For customers

Our responsible investment policy

The value of investments may go down as well as up and you may get back less than you invest.

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Our purpose

As the UK's largest investment platform, we have an important role to play in promoting a fairer and more sustainable world. This relates both to how we behave as a business and how we help our customers invest responsibly.

We believe it's critical to take a holistic and long-term view when investing, factoring in impacts on the environment and society. We also believe in the importance of being good stewards of our customers' savings, and part of this is making our principles and expectations very clear. The world faces urgent challenges, particularly climate change, that could upend life as we know it. Swift and bold action is required and we're determined to play our part.

This responsible investment policy sets out how your savings will be managed, in line with our objectives, relevant laws and market and consumer expectations.

Our overarching purpose as a business is to help you live your best life by offering the right investment solutions at every stage of your life. However, it also means paying due attention to how our decisions affect people and planet. We believe that responsible investment should ultimately lead to better long-term returns, by supporting good governance, wise social practices and careful management of environmental impacts.

Funds covered by the policy

The policy applies to:

- Shareholder general account assets on the balance sheet of Aegon, for example, the assets we invest in for the benefit of our shareholders
- Financial assets invested in Aegon manufactured funds, where we have management control, for example:
  - Insured funds on the balance sheet of Aegon and linked to products sold by Scottish Equitable plc
  - Funds managed by Aegon Investments Ltd ('AIL')
  - With profits funds

You can recognise these funds because they have names that start with 'Aegon' or 'Scottish Equitable'.

What is responsible investing?

Responsible investing is widely defined as the incorporation of environmental, social and governance (ESG) factors in investment decisions. Here are some examples of ESG factors:

Environmental

- Climate change
- Nature
- Waste and pollution
- Water use and conservation
- Deforestation
- Natural resource use
- Clean technology
- Green buildings
- Renewable energy

Social

- Human rights and labour standards
- Product safety and liability
- Workplace safety
- Workplace benefits
- Diversity / inclusion policies
- Data protection and privacy
- Community involvement
- Nutrition and health
- Supply chain / controversial sourcing

Governance

- Board independence
- Board diversity
- Anti-corruption policies
- Shareholder rights
- Compensation structures
- Corporate political contributions / lobbying
- Corporate behaviour / corruption

Approaches to responsible investing

There are different types of approaches to responsible investment including labels such as ethical, sustainable and impact. These may differ in terms of objective and criteria used, but all incorporate ESG factors in various ways. Broadly speaking, there are three ways of using ESG information when investing:

ESG integration	Impact	Thematic
Considers ESG factors in decision making. This can be 'negative screening', where certain companies or sectors may be excluded or 'positive screening', where companies with positive or improving ESG performance relative to their competitors are favoured.	Invest in companies pursuing a measurable social and/or environmental impact alongside a financial return.	Focus on specific ESG factors, for example, climate change, healthcare or gender equality.

Stewardship
Stewardship is a powerful tool that fund managers can use to influence corporate behaviour, engaging with the companies they invest in to make your money talk on your behalf.

Responsible investing can mean different things to different people. We offer a range of funds that consider ESG factors so that you can choose where your money is invested and invest in line with your beliefs.

Helping to grow your savings over the long term

There's evidence that there's a positive connection between a company's performance and its approach to managing ESG factors, which in turn could have a positive impact on your savings, although there's no guarantee.

Fund managers need to think carefully about their exposure to climate risks, whether it's from government policy, technological innovation, changing consumer preferences, or disruption caused by extreme weather.

All companies can be affected by climate change, but some are more at risk than others. For example, fossil-fuel companies may lose business as economies transition to renewable energy. As action to combat climate change builds momentum, many of their assets including coal mines and oil fields, could lose significant value. On the other hand companies that are focusing on solutions to climate change, whether through products or services, are likely to benefit from the transition to a low-carbon future.

At Aegon UK, we continue to focus on managing the impact of climate change on our business and customers. That's why, in 2019 we committed to net-zero greenhouse gas emissions for our pension default fund range by 2050 and to a 50% reduction in emissions by 2030.[1]

[1] Measured using carbon footprint across our full range of default funds. Emissions targets don't apply to individual funds. 2030 target applies to scope 1 and 2 emissions from listed equities (shares) and corporate fixed income (bonds) only. You can find out more about scope 1 and 2 emissions in our **responsible investment jargon buster**.

