



Engagement Report 2024



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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](#) 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 behavior of the companies finally contributes to an improvement of the company performance and increases the shareholders’ value.

Regarding Responsible, Sustainable and Impact investing approaches, it should be noted that this report details initiatives taken within the framework of engagement programs, which have been redefined in the course of year 2024.

1. Responsible, Sustainable and Impact investing approaches

Engagement in 2024

Engagement can be conducted independently or in collaboration with other investors. The Investment Managers tend to collaborate with other investors, as collective efforts yield greater influence. In 2024, they participated in five engagement initiatives, covering the three main themes: environment, social matters, and governance.

Environment

1. Zero Deforestation (an investor initiative)
2. Net Zero Transition (led by Sustainalytics)

Social

3. Human Capital Management (led by Sustainalytics)
4. Platform Living Wage Financials (collective investor initiative)

Governance

5. Sustainable and Good Governance (led by Sustainalytics)

1.1. Environment

1.1.1 Zero Deforestation

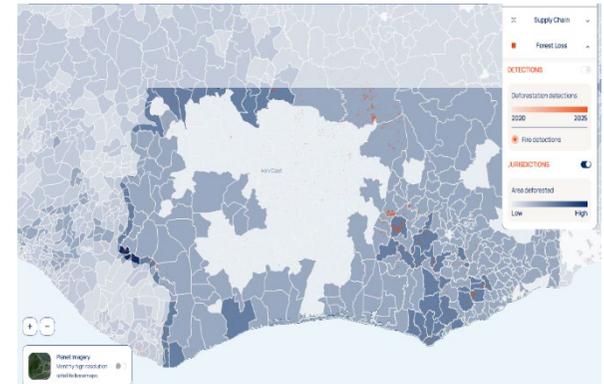
Asset manager Cardano started this initiative and invited other investors to join. The goal is to encourage the companies to make progress towards achieving sustainable, zero-deforestation supply chains. The satellite imaging and data analytics provided by [Satelligence](#) enable the engagement group to detect and quantify vegetation and forest cover loss caused by plantation expansion or other incidents linked to palm oil, soy or cocoa production.

As co-leads, the Investment Managers have continued to gather feedback from companies on how they are addressing individual deforestation incidents linked to their suppliers. The Investment Managers have observed that these companies have their own systems in place to monitor such incidents, and that forest protection is becoming a key part of their sustainability strategies.



The conversations were linked to more solutions-oriented topics. Discussions have included regenerative agriculture techniques, scaling of landscape programs, setting targets for increasing plant-based offerings to address inherent risks in the beef and soy (as animal feed) supply chains, and financing projects with a positive impact on forest biodiversity. While companies are still in the initial stages of making tangible contributions to a nature-positive future, the Investment Managers engagements in 2024 have encouraged them to prioritize this goal.

The Investment Managers have started working with Satelligence in the third quarter last year and had conversations with six companies in 2024. In 2025 they expect to cover more companies.



Satelligence dashboard

1.1.2 Net Zero Transition

The Net Zero Transition Stewardship Program supports investors in aligning their portfolios to achieve net zero emissions by engaging with companies to manage climate-related risks and opportunities.

Key highlights:

- The Investment Managers have engaged with more than one hundred companies to promote sound climate management practices.
- The Investment Managers have emphasized the importance of Scope 3 emissions and the integration of GHG metrics into executive compensation.

Engagement outcomes: the program conducted 104 engagement calls and exchanged 1,477 emails, achieving 29% of engagements with a “good” or “excellent” response (“The company is proactive in communicating around the issues related to the change objective”) and has a “standard progress” in 64% of engagements (“the company has undertaken a number of measures to address the issues related to the change objective”).

The future goals of this stewardship program are to enhance relationships with engaged companies and reduce low-responsive cases and to focus on in-depth evaluations of corporate GHG reduction plans.

Case: Iberdrola SA

In the Net Zero Transition Stewardship Program, Iberdrola SA, a Spanish multinational electric utility company, focused on reducing emissions and improving supplier greenhouse gas (GHG) reporting. The company committed to reducing its emissions by 65% by 2030 (scope 1 and 2) and reaching zero net emissions in all activities (scope 1, 2, and 3) by 2040.

This case study highlights Iberdrola’s proactive approach to managing climate-related risks and opportunities, demonstrating their commitment to sustainability and long-term environmental goals.



