aegon

For financial advisers and employers only

Responsible Investment and Stewardship Report 2024

Contents

This document is issued by Aegon UK plc. It may make reference to specific entities and other constructs within the Aegon Group.

To summarise, our company is Aegon UK plc and our parent company is Aegon Limited. The leading operating subsidiaries of Aegon UK plc are Scottish Equitable plc (SE), Cofunds Ltd, Aegon Investment Solutions Ltd (AISL) and Aegon Investments Ltd (AIL).

For simplicity and to aid readability, this document may also use terms such as Aegon, we, us, our and similar, as a way of collectively referring to entities and/or other constructs within the Aegon Group – rather than referring to a specific entity and/or other construct.

While this document may use forms of collective reference, each entity or other construct has a distinct role within the Aegon Group. The use of forms of collective reference and simplification within this document do not change this.

For clarity and as shown in this report as much as possible, the extent and application of stewardship activities, as defined by the UK Stewardship Code, varies within the subsidiaries and business models of Aegon UK plc.

Certain practices, particularly relating to organisational governance and risk management (for example, conflicts-of-interest policy), apply across all of Aegon UK plc.

There are differences in the application of other responsible-investment and stewardship activities, notably manager monitoring and approach to ESG integration in investment, depending on the nature of the activities in the Aegon UK subsidiaries, such as manufacturing funds and offering access to funds.
Our stewardship is mostly focused on the former type of activity rather than the latter, given the significantly greater degree of influence we have of funds.

Introduction

Welcome to our 2024 Stewardship Report. In this report we set out our response to the FRC UK Stewardship Code Principles and we describe our commitment to stewardship, how we implement it, and our stewardship-related activities and outcomes in the period from 1 January 2024 to 31 December 2024.

The UK Stewardship Code 2020 defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society. Throughout this report, 'stewardship', 'responsible investment' and 'sustainability' are used interchangeably to convey our stewardship approach, practices and progress. ESG' refers to environmental, social and governance factors as considerations in our overall approach and in our investments.

Following interim changes announced by the FRC in August 2024 on reporting in relation to certain Stewardship Code Principles, throughout this report there are cross-references to content from our 2023 Stewardship report, which can be found **here**.

‘Stewardship is our way of creating long-term value for our customers, and key to helping them live their best lives’

CEO foreword

At Aegon UK our purpose is to help people live their best lives. We do this through acting as responsible and professional stewards of our customers’ savings.

We deliver on our purpose by ensuring that we invest in companies that manage social and environmental risks and impacts well, that we support efforts to build a fairer, more sustainable and more resilient society, and that we are constantly focused on delivering long-term value to our customers. Stewardship means that we invest intentionally and carefully, that we manage risks – including ESG-related risks – over the range of time frames that are relevant to our customers, and that we embed long-term thinking in our investment strategy, practices and processes.

As the UK’s largest investment platform, intentional and considered stewardship is a key enabler to help us deliver our purpose of helping people live their best lives. We are proud of the progress we have achieved in 2024 and endeavour to continue innovating.

Mike Holliday-Williams
Chief Executive

‘We believe there’s a strong connection between a company’s long-term performance and its approach to managing ESG risks and opportunities’.

CIO foreword

The investment case for stewardship is clear. We know that companies that are well governed and take a proactive approach to sustainability are less at risk of negative corporate events and are more likely to represent better investments. We know that issues such as climate change can have a major impact on cash flows and asset valuations.

And we know that our customers care about these issues. 52%[1] of customers have told us they are interested in investing sustainably because of a broader positive impact on the environment and society.

Although we are proud of our strong current practices on stewardship, we still believe that we, as well as the industry, need to make further progress here in preparation for a low-carbon world amongst an ever more complex world. We look forward to building on our work in 2025 as we continue to integrate sustainability in our asset allocation and voting & engagement, as well as using our scale and partnerships with asset managers and wider industry to support long-term, sustainable value for customers.

Lorna Byth
Managing Director of Investment Propositions

1 Responsible investment customer panel survey, Aegon UK, July 2024, 900 respondents

Highlights for 2024

Default enhancements

Increased our allocation to funds integrating sustainability in our largest workplace default (£12bn) UBC (see **page 48**, P7).

Low carbon transition

Exceeded our short-term target emissions reduction target and unlocking access to innovative climate solutions through private market investment (see **page 40**, P7).

Policy influence

Named leader by InfluenceMap on climate policy influence through our stewardship, including manager monitoring and direct policy lobbying (see **page 72**, P9).

Voting enhancements

Played a key role in influencing BlackRock's Decarbonisation Stewardship Guidelines and expanded our 'expression of wish', featured by IIGCC's Net Zero Voting Guidance (see **page 59**, P8).

Increased manager alignment

Deepened our manager engagement, including through the AO Council and NZAOA, achieving a 20% improvement in our average RI manager monitoring scores over the last two years (see **page 56**, P8 and **page 77**, P10).

Principle 1.

Purpose, strategy and culture

This section includes Stewardship Code 'context' reporting requirements only, in response to the FRC interim reporting changes published on 30 August 2024. We have not disclosed against 'Activity' and 'Outcome' reporting expectations for Principle 1 since there are no material updates to the relevant narrative reporting within our 2023 Stewardship report (pages 15-22)

Our purpose

As the UK's largest investment platform, we provide a range of services and solutions with one purpose: to help people live their best lives.

Our story started over 190 years ago, when we were founded as Scottish Equitable. As at the date of reporting, as part of Aegon Group – a global provider of life insurance, pensions and asset management – we are focused on providing retirement, investment and workplace savings solutions to over four million customers and over 9,000 employers. As such, we have a huge responsibility to ensure those solutions are fit for purpose today and can evolve well into the future. Robust stewardship and a sustainable approach to our investments supports this.

This page explains how our purpose drives our business model and strategy to add long-term value for all our stakeholders.

Driven by our purpose

People are living longer, and we want to help people make the most of their time on our planet and leave it a little better than they found it – however grand or humble their ambitions. That's why our purpose is: **Helping people live their best lives**.

We also seek to be a wider force for good for our customers and other stakeholders throughout their lifetimes.

Our purpose is underpinned by our five **strategic pillars:**

1. Financial wellbeing
2. Purpose led culture
3. Exceptional experience
4. Trusted partner
5. Sustainable future

Our vision is to be the leading platform provider in the UK.

Our corporate **culture and values** guide our behaviour to support achieving our purpose and strategic objectives:

- We tune in
- We step up
- We are a force for good

How we add value

Business lines

Aegon UK's business spans many channels across financial services. A combination of organic growth and acquisition enables us to bring both fund and technology solutions with scale to support all parts of the long-term savings market – both today and into the future.
We provide retirement, investment and workplace savings solutions through financial advisers and employers, as well as providing custody, settlement and execution-only dealing services for institutional clients.

Our traditional insurance business consists of older contracts that are no longer actively marketed to new customers. We have an outsource relationship in place with Atos to service and administer the book.

Distribution

We have two principal distribution channels: financial advisers who advise retail customers and workplace.

Competitive advantage

We are here to help customers live their best lives by supporting intermediaries who wish to operate across channels, providing an end-to-end customer experience.

Long-term value for stakeholders

Customers

Our investment and retirement solutions support customers as they live longer and healthier lives.

Employees

Our employees are a key part of our success as a company, and we want them to share in that success.

Business partners

Our goal is to cultivate positive long-term relationships that are mutually beneficial for our business and our partners, such as suppliers and distributors.

Investors

We seek to provide a consistent and attractive return on investment to our investors around the world, based on a resilient and sustainable business model.

Society

We strive to add value to communities through our role, both as a major pension provider and a long-term responsible investor.

Our stewardship strategy is designed to support our purpose

Taking an intentional approach which is tailored to who we are as a business and aligned with our clients' needs, can drive sustainable, long-term value for our customers and our stakeholders.

As an asset owner and platform provider, we are universally exposed to systemic risks such as climate change, including through our investment portfolio. Our stewardship approach focusses on managing and mitigating these risks through active monitoring of our managers and on using our voice, our scale, and our influence to make change.

Our responsible investment beliefs

Our responsible investment beliefs guide how we engage with customers and the wider financial services and inform how we select and monitor our responsible investment choices across our platform.

1. **A fairer and more sustainable world is in everyone's interest, and as a long-term savings provider we have a responsibility to support this.**
2. **The consideration of environmental, social and governance (ESG) factors is necessary to protect and grow customers' assets.**
3. **Climate change presents significant risks, as well as opportunities to invest in the transition to a low-carbon and climate-resilient future.**
4. **Active engagement with the companies our customers invest in, including thoughtful voting at shareholder meetings, is key to driving change.**

Our business ambitions

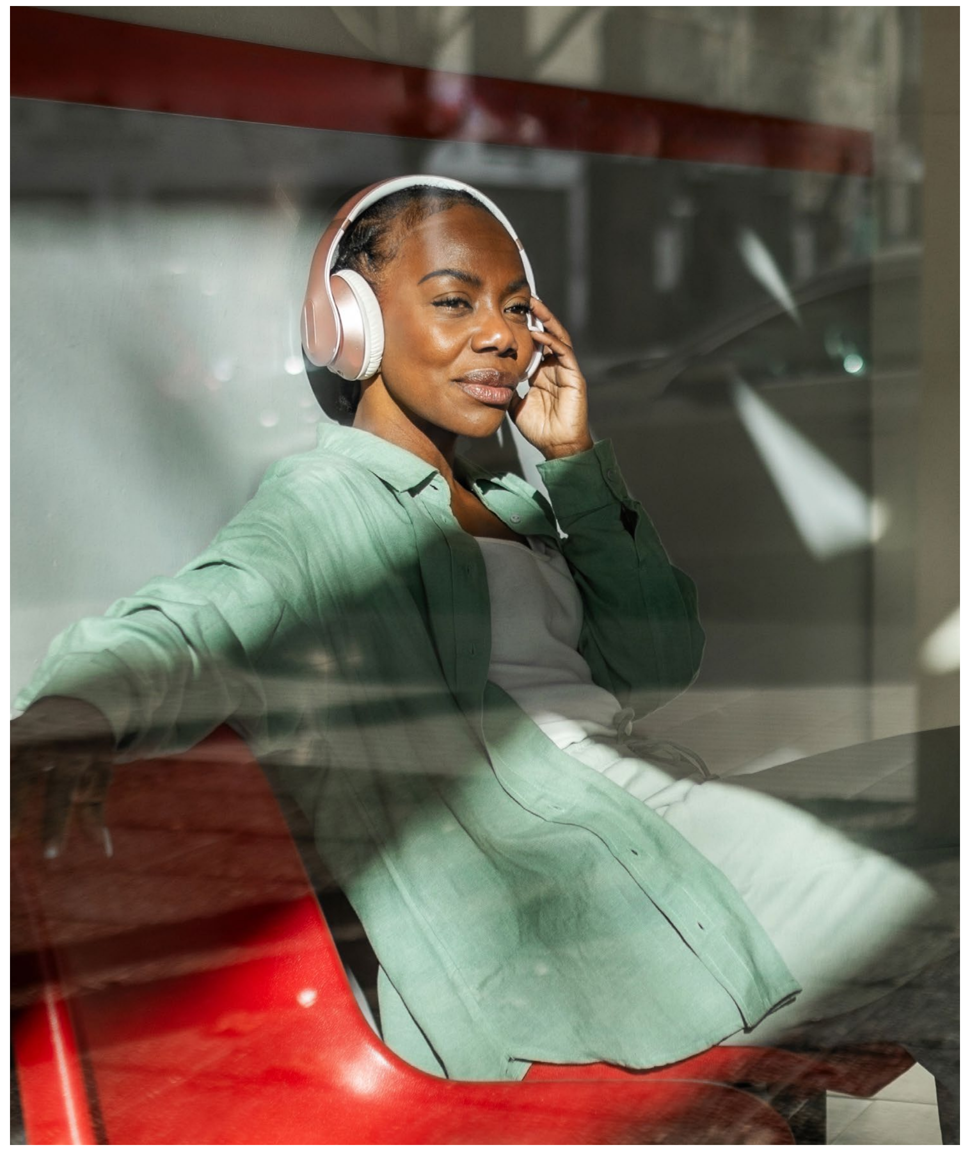
As a business, we follow a set of five key ambitions, to which stewardship and sustainability are integral. Our ambition for a Sustainable Future helps to inform our overall stewardship strategy and our stewardship toolkit. We believe that achieving these ambitions will help us deliver positive outcomes in a more sustainable world. The table below outlines our ambitions and explains what they mean in practice.

Our ambition	What this means
Financial wellbeing	We're here to help people feel more in control of their future. Climate change presents a risk to our customers' financial wellbeing through impacts like volatility, impairment of asset value and investment risk. Managing our climate risk means supporting customers' financial wellbeing.
Purpose-led culture	We're passionate about helping our customers succeed and proud of the positive impact we have. Putting our purpose at the core of our investment activities and being consistent in how we do business, invest and engage builds credibility and trust among our employees.
Exceptional experience	We aim to provide outstanding service for all customers. And we want our approach to responsible investment and communications and educational material on responsible investment-related matters to be one of the reasons customers are happy to choose and stay with Aegon.
Trusted partner	We're a safe, secure partner and we're here for the long term. A strong and credible stewardship strategy is already a 'hygiene' requirement for a license to operate and compete in the market. Continuously reviewing, developing and improving our approach will help safeguard our ability to do business over the long term.
Sustainable future	As a large, long-term savings provider, using our investment footprint and scale is the most impactful way we can support the transition to a fairer and more sustainable world and secure good outcomes for customers.

Our people, our culture and our values

People are at the heart of our business and make Aegon UK a great place to work. This describes our set of shared values which are upheld by the 2,000 people who work with us across our offices in the UK. These values foster a team ethos that is engaged with our purpose to create long-term value for customers and sustainable benefits for our wider stakeholders.

The culture we have built has a strong sustainability focus at its core. It's important to us that we are a responsible business and 'walk the talk' when it comes to our people, our environment and the communities in which we work.

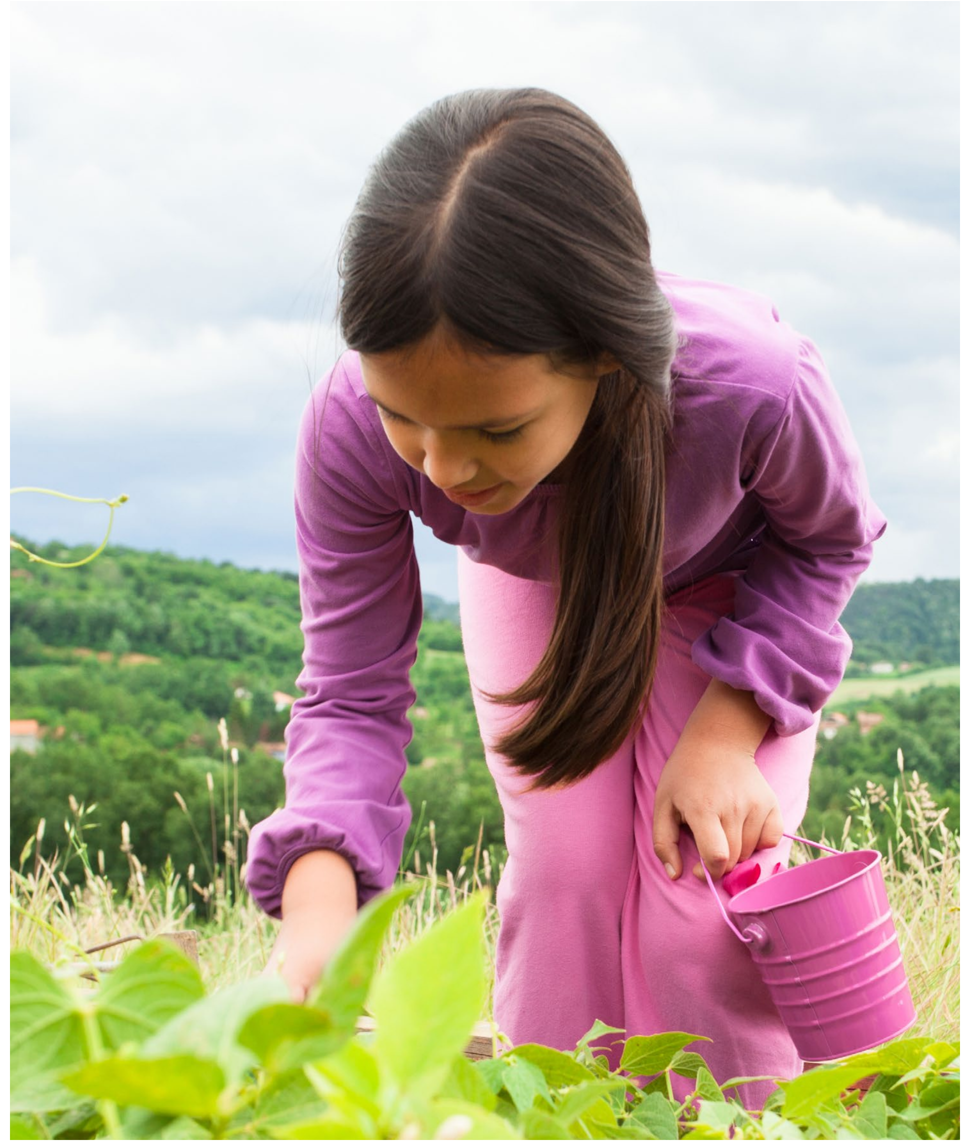


We tune in

- We serve a diverse, ever-changing world and work tirelessly to stay relevant.
- We're curious and never stop learning from our customers, each other and the wider world.
- We ensure all people around us feel seen, heard and valued.

We step up

- We're a company of ambitious, positive problem-solvers who get things done.
- We excel by committing, following through and finishing what we start.
- We're a team, not a group of individuals. Collaboration is our life force.



We are a force for good

- It is our duty to leave things better than we find them.
- We speak up, ask for help and think before we act.
- We prove our integrity daily, through our words and actions.

Principle 2.

Governance, resources and incentives

We believe good stewardship begins with how we organise ourselves as a business. Strong governance, effective resourcing and considered incentives provide the foundations to build effective stewardship and sustainability outcomes so we can deliver on our purpose of helping people live their best lives.

In response to the FRC interim reporting changes published on 30 August 2024, this section includes material updates only regarding Stewardship Code reporting requirements for Principle 2 e.g., changes to the reporting line and composition of AUK's RI team.

Our governance of stewardship and sustainability

Our Board is responsible for providing oversight and assurance on matters relating to stewardship and sustainability. They do this by maintaining a focus on stewardship and sustainability priorities and initiatives, understanding the associated risks and opportunities and challenging our approach where appropriate. Supporting the Board and Executive Committee on sustainability-related matters are several internal groups and committees.

In 2024, we made no material updates to the governance structure and roles and responsibilities of our board or key committees in relation Stewardship and Sustainability, and therefore this area remains the same as we reported within our 2023 Stewardship Report (on pages 24 and 25).

Our responsible investment team

Our Responsible Investment (RI) team provides dedicated expertise to our stewardship strategy, which includes our climate strategy and reporting, voting and engagement, ESG integration, and external manager monitoring on responsible investment. Our RI team is part of our Investment Proposition team recognising that this work is integral to ensuring sustainability is embedded into the investment solutions our customers invest in (as described in P7/ **page 37**). In late 2024 the responsible investment team was integrated into the Investment Oversight team, with our Stewardship Lead and Climate and RI Lead reporting directly to Head of Investment Oversight. See Principle 7 for further detail regarding the overview of our Investment Proposition team structure.

Assessing our effectiveness for continuous improvement

We believe our stewardship governance structures and processes are fit for purpose. We will continue to focus on further embedding stewardship into our investment proposition team and processes.

Third-party service provider resources

We benefit from our investment in a range of systems, processes, research and analysis to inform and evolve our stewardship. We have dedicated significant time and effort in developing our own systematic process for monitoring managers on their RI activity. For research and analysis, we continue to use MSCI for our ESG data needs, for instance on climate. We also use our investment consultant Aon's services for its analysis and recommendations related to asset allocation for certain funds. Please see Principle 8 for further details on our manager-monitoring framework, as well as the extent to which we use and monitor service providers in our stewardship activities.

Continuous learning and development

Continued learning and progress for all individuals, regardless of seniority, role, or tenure, is central to our culture.

Knowledge-sharing initiatives provided to the Board in 2024 included a training session on RI, covering new regulatory requirements, trends and progress by AUK on RI in Q4 2024.

How we reward and incentivise stewardship and responsible investment

Our reward and incentivisation structures are designed with sustainability in mind. Our Executive Committee members are required to set annual personal objectives where non-financial performance indicators represent at least 50% of the outcome. This includes a weighting of at least 20% on ESG objectives, encompassing both colleague engagement and diversity, equity and inclusion.

These objectives are aligned to our strategic ambition of developing a purpose-led culture based around a diverse, high performing workforce where employees are passionate and proud about helping our customers 'Live Their Best Lives'. Individual performance is assessed against these personal objectives, this determines the share of the available bonus pool that each individual receives. The available bonus pool is determined by performance against a business scorecard, which includes financial and non-financial measures. These measures include a 5% weighting related to climate solutions investment and a further 5% on employee engagement.

Principle 3.

Managing conflicts of interest

Proving our integrity through our words and actions is central to our culture and our values. It is also essential to our approach to managing conflicts of interests. We recognise that in today's corporate and investment landscape, the potential for stewardship-related conflicts is significant and it is therefore an important factor in our overall stewardship framework.

Our conflicts of interest policy and how we identify and manage conflicts

Our conflicts of interest policy sets out the principles that underpin our approach to the prevention and management of conflicts, with specific reference to stewardship related conflicts, examples of where these may occur and mitigating actions. The policy is reviewed annually and approved by the Aegon UK plc Board Risk & Capital Committee (BRCC).

Within the 2024 period there have been no material updates to the policy and how we approach, the obligations of employees, the types of Stewardship-related conflicts, scenarios and mitigating actions remain the same as summarised below and as we reported within our 2023 Stewardship report (pages 31 and 32).

How we approach stewardship-related conflicts of interest

In the context of stewardship at Aegon UK, there is a risk that we allow commercial interests to affect stewardship decisions, in addition to the risk of our stewardship decisions resulting in loss of existing or prospective customers. Our multifaceted role as asset owner, pension provider and legal entity operating within a group working with fund managers as well as other service providers, can give rise to situations that call for a careful assessment of competing interests.

As detailed in both our conflicts policy and stewardship framework, we see potential or actual stewardship conflicts arising in three key areas in our business, namely voting and engagement, within Aegon internally when engaging with Aegon Asset Management and through our service providers. We have described these areas in the table on the following page with details of how they might arise, and the mitigating actions we take to ensure our stewardship decisions are not comprised in favour of other interests, thereby ensuring we can consistently serve the long-term interests of our customers.

We log potential stewardship conflicts in our 'Stewardship Conflicts Identification and Management Register' along with details of who identified the conflict and the controls that have been applied to mitigate the conflict. To ensure proper oversight, our Head of Responsible Investment reviewed the log.

Type of conflict		Potential scenario	Mitigating actions	Example
Engagement or voting preferences of asset managers with portfolio companies	Prospective or corporate clients	Engagement or voting preferences affecting one of our existing or prospective corporate clients.	We ensure the parts of our business with responsibility for client relationships have no influence on our engagement or voting decisions. As a courtesy we inform our proposition team of the activity that AUK and asset managers are carrying out, so that they can manage their relationships.	See **case study 1**
	Company with whom we hold shares	One of our asset managers engaging with a contrary position to our expression of wish (EOW) with a company in which we hold shares.	Where we believe that an asset manager's activities or policy on conflicts presents a risk to the effectiveness of its stewardship activities undertaken on our behalf, we will escalate to the Investment Oversight team and seek to engage with the asset manager.	See **case study 2**
	Employees	Engagement or votes affecting a company where staff, who could have an operational influence on stewardship activity, own securities or have a personal relationship with senior employees in the company.	Our RI team must identify and declare their conflicts related to stewardship, where appropriate, to the Head of Responsible Investment or the Head of Investment Oversight.	No such conflicts identified in the year
Aegon internal	Members of the Aegon group	Engagement with Aegon Asset Management, one of AUK's key strategic asset managers.	Our RI team assesses Aegon Asset Management at arm's length, as would be the case with all other asset managers, as part of our RI annual manager monitoring exercise.	See **case study 3**
External service providers		Our asset managers and/or service providers have a stewardship conflict that prevents them from undertaking effective stewardship activities on our behalf.	Where we believe that an external provider's activities or policy conflicts present a risk to the effectiveness of its stewardship activities undertaken on our behalf, we'll escalate to the Investment Oversight team and seek to engage with the asset manager.	See **case study 2**

How we managed stewardship conflicts in 2024

Case study 1 – voting preferences for a company that is also a corporate client

Context

In April 2024, ahead of the AGM of a multinational oil and gas company, we issued an Expression of Wish (EOW) to our asset managers, asking them to align with our voting preferences. We asked them to support voting against director re-elections of the company due to our concerns on their climate progress. As this oil and gas company is also one of our corporate workplace pension clients, this scenario posed a potential conflict of interest.