Our responsible investment management process

Our responsible investment beliefs guide how we engage with customers, fund managers and the wider financial services industry, as part of our responsible investment strategy.

We believe that

- A fairer and more sustainable world is in everyone's interest and that, as a long-term savings provider, we have a responsibility to support this.
- The consideration of ESG factors is necessary to help grow customer savings over the long term.
- Climate change presents significant risks, as well as opportunities to invest in the transition to a low-carbon and climate-resilient future.
- Active engagement with the companies our customers invest in, including voting at shareholder meetings, is key to driving change.

Our approach is underpinned by two main levers for change. Firstly, we can drive responsible investment through how we allocate capital, for example, through the products and solutions that we offer. Secondly, by engaging with fund managers, clients and customers, as well as the wider pensions and financial services industry.

As some of our assets are managed by external managers across our fund ranges, our responsible investment approach also focuses on the selection, appointment and monitoring of fund managers.

Fund manager expectations

Prospective fund managers are selected based on their ability to meet our minimum expectations across the five areas of responsible investment shown below. We expect our fund managers to have a view, and to be able to report back to us on activities across these responsible investment themes and risks. We also expect fund managers to sign up to both the United Nations Principles for Responsible Investment and the UK Stewardship Code.

Responsible investment category	Minimum expectations
1. Responsible investment governance	Ensuring robust and adequately resourced governance is in place.
2. Voting and engagement	Driving active engagement and voting, informed by material sustainability issues. To provide voting data in a timely manner and provide evidence of active company engagement.
3. Climate change	Supporting our climate ambition and net-zero commitment.
4. Industry advocacy	Using their voice to drive systemic sustainable changes in the economy.
5. Diversity and inclusion	Improving representation for better decision making.

New fund managers are required to adhere to the above-listed expectations, as a minimum, in order to be appointed. No new business can be awarded to fund managers failing to meet our minimum expectations unless they're credibly working to meet those expectations.

We monitor progress on responsible investment through an annual fund manager due diligence questionnaire. We update questions across the five responsible investment categories to reflect changing customer, market and regulatory expectations. This monitoring allows us to evaluate and compare fund managers' performance and identify good practices.

We'll review our minimum expectations and fund manager scoring system in line with industry practice and customer expectations. If fund managers don't comply with our minimum expectations within our stated timeframe, we'll follow our escalation process. We work constructively with fund managers but are ready to take action if their policies and actions are consistently misaligned with our expectations.

Governance

Execution and implementation

The boards of Aegon and its subsidiaries have responsibility for the execution of this policy and its integration into our investment strategy. The Aegon UK Group Investment Committee oversees the policy on behalf of these boards.

The Board Risk and Capital Committee reviews and approves our responsible investment policy and associated minimum expectations for fund managers on an annual basis.

Our responsible investments

We'll continue to embed responsible investing into our investment proposition and enhance our fund offering as innovation and research develop further.

Workplace default funds

If you invest in a workplace pension scheme default fund (the fund you're automatically invested in if you don't make your own investment choice), then you may already be invested in funds that incorporate ESG.

In 2019 we committed to net-zero greenhouse gas emissions for our pension default fund range by 2050 and to a 50% reduction in emissions by 2030.[1]

Our in-house workplace default funds for Workplace Solutions and TargetPlan use a combination of exclusions, supporting our approach to avoid causing, or contributing to harm. They are at the heart of our purpose of helping people to live their best lives. For default fund reviews or new business, we are guided by our exclusions' framework: Controversial weapons, tobacco manufacturing and retail, controversies related to the UN Global Compact principles, thermal coal and oil sands extraction.

Our aim is that these exclusions will apply to an increasing proportion of the money invested in these in-house default funds over time. As at 31 December 2024, we have over £26.9 billion invested in default funds that consider ESG factors.

Shareholder general account assets

Shareholder general account assets, (the assets that Aegon as a company invests in on behalf of shareholders), adhere to this policy. For this asset type we won't hold investments that fall into the categories set out in the **exclusion list** set out by our parent company, Aegon NV.

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Find out more

For more information about our approach to responsible investment, visit **aegon.co.uk/responsibleinvestments**

If your personal circumstances mean you need any additional support, or if you'd like a large print, Braille or audio version of this document, please visit **aegon.co.uk/additionalsupport** or call +44 (0) 3456 081 680 (call charges will vary).

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