



## Responsible Investment: Engagement Guidelines

In this publication you will find our policy on dialogue with companies, also known as our engagement policy. This policy gives you, as an investor, insight into what we mean by engagement and how we model that within ISIM.

ISIM provides a variety of funds, each with its own distinct approach to sustainability. Our investments can be made directly in equities or bonds, or indirectly through investment funds. This impacts our engagement strategies, allowing us to either engage directly with our investees or indirectly through the fund manager's engagement with their investees.

ISIM's engagement guidelines are based on those established by ING Bank N.V. and are further elaborated in this document. The portfolio management and engagement of ISIM's funds have been delegated to external Investment Managers. Some of these managers are part of the ING Group and therefore follow the group's engagement guidelines. For Investment Managers outside the ING Group, their engagement policies can be applied only after ensuring alignment with ISIM's engagement guidelines and confirming that their policies include the engagement themes and objectives defined by ISIM.

## What do we mean by engagement?

Dialogue between investor and company to strengthen sustainability.

In the realm of investment, the general concept of engagement extends beyond the mere financial transaction between an investor and an investee company. It encompasses a multifaceted relationship wherein the investor assumes the role of an owner, where it also feels responsibility to a certain extent for the company's activities and conduct. The objective of engagement activities is to optimize long-term value for both the investee, the investor's clients, and the stakeholders of the investee company.

The modalities of engagement can be diverse, ranging from written correspondence and phone conversations to face-to-face meetings, which may occur over a span of several years. Through such interactions, a robust involvement and a strong sense of engagement are cultivated between the investor and the investee company.

Ultimately, engagement is characterized by a dialogue between the investor and the company, with the shared aim of enhancing the sustainability and resilience of the company. Sustainability should be seen in the broadest sense of the subject, not only environmental, or social topics can be addressed but also governance.

## Why engagement?

It allows investors to make better informed decisions

We believe that investors who are committed to sustainability have the fiduciary duty to also exercise the fundamental rights attached to their shareholding. These rights include voting and engagement. Engagement with management and boards of investee companies is an integral part of the investment process. Engagement allows investors to make better informed decisions due to the extra information that is obtained via the engagement. Engagement also sets a different tone of priorities as you are not solely investing in the company for the short term, in other words just to profit from the possible positive price evolution, but also for the longer term.

Through long term engagement, investors deliberately choose to invest time in a company, with the expectation that the company will be able to profit from the conversation. We believe that it's important that investors develop a constructive dialogue with their investee companies, to be able to protect and enhance their activities and move them towards more sustainable achievements.

Also, best practices in relation to sustainability enable companies to improve their resilience. A company that has a sound relationship with its stakeholders, that properly manages and oversees risks, is better embedded in society, and can react better to changes and developments in the economy. Research acknowledges this. Engagements with positive outcomes lead to better price performance (Dimson 2012). Another research seems to imply that that engagement decreases risks (Hoepner 2020).

## How do we engage in dialogue?

Only engagement provides the possibility to change companies' conduct. It's argued that with the exclusion a company, you deprive yourself from the opportunity to start a meaningful dialogue with the company. We believe that engagement is an essential tool in the investment process, but equally is exclusion. We don't want to invest in companies that conduct in controversial behavior or that produce controversial products. We prefer to focus our attention on raising a companies' awareness on material sustainable developments, potentially increasing the resilience of the companies we invest in. Engagement is about sharing our philosophy, entering a constructive dialogue, without micro-managing them. If you want to know more about our voting guidelines, please visit our website [www.ing-isim.lu/esg](http://www.ing-isim.lu/esg).

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 consultants, or through engagement performed by the Investment Managers of these investment funds.

### Two types of engagement

We prefer having the dialogue together with other investors. In this way, we can profit from each other's knowledge, and strengthen our position towards the investee companies. Research provided by Dimson (2019) shows that collective engagements can be more effective.

