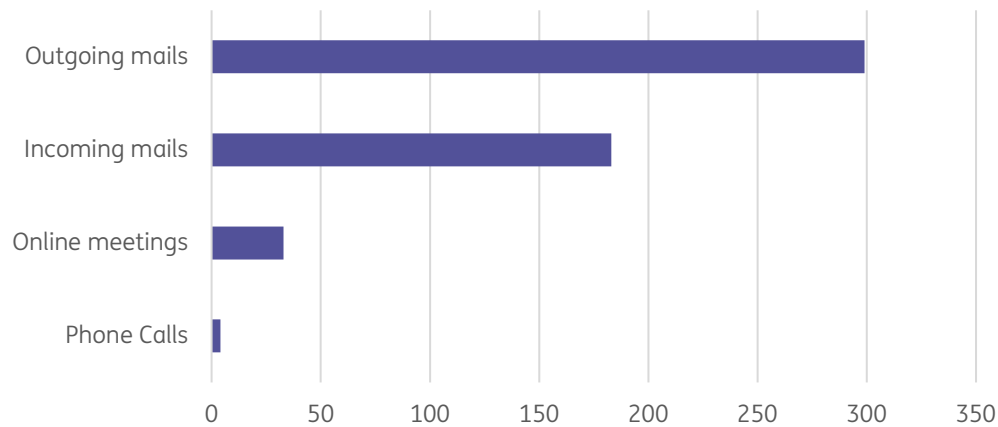
Regional distribution of engagements per Theme



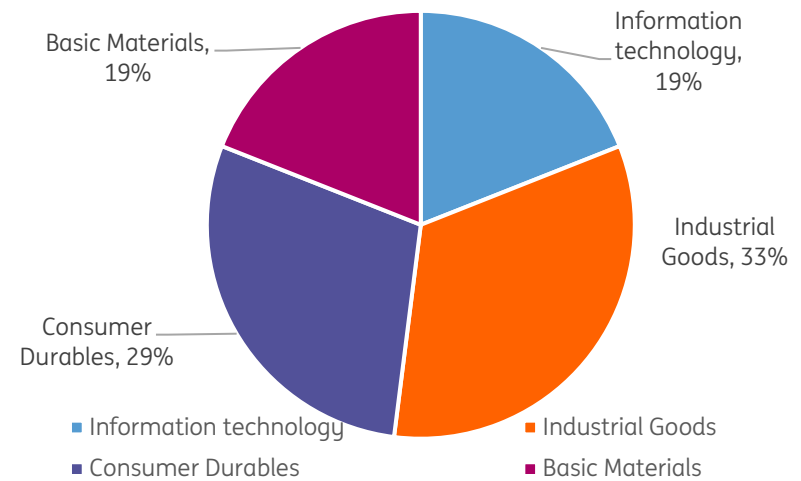
The engagement with the programmes of Responsible cleantech and Future of Work is done through the ESG data provider, Sustainalytics, while the ING has a direct involvement in the Deforestation and Platform living wage programmes together with other investors.

#### Overview of the number of engagement and their sectors allocation

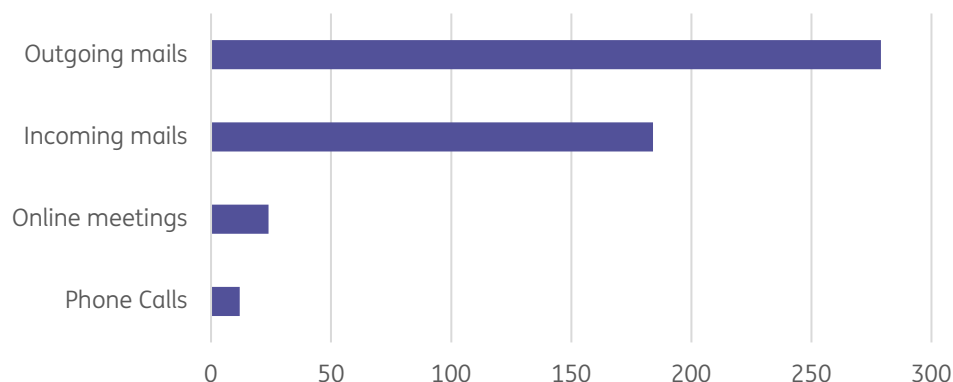
Engagements for the Responsible Cleantech



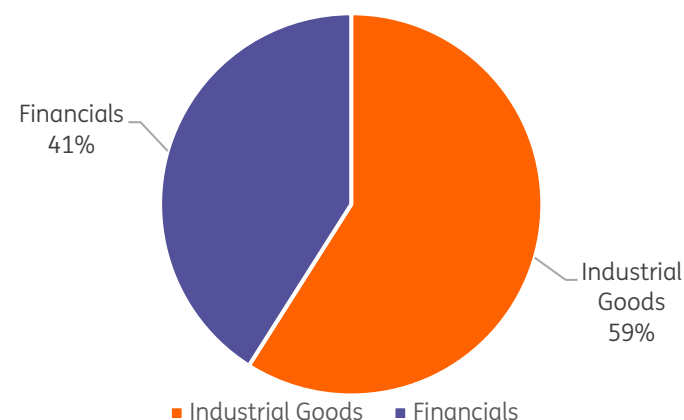
Responsible Cleantech Engagements per sector



Engagements for The future of Work



Future of Work Engagements per sector



## 2. Pension 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 2022

In 2022, 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	Encourage the use of the SASB standards and Task Force on Climate related Financial Disclosures frameworks

		from deforestation and plastics in the supply chain	
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	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 2022, Star Fund's Investment Manager has engaged with six companies in the following manners:

**Country:** France

**Sector:** Energy

**Engagement Category:** Thematic

**Theme:** Climate - Execute Strategy

- The Investment Manager engaged to discuss company climate transition strategy, capital allocation and performance. The discussions concern the company's long-term plans for net zero 2050, including spending on research and development (R&D) as well as the tests applied for approval of new capital projects. Points that were also discussed concerned company's climate-related financial accounting and overall sustainability disclosures.
- The Investment Manager has also noted that the company's reporting format is strong and encouraged continued annual progress reporting, greater clarity around milestones for the climate plan between 2030 and 2050 and the linkage to planned capital expenditure and R&D spending.
- The Investment Manager suggested to the company to bring its response to these issues and the wide range of related public information related to it, together in one place on the website to make it more easily accessible and to help investors understand the response.