1.2.Social matters

1.2.1 Human Capital Management

The Human Capital Management Stewardship Program by Morningstar Sustainalytics focuses on engaging with companies to enhance their human capital management (HCM) strategies. This includes addressing challenges and opportunities related to workforce management, diversity, equity, and inclusion (DEI), and adapting to technological advancements.

Key highlights:

- The Investment Manager worked with fifty companies to enhance their human capital practices.
- Key areas of focus were DEI and the impact of AI on workforce management and promoting proactive human capital strategies to enhance organizational resilience and adaptability.



Engagement outcomes: the program conducted 14 meetings of which 83% of engagements showed “standard progress” (“the company has undertaken a number of measures to address the issues related to the change objective”), with 8% achieving “excellent” progress (“the company has adopted a proactive approach and addressed the issues related to the change objective”).

The goal of the stewardship program is to increase awareness of effective human capital and DEI practices and improve data collection and reporting for better transparency.

Case: United Health Group

In the Human Capital Management Stewardship Program, UnitedHealth Group, a leading private health insurer based in the US serving over 150 million people globally, focused on enhancing career development and implementing Diversity, Equity, Inclusion, and Belonging (DEIB) initiatives. They established a Sustainability Steering Committee to oversee these strategies, ensuring a comprehensive approach to workforce management.

This case study highlights UnitedHealth Group’s commitment to fostering a supportive and inclusive work environment while promoting continuous learning and career growth.

1.2.2. Platform Living Wage Financials

The Platform Living Wage Financials (PLWF) is a coalition of 24 financial institutions committed to ensuring living wages in global supply chains. The PLWF engages with companies to improve their wage practices, focusing on transparency, responsible purchasing, and effective grievance mechanisms in two sensitive sectors. PLWG focuses specifically on companies in the apparel, food and retail industries.

Key highlights:

- The Garment & Footwear Sector show progress in transparency and responsible purchasing, with brands like Marks & Spencer and Primark advancing in their living wage strategies.
- The Food Agriculture and Food Retail Sectors display mixed progress, with companies like Unilever and Ofi leading living wage policy implementation.

Engagement outcomes: in 2024, the Platform Living Wage Financials (PLWF) engaged with 55 companies across the Garment & Footwear, Food Agriculture, and Food Retail sectors.

Overall outcomes: significant progress in 83% of engagements, with companies adapting their wage policies and improving transparency. Garment & Footwear Sector: significant progress in transparency and responsible purchasing practices, with a focus on closing living wage gaps. Food Agriculture and Food Retail Sectors: mixed results with some companies showing improvement in living wage policies, but overall progress remains slow.

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These engagements highlight the ongoing efforts and challenges in promoting living wages across global supply chains, emphasizing the need for increased transparency, better data collection, and robust grievance mechanisms.

Case: Nudie Jeans

Nudie Jeans, a Swedish denim brand, has been proactive in ensuring living wages in its supply chain. In India, they collaborated with a vertical supplier to bridge the gap between minimum and living wages. In Turkey, they worked with other brands to close the wage gap significantly. This case study highlights Nudie Jeans' commitment to ethical practices and their efforts to influence other brands.

1.3.Governance

1.3.1.Sustainability and Good Governance

The Sustainability and Good Governance Stewardship Program engages with companies to improve their governance structures and sustainability practices, ensuring long-term business resilience.

Key highlights:

- The Investment Manager through this program has engaged with 60 companies across various sectors to enhance governance and sustainability. The emphasis was on a board independence, sustainability integration, and transparency in governance.

Engagement outcomes: the program conducted 41 meetings and exchanged 601 emails, achieving 100% of engagement with “Standard Progress” (“the company has undertaken a number of measures to address the issues related to the change objective”) and 22% of engagements with “Good” or “Excellent” response (“the company is proactive in communicating around the issues related to the change objective”).



The goal of this stewardship program is to enhance governance frameworks to support sustainability commitments and address non-responsive companies and improve engagement strategies.

Case: KKR & CO

In the Sustainability and Good Governance Stewardship Program, KKR, as one of the largest alternative asset managers, focused on enhancing corporate governance and integrating sustainability into their business practices. They implemented a sunset clause for 2026 to ensure their governance structures align with best practices, promoting long-term resilience and accountability. This case study highlights KKR's commitment to improving transparency and sustainability, setting a strong example for other companies in the industry.