**Engagement is a means to improve business awareness**

Currently, the emphasis is on our collaboration with engagement advisor Sustainalytics. Sustainalytics has more than 25 years of experience in this field, providing us with tools to engage with companies.

#### We will focus on the following themes:

1. Human Capital Management (led by Sustainalytics)
2. Sustainable & Good Governance (Sustainalytics)
3. Net Zero Transition (led by Sustainalytics)
4. Zero deforestation (led by Cardano)
5. Platform Living Wage Financials

The themes connect to the overall strategy of ING Group on sustainability, namely: climate action and financial wellbeing. ING Group wants to support its customers, companies, and private clients alike, to become more resilient.

#### The engagement themes in more detail:

1. Human Capital Management (Sustainalytics) focusses on human rights and labor practices. This program encourages companies to adopt globally agreed corporate standards, including the UN Guiding Principles on Business and Human Rights.
2. Sustainable & Good Governance (Sustainalytics) focusses on sustainable business practices, effective governance structures and accountability mechanisms.
3. Net Zero Transition (Sustainalytics) 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.

**Engagement is a means to improve business awareness (end).**

4. Zero deforestation (Cardano), 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.

5. Membership of the Platform Living Wage Financials. With this group of investors, we want 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.

### **Investments in other funds**

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

### **Leveraging networks for enhanced engagement**

In our corporate engagement we recognize the value of indirect strategies that encourage parties to engage with investee companies. This chapter outlines our policy on utilizing networks such as Dutch association of investors for sustainable development (VBDO) and PRI, as well as collaborating with affiliated asset managers, to foster a culture of responsible investment. Through our indirect engagement initiatives, we aim to amplify our influence and extend our reach beyond direct interactions.

By leveraging the expertise and connections of established associations like VBDO and the UN's PRI platform, we can advocate for best practices in sustainability and corporate governance among a broader group of companies. Furthermore, by working closely with these managers, we can ensure that our investment principles are upheld and that our expectations for investee companies are communicated effectively. This collaborative approach allows us to contribute to the development of a more sustainable and resilient corporate landscape.

How we operate:

a. Through our membership of the Dutch association of investors for sustainable development (VBDO). The goal of the VBDO is to give rise to sustainable investing in the Netherlands. Part of their activities is the engagement with (mainly Dutch) companies, investees, and investors, to increase sustainability.

b. Supporting initiatives of other investors through the PRI platform. PRI is a UN-supported network of investors that promotes sustainable investment through incorporation of environmental, social and governance pillars.

c. The encouragement of the managers of the investment funds we are invested in to engage with companies on sustainability related topics. How do we report on this?

Before you can change, you must be aware of the need for change. Knowledge plays an important role here. This applies to companies, but also to investors. We will therefore report annually on the various engagement initiatives that our Investment Managers undertake. In doing so, we provide insight into the steps undertaken, but also into the dilemmas we are facing in the transition to a more sustainable economy.

**We work with engagement advisors.**

**Contributing to  
strengthening the  
resilience of companies**

### **What are our expectations?**

Engagement is one part of our integral sustainable investment process. We therefore do not solely rely on engagement. However, we believe that engagement strongly supports our holistic approach. And can be a force for good, before and during the time a company is part of our portfolio.

In parallel, we do not expect to be able to change companies just by ourselves. But we do feel that by cooperating with other investors we can support companies in strengthening their resilience.

#### **Disclaimer**

This document is informing potential investors in ISIM funds about the Engagement Guidelines ('Guidelines') applied within the funds it manages. This document is compiled by ING Solutions Investment Management (ISIM) based on the Guidelines established by ING Bank N.V. For further information about any fund managed by ISIM or policies applied by ISIM, please consult the KIID, the Prospectus and the section 'Policies' of the ISIM-website ([www.ing-isim.lu](http://www.ing-isim.lu)).

Before making any investment decision, please read carefully the KIID and Prospectus of the relevant instrument. All documents can be found on <https://www.ing-isim.lu>.

ING is a registered trademark of ING Groep N.V.



**do your thing**