Approach

Using our voice in voting and engagement is a key component of our toolkit for sustainable investment outcomes. Our EOW is a clear and straightforward way for Aegon as asset owners to communicate our view and amplify our voice in material resolutions. Here, our view was that:

- The company only partially meets net zero benchmark criteria, including in respect of short and medium-term GHG reduction targets.
- We supported a shareholder resolution at this company last year because of our concerns on their climate targets, and without any credible changes seen in the last twelve months we felt it was necessary to escalate using a routine vote.
- All of our asset managers should engage with companies on the transparency of their plans to reduce GHG emissions, aligned with a well below 2-degree (preferably 1.5 degree) future, in line with our Stewardship Framework.

We believe it is possible to balance our commitment to using our voice to drive systemic change through robust stewardship with the need to preserve relationships with clients. Our EOW process enables transparency and clarity as it makes our position clear.

Outcome and next steps

We were satisfied that our voting preferences were driven by our focus on mitigating systemic risk and targeting director accountability as an appropriate form of escalation. Our corporate relationship did not influence our EOW, nor compromise the integrity of our stewardship framework. Further detail on our EOW approach can be found in Principle 12.

Case study 2 – voting preferences for a company linked to one of our asset managers

Issue

In April 2024, ahead of the AGM of a multinational American bank, we issued an Expression of Wish (EOW) to our asset managers, asking them to support a shareholder resolution for improved disclosure on human rights risks in conflict-affected countries that this bank operates in. The bank is also the parent company of one of our strategic asset managers whom we had been discussing commercial arrangements with.

Approach

Here our view was that:

- The bank's current Human Rights policy does not contain sufficient specificity on how they mitigate risk in conflict-affected and high-risk countries.
- In line with our Stewardship policy, we expect our managers to manage human rights risks within portfolio companies, particularly within sectors and/or geographical areas where the risk of labour exploitation is higher.

Outcome and next steps

Our corporate relationship did not influence the development of our voting preference for this company (see Principle 12 for more detail on our expression of wish approach).

Case study 3 – our approach to manager oversight in relation to Aegon Asset Management

Context

Our manager monitoring and expectations apply equally to all our key asset managers. Aegon Asset Management (AAM) is one of our key asset managers and also part of Aegon Ltd.

Approach

We ask AAM to complete the same annual monitoring questionnaire as other key managers, within the same timescales. Their responses are scrutinised to the same level and with identical scoring criteria as all other managers. AAM is also subject to the same Expression of Wish voting preferences on material resolutions as our other key managers.

Outcome and next steps

In line with our process for other key managers, following our manager monitoring exercise in 2024 we engaged with AAM on their RI score and discussed our feedback, including opportunities for enhancement.

Assessing our effectiveness for continuous improvement

We are satisfied that our conflicts of interest policy and processes are robust and effective. As we continue to develop our manager monitoring and engagement, particularly in respect of our increased list of priority companies within our EOW approach (see Principle 12 later in this report), there is an opportunity to strengthen our approach to identifying and managing conflicts relating to RI considerations, corporate clients. This will be a focus in 2025.

Principle 4.

Promoting well-functioning markets

With global uncertainty and turbulence comes an increasing number of market and systemic risks. As a universal owner with £98bn in assets under management, we are exposed to many of these risks including climate change.

While accepting some of our exposure is beyond our control, there is also much we can do to manage it, such as implementing frameworks to reduce and manage our exposure as well as using our position in the investment landscape to engage with companies and shape public policy. Collectively, through these actions, we strive to fulfil our overarching purpose of helping people live their best lives and foster positive outcomes for our environment and planet.

How we manage market-wide and systemic risks

Risk management

Our risk function is led by the UK Chief Risk Officer, who has reporting lines to the Group Chief Risk Officer (CRO) and the UK Chief Executive Officer (CEO).

The main responsibilities of the risk function include:

- The development and maintenance of the enterprise risk management (ERM) framework.
- Monitoring risk exposures and compliance with the risk policies, in particular risk tolerance and risk policy limits.
- Ensuring appropriate risk-management information is prepared for use by Management, Executive and Risk Committees.

Our ERM framework

The Aegon ERM framework (illustrated in the diagram) is well-embedded and continues to provide the framework for identifying, measuring, monitoring, managing and reporting on market-wide and systemic risks.

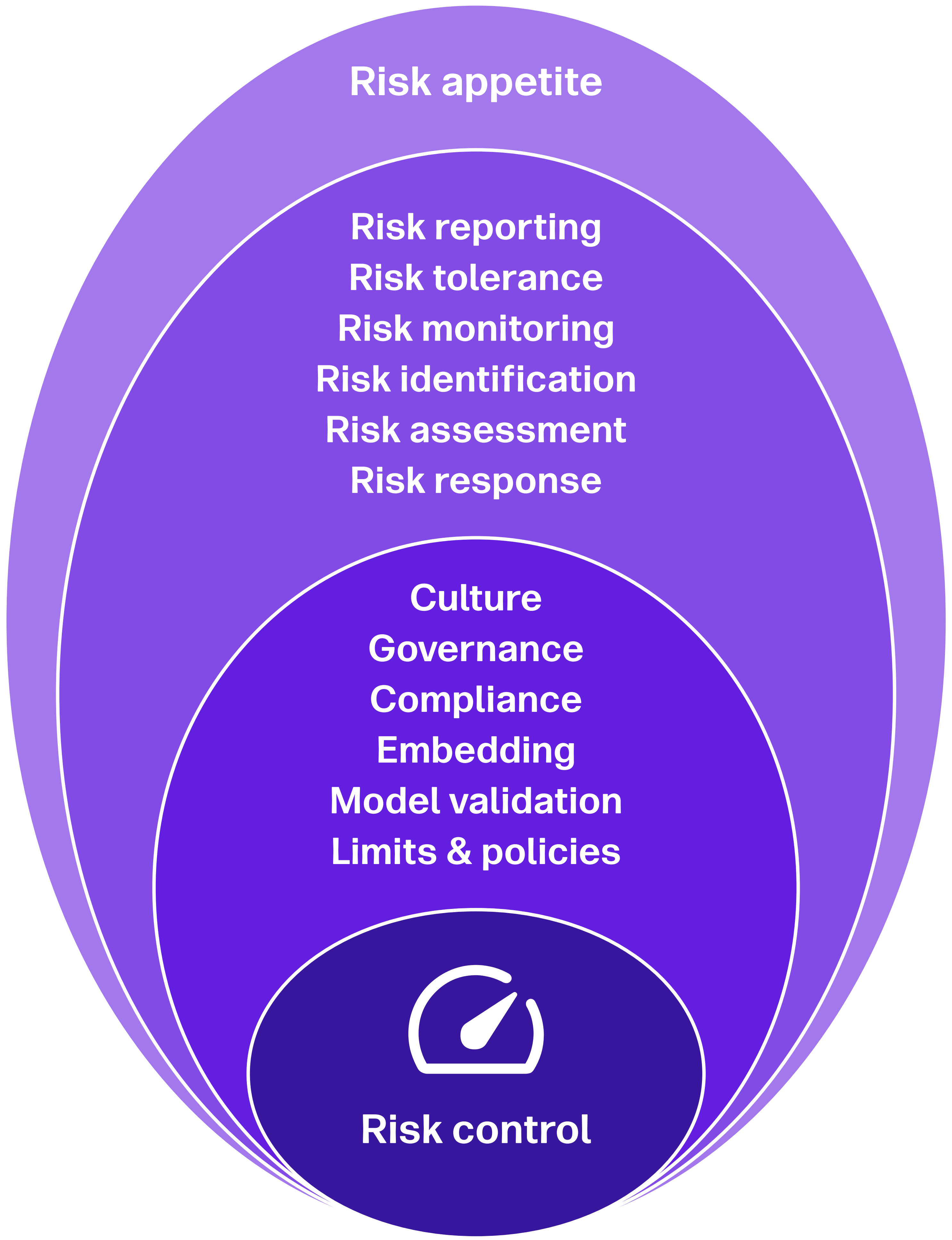
Our ERM involves:

- Understanding the risks the company faces.
- Maintaining a company-wide framework through which risk-return trade-offs can be assessed.
- Maintaining risk tolerances, risk indicators and supporting policies, for the level of exposure to a particular risk or combination of risks.
- Monitoring risk exposure and actively maintaining oversight of the company's overall risk and solvency positions.

It is underpinned by our **risk appetite** framework which supports the company achieving its business objectives through:

- Providing clarity and a common understanding of the approach to risk.
- Setting the 'tone-from-the-top', which is important to help develop an appropriate and effective risk culture across the organisation.
- Helping provide a focus on risk-adjusted business decision-making, resulting in lower capital requirements and higher returns.
- Ensuring a common approach across risk types, allowing for diversification benefit.
- Giving direction for the management of the business, both in terms of the optimal target risk profile and day-to-day decision-making.
- Helping to set and meet customers' expectations.
- Allowing investors to understand the likely level and range of returns that may be achieved.

This is articulated in the form of **risk appetite** – which sets the directional and core strategic view of risk, and **risk tolerance** – which sets clear limits to monitor against for solvency, liquidity, continuity, balanced exposures, business performance, sustainability, controlling effectively, with profits and protection reinsurance counterparty exposure.



Our sustainability risk philosophy

Our sustainability risk philosophy underpins our approach to risk tolerance which aims to make clear management's commitment to a sustainable business for all stakeholders:

> **'Sustainability matters to Aegon UK – we want to be a responsible business – this is a core part of our purpose and strategy. As part of this commitment, we aim to minimise our own environmental impact and support our customers by providing choice and minimising the environmental impact of our products and services. We recognise investing responsibly matters, financial security matters, the environment matters, our people matter, giving back matters and governance matters'.**

How we identify and assess market-wide and systemic risks

Risk universe

The Aegon Risk Universe is grouped into four main risk categories, with subcategories of specific risk types, as shown in the table below. This provides a common language for how we identify, assess, monitor and report the market-wide and systemic risks that we are exposed to.

Aegon's risk universe

Investment and counterparty risk	Mismatch risk	Operational & conduct risk	Underwriting risk
▪ IR1 Fixed income (credit) ▪ IR1D/M default/ migration ▪ IR1S spread ▪ IR2 Equity ▪ IR3 Alternative investment ▪ IR4 Counterparty ▪ IR5 Equity volatility	▪ MR1 Interest rate ▪ MR2 Interest rate volatility ▪ MR3 Currency ▪ MR4 Inflation ▪ MR5 Liquidity	▪ OR1 Business ▪ OR2 Legal / Compliance ▪ OR3 Tax ▪ OR4 Financial crime ▪ OR5 Processing ▪ OR6 Information technology & business disruption ▪ OR7 People ▪ OR8 Facility	▪ UR1 Mortality / Longevity ▪ UR2 Morbidity ▪ UR3 Persistency ▪ UR4 Property and casualty ▪ UR5 Expense

We monitor the horizon for developments which could impact Aegon, our customers, advisors or the markets within which we operate. We identify emerging risks: providing early warning of events that could have a significant negative impact on AUK's risk profile. We evaluate the likelihood of such risks increasing and assess when the risks merit closer attention.

The risk landscape has been challenging in recent years, including risks arising from Brexit, COVID-19, the UK liability-driven investment shock and subsequent sharp fall in gilt prices, wars in Ukraine and the Middle East. The UK economy continues to face challenges from geopolitical tensions, energy prices, environmental crises, and international trade dynamics.

The Key Risks and Mitigants matrix (below/on the following page) provides an overview of the key risks to Aegon UK, explains how we may be exposed and the corresponding measures we use to mitigate them. Once we identify risks, we employ a wide variety of tools and processes to support the analysis, measurement, management, monitoring and reporting of risks, including stress and scenario testing across the universe with differing levels of severity, designed to provide insight into the forward-looking risks and uncertainties to the business.

Stress and scenario tests

We employ a range of stresses that fall within our annual programme of Stress and Scenario Tests to provide insight into the business plan, including:

- New business volume and margin significantly lower due to external or internal factors.
- Poorer persistency experience.
- Expense inflation due to the cost of living/ inflation increases.
- Delivery of projects may not be successful, may take longer or be more costly than predicted, cost savings may not be achieved, or issues may be harder to resolve impacting new business and retention.

Overall the stress testing results demonstrate the financial resilience of AUK Group and the individual entities to stress scenarios. However, the results highlighted some areas of weakness in the operational resilience of the business and we have identified a number of actions to enhance the resilience of the business to stress and its ability to recover from unexpected, low-likelihood, high-impact stress events. (see **case study 1**).

Key risks and mitigants matrix – Aegon UK (AUK)

Key risk	Description	Our approach
Financial markets risk covering equity, interest rate, alternative investments and currency risks)	Financial markets affect the value of the investments held. For AUK, this is largely indirectly through fees on policyholder funds. We have a smaller exposure to directly held assets backing our annuity business and shareholder funds. Solvency Capital Requirements increase when interest rates fall.	We continue to regularly monitor and manage these risks, particularly given interest and inflation rates are only expected to fall slowly and the impact of high energy prices/supply chain shocks/ cost of credit is likely to flow through to subdued economic growth. We continue to run an active Unit Matching programme as a means of hedging the equity market risk exposure that arises through the value of future fee income, as well as holding a portfolio of centrally cleared swaps to hedge interest rates and inflation.
Underwriting risk	Persistency risk and expense risk arise from risks that could adversely affect the value of future charge income in excess of operating expenses. We have a small exposure to longevity risk through a closed book of annuity business, the closed staff Defined Benefit Pension Scheme, and some guarantees within our With-Profits funds.	Persistency and new business volumes are actively monitored and consideration is given to development of propositions to meet evolving customer needs. Stress and scenario testing considers the impact of adverse customer behaviour when markets are stressed. We continue close management of expenses relative to budgets, considering ongoing high interest and inflation rates.

We ran qualitative extreme reverse stress tests covering financial crime, cyber-attack, group failure and two climate scenarios. We defined a climate 'tipping point' scenario (see **case study 1**) to consider potential impacts from severe weather events and a 'backlash' scenario to consider litigation risks. The results were presented to the Board Risk and Capital Committee in Spring 2024 and, where appropriate, actions identified to strengthen controls to ensure our business remains resilient.
The next cycle of stress and scenario testing is underway (due to conclude in Spring 2025) and includes consideration of a 'climate warming' scenario which results in a failure of data cooling and hence corruption of data.

Key risk	Description	Our approach
Operational risk	Business disruption risk has generally increased over 2024 due to an increased exposure to the risk of failure of third-party suppliers, compounded by increased risks arising from political and wider systemic instability.	Operational recovery plans are in place. We have an ongoing focus on risk events, issues, incidents and emerging risks. We continue to invest in relationships with our third parties and maintain oversight of the services being provided.
Credit risk	Arising from: **1.** Investments managed on behalf of policyholders (which determine the level of future fee income), and direct investments held to cover liabilities, such as annuities. **2.** Reinsurance arrangements, used principally to transfer mortality/morbidity risk, but also to access externally managed investment funds on behalf of our customers.	Direct credit assets are liability cashflow matched and held as long-term investments. Unit matching provides a hedge against adverse movement of unit funds. Reinsurance counterparty exposure is managed using concentration limits. The risk is expected to decrease over time given the sale of our Protection business, and the run-off of our closed book of annuity business. The remaining risk arises from policyholder funds, which the unit matching is expected to continue to mitigate.
Liquidity risk	Liquidity risk arises if Aegon UK has insufficient liquid assets to meet cashflow requirements as they become due (including claims, operating expenses, and collateral requirements). Due to interest rate increases seen this year, additional collateral has been required for the interest rate swaps, which has impacted our liquidity position, but we have continued to manage liquidity levels within the existing liquidity management framework.	Regular monitoring of our liquidity position and reassessment of our liquidity buffer, plus bespoke stress and scenario tests to provide insight into the risks. Unit buy-backs operate over time within our unit-matching programme and act to improve available liquidity. Our existing liquidity framework and stress and scenario testing will continue to inform the evolving nature of liquidity risks as the business develops.

Key risk	Description	Our approach
Regulatory risk	These include Brexit Risk, and the Solvency II reforms that have been introduced and are expected to be implemented into UK Law in the next 12 months.	We monitor emerging new regulations and regulatory changes and consider the implications for the business prior to implementation going 'live'.
Climate change risk	**Transition risks** arise from the changes required to support the transition to a sustainable, low carbon economy, including those driven by policy and technology changes. **Physical risks** could also result in changes in asset values, where the underlying companies or countries are impacted by events driven by climate change e.g. extreme weather events. **Liability risks** arise from individuals or businesses seeking compensation for losses suffered from the effects of physical or transition risks for which they hold organisations responsible.	We recognise the growing expectations of our stakeholders to mitigate the threats presented by climate change and climate inequality, and to capture the opportunities offered by moving to a more sustainable and equal world. We currently view the outlook of these risks as uncertain, driven by global actions and impacted by geopolitical changes. In 2024, we completed a scenario 'test' to check that the UK services could pick up work currently processed in Mumbai (in the event the office there had to close unexpectedly). In 2024 we continued to integrate ESG criteria into our products and activities in relation to managing climate related risks and opportunities.

Risk management in practice

The following case study provides an example of how we expect to manage a variety of risks in line with our risk management framework. We outline the hypothetical scenario context, how we approached the risk and what the outcome and next steps were.

Case study 1 – how we would manage a large physical disaster affecting the business and the resultant 'Minsky moment'

Context of the scenario

A large physical disaster in Mumbai affecting the Syntel buildings and surrounding power/internet; thereafter the severe floods are deemed a 'tipping point' and result in a 'Minsky moment' (where a sudden change in market sentiment leads to a major collapse of asset values) and consequent disruption across the financial system.

Approach

Knowledge of how to carry out all relevant processing is shared across sites and working from home is tried and tested, providing resilience to physical events disrupting services. There are two separate data links between Mumbai and Edinburgh, as well as the ability to connect via a VPN link as a tertiary option. UK servicing could be expanded by re-directing staff, but there could be a delay from training to accreditation.

The extent of the damage on the local infrastructure would determine the ability to maintain some/all service. Employees are spread over a wide area of Mumbai making it less likely that all would be simultaneously affected. Business Continuity Plans would be initiated, and Regional Crises Management Team set up.

The company's financial position is currently resilient to stress, but increased lapses (driven by reputational damage) could leave the balance sheet and liquidity coverage more vulnerable to a market shock.

Climate scenario analysis attempts to price some of the effects of the defined 'tipping points' under different scenarios, although economic modelling has limitations in terms of representing natural-world processes and their impact on the economy under human pressures. We run climate scenario analysis annually for our insured estate, our individual insured funds, and our Aegon Master Trust, as part of our mandatory climate disclosures ('TCFD reports'). We also engage with our data provider MSCI on the limitations of climate scenarios and opportunities for improvements.

- **Governance:** Additional Board-level reporting of risk exposures, including oversight of capital, liquidity and credit positions; monitoring our suppliers' positions and their resilience; oversight of customer servicing including delays; oversight of investment fund performance and more frequent monitoring of risk exposures relative to risk appetites. The designated Senior Management Functions remained accountable for managing their risks and providing updates to the Board Risk and Capital Committees.
- **Risk assessment:** We identified a number of actions to enhance the resilience of the business including completing a scenario test to ensure the UK could pick up the work currently processed in Mumbai and reviewing the property estate for key vulnerabilities to physical weather events.
- **Conclusion of the scenario analysis:** Severe weather events are always possible and could arise in unexpected locations/times with widespread impact on a range of companies, supply chains as well as customers, staff and AUK property. By definition, a 'tipping point' may arise unexpectedly and reliance is placed on the business continuity plans being maintained to ensure as efficient a recovery as possible.

Outcome and next steps

No new risks were identified and the risk management framework would operate as intended under this stress with Board-level risk reporting on a quarterly cycle.

How we promote well-functioning markets

We actively work with others to address market-wide and systemic risks (as described in the following case studies and in Principle 10) and contribute to research to improve the way the market operates, so that we can deliver on our purpose to our customers and contribute to a more sustainable world.

Using our voice to support public policy for sustainable finance

We believe in the power of investors to help catalyse systemic change to create sustainable benefits for the economy, environment and society. Our size and scale as a business means, as well as our exposure as a universal owner to systemic risks, we have both a responsibility and opportunity to influence positive change. A key action that investors can take as financiers and shareholders is engaging with companies on their business practices to encourage positive change. Nevertheless, we agree with the conclusions reached by Net Zero Asset Owner Alliance that there are limits to corporate engagement alone and as an asset owner our opportunities for direct company engagement are limited.

Therefore, using our voice to add weight to industry initiatives that can influence regulation and policy and support our stewardship and sustainability goals is a key component of our stewardship toolkit. These are important levers of influence as regulation and policy ultimately set the 'rules of the game', yet they do not always incentivise and in some cases even inhibit the needed change in behaviour. The case studies which follow highlight our policy engagement in 2024.

Case study 2 – Aegon UK's partnership with the British Business Bank

Context

As a **founding signatory of the Mansion House Compact** we aim to allocate at least 5% of DC default funds to global unlisted equities by 2030. We are committed to ensuring our customers can access and share in the growth of innovative companies we invest in so that we can deliver long-term, sustainable outcomes that will help our customers to live their best lives.

Approach

In late 2024 we **announced** our intention to commit cornerstone investment to the British Growth Partnership, a fund which will be launched by the **British Business Bank** in 2025 to invest in high quality, UK growth companies seeking investment to scale their operations. Investing in breakthrough technology companies could play a pivotal role in fostering economic growth, job creation and prosperity throughout the UK, while they deliver long term environmental and social outcomes.

Outcome and next steps

This investment will be integrated into the transformation of our largest workplace default fund to incorporate private market investments, due to complete in 2025 (see **case study 4**/P7). We believe that an investment in venture capital as part of a well-diversified private markets portfolio has the potential to enhance member outcomes, through improved risk-adjusted returns and increase diversification.

Furthermore, it may provide opportunities to invest in climate or other ESG solutions to support our climate solutions targets.

Case study 3 – supporting ambitious climate and nature policy regulation

Issue

While most of the finance for the climate transition will need to come from the private sector, it can be enabled and accelerated through robust and continued governance guidance and legislation. Governments adopting climate policies in line with science would indeed mitigate risks around climate change and biodiversity loss, across funds our customers are invested in. This is why policy advocacy is a key action under both our **climate roadmap** and our nature action plan (see **page 68**).

Approach

This year we contributed to climate policy advocacy by adding our voice to government calls to action around critical policy negotiations, by showing leadership in policy industry forums and by leveraging our network to send further policy signals.

- We signed the **2024 Global Investor Statement on the climate crisis**, the most comprehensive investor call urging governments to take more ambitious climate action ahead of COP29. The statement built on the 2022 Statement we previously signed. We also signed another asset owner **statement** to governments to address biodiversity loss before COP16, outlining further specific policy asks from mandatory disclosures to ambitious national targets.
- We joined the IIGCC's Policy Advisory Group (see P10), providing strategic oversight to the organisation's policy programmes at UK, EU and global levels. We shared our views with the UK Sustainable Investment and Finance Association (UKSIF) in a series of policy roundtables on sustainability regulations, which will support UKSIF's outreach with policymakers and a number of green finance consultations announced at the Mansion House speech.
- We endorsed **LCP's climate policy asks**, which strongly align to our own net zero commitment and view that climate policy is critical to enable the transition to net zero. In doing so, we doubled the assets behind the initiative.

Outcome and next steps

We will continue to use our scale and partnerships to send policy signals on the continued need for governments to set ambitious targets and consistent regulatory frameworks. We believe that a more orderly transition to net-zero will be less costly to our customers and that resilient economies rely on functioning natural systems.

Case study 4 – responding to government and regulatory consultations to protect our customers' interests and support well-functioning markets

Context

Our industry experience, our position in the financial system and the size of our business has equipped us with relevant expertise to offer useful, meaningful insight to help inform public policy and regulation. We aim to have our say and feed into as many relevant regulatory consultations as possible because doing so enables us to represent our customers' best interests and stay at the forefront of fast-evolving industry developments and contribute to a well-functioning financial system.

