AEGON UK STAFF RETIREMENT AND DEATH BENEFIT SCHEME

Statement of Investment Principles

1. INTRODUCTION

This document constitutes the Statement of Investment Principles ("the Statement") for the AEGON UK Staff Retirement and Death Benefit Scheme ("the Scheme").

It has been prepared by AUK DB Scheme Trustees Limited ("the Trustee") in accordance with section 35 of the Pensions Act 1995 ("the Act") and associated Regulations. In arriving at the Investment Strategy as summarised in the Statement, the Trustee has consulted AEGON UK plc ("the Company"). The Trustee has also taken into account advice from Hymans Robertson LLP.

The Statement will be subject to regular review.

2. STRATEGIC MANAGEMENT

2.1 Investment Objective

The Trustee has considered its objectives in determining the investment policy for the Scheme. It has consulted the Company in prioritising its objectives.

Having considered the associated risk, the Trustee's main objective has been to determine an investment policy framed around generating sufficient return to meet the liabilities, taking into account the anticipated level of contributions being paid by the Company.

2.2 Investment Risk

Using capital market models based upon assumptions derived from current market conditions and historic market return patterns, the Trustee considered the potential volatility associated with the Scheme's funding level and contribution rate for alternative levels of investment risk, and in particular, differing levels of equity market exposure.

The Trustee has taken into account the Company's view that an approach which was too conservative would, whilst reducing the volatility in funding level and contribution rate, lead to a higher expected long-term contribution rate.

The Trustee has also taken into account the maturity of the Scheme, the projected cash flow position of the Scheme, the comparative size of the Scheme relative to the Company's ongoing business, and the financial strength of the Company.

In addition, when considering the implementation of the investment policy, the Trustee has considered the risk associated with interest rates, inflation, equity market concentration, credit, currency, active management and illiquidity.

The Trustee has taken the following actions to manage the risk associated with the investments:

- The Trustee has determined an investment policy with an expected level of annual volatility in the funding level that is within a tolerance range agreed with the Company;
- To diversify the market and stock risks that the Scheme faces, the Trustee invests in a range of assets suitable for a pension scheme;
- The Trustee does not expect managers to take excess short term risk and will regularly monitor the manager's performance against the benchmarks and objectives set on a short, medium and long terms basis.
- The Scheme uses interest rate and inflation linked bonds and derivatives to hedge more accurately the interest rate and inflation exposure of the liabilities;
- The Scheme uses local market equity derivatives and currency hedging to remove a proportion of the currency risk associated with investing in non-sterling markets;
- With the exception of secured benefit assets, core bonds, equity futures and hedging assets, the Scheme's assets are invested in pooled funds which are diversified and can be redeemed on regular dealing dates;
- The Scheme uses secured benefit assets to match a portion of benefit payments thereby removing market and demographic risks for these benefits.

More detail on these risk mitigation measures are set out in the Scheme's Investment Implementation Policy Document (IIPD) which is maintained by the Trustee Investment Committee.

2.3 Investment Strategy – main asset portfolio

The Trustee holds a combination of secured benefit assets and non-secured assets.

The Trustee holds secured benefit policies in the form of bulk annuities with Scottish Widows Limited, Phoenix Life Limited and Rothesay Life. While these policies can be used for other purposes under the Scheme as directed by the Trustee, the intention is that the policies will provide payments that match (or very nearly match) the payments due by the Scheme in relation to the relevant benefits. These long term strategic investments are not expected to be traded.

The Scheme's investment strategy in respect of non-secured assets comprising the main asset portfolio is set out below.

Asset Class	**Target Allocation[1](%)**
Growth Portfolio	16.1
Income Portfolio	7.5
Liability Matching Portfolio	76.4

1 The target allocation to Liability Matching assets is a balancing item with the level of leverage adjusted as required to meet the Scheme's interest rate and inflation hedging requirements.

The long term expected return on the Scheme's non-secured assets is around 1.0% per annum over Gilts at the time of the last strategy review.

The Trustee will typically invest and disinvest net cashflow in line to maintain the allocation specified above. The split between growth, income and matching assets will be allowed to drift in line with market movements but the Trustee will review the actual asset allocation on a quarterly basis, or more frequently if considered necessary, and may re-balance the assets and/or amend the cashflow policy to move the asset allocation back to the target allocation if required and conditions are appropriate.

3. DAY TO DAY MANAGEMENT OF THE MAIN ASSET PORTFOLIO

3.1 Main Assets

The current investment policy is designed to achieve a return, net of expenses, of at least 1.0% per annum above the return on Gilts, with an annual volatility expressed relative to the liabilities estimated to be 3.5% per annum at the time of the last strategy review.