**Country:** Italy

**Sector:** Utilities

**Engagement Category:** Thematic

**Theme:** Climate - Execute Strategy

- The Investment Manager has met the investor relations team at the company to discuss the company's goals to reduce greenhouse gas emissions. This company was identified for engagement under the Net Zero – Execute Strategy, engagement initiative in which there is a targeted universe of companies in high impact industries on the implementation of a robust and quantifiable climate transition strategy.
- The company provided updates regarding its zero emissions targets. Specifically, it is progressing against its scope 1 and scope 3 reduction targets, which aim to reduce these emissions by 100% by 2040, with intermediary goals of 80% scope 1 reduction and 78% scope 3 reduction by 2030. The company noted that scope 2 is not material for the company given its business as a utility provider.
- During the engagement, the discussion was about the potential challenges to achieve its targets. While the company is confident in its goals, there are some anticipated challenges in the short term. For example, the war in Ukraine has caused an increase in gas prices which has damaged the balance sheet due to fixed contracts with customers, and it has led to some countries pursuing alternative options for gas. While opportunities within control of the company are progressing, external factors can cause risk which the company is seeking to mitigate accordingly.
- Additionally, it was discussed how the company has incorporated its scope 1 targets in its executive compensation plan. It was questioned why the company was only tying scope 1 targets to the long-term incentive plan and not incorporating the whole climate plan. The company noted that scope 1 emissions are central to the generation of electricity which is its main source of emissions. The company further noted that the targets do not include its merger and acquisition plan, and it intends to remain flexible as it plans to divest from certain activities.

**Country:** UK

**Sector:** Consumer Staples

**Engagement Category:** Thematic

**Theme:** Biodiversity – Plastics

- The Investment Manager has engaged with members of the company's Global Sustainability team and Investor Relations team. The discussions concerned the company's progress toward meeting its plastic-reduction targets and plan to mitigate risks, including R&D related to reducing virgin polyethylene terephthalate (PET) given the challenges in obtaining recycled PET. Another point of discussion was the timing of disclosures because the company's current plastics disclosures run on a July-June reporting year, with result as of December 2022 public disclosures still related to 2021 performance.
- The Investment Manager encouraged more timely reporting where possible and suggested that it would be helpful to show alignment with the financial reporting year and links to strategic priorities. The Investment Manager has encouraged more clarity in public reporting on planned steps to

meet the targets, suggesting that the company lay out clearly what the key elements of the plan are, the relative contribution of each of them, and the related R&D investments.

- The Investment Manager intends to continue monitoring implementation of the company's environmental program and will engage as needed.

**Country:** USA

**Sector:** Consumer Staples

**Engagement Category:** Thematic

**Theme:** Biodiversity – Plastics

- The Investment Manager has engaged with the company's Sustainability Officer and investor relations team to discuss how the company manages risks related to plastics. These discussions started in 2021 with a focus on the company's robust plastics goals for 2030 which include:
  - 
  - Designing 100% of consumer packaging to be recyclable or reusable; and
  - Reducing virgin petroleum plastic resin by 50%.

In 2022, the Investment Manager followed up to understand the company's progress to-date and ensure they were taking appropriate steps to meet their goals, particularly given global supply chain challenges.

- The company noted that the lack of recycled contents available puts some stress on their targets, however they are adapting, for example by:
  - Forming strategic industry partnerships;
  - Extending their contracts with suppliers, and
  - Investing in purification technologies.

**Country:** The Netherlands

**Sector:** Financial Services

**Engagement Category:** Providing Feedback

**Topic:** Remuneration

- The Investment Manager engaged with the chair of the Remuneration Committee Chair and members of the Investor Relations team of the company in September 2022 to give feedback as it was revising its remuneration policy.
- The subject of the discussion was the remuneration policy in the company, where the Investment Manager on numerous occasions, consistently explained that compensation should be clearly aligned to long-term shareholder interests and promote the attraction and retention of key executives. Transparency is critical to enable evaluation of the plan against these criteria.

- The Investment Manager has encouraged the company to provide clarity on performance measures, weightings and outcomes in the remuneration policy and to demonstrate clear long-term linkage to shareholder value.

**Country:** France

**Sector:** Industrials

**Engagement Category:** Thematic

**Theme:** Portfolio Specific Campaigns

- The Investment Manager met the Company Secretary, Investor relations and members of the Sustainability team. The discussions concerned the carbon emissions topic, including the company's climate transition plans and scope 3 targets.
- The topic of discussion was also the biodiversity, asking for great clarity on the company's "net zero loss of biodiversity" goal and encouraging more clarity and granular reporting around this when possible.
- The ongoing governance controversies around corruption and labor rights were also in the agenda. The Investment Manager was willing to understand more about the processes and controls in place to prevent future corruption issues and to seek to ensure there is no forced labor in the supply chain.