Approach

In 2024, we responded to a number government and regulatory consultations. Here we describe the consultation, how we responded and notable outcomes:

- **FCA consultation CP24/16 the value for money framework** – This consultation builds on our response to a 2023 value for money consultation by the DWP, TPR and FCA. Ensuring workplace pension members receive value for money is crucial, and we believe the framework has the potential to transform the pensions market and provide better member outcomes. The revised consultation, aimed at contract-based providers, is more detailed and sought input from trustees of trust-based schemes to create a unified framework for all workplace pensions, starting with default arrangements. We were pleased to see this consultation reflecting on points we, and others, had raised in the prior consultation.

  While we support the overall approach for consistent value in workplace pensions, we have concerns about the extensive data proposed to conduct value assessments and made suggestions on what might be removed. We have also suggested a 4 rather than 3 rating approach to default funds, to avoid having to close 'Amber' funds to new employers while improvements are underway. Additionally, we recommend an introductory trial period with governance bodies to ensure the framework functions as intended. We also plan to feed into Government our thoughts on how the framework fits alongside their scheme consolidation agenda within their Pensions Review.

- **FCA discussion paper DP23/5 – advice guidance boundary review – proposals for closing the advice gap** – Closing the 'advice' or 'support' gap is of key importance to the financial wellbeing of potentially millions of individuals across the UK, and our own customers. Our response to the paper in 2024 outlined we are particularly keen to see the introduction of a new concept of 'targeted support', sitting 'between' generic information and full regulated advice. The proposal will allow regulated firms to offer more personalised suggested courses of action, helping customers to make more informed decisions including when approaching retirement.

  We are pleased to have been asked to provide further detail to the FCA, expanding on our response to the Discussion Paper in certain key areas. The FCA has stated it will consult again on this in 2025. We continue to engage constructively on this topic.

- **Pensions investment review** – As part of this review, the Labour Government would like Defined Contribution schemes to invest more in UK equities and private assets. In our response, we set out our support for diverse investment decisions considering a wider range of investment classes, but also highlighting investment decision making must be underpinned by fiduciary duty and consumer duty – in the interest of pension scheme beneficiaries and delivering good member outcomes. We voiced concerns over the Government 'mandating' a minimum percentage of scheme assets being invested into particular asset classes.

  We are pleased that within the Chancellor's Mansion House Speech in November 2024, it was confirmed the Government are not currently considering introducing policy to mandate allocation to UK investments. We will be responding to the recently published consultation paper 'Unlocking the UK pensions market for growth' and will continue to monitor for any future developments as part of the review's second stage, which is expected to be published early next year.

Outcome and next steps

Our public affairs-related work remains high on our stewardship agenda because we are achieving a level of influence, as described above, which will contribute to improvements in the functioning of financial markets as well as customer outcomes. We will continue our work in this area and look forward to sharing our progress in 2025.

Assessing our effectiveness for continuous improvement

To help measure our progress on sustainability risk, we have continued to monitor two key risk indicators. Firstly, by measuring the reductions in our Scope 1 and 2 operational carbon emissions quarterly in the 2024 period, and secondly the percentage of the AUM of our default funds that are ESG optimised, on quarter-end positions.

As demonstrated through our case studies, we're pleased with the outcomes and progress we have achieved which we believe have improved our effectiveness in identifying and responding to market-wide and systemic risks. These improvements include:

- Further embedding of climate risk into our investment strategy as part of our climate roadmap progress (see principle 7).
- Our ongoing focus on biodiversity and nature risks as a significant and distinct systemic threat to sustainable financial markets (as shown in principle 7 and 9).

In 2025 and beyond we will continue to develop our approach to improve:

- Our industry and policy engagement on sustainability.
- Delivering improved outcomes for our customers through long term, sustainable value.

Principle 5.

Review and assurance

The pace of change across the stewardship and sustainability landscape and the advances we are making within Aegon UK means regular review and assurance of our policies and reporting is crucial. It ensures their continued relevance and effectiveness in supporting our business objectives and enables us to meet our customers' future needs.

Within the 2024 period, the only key material update relating to 'Activity' and 'Outcome' reporting expectations for Principle 5 related to the review of our RI policy.

How we review our policies to enable effective stewardship

Our key policies that enable effective stewardship are our RI framework and our stewardship framework, which we typically review annually to ensure they reflect our customers' needs, industry best practice, regulatory developments and our governance commitments.

Our responsible investment policy outlines how we practice responsible investment as an asset owner through the selection, appointment and monitoring of our asset managers. It also sets our minimum expectations of managers across responsible investment governance, voting & engagement, climate change, industry advocacy and diversity & inclusion.

As part of our 2024 review of our RI policy, we evolved our climate minimum requirements of managers to be more nuanced, pragmatic and fit for purpose to ensure our customers' assets are responsibly invested. For example, the 2023 RI policy required managers to have a corporate-level net zero commitment, but we have provided alternative options in which managers could demonstrate their net zero commitment, such as providing Aegon with funds with a net zero commitment or linking research and/or voting & engagement to portfolio construction. Furthermore, we added our framework for approaching exclusions to our RI policy.

Our stewardship policy covers our expectations and monitoring process of managers in respect of their engagement and voting activities. It also outlines our manager escalation process and conflicts of interest related to stewardship. In 2024 we made no material updates to our stewardship framework.

Principle 6.

Client and beneficiary needs

This section focuses on Stewardship Code 'context' reporting requirements only, in response to the FRC interim reporting changes published on 30 August 2024. We provided limited disclosure against 'Activity' and 'Outcome' reporting expectation for Principle 6 since there are no material updates to the relevant narrative reporting within our 2023 Stewardship report (pages 53-61)

In 2024, there have been no material updates to our Investment Proposition, our investment time horizon, how we manage our customers assets and our assets under administration, and therefore the key points of our reporting on these areas remain the same as outlined within our 2023 Stewardship report (Principle 6, pages 53 & 54).

Our Investment proposition

As at the date of reporting, Aegon UK is the largest investment platform in the United Kingdom, providing a broad range of savings, investment and retirement solutions products to individuals, advisers, and employers. We offer products to customers primarily through Workplace and Adviser Platform channel.

Our Workplace channel provides UK-based employers with workplace pensions and savings schemes. Through our Workplace channel, we support over 9,000 employer schemes and manage the savings of approximately 1.2 million workplace customers. The average age of our workplace customer is approximately 42. We offer a range of workplace solutions for employers, including contract-based schemes, trust-based defined contribution schemes, investment-only services and master-trust arrangements.

Our Adviser Platform channel provides financial advisers and other institutions with access to long-term savings and retirement products, through an open architecture investment platform. We have approximately 2.5 million retail customers whose average age is 50.

Generally, we work with a long-term investment time horizon in mind for a number of reasons, including but not limited to the increasing life expectancy of customers. We design our long-term investment solutions for customers considering expected outcomes of a broad set of asset classes over a 10-period, and generally with a recommended minimum holding period of five years.

We are predominantly an indirect investor, so most of our funds invest in pooled funds managed by third-party asset managers.

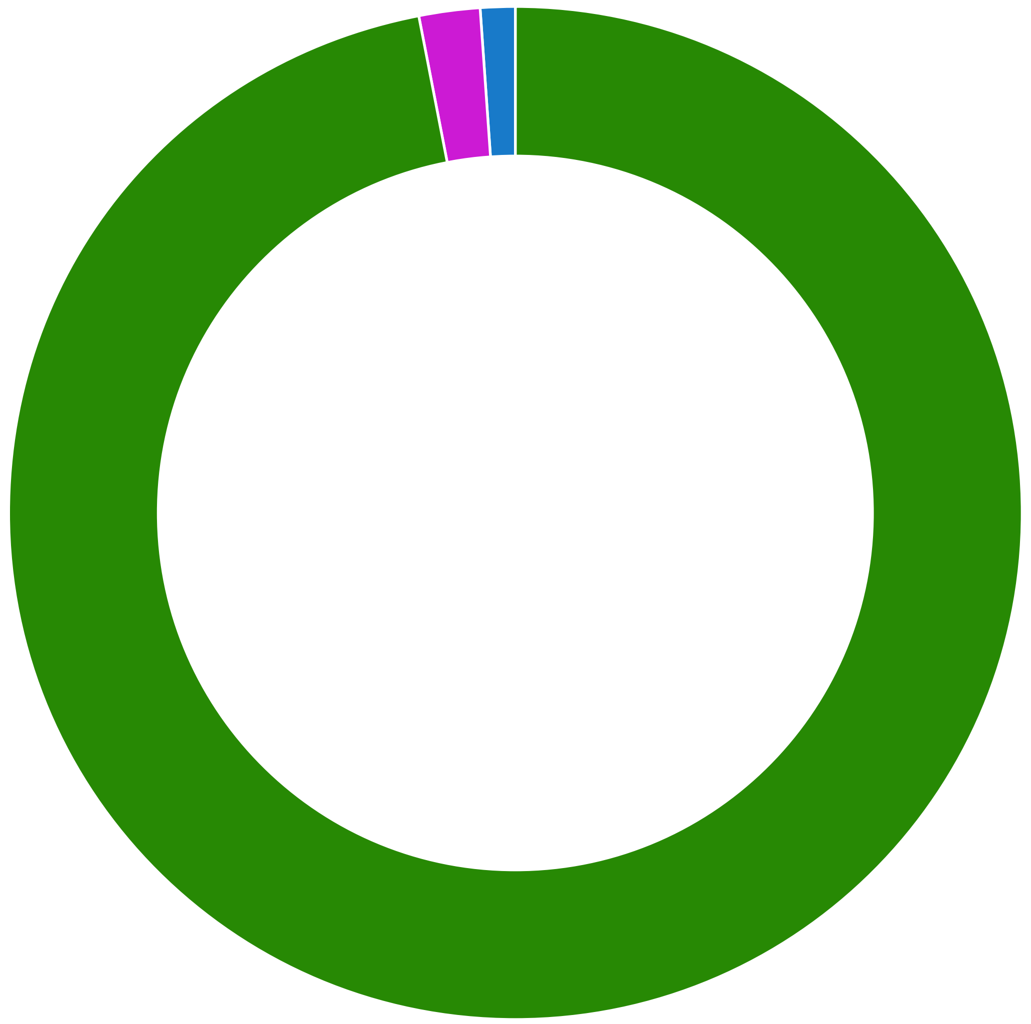
Our Assets Under Administration (AUA)

As of 31 December 2024, our total assets under administration – all assets for which we provide administrative services, including investment assets – were approximately £220bn.

Type of AUA	Approximate AUA £ (bn)
Adviser platform – as described below and further in Principle 7	51.6
Workplace – as described below and further in Principle 7	63.2
Institutional – as described in our business model in Principle 1	74.8
Traditional products – as described in our business model in Principle 1	30.7

Our Assets Under Management (AUM)

The following provides the approximate split of our investment AUM – the total market value of investments managed on behalf of customers – as of 31 December 2024, covering funds in scope of our RI framework and stewardship framework. These funds make up, in total, approximately £98.4bn, just under half of our total AUA.



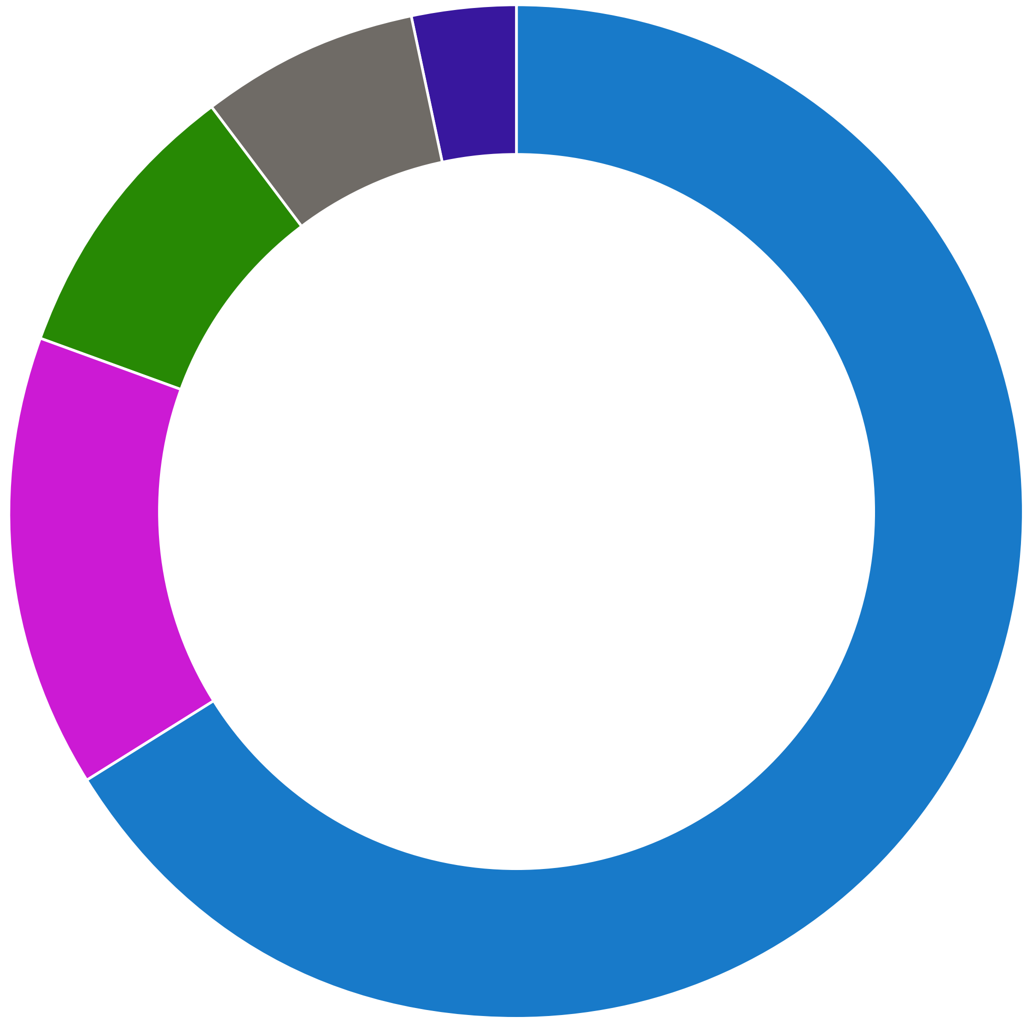
- **97%** Insured funds
- **2%** With profits funds
- **1%** Shareholder general account

Our AUM can be broadly categorised as follows, excluding third-party funds that are available on Aegon's platform:

- Customer assets in our insured funds, which include our workplace default funds, self-select funds and other customer solutions.
- Customer assets in our with-profits funds, which are segregated mandates whereby certain profits and losses of the pool are shared fairly amongst the participating customers.
- Shareholder general account investments are those where the financial risks are not borne by our customers but by our shareholders, and we have control over how these assets are invested.

Our AUM by asset type

We invest our assets across different asset types including cash, equities, fixed income and property strategies. The majority is in equities for our insured funds (which make up the majority (approx. 97%)) of our AUM.

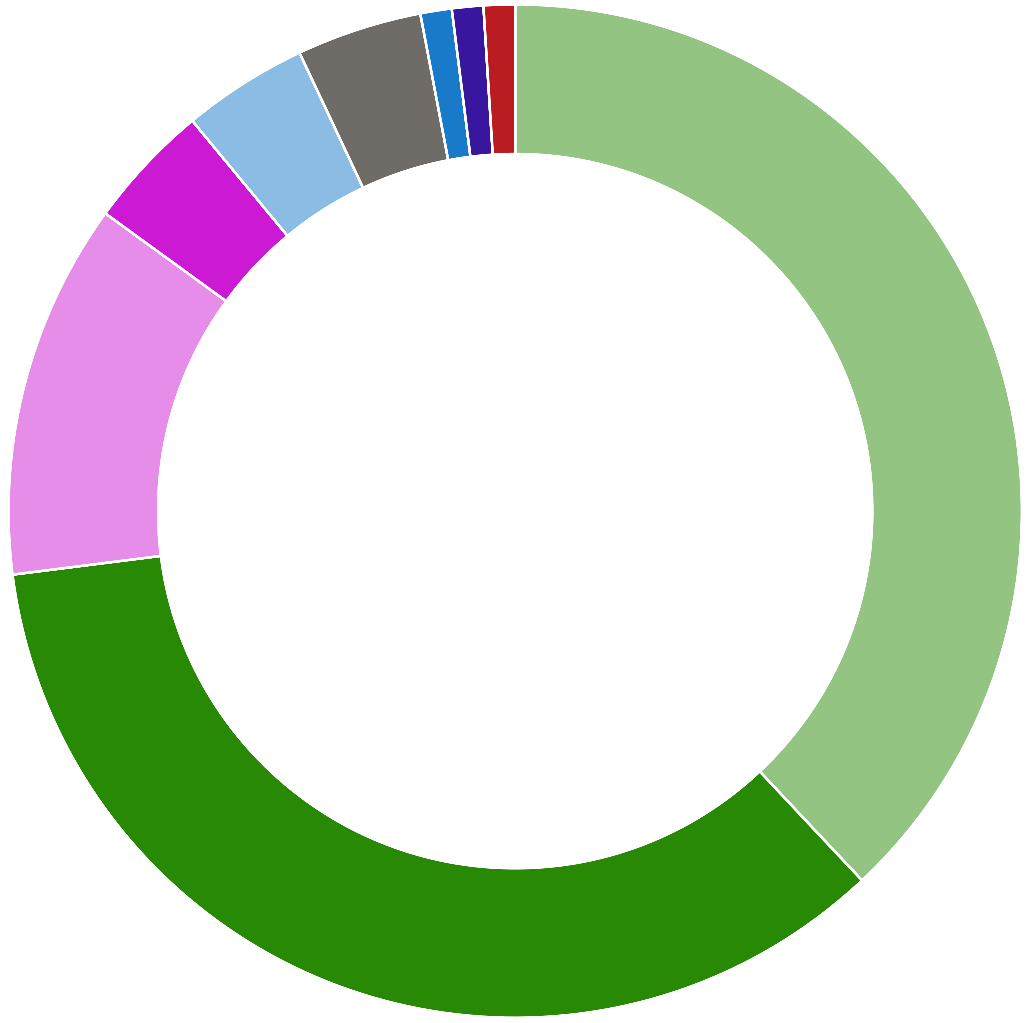


66.3% Equity **14.2%** Sovereign bonds
9.2% Corporate fixed income
7.1% Other **3.1%** Cash

Approximate split of insured funds by asset class (as of 31 December 2024). Allocations of less than 1% are not labelled on the graph. Asset class allocations are listed in size order (largest to smallest (%)).

Our AUM by geography

The diagram demonstrates the split by geography for our insured funds which make up the majority (approximately 97%) of our AUM.



38% UK **35%** USA **12%** Europe
4% Japan **4%** Asia Pacific **4%** Other
1% Emerging markets **1%** Canada
1% Australia & New Zealand

Approximate split of insured funds by geography (as of 31 December 2024). Geography allocations are listed in size order (largest to smallest (%)).

Approach to listening to and engaging with our beneficiaries

We endeavour to align our stewardship approach with our customers, but we cannot guess their views on ESG matters. We seek customers' views and feedback by carrying out customer research at least once a year, through dedicated customer insight surveys.

In 2024, we conducted a RI customer panel survey where approximately 900 customers responded. We found customer views remained broadly the same as 2023 e.g., customer appetite for sustainable investing is high, and impacts on the environment and nature being the biggest area of ESG consideration for customers in relation to their investments. Findings from the survey support the continuous development of our stewardship approach.

Principle 7.

Stewardship, investment and ESG integration

As long-term investors with long-term liabilities, our fundamental focus must be on delivering sustainable long-term value for our customers. This means managing investment risks and returns effectively, which includes considered and active integration of ESG factors across our investment estate, making use one of the tools available for sustainable investment outcomes.

In line with our responsible investment beliefs outlined in our **2023 Stewardship report** (page 18), we believe ESG integration into investments is important to protect and grow our customer assets, provide choice and opportunity on wider investment opportunities for customers; and fulfil our responsibility to support a fairer, more sustainable world.

In our view, two key stewardship levers we have to support ESG integration into investments are asset allocation and oversight of managers in relation to our RI requirements and expectations and how they engage and escalate with companies. This is vital to ensure they are acting in the best interests of our customers and long-term goals.

In 2024 we made further progress to integrate ESG factors across our investment estate with a focus on our workplace default funds, as can be demonstrated by the increase of £3.4bn assets in strategies screened and tilted for ESG factors, as well as implementing changes to UBC, our biggest default, to include Private Markets.

In this section we describe how we integrate stewardship insights into our investment decision-making, including improvements we have made in 2024. These included;

- Implementing our climate roadmap targets across our investments.
- Analysis on our investments on other ESG issues, e.g. nature.
- Further integrating ESG factors within the growth stage of our largest default fund (see case study 4, **page 48**).

We also describe how we consider ESG factors within our core investment processes at fund level (e.g., ESG integration framework and other ESG fund assessments at fund level, see **page 50**),

Integrating stewardship and ESG-related factors

Our Investment Proposition team builds investment solutions mostly using funds from third-party asset managers. We take a range of factors into account, such as customer needs, objectives, risk tolerance, behaviours, beliefs and time horizon. Sustainability risks and opportunities form a key part of this, where we work with asset managers who support our Responsible Investment beliefs, expectations and commitments (as seen in the UBC case study/**page 48**), to deliver long term, sustainable outcomes for our customers.

Delivering responsible investment products and solutions is a key lever in driving sustainable investment outcomes and our overall investment solutions and development process formally reflects this.

There is no one-size fits all solution when it comes to RI governance. The inclusion of the RI team within our Investment Proposition team ensures full, holistic integration of RI-related considerations into all investment processes and decision-making.

Our RI professionals provide insight and challenge on ESG integration matters. Our dedicated RI professionals also offer expert and practical support to our business and our asset managers to drive our ambitions, and commitments on stewardship and sustainable investment. For example, in 2024 we developed fund-specific RI considerations that were incorporated into our investment oversight processes (see **page 50** for further detail)

Investment Oversight conduct quarterly meetings with our key asset managers, these meetings cover a range of topics, including performance, impact of RI within the fund strategies, future direction of travel and alignment to Aegon's policies and customer outcomes.

Overview of investment proposition team structure

Managing Director, AUK Investment Proposition

- Investment Development
- Investment Strategy
- Investment Oversight
  - Fund Oversight
  - Responsible Investment
- Portfolio Management

Our Workplace and Retail Investment Propositions are managed by our Head of Investment Strategy, who oversees the implementation of fund solutions to drive growth in the workplace and retail solutions respectively. Our Head of Investment Development drives development in our investment proposition. The RI team works collaboratively with our Investment Strategy and Investment Development teams respectively to ensure focus on both investment fundamentals and responsible investment to help achieve customer long-term objectives.

Case study 1 – enhancing oversight of ESG assessments at fund level

Background

Following a request from the Trustees of the Aegon Master Trust (AMT) to add responsible investment to the Investment Performance Fund Dashboard, Aegon UK developed a proprietary fund-level ESG red, amber, green (RAG) rating. The fund-level ESG RAG builds on existing AMT oversight tools, such as the climate risk dashboard published annually in the AMT's TCFD report.

Approach

The ESG RAG rating was developed by leveraging the ESG data expertise within Aegon UK. The methodology considers different factors, peer groups, and fund comparisons.

The factors used were chosen because they are established risk metrics, such as Climate Value-at-Risk, that align with the Master Trust's responsible investment beliefs, in particular around the financial materiality of ESG issues and climate as a key source of risk.

Combining metrics provides a more reliable and holistic fund rating model and allows Trustees to demonstrate oversight without solely relying on third-party methodologies. Where a fund is not assessed 'green', a brief narrative of the drivers behind the rating is given, allowing Trustees to understand contributing factors.

Outcomes

Going forward the ESG RAG rating will be provided alongside traditional fund performance information, to help improve the Trustees' understanding of the ESG profiles of the funds. The rating can be used to support engagement with fund managers or to identify funds where the Trustees may wish to carry out further qualitative assessments. The rating can be evolved over time in line with market developments.

How we are integrating our priority ESG themes

Case study 2 – progress against our net-zero transition plan, our climate roadmap

Context

In 2023, we published our **climate roadmap**, demonstrating our commitment to acting as responsible stewards on behalf of our customers, who are primarily invested in passive funds and thus exposed to market-wide systemic risks like climate change. We have high levels of ambition for the future: our net-zero target includes all asset classes except cash and all scopes of emissions. Our comprehensive emission reductions, engagement, investments and tracking targets have consistently guided our actions in alignment with our roadmap.

Approach

During 2024, we have continued to monitor and report to our committees' considerable progress against our agreed actions and targets.

Significant decarbonisation – We reduced the carbon footprint (scope 1 and 2 for corporate fixed income and listed equity) of our workplace default portfolio by 40% between 2020 and 2024. This progress is supported by our asset managers' engagement with companies representing 78% of our financed emissions (scope 1, 2 and 3). In addition, we have developed strong in-house climate analysis that enable us to identify the main drivers contributing to our decarbonisation. For example, we are able to distinguish between investment changes and corporates reducing their emissions.