Note that the liability matching portfolio includes investment grade bonds, index-linked gilts and a risk mitigation component which uses interest rate and inflation derivatives supported by cash to increase the overall hedge of the liability risks.

The Trustee keeps the investment policy under regular review.

Further detail on how the Scheme's investments are expected to deliver the desired return and risk, including details of the Scheme's investment managers and their mandates is included in the Scheme's IIPD.

3.2 Choosing Investments

The Trustee has appointed each of its investment managers to deliver a specific benchmark or performance target, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Scheme. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability.

The Trustee recognises the long term nature of its liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme objective.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For close-ended investments, the Trustee expects the term of the appointment to be the lifetime of the investment.

The Trustee will measure a fund's relative tracking error where appropriate. Managers are expected to provide explanation for any significant deviations away from benchmark or target.

3.3 Portfolio Turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period.

The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive. The Trustee will request turnover costs incurred by asset managers over the Scheme reporting year.

3.4 Socially Responsible Investment and Corporate Governance

The Trustee believes that investing in sustainable companies with strong environmental, social and governance policies will provide long term returns at least equivalent to its benchmarks and with lower risk. The Trustee will evaluate its current managers and any new managers on their engagement with companies on these issues. In addition, the Trustee will encourage its managers to take the long view on their time horizons for investment in line with the long term nature of the pension plan liabilities. The Trustee will ask its managers to promote greater transparency on ESG metrics from the companies they invest in on its behalf and continually raise the bar on Board attitudes to ESG policies and their implementation.

Working with the Scheme's investment managers, advisors and industry bodies, the Trustee will keep up to date with best practices amongst pension plans on sustainability and governance in order to evolve its own policies over time.

Given the use of pooled funds and insurance policies within the Growth and Income portfolios, the Trustee does not take into direct account social, environmental or ethical considerations for the selection, retention and realisation of investments. Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting its strategic benchmark.

The Trustee has given its investment managers full discretion when evaluating environmental, social and corporate governance issues and in exercising rights (such as voting rights) attached to the Scheme's investments. Given the discretion afforded to the investment managers, the Trustee expects that its investment managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believes this approach is in line with the basis on which its current strategy has been set.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. The Scheme's voting policy is exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Where relevant, the Trustee has reviewed the voting policies of its Investment Managers and determined that these policies are appropriate. Where appropriate, the Trustee will engage with and may seek further information from its Investment Managers on how portfolios may be affected by a particular issue.

The Trustee does not engage directly but believes it is appropriate for its investment managers to engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to its investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activity undertaken by its investment managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee has not imposed any constraints on the investment arrangements or managers employed relating to non-financial factors.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

3.5 Defined Contribution Additional Voluntary Contributions

The Scheme has a defined contribution arrangement for Additional Voluntary Contributions which are invested in with-profits funds with Scottish Equitable plc.

3.6 Monitoring

The Trustee monitors the investment managers' performance by obtaining regular reports from them, supplemented by an annual presentation on investment policy and performance.

The Trustee retains Hymans Robertson LLP to provide help and advice in relation to the Scheme investments.

The Trustee receives quarterly reports from Hymans Robertson LLP to monitor the progress of the Scheme's funding level against the expected development, and monitor the volatility in the funding to ensure that it is within the tolerance range agreed with the Company.

The Trustee aims to meet with all its Investment Managers on an annual basis. The Trustee provides its managers with an agenda for discussion. Managers are challenged both directly by the Trustee and by its investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

4. REVIEW OF THIS STATEMENT

The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustee and the Company which they judge to have a bearing on the stated investment policy. This review will take place at least every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

Date of Amendments

First Amendment:	February 2001
Second Amendment:	November 2003
Third Amendment:	December 2005
Fourth Amendment:	April 2006
Fifth Amendment:	September 2008
Sixth Amendment:	July 2009
Seventh Amendment:	November 2011
Eighth Amendment:	May 2012
Ninth Amendment:	November 2013
Tenth Amendment:	March 2017
Eleventh Amendment:	April 2019
Twelfth Amendment:	June 2019
Thirteenth Amendment	December 2019
Fourteenth Amendment	July 2020
Fifteenth Amendment	January 2021
Sixteenth Amendment	June 2021
Seventeenth Amendment	December 2021
Eighteenth Amendment	January 2023
Nineteenth Amendment	October 2023