2 Pension investing approach - Star Fund

2.1 Engagement themes

In 2024, 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 labor 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 |

2.2 Engagement cases:

In 2024, Star Fund's Investment Manager has engaged with three companies in the following manners:

Case: Heineken NV

Country: Netherlands

Sector: Consumer Staples

Category: Thematic

Theme: Biodiversity and Nature - Plastics

Status: Ongoing

- In November, members of the Global Stewardship Team and the Fixed Income investment team in the Investment manager engaged with members of the Investor Relations team at a Dutch consumer staples company. They had identified the company for engagement under the Biodiversity and Nature – Plastics engagement initiative in which they seek to engage with consumer goods companies to share the perspectives on disclosure of packaging metrics in line with SASB standards. They had previously engaged with the company in 2022 and 2023, focusing the discussions on its strategy for improving the recyclability of packaging across all its products and providing increased disclosure on SASB metrics.
- The discussions were linked to the company's new circularity strategy and challenges in meeting its targets. The company emphasized that the biggest challenge was the ecosystem that needs to be in place around reusable formats as well as dependency on government policies and infrastructure to be implemented to allow for more large-scale recycling and availability of recycled content. The company said it would provide a detailed progress report on its targets in the 2024 Annual Report, as well as disclosing the baseline metrics for each target.
- The Investment Manager reiterated its views related to the company disclosing its metrics on packaging within its operations in line with SASB, allowing to track this information over the long term. The company said it intended to publish further disclosure in 2025 in line with the Corporate Sustainability Reporting Directive, having identified circularity as material, but could not guarantee that disclosure would cover all three SASB metrics.
- The Investment Manegr will continue engaging with the company on this topic.

Case: McDonalds**Country:** United States**Sector:** Consumer Discretionary**Category:** Thematic**Theme:** Biodiversity and Nature – Plastics**Status:** Ongoing

- In February, members of the Global Stewardship Team in the Investment Manger engaged with the sustainability officer and general counsel of a US consumer discretionary company. They had identified the company for engagement under the Biodiversity and Nature – Plastics engagement initiative in which they seek to engage with consumer goods companies to share the perspectives on disclosure of packaging metrics in line with SASB standards. At the time of the engagement, the company did not disclose the percentage of packaging that was recycled, reusable and/or compostable. They had been engaging with the company since 2021 on key sustainability issues, including its efforts to reduce plastics usage, improve sustainability in sourcing, and strengthen its point of store recycling programs.
- During the engagement, the discussion was related to the company's lack of packing disclosure. The Investment Manager has provided its view that the company should expand its reporting metrics to include the percentage of packaging that is recycled, reusable and/or compostable. The company advised that this was not currently tracked owing to the complexity of reporting this metric centrally given the company's franchise model.
- The Investment Manager also followed up on the company's progress on its target to source 100% of primary-guest packaging from renewable, recycled, or certified materials by end of 2025. The company had achieved 81% of the goal and is actively working with suppliers to innovate more sustainable packaging materials that ensure customer satisfaction and quality. The company expected to increase disclosure and report any gaps or challenges identified as they approached the 2025 deadline.
- The Investment Manager will seek to continue engaging with the company on this topic.

Case: Siemens AG

Country: Germany

Sector: Industrials

Category: Thematic

Theme: Controversial Incidents

Status: Complete

Members of the Global Stewardship Team and Fundamental Equity Investment team in the Investment Manager engaged with the Investor Relations team of a German industrials company. The Investment Manager had identified the company for engagement under our controversial incident engagement initiative due to concerns around its activities in Western Sahara.

The company advised that its operations in Western Sahara were initiated over 10 years ago via a joint venture. It confirmed it no longer conducts any active operations but has a remaining contract to service the wind turbines in the region. Due diligence and monitoring of its activities is overseen at the board level and where possible it tries to engage with the local population but noted difficulties in engaging with some of the indigenous community due to their nomadic lifestyle.

The company stated that it has undertaken an internal legal review of its activities in the region which found that it was not breaching any laws, but if the situation were to change and it no longer became lawful, it would halt activities.

The Investment Manager discussed whether the company could publish the findings from the internal legal review, as well as provide more public disclosure on its role in Western Sahara as some data providers are reporting inaccurate information about its role and ownership.

At this time, the Investment Manager considers the engagement complete.