Climate solutions leadership – The net-zero transition requires investments in climate solutions to help mitigate and adapt to climate change, in addition to decarbonising current investments. We have a commitment to invest £500m to credible climate solutions by 2026 and are developing our roadmap to achieve this.

Impactful market engagement – We have used our scale and expertise to drive tangible outcomes with our asset managers (see **case study 1** on BlackRock decarbonisation policy), data providers (see **case study** on MSCI), industry groups (see **case study** on sovereign) and policymakers (see **case study 3** on climate and nature policy advocacy).

Outcomes

Our decarbonisation progress puts us ahead of our 2026 short-term emissions reduction target (-37%) and on track to halve emissions by 2030. Our climate leadership and the credibility of our net-zero progress have been recognised externally.

- Our climate roadmap was featured as an **example of best practice** with the launch of the IIGCC Net Zero Investment Framework 2.0 this year, to support others in setting their own strategy and targets.
- Our approach on climate solutions was featured in the **Corporate Adviser Guide to Private Markets in DC Pensions**, where we examined their role in private markets.

We will continue to report transparently on our progress and leverage our scale and expertise to support the transition to a low carbon world, for the benefit of our customers.

Case study 3 – assessing our portfolios and setting nature-related targets

We assess our portfolios for nature and biodiversity risks to support better management across our insured funds, as per our nature action plan (see case study on **page 68**) and Finance for Biodiversity pledge targets. In 2024, we were able to improve the sophistication of our analysis by taking into account direct and indirect supply chain risks and dependencies, as per TNFD recommendations.

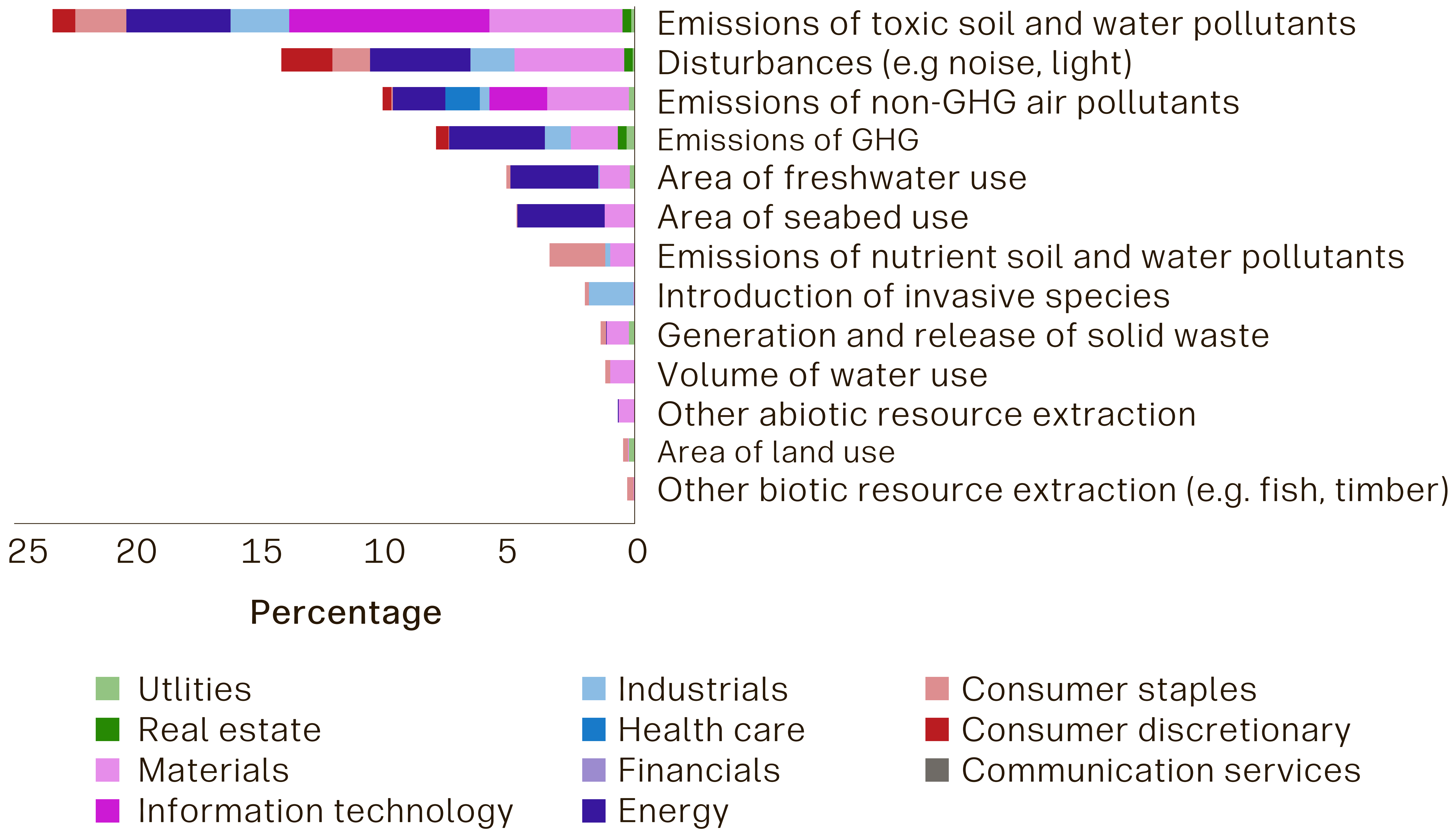
Approach

Using the ENCORE (Explore Natural Capital Opportunities, Risks and Exposure) dataset, we analysed our investments across our equity and bond portfolios, which represent more than 82% of our default funds' assets under management (AUM). Some of the key findings were that:

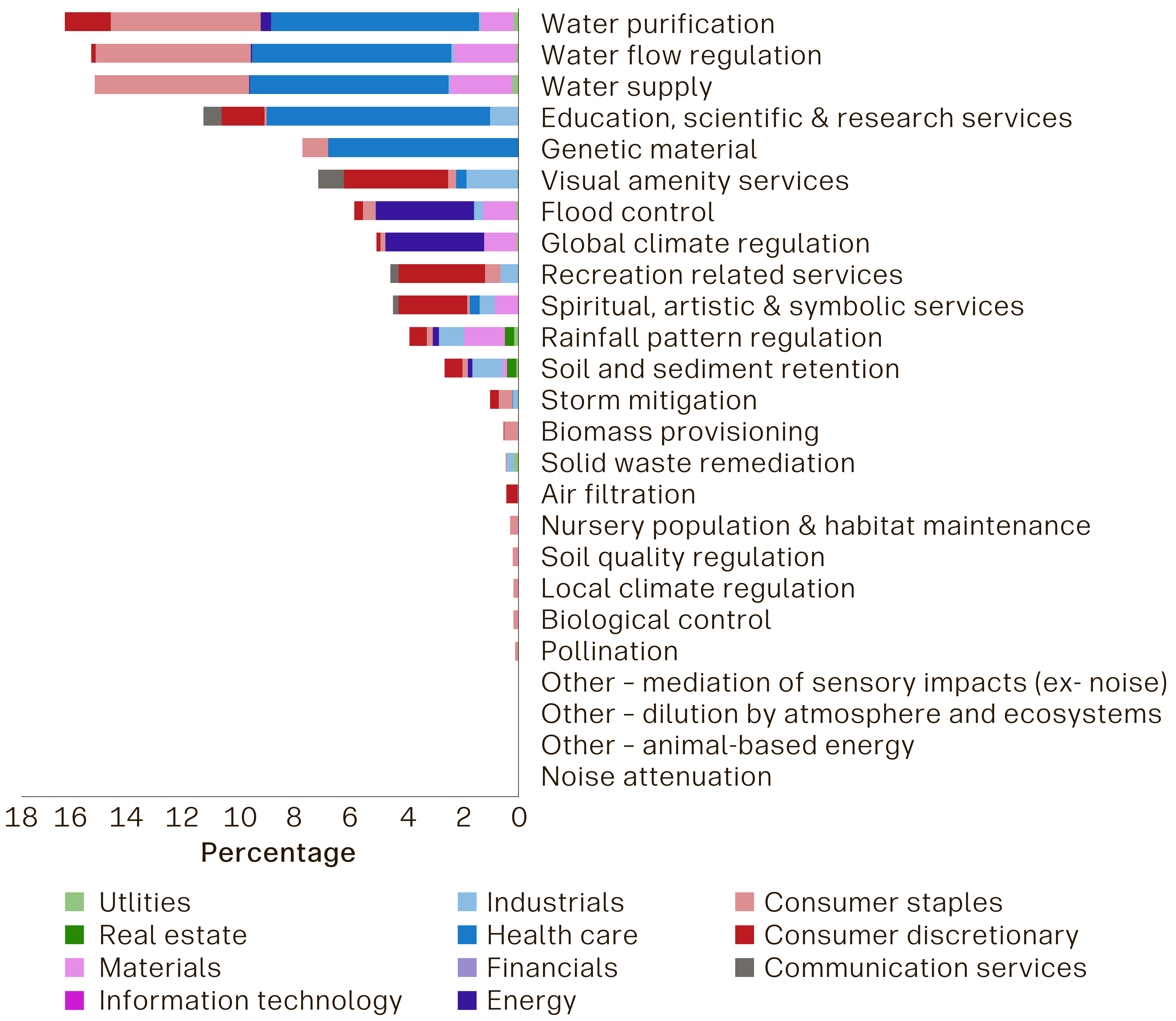
- All sectors in our portfolio rely on aspects of nature or ecosystem services to function and have some positive or negative impacts and dependencies on nature.
- Overall, assets representing 18.7% of AUM in our default portfolio have at least one high or very high direct dependency on natural capital, while 22.5% have at least one high or very high direct impact on natural capital.
- Within our portfolio, healthcare, consumer staples and materials sectors have the highest direct dependencies on nature while energy and materials have the highest impacts on nature.
- Direct dependencies are highest for water and cultural services while direct impacts are highest for pollutants (non-GHG air pollutants, toxic soil and water pollutants), on habitats and on water (e.g. freshwater use, seabed use).

Within some key sectors, we were then able to identify companies with the highest dependencies and impacts, where data was available. For example, consumer staples, which includes agriculture and meat production, has severe impacts and dependencies that can be linked to deforestation. Using MSCI data, we identified our exposure to companies operating either directly or in the value chain of key commodities driving deforestation. For example, 4% of our AUM is made up of companies in the palm oil value chain.

Portfolio exposure to very high and high nature impacts over tier 0 measured in % AUM – using encore dataset



Portfolio exposure to very high and high nature dependencies over tier 0 measured in % AUM – using encore dataset



Outcomes and next steps

- The analysis carried out has helped us make progress against our Finance for Biodiversity Pledge targets (summarised below), directly supporting our nature action plan.

Initiation targets:

- Knowledge building (complete): In 2023, we published a white paper on the material implications of nature for pension funds and we carried out an initial biodiversity risk assessment of our investments.
- Sector, impact and dependency assessment (complete): In 2024, we carried out a dependencies, impacts, risks and opportunities sector assessment, supported by ENCORE, as presented in this case study.

Monitoring targets:

- Stewardship actions (ongoing): Since the 2024 AGM season, we have been using nature factors to identify priority companies for EOW. We also published a voting policy including our guidelines for nature-related resolutions.
- KPIs (in progress): We are exploring adding a key biodiversity metric to our responsible investment quarterly committee dashboard in 2025.
- Whilst we have considered portfolio-level targets, as per the Finance for Biodiversity Pledge guidance, we found them too nascent to define, with potentially constraining impacts on an asset owner portfolio.

Building from our collaborative work within the DWP's Taskforce of social factors (see P10), we have been considering the Taskforce's published guidance to better understand how to identify risks posed by social factors within our investments.

In 2024, we have identified four topics of interest relevant to social factors from SASB's sector-materiality framework and for each of these topics we identified sectors of interest. We are in the process of mapping topics to relevant public data sources (e.g. World Benchmark alliance and KnowtheChain) and anticipate our findings will further inform our priority companies as part of our EOW voting activity (see P12 for further details).

Integrating ESG into our workplace and retail solutions

Our workplace investment solutions

Workplace investment solutions include the default strategies, where members don't choose where their contributions and those made on their behalf by the employer are invested. As a workplace pension provider, our job is to deliver long term sustainable value. We aim to do that by making sure our default customers are exposed to the right risks at the right time, and working with fund manager partners who can help us support our customers' long-term objectives. This includes working with funds and asset managers that support our RI beliefs and expectations. For those customers who feel more comfortable making their own investment decisions, our job is to ensure we provide them with an appropriate choice of investment solutions to align with their own objectives and beliefs.

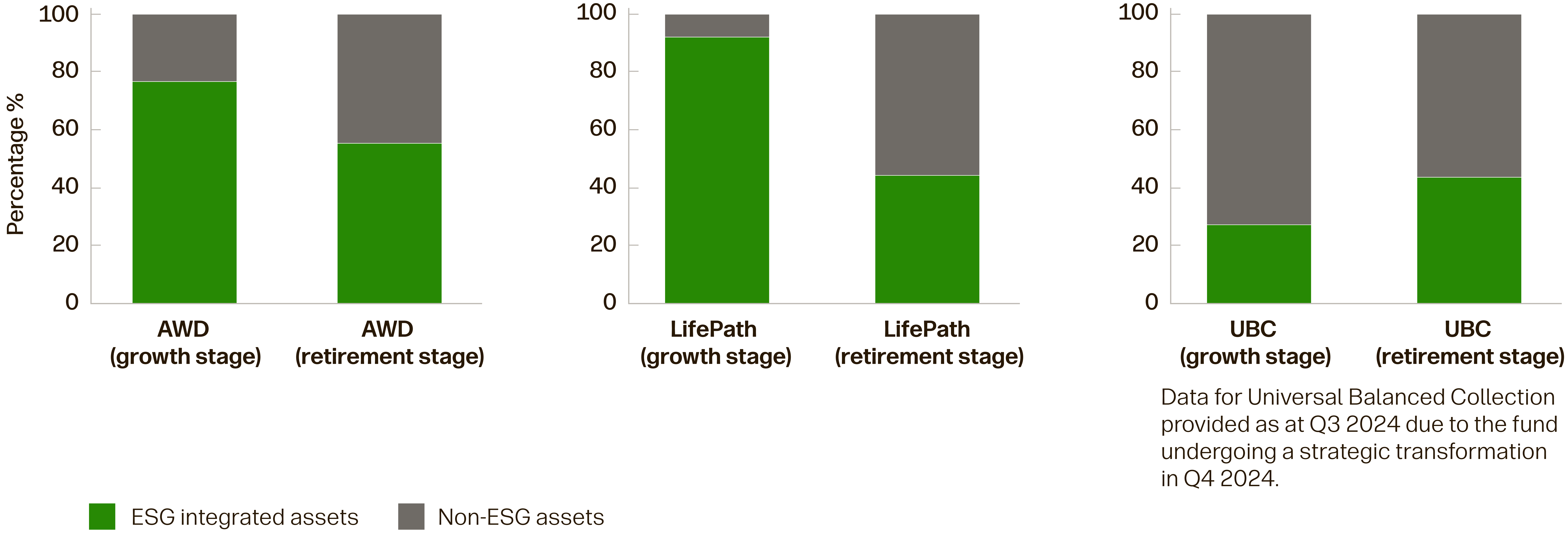
From an investment fundamental perspective, we believe that passive management should be utilised primarily, but that active management has potential to add value in certain situations. As a result, our workplace default assets are primarily invested in passive solutions, as are much of the pension default strategies across the UK's DC pensions. While historically funds which track market-cap indices are most common, we are part of an ongoing trend to move into more sophisticated passive strategies that screen particular exposures and/or tilt towards or away from particular exposures based on ESG credentials. As of 31 December 2024, we have £26.9bn of assets in strategies that are screened and/or tilted for ESG factors across our workplace defaults. For most of our funds, i.e., those which invest in pooled investments, our appointed managers integrate ESG and engage with portfolio companies, which we oversee, influence and enhance with our targeted activity. We work to monitor and engage with managers on the extent and effectiveness of this through our annual fund manager monitoring exercise.

How we have increased integration of ESG strategies into our flagship default funds through 2024

In the table below, we've outlined our progress to date on integrating RI into our three largest default fund solutions. We also provide examples of actions taken in the year on ESG integration into our default funds in line with good investment fundamentals.

	Aegon Workplace Default	LifePath	Universal Balanced Collection (UBC)

Approx. % of assets that apply ESG screens and/or tilts as at Q4 2024



Data for Universal Balanced Collection provided as at Q3 2024 due to the fund undergoing a strategic transformation in Q4 2024.

	Aegon Workplace Default	LifePath	Universal Balanced Collection (UBC)
ESG exposure achieved through[1]:	**Developed world sustainable equity index fund** **FTSE Russell** – Optimises to target a 50% carbon emissions intensity reduction and 50% fossil fuel reserves intensity reduction relative to, and 20% (FTSE) ESG rating improvement against, the parent index. **ESG index funds** **Morningstar** – Optimises to target a 30% carbon emissions intensity reduction relative to, and ESG Risk Rating better than or equal to, the parent index. **ESG sterling corporate index fund** **iBoxx** – Applies the below exclusions, as well as to companies with exposure or ties to tobacco, oil sands, fossil fuel reserves, and oil and gas extraction, production or services.	**World ESG equity index fund** **MSCI** – Optimises to target a 50% carbon emissions intensity reduction, and 50% carbon reserves intensity reduction, relative to the parent index. **World ESG equity screened** **MSCI** – Applies the below exclusions, as well as to companies involved in tobacco production, distribution or supply, oil and gas production or extraction, or those that have violated the United Nations Global Compact (UNGC). **Regional index funds (FTSE)** **FTSE** – Applies the below exclusions, as well as to companies with ties to oil sands. **ESG sterling corporate index fund** **iBoxx** – Applies the below exclusions, as well as to companies with exposure or ties to tobacco, oil sands, fossil fuel reserves, and oil and gas extraction, production or services.	**Regional index funds (FTSE)** **FTSE** – Applies the below exclusions, as well as to companies with ties to oil sands. Active ESG exposure through a Global Sustainable Sovereign Bond fund, a Global Sustainable Equity fund and a Global Sustainable Diversified Growth fund.
Asset class / strategy for ESG exposure	Equities (passive) Corporate bonds (passive)	Equities (passive) Corporate bonds (passive)	Equities (passive and active) Sovereign bonds (passive and active)
Exclusions (applied across all ESG-screened or optimised passive funds)[2]	▪ Civilian firearms ▪ Controversial weapons ▪ Nuclear weapons ▪ United Nations Global Compact (UNGC) violators	▪ Civilian firearms ▪ Controversial weapons ▪ Nuclear weapons ▪ Thermal coal ▪ Controversies	▪ Civilian firearms ▪ Controversial weapons ▪ Nuclear weapons ▪ United Nations Global Compact (UNGC) violators ▪ Thermal coal ▪ Oil sands ▪ Controversies

Case study 4 – enhancing ESG integration within our largest default fund

Context/background

In our **2023 Stewardship report** (page 68) we reported on reviewing our biggest default fund to enhance outcomes for workplace customers, by introducing a broader range of asset classes such as illiquid investments and further opportunities for RI integration such as exploring climate solutions. Furthermore, as a **founding signatory of the Mansion House Compact**, these changes align with our aim to invest at least 5% of our defined contribution (DC) default fund assets in unlisted equities by 2030, helping to deliver better long-term outcomes for our pension scheme customers.

Approach

In early 2024, we partnered with three asset managers to evolve our **Universal Balanced Collection default fund (UBC)**, following our market review and manager selection process in the prior year. Our Responsible Investment team played a key role, conducting in-depth due diligence and attending comprehensive manager meetings to assess each manager's approach and identify potential gaps. We embedded ESG considerations into the selection process, ensuring chosen managers demonstrated expertise, scale for efficient investment, and access to enhanced growth potential.

Outcomes and next steps

We announced our plans in June 2024 to evolve the £12bn UBC fund along with the asset managers we had chosen to partner with. Shortly after, we began the first stages of implementation. The evolved bespoke solution provides greater alignment to our **climate roadmap** and stewardship through:

- **Full ESG integration**. Each asset manager has constructed underlying funds with material ESG factors in mind. This means they are using strong ESG integration practices relevant to each asset class
- **Increased alignment with our emissions and net-zero alignment targets.** UBC now has decarbonisation targets that apply to c. 75% of the fund: a 50% initial reduction in emissions intensity against the benchmark followed by 7% year-on-year reductions. All passive equity assets in UBC will be voted by BlackRock using its new Climate and Decarbonisation Stewardship Guidelines, which we helped to develop, to enhance our climate impact.
- **Access to innovative and impactful climate solutions,** such as investments in renewable energy, infrastructure or forestry (assessed through our climate solutions framework)

These changes will be completed in the next few years. They will provide over 700,000 customers with access to a wider range of responsible investments, in areas that have historically been harder for workplace savers to access. We continue to engage with asset managers to encourage ESG best practice, in particular for private markets where such practices are fast evolving.

Upon completion of the UBC changes in 2025, we anticipate that we will have moved over £30 billion of default assets into funds that consider ESG factors. We are also using the UBC changes as a blueprint to consider how best to integrate Private Markets and broader investment proposition considerations into our other key default offerings. We look forward to reporting on our progress within our next Stewardship report.

Our adviser platform investment solutions

We provide investments designed to meet the needs of advised customers. These range from risk-managed, multi-asset solutions to investment funds available via our adviser platforms and partner distribution channels.

Development in our adviser platform solutions is primarily driven by demands from financial advisers (IFAs), who in turn provide advice to individual retail customers. However, interest and knowledge on ESG integration into investments by advisers is relatively nascent compared to EBCs who advise employers on workplace pensions. Where adviser demand for ESG integration occur, it tends to be for specific individual client needs.

Shareholder general account assets

Shareholder general account assets are investments in which we have control over how they are invested and sit on Aegon's balance sheet. In 2021, Aegon Group signed up to the Net Zero Asset Owners Alliance, with a **commitment** to reduce the weighted-average carbon intensity of corporate bonds and listed equity held in the general account by 25%, by the end of 2025, relative to 2019 levels.

Directly owned assets in Aegon UK are small relative to the rest of the Aegon Group. Any assets which are deemed carbon intensive will be allowed to run off and replaced with less carbon intensive assets.

We hold no direct equity in the general account and so have minimal opportunity to exercise voting rights. However, we have 'soft' influence through our ability to direct capital towards climate-positive opportunities. In respect of Aegon UK's activities in our general account to support net zero, any new bond purchases are completed in line with ESG criteria. These legacy portfolios continue to run off, with a reduction of absolute carbon footprint over the year.

How integration of stewardship and ESG differs for funds, asset classes and geographies

While our investment estate has a strong equity bias, our focus on ESG integration in investments extends to asset classes beyond listed equity, particularly given the evolution of our UBC default fund.

We monitor how our asset managers integrate ESG considerations across different geographies and asset classes. For example, we have asked in our 2024 RI-manager monitoring questionnaire how managers integrate their stewardship on Fixed Income, to monitor their alignment to expectations outlined within our Stewardship Policy. We are also working with our managers to provide effective reporting on new private markets investments, to support monitoring, assessment and reporting against our climate solutions targets.

In 2024 we developed a proprietary ESG framework that enables us to assess levels of ESG integration at fund-level, across multiple asset classes and investment styles. The ESG fund framework was built using a combination of our RI team's comprehensive knowledge of ESG and climate investing, and extensive market research drawing on the latest industry guidance.

The framework has provided us with a clear benchmark with which to assess existing and potential new funds, in terms of ESG integration. It gives us a house view for users of the framework to reach a basic, good or strong assessment of a fund, scoring a fund against relevant responsible investment integration and rights and responsibilities considerations.

We consider these practices to be examples of strong practice related to ESG integration as well as exercise of wider rights & responsibilities;

	Example of strong practices
Active equity	Voting and engagement considerations cover in-depth ESG topics, e.g., just transition, that systematically feed into the equity selection and investment strategy Manager can articulate how and why priority issuers are selected for engagement alongside well-defined engagement objectives and progress framework, e.g., milestones approach.
Passive equity	Fund/Index applies ESG screens and tilts. Tilts are forward-looking (based on an assessment of issuers' future-readiness), e.g., net-zero alignment. See also criteria below related to passive fixed income.
Active fixed income	Manager can articulate proprietary ESG research or framework, linking relevant RI trends to specific sector dynamics and bond opportunities, as well as bond selection.
Passive fixed income	Manager can articulate how and why priority issuers are selected for engagement alongside well-defined engagement objectives and progress framework, e.g., milestones approach.
Private markets	Fund conducts ESG due diligence on risks and opportunities through a clear sector-based materiality framework to assess financial materiality (e.g. SASB, proprietary, etc). Issues identified in due diligence are considered throughout the investment lifecycle from pre-acquisition to exit.

Our framework has been successfully taken through our internal governance processes and will be included in our RI policy update in 2025. We will review our framework as per our annual responsible investment policy governance to ensure it continues to reflect latest ESG product developments.

In respect of sovereign debt assets, we have been collaborating with the industry to address the lack of consensus on a standardised reporting framework on sovereign debt carbon emissions (**see page 80** case study). We are following guidance within the published discussion paper from this collaborative initiative, to calculating our sovereign carbon emissions. We aim to leverage off the work done by ASCOR, which is noted in the discussion paper as a resource that can assist investors in assessing their sovereign debt exposures and relevant net zero alignment. ASCOR is an investor-led project that developed an open-source, publicly available, independent tool to assess the progress made by countries in managing the low-carbon transition and the impacts of climate change.

Awarding investment mandates to asset managers

Beyond manager monitoring, our minimum RI expectations extend to the design and award of new mandates. To ensure that we can deliver on our purpose of helping people live their best lives, ESG criteria are now a key factor in how we award new business and manager appointment. By appointing managers who take into consideration environmental, social and governance factors in their funds, we can foster positive social outcomes and minimise the environmental impact of our products and services, ultimately contributing to the sustained well-being of our customers and the planet.

Implications of minimum RI expectations for tendering new business

To be appointed, all new asset managers must adhere to all our RI minimum expectations. No new business can be awarded to existing asset managers that fail to meet our minimum expectations and are already in the scope of our RI policy, unless they're credibly working to meet these expectations.

Please see Principle 8 for details on our minimum RI expectations.

Please see the case study of our evolution of our UBC default fund (**page 48**) for details on how we assessed potential and asset managers on their ability to meet our RI requirements and broader criteria on responsible investment.

Principle 8.

Monitoring managers and service providers

We do most of our investing through third party asset managers (also referred to as indirect investing) who provide our workplace and retail investment solutions. This means our asset managers act as the primary safeguard in the management of all investment-portfolio related risks and opportunities, including those related to sustainability.

As such, manager selection and monitoring are an integral part of our stewardship toolkit. Without direct access to companies, our greatest influence is through our asset managers. Therefore, we need to make our expectations and focus areas clear and be prepared to hold our asset managers to account when our expectations are not met. By doing so, we can minimise our exposure to risk, maximise alignment between our managers and our fiduciary duty to our customers and deliver our purpose of helping people live their best lives.

We also closely monitor other third-party service providers such as data providers, proxy voting providers and investment consultants. We work with them to identify areas where processes and alignment can be improved, increasingly with regards to responsible investment (please see **pages 62-64** in this section for further information on our approach).

In this section we set out our approach to managing and monitoring our asset managers and other third-party service providers. We explain our frameworks, processes and our expectations and provide case study examples of our approach, our actions and outcomes.

Our approach to asset manager monitoring

Our RI monitoring framework and expectations for managers

As we outlined within our **2023 Stewardship report** (page 73-74), we annually assess the RI credentials and practices of both new and existing asset managers through our annual monitoring framework and questionnaire. We score our asset managers using our proprietary criteria, with scores assigned between zero (failure to meet minimum expectations) and three (best practice).

Having clearly defined manager expectations allows us to systematically review and assess manager practices. We are specific about our RI expectations which we set out in our RI and Stewardship policies, covering areas of RI which we deem as material to the time horizons over which our customers are invested and critical for managing key sustainability risks and investing responsibly to ensure we can deliver our purpose. We regularly review them to align with evolving market conditions and increasing regulation and market expectations, to ensure they accurately reflect the wider landscape.

Whilst performance and scoring may differ depending on managers' circumstances, we believe these expectations are achievable by all managers regardless of their size and investment-strategy type. This approach to setting expectations is also well-suited for our annual benchmarking which occurs in the analysis phase and provides us with insights into the most material practices and policies and areas where managers are scoring the lowest. These findings, in turn, inform our manager engagement and escalation practices, as well as our capital allocation decisions, such as assessing and selecting managers to partner with. The table below summarises our manager expectations.

Responsible investment area	Summary of our manager expectations
Responsible investment governance	Ensuring robust and adequately resourced governance is in place.
Engagement and voting/ exercising rights and responsibilities	Driving active engagement and voting, informed by material sustainability issues. Demonstrating effective stewardship across all asset classes.
Climate change and nature	Supporting our climate ambition and net-zero commitment. Demonstrating how they identify and assess nature risks and opportunities.
Industry advocacy	Using their voice to drive systemic sustainable changes in the economy.
Diversity and inclusion	Improving representation for better decision making.
Human rights	Able to clearly articulate their investment and engagement practices in relation to human rights.

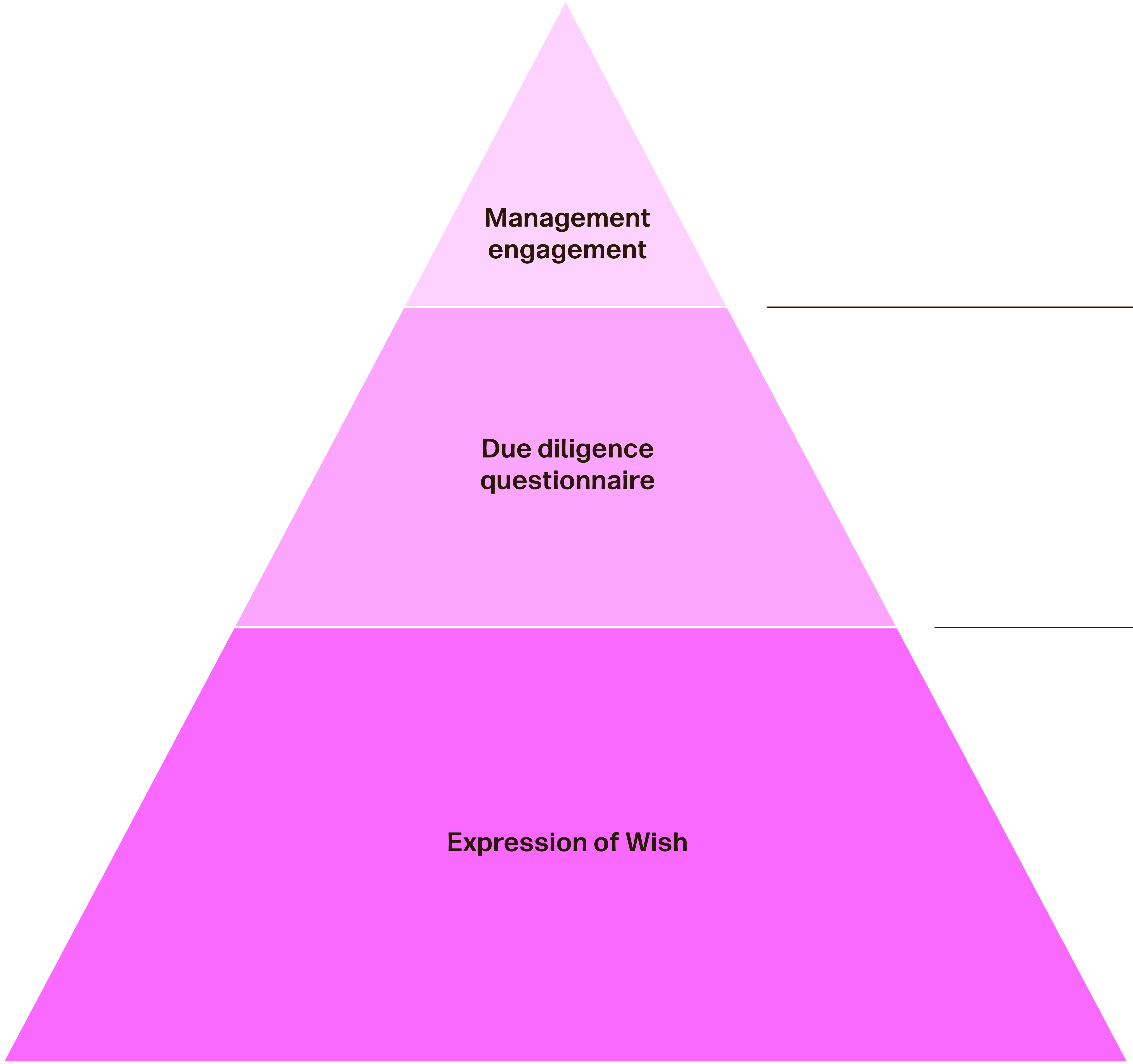
How we prioritise asset managers for monitoring and engagement

We prioritise our manager monitoring and engagement in tiers, focussing on where we feel we can have the most impact, and placing the most emphasis on managers of assets where we are the investment decision-maker, such as our workplace default funds or our general account, and less where we administer assets.

In 2024 we reviewed the scope of our monitoring to focus our resources most effectively, while maintaining a tiered approach and with most focus spent on our top three managers who manage the largest portion (approximately over two thirds) of our AUM being BlackRock, Aegon Asset Management and HSBC. The table outlines our tiering approach for 2024 and provides a summary of the monitoring and engagement activities that occur within each tier.

Other external unit-linked funds are made available to customers as self-selecting fund ranges through an Aegon-insured wrapper, across our workplace and adviser platforms. Monitoring and engagement may take place where asset managers' funds are in-scope of the above categories or where we identify other specific factors that would warrant additional scrutiny.

Tier	Managers & justification	AUK monitoring and engagement undertaken
Tier 1	**Aegon workplace default solution asset managers:** This covers key asset managers who have responsibility for managing Aegon's mandated funds or for managing component funds of Aegon's multi-asset default workplace solutions, or both. They may also have responsibility for managing general account assets and with-profit funds. Most of the assets in this tier are invested via pooled vehicles, where we are one of two or more investors. However, for some funds that we invest via our default solutions, we will often represent the largest, or be amongst the largest investor in the funds. As a result, we're able to maintain regular dialogue on stewardship.	Managers must complete a full Due Diligence questionnaire. We set an expression of wish outlining our preferences and voting expectations. Regular face to face meetings/hybrid meetings on manager monitoring, stewardship and topics related to our engagement themes, and other deep dive sessions on key topics/priorities as needed.
Tier 2	**Other key Aegon solution asset managers:** This covers manager of assets invested via pooled vehicles, where we are one of two or more investors and where significant AUM is managed on our behalf).	Managers complete a reduced due diligence questionnaire.
	Aegon Master Trust asset managers: These asset managers manage Aegon funds that are available as part of the Select Fund Range for the Aegon Master Trust (AMT).	Meetings where: ▪ Minimum RI expectations have failed, and/or. ▪ Other specific factors which may mean additional scrutiny of managers would be beneficial (e.g. poor performance by a manager who manages a significant AUM on our behalf).



How we monitor our asset managers

Our key levers to monitoring and influencing our managers include:

1. **Manager engagement**

   We conduct regular engagement with our Tier 1 priority managers, and hold meetings with senior management, their RI and Stewardship teams and other specialists, alongside our wider investment Proposition team. We discuss improvements to their RI practices and ensure they progress these improvements in line with our expectations and specific objectives.

2. **Due diligence questionnaire**

   We ask a number of questions through our due diligence questionnaire (DDQ) that enable us to actively assess how their practices align with our expectations across our six responsible investment categories.

   Our questions are reviewed on annual basis and developed in line with our evolving RI expectations, insights from customers, developments from our manager engagement and market best practice. In 2024, we expanded our questions to reflect key areas of our focus including nature and fixed income and sharpened our questions on climate policy lobbying.

3. **Expression of Wish**

   As we mainly invest in pooled funds, we recognise that influence by our managers on voting outcomes and companies is much more material than our own proportional company ownership. We implement an 'expression of wish' (EOW) by requesting key managers to vote a certain way on our portfolio companies in line with our **Voting policy**. We see this an effective way of monitoring consistent and effective voting behaviour by managers while also benefiting from their engagement processes.

   We expanded our EOW in 2024 to 100 priority companies (compared to fewer than 10 in 2023) targeting our biggest 500 holdings within our default funds and those we deem as most exposed to material ESG risks relevant to our engagement themes (Climate, Nature, Human Rights and DEI). Our EOW is underpinned by robust governance and has proven to work, see Principle 12 for more detail.

Examples of questions from our 2024 DDQ include:

Our ambition	What this means
RI governance	▪ Are RI-related considerations, competence and knowledge included in a board skills matrix and integrated into board effectiveness reviews?
Climate and nature	▪ Does your net zero engagement and voting policy include evaluation criteria and approach to voting against directors based on climate concerns and corporate climate lobbying? ▪ Describe your approach to nature and biodiversity, including specific approaches to deforestation. Are you an early adopter of the Taskforce on Nature-Related Financial Disclosures (TNFD)?
Industry advocacy	▪ What role does collaborative engagement take in your approach to net zero stewardship? ▪ How do you consider and review your own climate lobbying activities are aligned to your stated position on climate? ▪ How do you use engagement & voting to ensure a company's direct and indirect lobbying activities are aligned to its stated position on climate?
Engagement and voting/ exercising rights and responsibilities	▪ Provide a breakdown of % outcomes by type of key engagement objective on climate topics. ▪ Provide an assessment of how effective your current engagement outcome reporting has been, in improving your stewardship, including opportunities for improvement. ▪ Explain your approach on engagement for fixed income, including any specific policies, and provide examples of influencing issuers on material ESG issues.
Human rights	▪ Provide an assessment of how effective you have been in integrating human rights-related considerations and how your approach may be improved.
Diversity, Equity and Inclusion (DEI)	▪ What D&I KPIs/targets do you have and describe progress in the last financial year?

Performance of our asset managers against our monitoring framework

Our Responsible Investment team analyses the DDQ responses in collaboration with the wider investment team. We ask multiple team members to assign a score of between zero and three to the responses received and take an average of these scores to minimise bias. We report these scores and the associated heatmap to governance bodies, including the Group Investment Committee and AMT Investment Sub-Committee, for consideration.

During our 2024 monitoring review, we assessed our Tier 1 and 2 managers and the scores were assigned based on manager responses to our DDQ and expression of wish alignment (the latter for top three managers only). We found that most of our managers have improved their RI practices, as seen by a continuous improvement in overall average scores on RI amongst managers across the last three years (75% in 2024 versus 65% in 2023 and 55% in 2022).

The table below provides a snapshot of our key 2024 findings across our focus areas;

	RI governance	Climate and nature	Voting & engagement/ exercising of rights and responsibilities	Industry advocacy	Human rights	Diversity & Inclusion
Average manager score in 2024 (versus previous year)	**2.5 (vs 2 in 2023)** ↑	**2.5 (vs 1.5 in 2023)** ↑	**1.5 (vs 2 in 2023)** ↓	**2 (vs 2.5 in 2023)** ↓	**2.5 (vs 2 in 2023)** ↑	**2 (vs 2 in 2023)** =
Key trends and observations from our 2024 monitoring	▪ 83% of managers include RI knowledge or competence within a board skills matrix and 64% integrate RI considerations into board effectiveness reviews. ▪ In the prior year we noted a lack of explicit RI-related considerations for board members when describing RI oversight by the Board.	▪ 100% of managers' policies include votes against directors on climate concerns and 30% have specific reference to climate policy lobbying. ▪ 90% of managers state they engage with companies on 1.5°C / under 2°C aligned transition plans (vs 74% in PY). ▪ Similar to our findings in the prior year, less than 25% have a public standalone commitment or policy on biodiversity and only 8% have a specific approach to deforestation.	▪ 83% (vs 55% in 2023) claim to track engagement outcomes on a systematic basis, however only 80% were able to evidence this ▪ Most engagement outcome reporting lack granularity on progress of different types of climate objectives and topics. ▪ While managers' FI engagement is often embedded within existing policies, some lacked detail on the exercise of rights and responsibilities in relation to corporate bonds and sovereign assets.	▪ 58% are taking a lead role in climate engagements and 33% demonstrated sector/value-based engagement. ▪ 50% of managers disclosed active collaborative engagement on social issues. ▪ 75% could evidence active engagement on climate lobbying (vs 36% in PY), but only 16% have policies with transparent criteria of assessing climate policy alignment.	▪ 90% stated they integrate human rights within their engagement and/or voting policies and policies (vs PY where very few managers indicated this). ▪ Many managers surveyed struggled to articulate clearly on anticipated improvements to their current integration approach on Human Rights.	▪ 83% of managers track at least 1 DEI targets/KPI (vs 87% in PY), with 25% tracking more than 2. ▪ 66% have set and tracking a racial/ ethnicity target/KPI (vs 29% in PY).

We were pleased to see some of our feedback points from our previous year of monitoring have been incorporated by managers into their practices, in particular on climate, such as providing a clearer framework which publicly discloses their evaluation criteria for climate voting decisions and more focus on holding directors accountable regarding the climate transition (see case studies further below on managers' voting policy improvements).

However, we found that there is more to be done on specific developing aspects of RI, including how climate engagement outcomes are tracked compared to evolving best practice and supporting the effectiveness of public policy engagement (directly and indirectly) with a particular focus on climate. We are already engaging with our managers on these points and look forward to reporting on our progress in our next Stewardship report.

When asset managers fail to meet our minimum expectations

Monitoring our asset managers closely not only provides an opportunity to draw comparisons and encourage best practice among our partners but can also help us understand the steps managers are taking to address any of our manager expectations that are not met.

In the event where managers continue to fail to meet our manager expectations after an 18-month implementation window, we follow a clear escalation process, set out in our **Stewardship Policy**. This could ultimately result in downgrading the business relationship or removal of the business from Aegon funds. We do not take this lightly and make every effort to engage with our managers effectively to remedy the issue.

The following case studies are examples of how we have engaged with our managers following manager monitoring. For further information on our escalation processes and more examples of manager engagement and escalation, see Principle 11.

Case study 1 – driving improvements on BlackRock's stewardship

Context

BlackRock is a key fund manager of our default funds. We have been extensively engaging with BlackRock over the last few years where our manager monitoring has identified opportunities for improvement.

Approach

We have held a number of engagement meetings with BlackRock's senior management throughout 2024, including their Global Head of Investment Stewardship and Head of Stewardship in the Americas to provide feedback on areas of their stewardship. Key focus areas have included enhanced climate reporting on our portfolios, increased transparency and further alignment with our EOW voting (particular on climate), climate policy lobbying engagement and tracking progress on company engagement outcomes.

Outcomes

We are pleased with BlackRock's progress in 2024, including:

- Publication of their **Decarbonisation Stewardship guidelines**, which will see them engaging with companies to align with a transition to a low-carbon economy that would limit average global temperature rise to 1.5°C above pre-industrial levels. We were one of a handful of asset owners, and a small number of clients globally, invited to feed into the development of this new policy. Several of our feedback points from our ongoing engagement have been incorporated, for example voting against directors when companies are not executing on commitments to align with low carbon transition, prioritising sectors critical to low carbon economy and considerations on climate policy alignment.
- An increase in BlackRock's performance within our 2024 manager monitoring assessment, including a 30% improvement in alignment to our voting positions/EOW compared to the prior year (as further described in P12/**page 96**).
- Following our requests on enhancing ESG metrics reporting to improve our ability to assess and monitor progress against our climate targets, we are now receiving enhanced Scope 3 reporting for Lifepath, one of our key default funds.
- Actively responded to our requests on more transparent engagement outcome reporting to include specific climate related topics, such as Scope 3 disclosures and policy lobbying, confirming their engagement reporting is in the process of being enhanced.
- BlackRock's continued participation (through its international arm) of Climate Action 100+ (the world's largest climate investor collaborative engagement initiative), which Aegon UK is a supporter of (see P10/**page 78** for more detail).

We will continue to monitor BlackRock's progress closely and identify further opportunities for optimisation on our stewardship, by discussing and challenging BlackRock as appropriate through our engagement and monitoring.

Case study 2 – improved focus on climate lobbying stewardship by a manager

Issue

On the back of our manager monitoring results which found varying levels of transparency within managers' voting policies, we engaged with our key managers and requested the opportunity to input into their next voting policy review to explore opportunity for further alignment with Aegon UK's stewardship focus areas. These included robust escalation processes and climate lobbying.

Approach

In the year we had discussions with HSBC's Global Head of Responsible Investment, Global Head of Stewardship and their wider Stewardship team on proposed updates to their 2024 Voting policy. We reiterated our requests for further transparency on HSBC's criteria in utilising routine agenda items (e.g., director elections), and assessing companies' climate lobbying alignment to drive stewardship escalation activities. We believe greater emphasis needs to be placed on these areas, where more investor attention is needed, to achieve a 1.5-degree alignment particularly in light of a narrowing timeframe to achieve this ambition.

Outcome

We are pleased to see that HSBC updated their **voting guidelines** in 2024 with more transparent climate lobbying considerations, outlining clear thresholds of low **Transition Pathway Initiative** and LobbyMap scores which would trigger a vote against directors and signal their concerns on poor lobbying alignment. We believe this will help to enhance engagement approaches to drive improvements in climate practices.

Case study 3 – improved transparency within climate voting guidelines

Issue

We believe that a voting policy is a transparent mechanism for managers to signal expectations of companies on key environmental and social issues, and when they would voice concerns when not enough progress is being made. As part of our manager monitoring, we found one of our asset manager's voting policy lacked detail on considerations across our engagement themes, particularly on climate.

Approach

We provided feedback to the asset manager, requesting further transparency and for our priority themes to be clearly incorporated into their policy. Specifically, we asked for more detail of their evaluation criteria on assessing company climate transition plans and emission targets, climate shareholder resolutions and voting against management on climate-related concerns.

Outcome

We were really pleased to see that this asset manager released a revised voting policy in 2024 with more transparent considerations against our priority themes, with further clarity of voting action they would take where they have concerns, including the use of routine votes. This updated policy now aligns with our expectations.

We believe our monitoring framework, including our escalation process is robust, informative and actionable and are confident that the expectations we have set enable responsible investment which aligns with our customers' needs.

As we look ahead to 2025, we will be evolving our RI manager monitoring to maintain its relevance and avoid a tick-box approach, given the increased scores of asset managers over the last three years. We will review our monitoring criteria to address emerging RI challenges and continuously raise the standards of our expectations and subsequent engagement with our managers.

Additionally, we will consider conducting peer benchmarking exercises and monitor external reviews, including the FRC's Stewardship Code review, to ensure our approach remains challenging, relevant, and aligned with best practices.

Monitoring our service providers

We ensure that third-party data providers and other suppliers are engaged throughout our relationship with them to support the integration of ESG into our business.

Aegon UK's key investment service providers in 2024 include:	
External asset managers	Most of our funds are managed by third-party asset managers.
MSCI	Provides data on ESG matters, such as climate.
FE fundinfo	Supports the creation of our fund factsheets.
Aon	Provides asset-allocation recommendations that act as inputs to the investment process for a number of Aegon investment products. Aon additionally provides us with capital-market assumptions, including expected return, volatility and yield across a range of asset classes.
Proxy advisor	Following the appointment of Minerva to develop our voting guidelines in the prior year, In 2024, we appointed them to implement these guidelines as part of our Expression of Wish approach. See P12 for further detail.

Each key service provider is subject to a rigorous review process to ensure our expectations are met. Where our standards are not met, we have escalation processes and take action to improve performance.

MSCI

Our Managing Director of Investment Proposition is accountable for ensuring appropriate governance is applied in our supplier relationship management with MSCI. This includes quarterly relationship meetings to monitor service levels, escalate any data issues and challenge the MSCI offering. Our Climate and Responsible Investment Strategy Lead is responsible for setting annual engagement objectives and determining the long-term strategy with our data provider, supported by RI analysts who engage with MSCI on a monthly basis. To ensure a comprehensive record of our communications and facilitate accountability, we log issues, queries and progress against our annual engagement objectives with MSCI in our 'MSCI Supplier Monitoring Log'.

Key parameters that we consider when assessing MSCI include:

- Data quality (universe covered, metrics availability, robustness of data, methodologies and models used).
- Service level (whether responses to queries are timely and whether issues are resolved within a week, depending on their nature).
- Strength of relationship (whether it is acting as a significant Aegon UK partner to understand and respond to our needs, such as delivering bespoke training, supporting automated solutions or connecting us to experts).

We continued to enhance our monitoring and engagement with MSCI during 2024

Context

We recognise that providers of climate, biodiversity, and ESG data play a critical role in informing investor decision-making and ultimately influencing market decarbonisation. Therefore, engaging with our climate data provider MSCI to address material data gaps and improve insights is a key action under our climate roadmap, for the benefit of our customers.

Approach

For 2024, we identified seven potential development areas on which to engage with MSCI. Three of these engagement objectives were successful during the year, with MSCI implementing measures to address our concerns.

We have successfully influenced MSCI on introducing a net zero alignment tracking tool in 2024, taking some of our advice on how to leverage best practice. Net-zero alignment is a key forward-looking metric to help financial institutions assess their future decarbonisation trajectory. We have provided feedback to MSCI on how their initial methodology could be improved to be more robust and were pleased to be consulted on their second version.

We have also continued to highlight and discuss data gaps on new biodiversity data sets, in particular against the recommended Taskforce on Nature-Related Financial Disclosures (TNFD) metrics. This year, we were pleased to see MSCI release a further biodiversity package addressing some of our feedback.

We challenged MSCI on how they could show continued leadership to support market transparency, in relation to their contribution to the development of a voluntary Code of Conduct for ESG Ratings and Data Product Providers. In July 2024, they published a **statement** explaining how they are applying the Code. We subsequently met with their Head of Government and Regulatory Affairs to further discuss how they are planning for upcoming regulation in various jurisdictions.

Outcome and next steps

We expect that climate data, metrics and methodologies will continue to evolve. Therefore, we will continue to monitor the data quality and services of MSCI as part of our supplier oversight, and we will further collaborate to meet our evolving needs and help develop solutions that benefit the wider financial community.

FE fundinfo

FE fundinfo supports us by providing data and services for our funds. We have a Vendor Manager who manages the governance activities, aligned Business Owners who manage the services provided, our Investment Services Director is responsible for managing the relationship and our Finance and Investment Operations Director is the accountable executive.

We monitor the services provided by FE fundinfo through two different governance meetings. The first of these is a quarterly Service Review Meeting and in 2024 these took place in April, June, September and December. The meetings were attended by the Vendor Manager, the aligned Business Owners, the Investment Services Director and representatives from FE fundinfo. In these meetings we discussed various topics, such as service-level agreements, commercials, risks and project progress. The other governance meeting is a six-monthly Account Review meeting and these took place in February and August in 2024. The Account Review Meetings were attended by the Vendor Manager, the Investment Services Director, the Finance and Investment Operations Director and representatives from FE fundinfo, including the Chief Revenue Officer. These meetings focussed more on strategy and future plans.

In 2024, we found that FE fundinfo had provided satisfactory services, but some issues have been identified. We are addressing them through the governance meetings.

Our investment consultant – Aon

As previously noted, Aon provides asset-allocation recommendations as well as providing us with capital-market assumptions, including expected return, volatility and yield, across a range of asset classes. While Aon doesn't make specific recommendations relating to RI, its recommendations can impact the size of our holdings – including where those holdings are expressed using responsible product.

Our Head of Portfolio Management is responsible for managing our relationship with Aon. At each quarterly review point, our Portfolio Management team reviews all the data we received from Aon, as well as undertaking a detailed assessment of the potential impact for affected Aegon investment products. This involves reviewing the investment rationale behind the data and challenging Aon where appropriate. This process takes place over several meetings both internally and with Aon. A substantial analysis pack is produced as part of the process.

Ultimately, it falls to our Head of Portfolio Management to accept or reject Aon's recommendations.

The nature of the process is highly collaborative between Aon and Aegon's Portfolio Management team. We continue to challenge at each quarterly review point until expectations are met, providing a continuous feedback loop. We believe our relationship with Aon to date has worked well and overall; our needs have been met.

Our proxy advisor

In 2024 we engaged Minerva, our proxy voting advisor, to support the implementation of our Voting Policy through our expanded expression of wish approach (see Principle 12). Minerva supported us with vote research, recommendations and alignment analysis based on our Voting Guidelines. Regular interactions ensured a regular feedback loop to ensure our reporting requirements were understood, our expectations were being met, and issues that we faced with the initial set up of their voting platform were adequately addressed.

Overall, we are happy with their work. We fed back to Minerva areas where we wish to see enhancements to the quality of their services, such as analysis of companies' climate policy lobbying alignment and vote recommendations on routine votes related to climate, and we will monitor their progress next year.

Monitoring other service providers

Beyond asset managers, investment consultants and RI data providers, we use a variety of suppliers for a wide range of services from multi-year business-process outsourcing arrangements to the provision of basic commodity items. The **Aegon Group Vendor Code of Conduct** applies to all our vendors in order to enable us to manage the most material, associated business conduct, social and environmental risks. We ask our most critical suppliers to confirm adherence to this code on an annual basis.

We're committed to responsible procurement and want to take this further. We prefer selecting and working with vendors that actively seek to improve the way in which they manage social and environmental impacts beyond the minimum standards.

In 2024 we continued to make significant progress in several areas, including:

- We've carried out a review of the suppliers within in our vendor monitoring programme following changes to the business as outlined on page 5 of our 2023 **Stewardship report** (e.g. the sale of the UK protection business). This has led to the promotion of some of our suppliers and we maintain a robust programme for 50 suppliers in the programme representing over 88% of our total spend.
- We have continued to evaluate the sustainability credentials of our suppliers after having received completed sustainability Eco Vardis questionnaires from most of them. This has allowed us to score them and understand what suppliers are strong in the area of ESG and which ones need to make improvements. The questionnaire covered topics such as net zero plans/climate change, environmental management, diversity and inclusion, responsible sourcing, modern slavery, contribution to society and real living wage. We are planning to discuss our supplier findings with a small number of suppliers by the end of Q4 2024 and produce relevant actions plans, and this will continue to be key focus for us into 2025.
- We completed an Eco Vardis assessment of our own business and received results of the scorecard early in 2024 and have been looking at ways we can improve this in the next review.

Principle 9.

Engagement

Engagement is a cornerstone of our stewardship approach. It is one of the most important tools we have to ensure our customers' assets are managed responsibly and in line with our sustainability goals. It is through this engagement that our expectations as an asset owner can be set, that key issues can be brought to the table to ensure we have the best chance of moving the dial on systemic economic threats, of adding value to our customers and shareholders, and of delivering our purpose.

Our definition of engagement

We support and apply the Investment Consultants Sustainability Working Group's (ICSWG) definition of engagement, which is 'purposeful, targeted communication with an entity (company, government, industry body or regulator) on particular matters of concern with the goal of encouraging change at an individual issuer and/or the goal of addressing a market-wide or system risk (such as climate).' We consider that our engagement with our investment managers (who engage with companies on our behalf) as falling within the scope of this definition. While regular communication to gain information as part of ongoing research and dialogue is an important part of the investment research process, we do not consider this as engagement in this context.

Definition for climate engagement

For climate engagement (both the engagement conducted by investment managers on our behalf and the engagement conducted or coordinated by the collaborative engagement initiatives that we support), Aegon applies the Net-Zero Asset Owner Alliance (NZAOA) definition, which is defined as meeting the following two criteria:

1. Climate risk and/or opportunity is raised with an issuer. Climate engagement consists both of raising climate risks and/or opportunities that an investor has identified through a process driven approach (such as scoring, thematic research, or consideration of portfolio and economy-wide impact) and of providing the investor's description of why it is important that the issuer addresses the specified topic.
2. Investor sets expectations for issuer action. All climate engagements—including with individual issuers, policymakers, or industry bodies—should have clear and well-defined objectives linked to public accountability frameworks, standards, or equivalent to ensure rigor and transparency.

We seek to prioritise higher quality engagements with managers rather than pursuing a larger quantity of engagements. This definition is also a foundation for our manager monitoring activities in relation to climate expectations.

Our approach to engagement

At Aegon UK, we make most of our investments through external managers. Therefore, our two main approaches to engagement with portfolio companies are indirect engagement through our investment managers and collaborative engagement. We expect all of our investment managers to engage with portfolio companies irrespective of the specific investment goals or timeframes of the relevant investment strategy, and irrespective of whether the strategy is active or passive. For example, for passive strategies, while the purpose of the portfolio is to recreate the financial return arising from the benchmark index at a minimum cost, we believe effective engagement improves companies' financial performance – and, therefore, overall investment returns. Common topics in the engagement between our investment managers and companies include requests to improve ESG performance and disclosure. We also encourage our investment managers to escalate their engagement if companies have not improved their disclosures of their performance following engagement. We have a clear set of escalation processes in place should managers fail to adequately meet our engagement expectations. Further information can be found in Principle 11.

As we invest predominantly in listed equities, we have focused more extensively on this area in our engagement guidelines and associated monitoring. However, we recognise the need to cover all other asset classes in our investments in order to address systemic risks and to meet our customers' needs. Following updates to our stewardship and engagement guidelines in the prior year to include fixed income criteria, we expanded our 2024 manager monitoring to include fixed income engagement to monitor managers against our updated expectations. (see **page 53** for detail)

Overview of our approach to manager engagement

We use our due diligence questionnaire (DDQ) – see Principle 8 for more detail – to monitor manager voting actions and to understand and challenge their company engagement activities, and to ensure their engagement is achieving positive outcomes.

We utilise our Expression of Wish (EOW) – see Principle 12 – to express our voting preferences on priority resolutions throughout the calendar year, in alignment with our key engagement themes and new voting guidelines.

We also seek to provide relevant input in our top 3 managers' annual review of voting & engagement policies and strategies in order to ensure that our managers meet our voting and engagement expectations and guidelines, to ensure positive long-term value.

Collaborative engagement with other stakeholders (discussed in detail in Principle 10) is a key component of our sustainability investment outcomes. In this kind of engagement, our size and scale add weight to initiatives which seek to address systemic risks such as climate change, in turn enabling us to further the interests of our customers and support market-wide transformation.

Engagement vs divestment

We prefer engagement over blanket exclusions or divestment because by engaging, we have an opportunity to improve performance and influence positive change. Exclusions and divestment limit the long-term influence we can have on a company or manager; it also risks passing specific investments to potentially less responsible investors who are less likely to hold management to account on sustainability strategy and practices.

Our engagement themes

Prioritising engagement themes that are material to our investment objectives, and that are of relevance to key stakeholders, helps ensure our engagement drives meaningful outcomes. To achieve our core goal of creating long-term outcomes for customers by providing choice and fostering positive outcomes for the economy, the environment and society through our products and services, we believe we can have most impact by focusing our resources on specific themes.

We select and prioritise engagement based on a variety of factors, including:

- The materiality of thematic issues in our investment portfolio.
- The materiality of sustainability topics on financial and/or operational performance.
- The level of company exposure.
- Our likelihood of success and ability to drive change.
- Customer views and preferences on sustainability.
- The potential to catalyse broader change in the market.

The table below sets out our core engagement themes in 2024 and explains our rationale for prioritising in this way.

Engagement theme	Rationale for prioritisation with reference to our purpose (Principle 1) and our customer needs (Principle 6)
Climate change, including net zero	A successful net-zero transition is crucial to support better outcomes for our customers and broader society – our customers cannot live their best lives in a world with unmitigated climate change. Climate change poses a long-term risk to the investment returns of our customers, so it is Aegon's responsibility to take the appropriate measures to monitor and address this risk.
Nature / biodiversity	Biodiversity risks may impact value for shareholders. As a universal asset owner, we are exposed to biodiversity risks and have identified nearly half of our assets are linked to biodiversity-sensitive areas. Our customers care about nature, as seen in our nature action plan case study below.
Human rights, including modern slavery	Human rights are universal and inherent to all human beings. Every person around the world deserves to be treated with dignity and equality; we are all equally entitled to our human rights without discrimination. Upholding workers' rights and human rights abuses within supply chains are the most common factors customers consider when thinking about a company's responsibility in social society.
D&I, including board diversity	Including multiple and diverse perspectives is key to better decisions and we want to create an inclusive and diverse culture where everyone has equal opportunities and feels seen, heard and valued, without fear of judgement or discrimination.

Amongst the themes above we are particularly proud of our progress relating to our developing focus on nature.

Case study – progress on our nature action plan and commitment to the finance for biodiversity pledge

Background

Last year we became a signatory to the **Finance for Biodiversity Pledge**, as part of our nature action plan. In doing so, we committed to collaborating, engaging, assessing our own biodiversity impact, setting targets, and reporting on biodiversity matters.

Our nature action plan provides us with a framework for guiding our progress towards embedding important nature considerations in how savings are invested for our customers. Our nature action plan is supervised by our Board and we updated the Board on progress in September 2024.

Please refer to **case study 3** for our progress on identifying biodiversity-related risks and opportunities, and the progress against targets we have set for ourselves. The case study reports on all the other activities under our nature action plan.

Capital allocation	Engagement			
Products and solutions	**Manager expectations and monitoring**	**Voting and engagement**	**Customer insights**	**Industry advocacy**
▪ Identify biodiversity-related risks and opportunities ▪ Explore investing in nature-based solutions ▪ Embed biodiversity into investment process by making it an explicit consideration for propositional reviews’	▪ Review our policy requirements ▪ Engage asset managers on biodiversity	▪ Expand voting approach ▪ Ensure biodiversity feeds into our company engagement approach	▪ Understand our customer views and use these to inform our approach ▪ Transparently report on issues and process	▪ Influence policy and regulations promoting transparency and action for nature ▪ Collaborate with industry initiatives, NGOs and data providers to protect nature

Overview of our nature action plan

Approach

Products and solutions

Following the inclusion of specific nature considerations in our request for proposals for the evolution of our largest default fund, Universal Balance Collection (see **case study 4**), we discussed with asset managers their approach to defining nature solutions. We expect several of our private market climate solutions investments to also be nature solutions, and through this fund we have specifically made a commitment to allocate to forestry.

Manager expectations and monitoring

As per our Stewardship Policy, we expect asset managers to demonstrate how they identify and assess nature risks and opportunities in their funds and engage with companies on how they report related impacts and dependencies. From the 2024 annual questionnaire, we noted that integration of nature is still at infancy. The most common approach is a risk/controversies approach (58% of managers surveyed), while a dedicated biodiversity materiality mapping is rare (17%). We expect future progress since 42% of our managers are early TNFD adopters and over half are active in collaborative engagement such as Nature Action 100, although a quarter of managers were still unable to describe their nature integration process.

Voting and engagement

We have further embedded nature and biodiversity by making our voting guidelines more detailed and our approach to expression of wish more sophisticated:

- Nature has taken a more central role in our new voting guidelines, and we were excited to implement them in 2024, when we initiated vote monitoring across a large proportion companies held in our default funds.
- We used multiple data sources to identify priority companies for nature as part of our expression of wish for significant votes (e.g. Nature Action 100, World Benchmarking Alliance) and subsequently monitored nature-related resolutions and outcomes (see **page 91**).

Customer insights

Over 2024, we surveyed our customers on their views related to nature and found that they continue to care about this topic. A significant portion of our customers, 45%, consider 'impacts on nature, including biodiversity' as important.[2] When considering impacts on nature, customers are most concerned about natural habitat loss (74%), such as deforestation, and pollution (73%). Even among customers who are not interested in investing sustainably, over half are still concerned about these two impacts on nature. Additionally, 'waste and pollution management' are important considerations within sustainable investing for 40% of our customers. Results are used to further guide progress against our nature action plan and the refinement of our a sociated stewardship approach.

Industry advocacy

We continue to see systemic market engagement as an important action for investors to address biodiversity loss.

- Our public support for the Finance for Biodiversity Pledge and to the TNFD Forum give a public signal of our commitment and will shape our objectives and targets in the years to come.
- This year we engaged with our data provider, MSCI, to better understand their new offering on nature data and how it matches with our evolving analytical requirements, including for future TNFD reporting.
- Ahead of COP16, we signed a public call for action asking governments to address biodiversity loss through a series of concrete measures.

Outcomes and next steps

We expect the traction around biodiversity and nature to continue in the coming years, as many more companies report on TNFD and Corporate Sustainability Reporting Directive next year. We hope that our own reporting, in line with the Finance for Biodiversity Pledge and our net-zero commitment, can inspire further ambition for others. We will also review our allocation to nature solutions, in relation to our climate solutions target and framework.

2 Responsible investment customer panel survey, Aegon UK, July 2024, 900 respondents

Our expectations of managers who engage on our behalf

Our RI framework sets out our minimum expectations for asset managers that include engagement, to 'drive active engagement and voting, informed by material sustainability issues.' Our **stewardship framework** includes detailed engagement guidelines outlining our view on good practice, which we use to hold managers to account. Our **voting guidelines** are fundamental to our voting expectations of managers, as well as in guiding our expression of wish. Further details on our voting guidelines and expression of wish can be found in Principle 12.

Our expectations for effective engagement by managers apply across funds, asset types and geographies, while recognising the need for strategies to be adapted for circumstances such as local market considerations. It is important to note that while we invest in some sustainability-focused funds, our engagement expectations apply to all funds where we have management control as per the scope of our stewardship framework. Helping to enhance company practices on sustainability is an opportunity for us to influence and support real world change for the better.

How we monitor our manager's engagement and voting

A key part of any strong engagement strategy is monitoring the engagement process and the results generated. We conduct an annual manager monitoring exercise to assess the degree to which our managers adhere to our expectations and align with our views related to engagement (see Principle 8). When it comes to specific significant votes, our expression of wish (EOW) approach seeks to align our managers' positions with our own and supports our overall engagement strategy (see Principle 12 for more detail).

Our 2024 monitoring revealed there are still opportunities for managers to be more focused and transparent in relation to their engagement practices and we continue to engage with our managers on key areas of improvement.

How we monitor our manager's engagement and voting

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Stewardship topic	AUK 2024 RI manager monitoring
Climate	The most advanced area by managers is transparency and ambition on their climate engagement (as seen in P8 case studies on improved policies and BlackRock's new decarbonisation policy), though more focus is required on supporting the effectiveness of company's public climate policy engagement.
Nature	Progress by managers in relation to biodiversity continues to be relatively nascent, however we anticipate this will improve in future years with more focus on TNFD reporting and nature collaborative engagements (as seen in our Nature case study).
Human rights	Most managers integrate human rights into their engagement and/or voting policies, but still lack detailed company engagement expectations.
DEI	Managers are engaging with companies on their D&I policies and practices mostly at board and senior management levels, and we encourage managers to have greater scrutiny of companies on DEI across the wider workforce.
Beyond listed equity	While managers often include fixed income engagement within existing policies for corporate equities, these policies frequently lack nuance on how they approach engagement on bonds and sovereign assets respectively. We also encourage managers to develop well-defined engagement objectives and progress framework for fixed income assets, in line with our views of best practice within our ESG Integration Framework (as seen in P7/**page 50**).

Manager engagement outcomes

We expect our managers to provide metrics on engagement outcomes, instead of just engagement activities. Following our 2024 manager monitoring exercise, we are pleased to see managers confirm they are tracking engagement outcomes and progress on a systematic basis (83% in 2024 versus 55% in 2023). For example, Aegon Asset Management use a clear milestone approach to demonstrate progress they are making with companies they engage with, as shown below:

Engagement intensity in 2024			
Milestone 1	Contact with the company	**103**	**37%**
Milestone 2	Contact acknowledged	**66**	**24%**
Milestone 3	Company begins to make progress	**64**	**23%**
Milestone 4	Engagement completed	**27**	**10%**
No further action	Result of information gathering	**15**	**5%**

However, we believe managers could improve how they track progress with greater specificity on climate engagement topics and objectives, which could allow for more targeted identification of specific elements of their climate engagement which may not be progressing. We are already engaging with our managers on further enhancements to their engagement outcome reporting (as seen in **BlackRock case study** in P8) and will report on our progress within our next Stewardship report.

Our focus on climate policy lobbying

As mentioned above, a key area of focus for us is manager's engagement on climate policy lobbying, as we believe more investor attention is needed in this area to achieve a 1.5-degree alignment, particularly considering the narrowing timeframe to achieve this ambition.

Spotlight on climate policy lobbying engagement

Context

We expect our asset managers to demonstrate practices in line with the IIGCC's Net Zero Stewardship toolkit, which includes climate lobbying criteria, and encourage companies to align lobbying with the **Global Standard on Responsible Corporate Climate Lobbying** and the goals of the Paris Agreement. We have been recognised as a leader on engaging with asset managers on corporate climate lobbying stewardship practices and having 100% transparency around stewardship activities compared to peers, as per recent InfluenceMap assessment.

Approach

As part of our 2024 RI manager monitoring, we found 75% of managers provided evidence they consider some aspects of climate lobbying within their corporate engagement. However, few managers have embedded this as a systematic topic within their engagement and voting practice, such as disclosing the criteria on which they assess specific climate policy alignment (as seen by HSBC's improved voting policy outlined in P8).

We have also considered the climate policy lobbying performance of portfolio companies as part of our 2024 EOW voting and are pleased to see some of our key asset managers aligned with our preference to support transparent reporting of alignment on climate-related lobbying activities and the goals of the Paris Agreement (as seen in P12 case study and Toyota). We continue to engage with managers who voted differently to our EOW connected to climate policy lobbying.

Outcome

We are pleased to see our managers having a stronger focus on alignment of investee climate policy lobbying within their engagement approaches and policies, as reflected by HSBC's inclusion of alignment assessment criteria and BlackRock 's new decarbonisation policy incorporating climate policy alignment considerations (see P8). We will continue to constructively engage with our managers to further enhance their practices in this important focus area.

Engagement case studies from our core investment managers

Most of our total assets are managed by three asset managers: BlackRock (BR), HSBC Asset Management (HSBC), and Aegon Asset Management (AAM).

The following are a selection of case studies carried out by our asset managers on our behalf.
They are reflective of our engagement themes, the asset classes we invest in, and the different types of outcomes achieved, including successes and setbacks.

Case study – American multinational technology company | Improving human rights outcomes

Issue

Concerns over an American multinational technology company with a recent history of alleged human rights and pay issues had been brought to the fund manager's attention. From our analysis we identified potential issues with the company's approach to human capital management including rights to worker safety and DEI practices.

Aegon's position and actions

Aegon expects managers to have an engagement programme on human rights and as outlined in our voting guidelines we believe companies should respect, support and promote workers' rights to unionise, debate, and collectively bargain or protest and encourage companies to provide reporting on workplace safety and standards that can help investors assess human capital management practices. We expressed our voting wishes through our EOW to request our managers support shareholder proposals to report on freedom of associations, warehouse working conditions as well as ethnicity and gender pay gaps.

Manager response/approach

One of our managers has a long history of engagement with the company since 2022. In 2024, the fund manager voted against the re-election of relevant board directors due to low levels of board diversity and the company's remuneration approach. The fund manager also supported various shareholder proposals, including those relating to lobbying, pay disparities, plastics, and labour rights.

Outcome and next steps

We were pleased to see the manager align to our wishes and support the resolutions, which also received a significant amount of shareholder support. We have observed progress made by the company on health and safety data collection and disclosures, and will continue to monitor media coverage about working conditions at the company.

Case study – American retail corporation | Supporting living wage practices

Issue

The company is an American retail corporation that operates a chain of discount department stores and hypermarket. We see low wages at retail giants to be a critical issue to human capital management, and ultimately long-term shareholder value. In this case, the company faced a shareholder proposal requesting the establishment of a compensation policy of paying a living wage.

Aegon's position and actions

As detailed in our voting guidelines, we support the core conventions set out by the International Labour Organisation (ILO), which include individual and collective rights to life, health, decent work, freedom of association and collective bargaining, living wage, freedom from forced and child labour, and equality and non-discrimination. Per our stewardship policy, we expect fund managers to have an engagement programme on human rights as well as engage on equity with companies in respect of their business processes. We requested through our EOW that our key managers support a shareholder resolution at the company to support living wage practices.

Manager response/approach

In 2024, one of our key managers supported the shareholder proposal for the company to adopt a Living Wage policy, aligning to our voting guidelines.

Outcome and next steps

We are pleased to see the manager's alignment with our EOW. We will continue to engage with our key managers on the company and monitor human rights-related voting decisions.

Principle 10.

Collaboration

Collaboration is key

One of our key values as a business, as an asset owner and as an investment platform is to be a force for a good. We recognise that there are limits to what we can achieve on our own. Collaboration enables us to exert a stronger influence in engagements with asset managers and companies compared to individual efforts, and further industry-level goals that align with our own engagement themes of climate, DEI and human rights.

Intentional and meaningful collaboration is a vital part of our sustainability investment outcomes. We collaborate with others to drive our responsible investment agenda and deliver our purpose.

In this section we explain our approach to collaboration, and the expectations we have of our managers to participate in collaborative engagement. We set out examples of some of our key collaborative engagements during 2024 and provide a table of our main collaborative partnerships and affiliations on **page 77**.

Our approach to collaboration

We collaborate to address systemic risks, to further the interests of our customers and to support market-wide transformation.

We see collaborative engagement with stakeholders (which may include investors, issuers, service providers, policymakers, not-for-profits, regulators, associations and academics) as a key lever to influence market standards, practices or policy, or produce a tangible outcome that will bring positive, real-world change.

To maintain our focus on systemic risks and drive positive, sustainable outcomes, we choose to participate in collaborative engagement activities, where:

- The issue aligns with our core engagement themes (climate, nature, D&I and human rights) and business model.
- There are clear objectives, roles and outcomes.
- We believe we can have the most impact and can be influential in driving positive change.

There is a vast range of collaborative engagement initiatives at an industry and issues level. In line with our overall stewardship approach, we aim to be intentional and align our collaborative engagement activities with who we are as business, our sustainability goals and our clients' needs.

Day to day, our RI team and wider business are involved in formal and informal collaborative engagement activities which range from sharing knowledge and insights to collaborating with likeminded asset owners, playing a role in industry initiatives. We also expect our managers to take part in collaborative engagements on our behalf and questioning how our managers collaborate is a key part of our monitoring and due diligence processes (Principle 8). Our expectations on collaborate engagement for our managers are set out in our RI and Stewardship frameworks (see Principle 9).

An overview of our contribution to industry-wide collaborative engagement in 2024

The following table shows the initiatives we were involved in during 2024. It highlights the extent of our involvement, how it fits with our engagement themes, what our contribution has been and where we may develop this in the future.

Initiative	Level of involvement (basic/moderate advanced)	Alignment with our engagement priorities	Remit of committee/initiative	Our 2024 contributions
NZAOA – manager engagement track	Advanced	Climate	Sharing best practice, developing guidance and position papers, and collaboration on asset-manager engagement on net zero.	▪ See **case study** below for details.
IIGCC – Policy Advisory Group (PAG)	Advanced	Climate	Advocating for UK and other global policy frameworks that promote systems change and drive a whole of-economy transition to net zero.	▪ Attended quarterly sessions to oversee and provide guidance on key objectives and outputs from the PAG's UK Policy working group, including the IIGCC's **call to action** for the UK government.
DWP taskforce on social factors	Advanced	D&I and human rights	Promote integration of social-related considerations in pensions stewardship.	▪ Co-chaired the taskforce and finalised the publication of the TSF's **industry guidance** in early 2024. We are considering the guidance within our own work.
IIGCC – transition finance working group	Moderate	Climate	Sharing thinking on climate solutions.	▪ Contributed to the development of the IIGCC's **Transition finance position paper**, which outlines the distinctions and criteria of investments which could be credibly be understood as 'transition finance'. We shared our current climate solutions approach, which the paper highlights as a type of transition finance.

Initiative	Level of involvement (basic/moderate advanced)	Alignment with our engagement priorities	Remit of committee/initiative	Our 2024 contributions
IIGCC – sovereigns working group	Moderate	Climate	Consider data and methodologies to better integrate sovereign bonds in net-zero strategies.	▪ Co-chair of working group and sub working groups. ▪ Actively contributed to published **industry guidance paper** (see case study/**page 80** for further details).
UK Asset Owner Council (AOC)	Moderate	General	Convening group of UK asset owners, facilitating knowledge sharing and collaboration on best practice investor Stewardship.	▪ Member of the steering committee to support the co-chairs of the AOC. ▪ Fed into and signatory of the Climate Stewardship Statement (see **case study** for further detail) calling for more alignment between asset owners and asset managers on climate stewardship ambition.
Nature 100	Basic	Nature	Driving greater corporate ambition and action on tackling nature loss and biodiversity decline.	▪ Founding signatory and support through monitoring our managers on their NA100 engagement activities.
TNFD forum	Basic	Nature	Develop a disclosure framework for nature-related risk reporting.	▪ Monitoring how our managers are implementing the framework and promoting the framework through our own nature-related work (see P9 for detail).
Climate action 100+	Basic	Climate	Ensuring the world's largest corporate greenhouse gas emitters take necessary action on climate change.	▪ Supporter to the initiative.

How we are driving progress through collaboration – our collaborative engagement activities, outcomes on and next steps in 2024

At Aegon, we aim to create long-term outcomes for customers, as well as positive outcomes for the economy, the environment and society through our products and services. Therefore, we believe that asset owners have a responsibility to address systemic risks such as climate risk by carrying out effective climate engagement with their managers. Asset owners need to work together and share perspectives on both issues and solutions to support transformative, real world change. Aegon has been involved in several collaborative projects which aim to generate ideas and optimise asset owner collaboration with our asset managers in relation to climate and net-zero engagement.

Case study – Aegon | NZAOA manager engagement track

Context

For the last two years, we have been active members of the NZAOA engagement track (see **table** above on purpose of the group). We believe our active participation in this group brings us a step closer towards asset owners working together and collaborating with their external asset managers to support transformative, real-world change on climate.

Approach

Aegon led this engagement track, with the Managing Director of BlackRock's Investment Stewardship and her wider team, to better understand and encourage BlackRock's progress in relation to climate policy lobbying, engagement transparency, and climate voting. These points build on the best practice recommendations set out by NZAOA members for asset managers' engagement strategies, as part of a **paper** that was co-authored by Aegon UK and released last year.

Besides that, Aegon UK attended to support asset owner collaborative engagement with JP Morgan for enhanced stewardship.

We co-led and hosted a discussion at our London offices involving a targeted group of asset owners and asset managers, to generate ideas on improving climate engagement strategy and transparency. We've also helped shape public letters to asset manager CEOs calling for more outcomes-based engagement, sector/value chain and policy engagement, ambitious climate voting policies and aligning climate lobbying activities with stated commitments.

Outcome and next steps

We're pleased to see improvements by some of the asset managers engaged in line with the group's aims, e.g., stepping up on expectations for corporates through their voting policy (as seen by BlackRock's new decarbonisation policy described in P8 case study 1/**page 59**), and look forward to supporting further continuous progress by the asset management industry on net zero stewardship.

Case study – Aegon | Improving alignment between asset owners and asset managers on climate stewardship

Issue/context

AUK has been an active participant in the Asset Owner Council (AOC) since its inception in 2024, a group of UK asset owners building on work previously undertaken by the DWP's Occupational Pensions Stewardship Council. The AOC has the aim of improving Asset Owner and Asset Manager alignment for long-term interests of UK savers, particularly in light of previous **research** which found varying degrees of misalignment on stewardship.

Approach

As a member of the AOC steering committee, we helped shape the meeting agenda. We supported covering Net Zero policy and escalation options beyond filing resolutions and these items were discussed with members in the year.

We contributed to a set of stewardship expectations for asset managers, on the back of feedback received on the lack of clarity and consistency by UK asset owners in this area. Some of the areas of uplift in asset manager practices reflected in the letter we would like to see, include;

- Stronger focus on climate policy engagement alignment, both their own and corporates,
- Participating in climate collaborative initiatives to exert the greatest influence,
- Prioritising sector-based engagement with companies critical to the low carbon economy,
- Systematic approaches to voting and escalation, with focus on director accountability.

Outcomes and next steps

We have become signatories of the statement, due to published early next year. We believe this statement acts as a signal to the market that asset owners are united on key climate stewardship principles. We look forward to further supporting the group, including through dialogue between asset owners and asset managers to understand how best practices in the letter are translated to practice.

Case study – Aegon | Fostering engagement and discussion on integrating sovereign investments into climate strategies

Context

Since 2023, Aegon UK has co-chaired the IIGCC Sovereign Bonds and Country Pathways working group which has been exploring data, tools, and methodologies for assessing net zero alignment at the sovereign level. As approximately 14% of our investment estate is in harder-to-decarbonise sovereigns' and there was no industry guidance on this topic, it was an important collaborative initiative to be involved in. Emissions from our sovereign investments need to be managed if we are to meet our net-zero target.

Approach

We were actively involved in the development of a **discussion paper** published in 2024, which includes guidance for investors to increase adoption of sovereign bonds into net zero strategies such as;

- Common standards for attribution emissions from sovereign bond holdings,
- Country and regional decarbonisation pathways that can be used as benchmarks to assess net zero alignment,
- Data tools for assessing countries' net zero alignment and efforts, and
- Alternative approaches for evaluating climate solutions for sovereigns.

Outcome and next steps

We believe this discussion paper provides a step towards industry standardisation to help drive ambition and action to achieve net zero for sovereign debt and echoed this sentiment within IIGCC webinars and communications we have participated in when discussing the paper. In 2024 we applied the guidance included in the IIGCC discussion paper[3] and calculated sovereign emissions using the PCAF methodology[4], which the paper endorses.[5] Although the complex challenges of sovereign engagement is not covered in the paper, we will also continue to work collaboratively with our peers and how we can support practical engagement with sovereign entities.

3 **IIGCC 04 2024 Sovereign Bonds & Country Pathways.pdf**

4 **The Global GHG Accounting and Reporting Standard for the Financial Industry** (page 109)

5 As above link – **page 12**

Our expectations of our managers' collaborative engagement in 2024

A key focus for us is strengthening our approach to manager alignment on priority engagement themes such as climate change. Through collaborative engagement we believe investors can have a stronger voice through unified action; the publication of investor letters for example carries more weight with multiple signatories and has more chance of driving significant, systemic change in the larger companies our asset managers invest in.

Our Stewardship policy expects managers (where resources allow) to be signatories/members of key industry groups, for example:

- The Principles for Responsible Investment (PRI)
- Nature Action 100, IIGCC, Climate Action 100+
- Net Zero Asset Managers and UK Stewardship Code

We expect our managers to participate actively in the spirit of the principles of those initiatives and we monitor their involvement as part of our manager monitoring process.

We were pleased to see from our 2024 RI manager monitoring exercise that 90% of our managers could demonstrate examples of active climate collaboration, and 58% are actively involved with nature collaborative engagement. 58% of managers disclosed where they are taking a lead role in climate collaborative engagements, and 50% of surveyed managers disclosed their active collaboration efforts on social issues, mainly focused on human rights and supply chain issues.

We found Climate Action 100+ (CA100+) engagement was the most common example of where managers are taking a lead role in their collaborative engagement. CA100+ is a global investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. We believe that CA100+ is an important initiative to support, as our goal of creating long-term value for customers are aligned with the initiative's goals. Furthermore, latest assessments by CA100+ indicates 65% of companies within its focus list have reduced their emissions intensity within the previous twelve months, demonstrating the measurable impact of the initiative's engagements to mitigating climate change. Within the year we have been particularly encouraged to see BlackRock, one of our key managers, continue their support and participation in CA100+ through their international arm.

Beyond initiatives themselves, our focus on managers' collaborative engagement activity extends to climate policy engagement. This is an important area of focus for us, as we believe government and policy play a critical role to achieving net zero, particularly for high carbon-emitting sectors. Our 2024 monitoring highlighted efforts from managers to govern their own climate policy lobbying practice against their stated climate commitments, was poorly understood, and most managers discussed policy engagement only in the context of investment portfolios. 75% of managers provided evidence they consider some aspects of climate lobbying within their corporate engagement, but far fewer have embedded this as a systematic topic within their engagement and voting practice.

We will continue to work with our managers to prioritise engagement activity that aligns with our key engagement themes and expectations, and monitor their collaborative and climate policy engagement activities through our oversight programme to encourage positive, measurable improvements.

Below, we provide examples of some of our managers' collaborative engagement activities for 2024.

Case study – AAM | CA100+ collaborative engagement

Context

SSE, a multinational energy company headquartered in Scotland is a focus company within the CA100+ initiative. SSE is held by AAM due to its focus on supporting the transition to low-carbon electricity systems in the UK and Ireland. Despite its ambitious decarbonisation goals, it remains a high emitter. AAM engage with the company continuously and have joined the Climate Action 100+ group to collaborate with peers in asset management on the company's climate ambitions.

SSE has made significant progress in recent years, including seeking shareholder approval for its first Net Zero Transition Report in 2022. In 2024, the discussion focused on SSE's decarbonisation strategy, the risks of the company not meeting its 2030 emissions reduction targets and the just transition.

Approach

The collaborative engagement among the investor group involved discussions about SSE's journey and how the company could strengthen its ambitions. AAM focused on encouraging the company to address the issues above. The broad discussions touched on other points that are key to the company's transition, such as climate board expertise, lobbying alignment, and committing to net zero in a challenging geopolitical environment. The company was responsive to the group's engagements and appears keen to meet the expectations of investors.

Outcome and next steps

SSE has continued to make progress over the year. In particular, the company has disclosed the key decarbonisation levers and quantum of emissions reductions it expects from each in relation to its 2030 targets. SSE has also published its just transition plan. The end goal of the engagements, which will likely span several years, is to meet all the criteria as laid out in the Climate Action 100+ Net Zero Company Benchmark. We are pleased to see AAM successfully demonstrating working with other asset managers to improve company climate ambitions.

Case study – HSBC | Good work coalition

Context

We see human rights and DEI as key social issues in both emerging and developing markets. This is reflected in our engagement guidelines which identify these issues as key priority themes that we expect our asset managers to engage on, including through collaborative engagement.

Approach

Against this backdrop, in 2024 one of our asset managers, HSBC, participated in a collaborative engagement via the Good Work Coalition, to engage with a multinational clothing retailer to discuss wage setting, productivity, and employee engagement. HSBC had concerns on wage rates and hours within the company – as a significant proportion of staff were earning under £9 an hour (under 23s minimum wage in the UK) at the time.

In 2024, HSBC met the company in 2024 to discuss their ongoing concerns relating to employee pay and voted against a director due to ongoing concerns about the company's management of workforce-related risks.

Outcome and next steps

We were pleased to see HSBC working with others to progress their direct engagement with the company and to progress better management of social risks as well as opportunities. Following the engagement, in 2024 the company added a new female director to the board, taking board diversity to above 40%. The company has provided some disclosures on workforce retention.

HSBC will continue to assess outcomes and progress by the company due to concerns related to the high proportion of staff employed on very short-term contracts (sometimes just a few months of tenure), which is a driver of high staff turnover, and may impact customer service quality and wellbeing for those staff.

Looking ahead

Aegon UK has an opportunity to influence through both direct and collaborative engagements, given our scale as one of the largest asset owners in the UK.

In 2025, we will continue our involvement in existing collaborative initiative activities such as the NZAOA engagement track, IIGCC initiatives and Asset Owner Council to ensure that we are fulfilling our goal to create positive long-term outcomes for customers and address any systemic risks that endanger this. We are also looking out for further opportunities to engage collaboratively with other key stakeholders and influence our asset managers, particularly on climate policy engagement to ensure we continue momentum we have built up on this key focus area.

Principle 11.

Escalation

As explained in Principle 9, as indirect investors, we expect our asset managers to engage with companies on our behalf to ensure positive outcomes for our customers' assets and our long-term sustainable investment objectives. From time to time when this routine engagement has not been effective, we have a responsibility to escalate and we expect our managers to do this on our behalf.

Part of our Expression of Wish (explained in detail in Principle 12) relates to this escalation process as it specifies our voting expectations for managers when companies' positions have potentially negative implications for our customers and long-term goals. Yet, escalation may also occur with our asset managers directly when they do not meet our minimum expectations.

In this section, we set out our approach to escalation which consists of these two parts: collaborative escalation activities and the escalation to companies when they are failing to meet our expectations.

How we expect our managers to escalate

We expect our asset managers to escalate on our behalf when the company fails to respond constructively in engagement, across all asset classes and geographies. Before escalating our engagement, we expect asset managers to think about the relevant factors to ensure a clear rationale for their chosen decision, recognising that escalation may not always be the optimal choice:

- The materiality of the issue on investment performance.
- The adequacy of the company's response to engagement.
- Any history of adverse behaviour.
- The outcomes and likelihood of success.

Rather than Aegon prescribing specific actions, managers have the flexibility and discretion to escalate in the manner they feel is appropriate. As outlined in our stewardship framework, we expect our managers to 'demonstrate a robust approach to escalation strategy, which employs a range of escalation tools and in which divestment is a last resort, not a first response.' This is because opting to immediately divest limits the extent of influence we can have on facilitating positive change in the long-term. Some of the escalation tools we expect our asset managers to consider include:

- Joining or forming a collaborative initiative that includes the company as an engagement target.
- Voting against relevant members of the board of directors and disclosing the rationale for doing so.
- Filing, co-filing or supporting a shareholder proposal setting expectations for sustainability performance improvements.
- Considering shareholder litigation in respect of the company's failure to address the issue.
- Escalating the dialogue from the executive to the board of directors or from one board member to the chair and/or a more amenable board member.
- Making considered public statements at the company AGM meeting and/or press comments.

How we influence manager escalation activities

Through our annual RI manager monitoring questionnaire, we ask our managers about their escalation strategies and their subsequent effectiveness, for example: the circumstances for filing shareholder proposals and the extent to which managers do so, or how they prioritise engagement with companies following analysis of ESG risks and opportunities, or whether they are supportive of collaborative engagement with other investors to generate positive ESG outcomes in a company (please see Principle 8 for more details). The insights obtained through these responses are important as they reveal where and why company engagement might have failed and highlight other issues that subsequently inform escalation activities.

For example, when engaging with our managers in relation to their scores on our RI monitoring, we focused on how they escalate ESG issues, especially through voting, and how their engagement outcome reporting feeds into their engagement strategy, including voting decisions. This remains an ongoing engagement point for us into 2025.

The following case studies illustrate how we have influenced the activities conducted by our core asset managers.

Case study 1 – Swiss multinational commodity trading and mining company | Escalation of key climate concerns

Issue

The company is a Swiss multinational commodity trading and mining company and is a major participant in global coal production. The company was flagged for lack of transparency on capital allocation towards thermal coal mining and misalignment in its' climate lobbying activities against their stated climate commitments. This raises material questions about the board's ability to successfully navigate the energy transition.

Aegon's position and actions

Where we have concerns with a company's disclosures against our criteria to assess transition plans (e.g., targets, decarbonisation strategy, climate policy engagement) as set out in our Voting Guidelines, we will generally support voting against the election of a relevant board director, particularly those that operate in high-impact sectors such as companies covered by the Climate Action 100+ Net Zero Benchmark. We engaged with key managers on this matter through our EOW by requesting them to vote against the company's climate transition plan and/or re-elections of relevant directors, to escalate our concerns on the board's management of material climate risks. We also made our voting intentions public.

Manager response/approach

The asset manager in question had consistently engaged with the company during the year to voice concerns around climate-related risk disclosure. Due to concerns about the company's management of climate-related risks, the manager voted against the company's 'say on climate' proposal and board chair in 2024. The manager also voted on this proposal in 2023.

Outcome and next steps

We were pleased to see the manager aligning with our EOW. In 2024, the company has made some climate progress e.g. published a new interim emissions reduction target for 2030, and has set out its Just Transition Principles disclosing the actions it is taking to support impacted communities. Through our engagement with managers, we'll continue to monitor progress by the company, including to encourage improvements in its disclosure on capex alignment.

Case study 2 – multinational conglomerate holding company | Voting against director re-elections

Issue

The company is a holding company that engages in the provision of property and casualty insurance and reinsurance, utilities and energy, freight rail transportation, finance, manufacturing, and retailing services. We identified poor climate performance by this company through the continued exhibition of poor Transition Pathway Initiative (TPI) and InfluenceMap scores. In addition, we had ongoing concerns about insufficient climate-related disclosure.

Aegon's position and actions

Our voting guidelines confirm that, where practicable, to support voting on climate, we will support voting against the election of directors in the case of demonstrated poor performance if assessments by the TPI and/or InfluenceMap are low. We expressed our voting wishes to our key managers through EOW by requesting that our managers vote against or abstain against director re-elections of the company based on continued climate concerns.

Manager response/approach

Our key passive equity manager did not support the election of the Chair of the Audit Committee, which has primacy over material sustainability matters at the board, given their ongoing concerns about insufficient climate-related disclosure. This is consistent with the manager's voting in 2022 and 2023.

Outcome and next steps

We are pleased to see the manager voted against management aligning to our EOW. However, the manager notes that the company's dual class structure means that the votes of unaffiliated, minority investors (such as the manager), have a muted effect on the outcome of voting at the company's shareholder meetings. This reinforces the importance of company dialogue and engagement here, which we will continue to monitor our key asset managers on.

How we escalate when asset managers fail to meet our minimum expectations

Our stewardship framework outlines the escalation process where managers continue to fail to meet our minimum expectations (described in Principle 8) after an 18-month implementation window. This could ultimately result in downgrading the business relationship or removal of the business from Aegon funds. The diagram illustrates our escalation process in relation to our managers.

In 2024, we identified two managers failing our climate-related minimum expectations which led to dialogue with these managers to escalate this issue. Given the limited AUM that is managed on our behalf by both managers, we will continue our engagement with them rather than escalate further at this stage.

AUK RI escalation process

0. Monitor RI credentials

We carry out ongoing monitoring of a manager's RI credentials, including through annual RI manager oversight questionnaires.

1. Engage

Should an asset manager fail to meet our stewardship expectations, we'll establish a dialogue with our regular contacts to determine whether we can work towards alignment of interests.

2. Establish dialogue with senior management

Where additional dialogue is needed, we'll escalate to senior management and/or director-level representation at either the fund manager or Aegon UK or both.

3. Collaborate

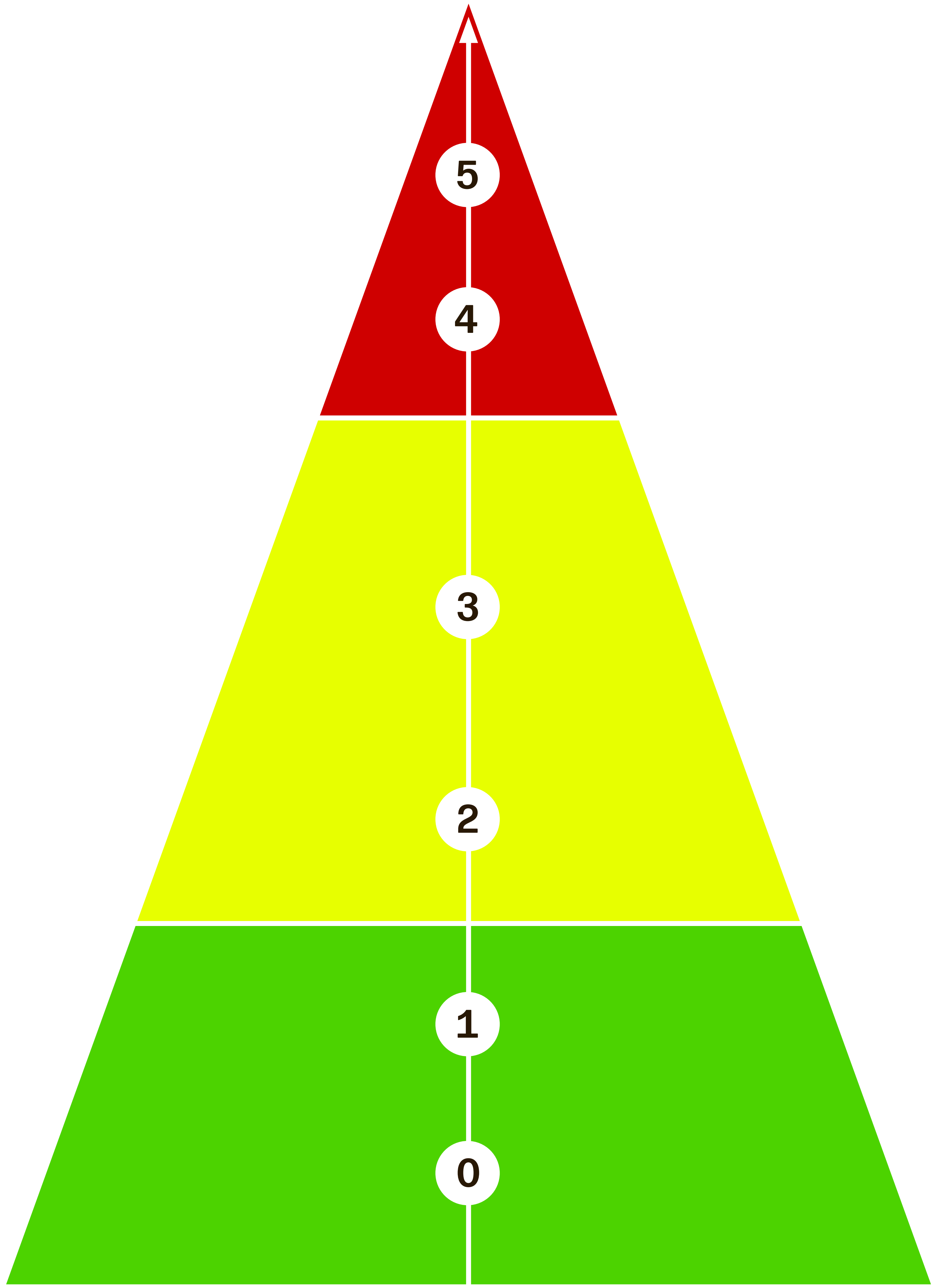
We'll collaborate with other investors through industry initiatives.

4. Downgrade

In cases where fund managers fail to demonstrate progress, we may decide to take further action such as downgrading our business relationship.

5. Removal from Aegon funds

If any asset manager fails to align with our values and interests, we may enter the process to remove them from our funds.



Principle 12.

Exercising rights and responsibilities

Voting and engagement (as discussed in Principle 9) are fundamental features of our stewardship approach. Together, they are powerful levers in our toolkit for investment outcomes which we use to drive positive outcomes in the economy and in our investments, for the benefit of our customers.

We believe it is essential that we exert our views and expectations clearly and robustly to align our managers' actions and activities with our preferences. When it comes to having our say in important company votes, we have carefully considered and developed our approach to this important aspect of engagement, in particular through our Expression of Wish (EOW), which aims to align our managers with our preferences on key resolutions.

Our approach to exercising rights and responsibilities

We strongly believe that good governance includes ensuring the views and approaches by asset managers, including on sustainability issues, align with our sustainability strategy and our customers' best interests. For both segregated and pooled funds, voting and EOW are integral to our approach. We expect managers to exercise their rights and responsibilities in line with:

- Our **voting guidelines.**
- Our core engagement themes.
- Our minimum expectations of managers related to engagement (see further Principle 9) and voting.
- Our engagement guidelines per which seek to promote alignment among our managers in line with our values.

Listed equity (Expression of Wish)

In relation to our most significant voting decisions, we expect our key asset managers to consider our expression of wishes, which are a representation of our voting preferences on key voting resolutions.

As a mostly pooled fund investor, we view EOW as the best option to express our voting preferences, as we believe that we can make greater positive progress on our responsible investing priorities, to support our beneficiaries' best interests, through a combination of both our preferences and our asset managers' voting expertise.

Our voting guidelines help guide our EOW voting preferences on our top holdings and topics aligned to our engagement themes and supported by our own Stewardship Framework and member findings. We also engage with our key asset managers prior to voting to better understand engagement progress with relevant companies and fact to encourage their support for our voting preferences. Below we provide further information on the actions we take when there is divergence between managers' voting and our EOW.

As outlined in Principle 8, our Proxy advisor, Minerva provides company research and voting recommendations in line with our voting guidelines to support our EOW and vote monitoring activities. The extent to which our managers align with our EOW is monitored and scored as part of our manager monitoring process. If we see ongoing misalignment, we will take action through our engagement and escalation processes as described in Principles 9-11.

Assets classes beyond listed equity, including fixed income

We expect our managers to make full use of investor rights and responsibilities within all asset classes. Our Stewardship Framework includes explicit expectations for managers on corporate debt and sovereign debt investments. This includes expectations for managers to assess covenants when reviewing prospectus and transaction documents, and request where applicable, the amendment and/or inclusion of contractual obligations to support stated sustainability objectives.

In respect of sovereign debt, our expectations include engaging with sovereign issuers on material sustainability risks as well as with other stakeholders, for example trade unions and supranationals, such as the World Bank and the International Monetary Fund (IMF), to raise stewardship and sustainability issues. In 2024 we asked managers to explain their approaches and policies on fixed income stewardship, please see P9/**page 66** for further detail and case studies from our managers on **page 99**/further below.

In 2024 we made further progress on ESG integration in other asset classes such as Private Markets and nuances between active and passive fixed income, by developing our propriety ESG integration framework (see P7, **page 50**) to include asset-class specific considerations on exercising of rights and responsibilities. This framework will further support our views and assessment of best practice at fund and asset class level.

Voting in segregated and pooled accounts

Aegon shares the same voting processes for our pooled and segregated accounts. We delegate voting to our managers and choose to influence specific votes with our EOW. We will, however, explore direct voting for segregated mandates in due course.

In order to achieve our goal of ensuring that our customers live their best lives, and that we create long-term value for clients and beneficiaries, we have processes in place to monitor and review our managers' voting policies to ensure that their voting aligns with our expectations and EOW. This is carried out through our annual manager monitoring questions and closer monitoring of manager's voting behaviour against our voting guidelines, as described below.

Stock lending

Securities lending is a process used by some funds to generate additional returns by temporarily lending some of the shares, bonds or derivatives it holds. Although we don't actively participate in securities lending, the underlying asset managers of our Aegon-linked funds may do so. While Aegon still needs to explore this area further, we believe a firm should clarify its securities lending policy and the steps it takes to ensure this is coherent with its sustainable investment strategy. We will consider exploring this in 2025 as part of our manager monitoring activities.

Implementing our voting guidelines through our Expression of Wish

We seek to support and encourage effective stewardship through our **Voting Guidelines**, which act as a framework by which we monitor and examine our managers' voting activity and hold our managers accountable for the decisions they make. The guidelines articulate our high-level expectations of companies and voting considerations, with a focus on our engagement themes (Climate, Nature, Human Rights and DEI) as well as factors that should be considered on governance topics or when making voting decisions on shareholder proposals.

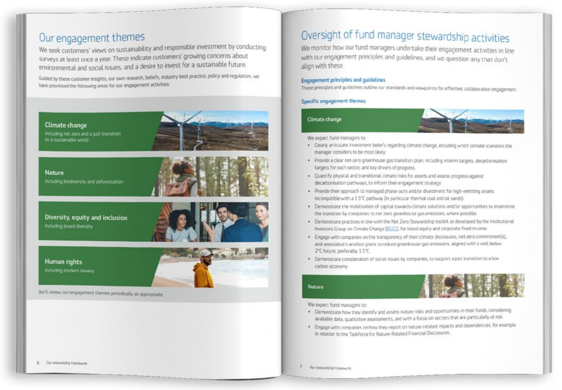
In 2024 we developed voting preferences in line with our voting guidelines with the support of our proxy advisor, and monitored managers' voting across our portfolios, on two levels; i) using a sample of 100 priority companies and ii) a subset of 10 priority companies where we performed a deeper dive into certain issues pertaining to our engagement themes.

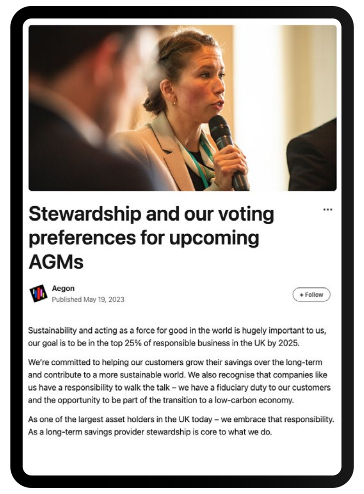
Our 100 priority companies target our top 500 largest holdings within our default funds flagged with high materiality and poor performance in relation to our stewardship themes using key data metrics including CA100+'s **Net Zero benchmark**, LobbyMap and the **World Benchmarking Alliance**.

We set the tone for our managers on their portfolio company engagement

The diagram below shows how we work with asset managers to ensure their engagement and voting activities align with our own.

AUK engagement & voting strategy





1. **Engagement themes**
   Identify 3-5 key issues to prioritise engagement

2. **Engagement guidelines**
   Extension of our minimum expectations for managers, focused on engagement & voting

3. **Pre-AGM engagement**
   Share AUK views with key managers on preselected resolutions / most significant votes

4. **Post-AGM engagement**
   Review and engage with key managers on any areas of divergence

5. **Annual manager monitoring**
   Shift focus from engagement activities to outcomes

AUK's priority resolutions and voting preferences for 2024

In 2024, in relation to our list of 100 priority companies, we prioritised all shareholder proposals related to our key stewardship themes, company management votes seeking shareholder approval of their climate transition plans ('Say on Climate' votes); and votes against director re-elections where there is poor performance by the company on climate. This led to a total of 88 votes covered where we developed a voting position to engage with and monitor our managers' activities.

For the first time our EOW monitoring also included anti-ESG shareholder resolutions to ensure managers' voting did not support these, given concerns that some asset managers voted in support of these or apply 'robo-voting' in their stewardship activities.

Within our 100 priority companies we prioritised most focus within a sub-set of 10 (see below), where we conducted more in-depth company research and manager engagement compared to wider companies in our list. In developing our approach from the prior year where we had only looked at 8 companies, we felt this approach optimised the balance between depth and breadth of our manager monitoring on their voting activities, given our position as a universal owner with a large, highly diversified investment portfolio and focus on targeted impact.

The table below illustrates our EOW across our priority subset of 10 companies.

Company	Vote type	AUK theme	Vote detail	Total shareholder support (shareholder proposals)	AUK EOW	Further detail on AUK view and outcomes
American multinational investment bank	Shareholder proposal	Human rights	Policies and practices respecting indigenous people's rights.	26%	For	
	Shareholder proposal	DEI	Reporting risks created by diversity, equity and inclusion efforts (Anti-ESG).	1%	Against	
	Shareholder proposal	Nature	Disclosing material risks associated with animal welfare.	8%	Against	
	Director re-elections	Climate	Voting on director elections due to climate concerns.	N/A	For	
Global shipping and logistics company	Shareholder proposal	DEI	Effectiveness of diversity equity and inclusion efforts.	22%	For	
	Shareholder proposal	Climate	Reporting risks from voluntary carbon-reduction commitments (Anti-ESG).	8%	Against	
British multinational bank	Director re-elections	Climate	Voting on director elections due to climate concerns.	N/A	For	
American multinational Bank	Director re-elections	Climate	Voting on director elections due to climate concerns.	N/A	For	
	Shareholder proposal	Human rights	Report on due diligence in conflict high risk areas.	7%	For	
	Shareholder proposal	Climate	Reporting humanitarian risks due to climate change policies (Anti-ESG.	1%	Against	

Company	Vote type	AUK theme	Vote detail	Total shareholder support (shareholder proposals)	AUK EOW	Further detail on AUK view and outcomes
British multinational oil & gas company	Director re-elections	Climate	Voting on director elections due to climate concerns.	N/A	Against	
	Say on climate	Climate	Approve the energy transition strategy.	78%	Against	
	Shareholder proposal	Climate	Scope 3 GHG emissions reduction targets.	18%	For	
French multinational energy company	Say on climate	Climate	Approve the Sustainability & Climate Progress Report 2024.	75%	Against	
American multinational technology company	Shareholder proposal	Nature	Report on packaging materials and plastic.	28%	For	See Principle 9/page 73 Case study – American multinational technology company | Improving human rights outcomes
	Shareholder proposal	Climate	Additional reporting on stakeholder social impacts.	23%	For	
	Shareholder proposal	Climate	Alternative emissions reporting (Anti-ESG).	4%	Against	
	Shareholder proposal	Human rights	Reporting on freedom of associations of workers.	32%	For	
	Shareholder proposal	Human rights	Reporting on warehouse working conditions.	31%	For	
	Shareholder proposal	DEI	Reporting on racial and gender pay gaps.	29%	For	

Company	Vote type	AUK theme	Vote detail	Total shareholder support (shareholder proposals)	AUK EOW	Further detail on AUK view and outcomes
Swiss multinational commodity trading & mining company	Say on climate	Climate	Approve the climate action transition plan.	83%	Against	See Principle 11/**page 86** Case study – Swiss multinational mining company | Escalation of key climate concerns
	Director re-elections	Climate	Voting on director elections due to climate concerns.	N/A	Against	
American retail corporation	Shareholder proposal	Human rights	Establish minimum wage policies.	13%	For	See Principle 9/**page 74** Case study – American retail corporation | Supporting living wage practices
Japanese multinational automotive manufacturer	Shareholder proposal	Climate	Reporting on climate-related lobbying.	10%	For	See Principle 12/**page 98** Case study – Japanese multinational automotive manufacturer | Focus on policy lobbying
	Director re-elections	Climate	Voting on director elections due to climate concerns.	N/A	For	

Engagement and voting activities undertaken on our behalf by asset managers in 2024

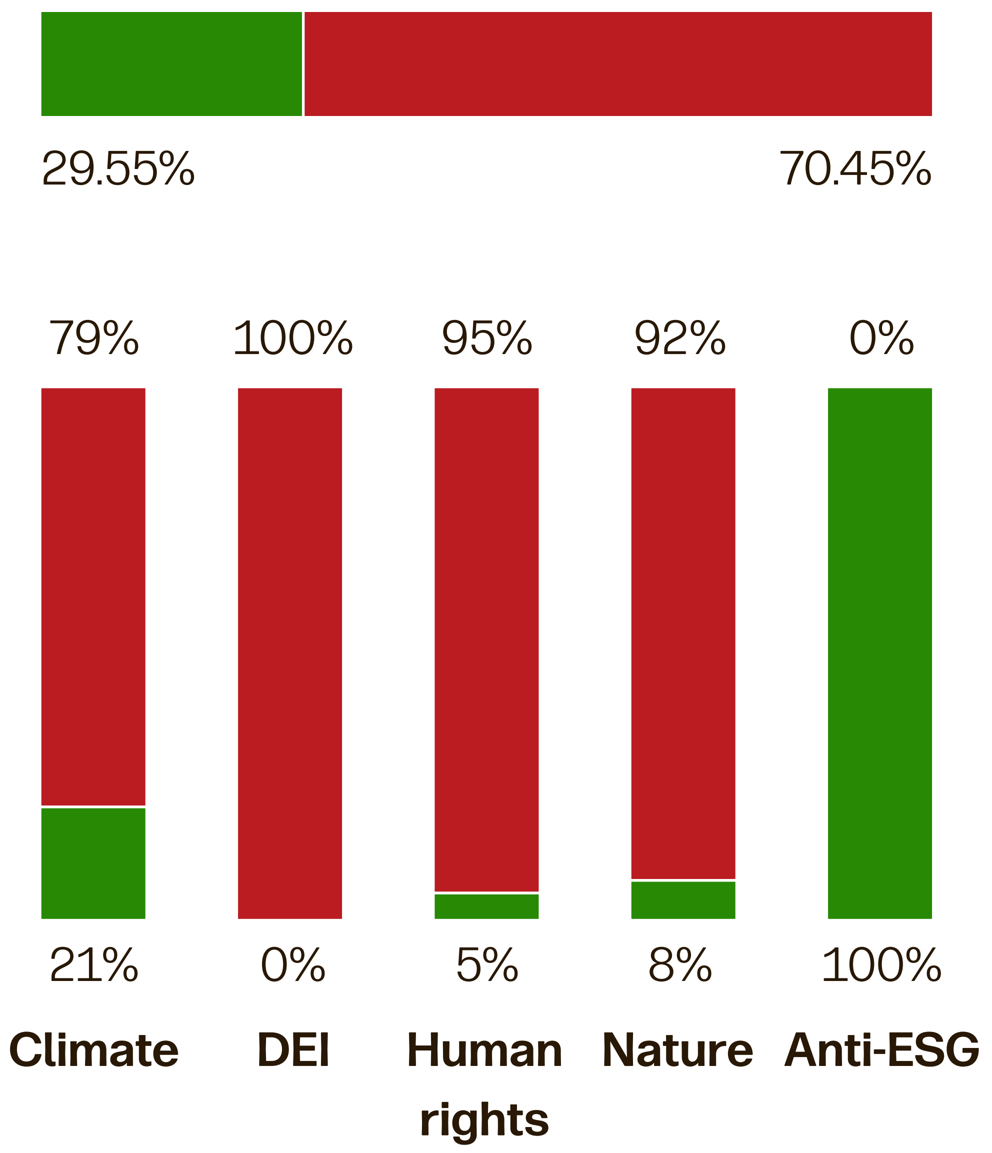
Manager alignment against our 2024 EOW

We were pleased to find two of our key asset managers remained strongly aligned (above 90%) to our EOW preferences, similar to our 2023 EOW. We found our other key manager had made some improvements (30% alignment in 2024 compared to 0% in the prior year) where we identified positive climate voting by the manager within our expanded list of priority companies. We were also pleased to see 100% alignment by all three of our key managers in relation to anti-ESG shareholder resolutions, demonstrating the thoughtfulness of their approach and not applying blanket approaches to voting on shareholder proposals. However, alignment from one of our key managers could be improved, as illustrated below, and we will continue engaging with this manager and challenging them on the areas of divergence, including on our engagement themes beyond climate.

EOW alignment summary

Legend	Description
Green	Alignment by manager's voting with AUK's EOW
Red	Misalignment in manager's voting with AUK's EOW

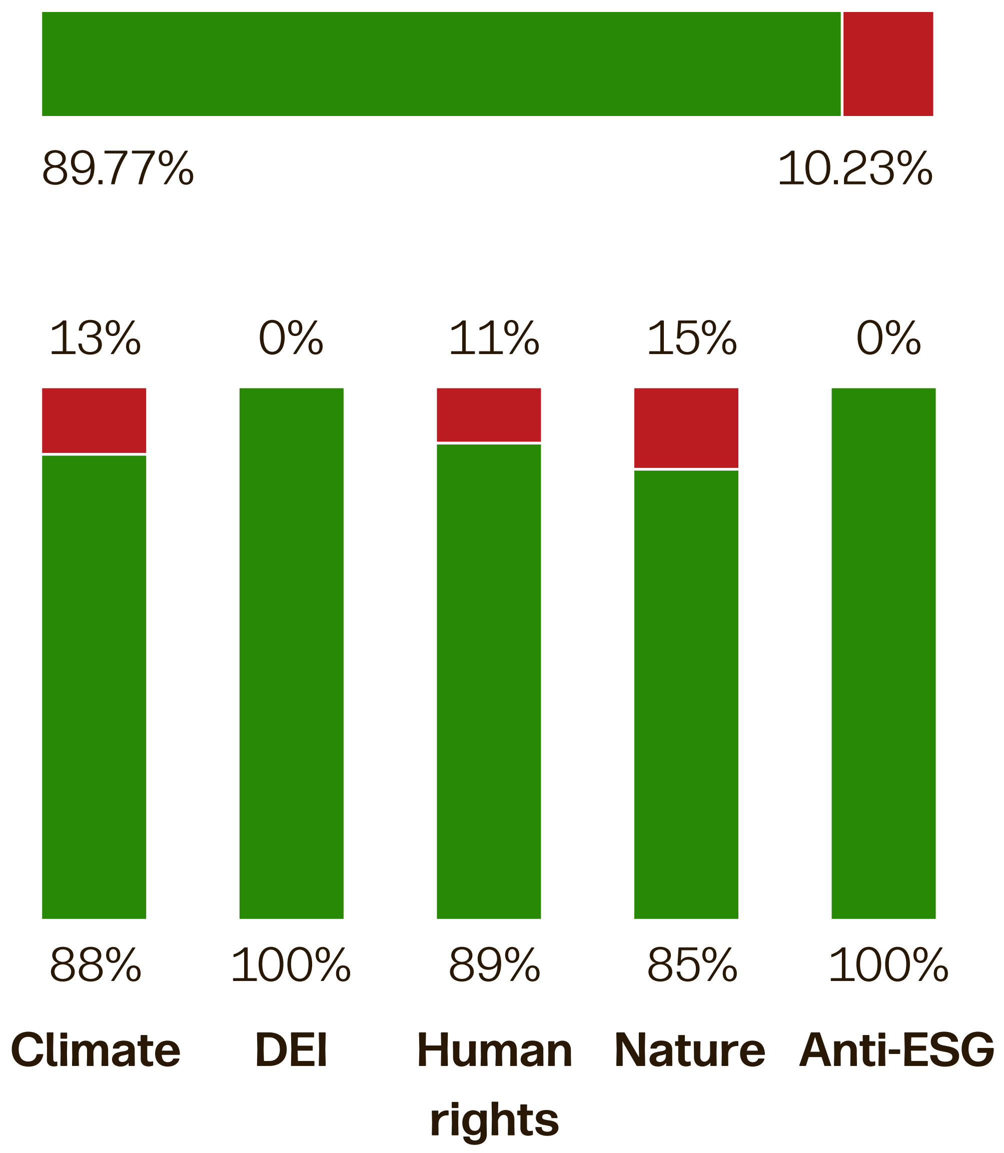
Manager A



EOW score – limited alignment

Material misalignment on escalating climate concerns on **routine votes** (voting against directors and on climate transitions plans), and on high priority votes flagged by Shareaction and CA100+.

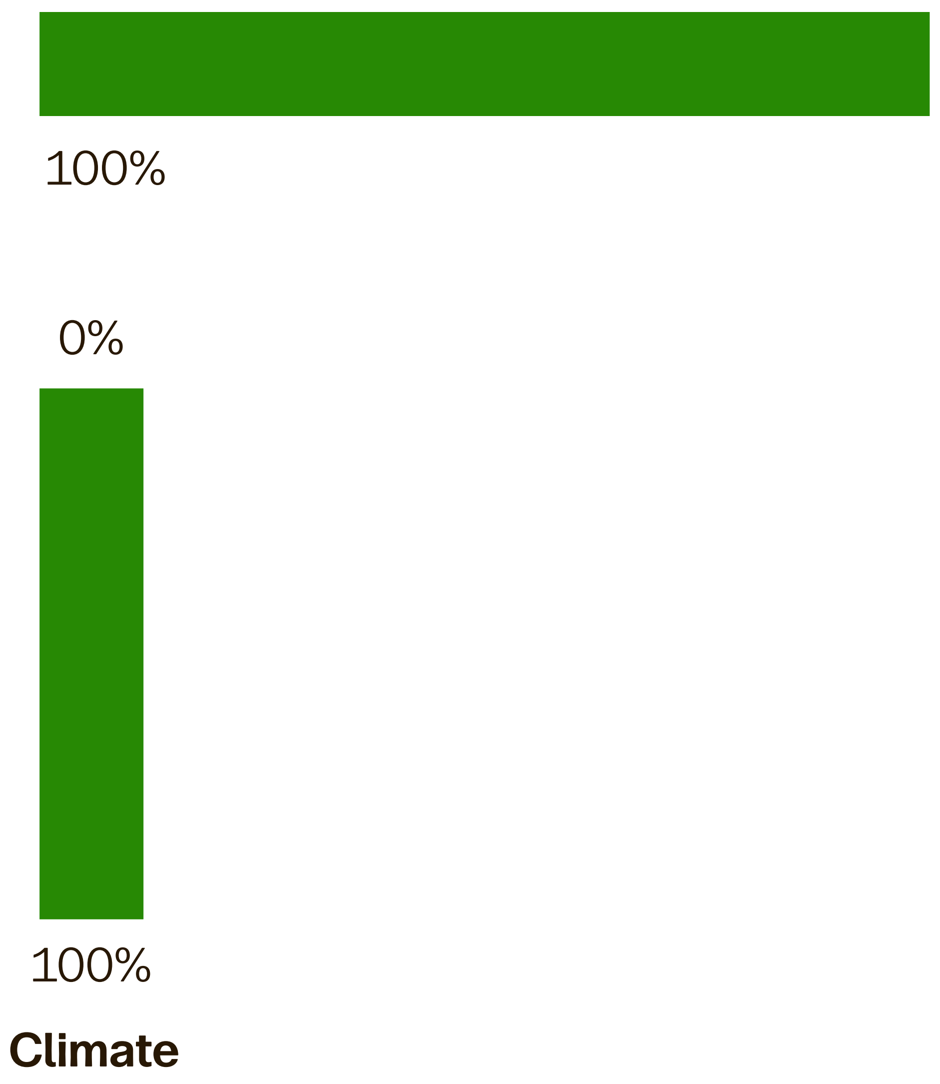
Manager B



EOW score – high alignment (=>90%)

Limited misalignment observed.

Manager C



EOW score – high alignment (=> 90%)

Only manager out of our Top 3 to escalate climate concerns on Shell via routine/management votes (i.e. voted against Say on Climate).

Manager's wider voting behaviour for 2024

As stewards of capital for beneficiaries, we hold managers to account on their voting performance, particularly on environmental and social issues.

The table illustrates a summary of voting activity undertaken for the 2024 period by our key asset managers – BlackRock, HSBC Asset Management and Aegon Asset Management. As explained under Principle 9, the cumulative assets managed by these three managers cover over a majority proportion of Aegon UK's AUM.

Overall, we are pleased that managers are exercising their votes more than ever, however we recognize there is room for improvement by a few of our managers to vote more proactively in favour of meaningful ESG resolutions and to hold company directors accountable where expectations on ESG topics are not met. We engage with these managers to understand the reasoning and ask managers to demonstrate alternative escalation methods to support our voting expectations. We will continue to engage on these points and will report on our progress in next year's report.

	BlackRock	HSBC Asset Management*	Aegon Asset Management
Number of voteable proposals	138,868 voteable proposals, and voted upon 99% where eligible	13,005 voteable proposals and voted upon 89% where eligible	4,279 voteable proposals and voted upon 69% where eligible
Votes against management (overall)	11% votes against management	17% votes against management	3% votes against management
Votes against management (climate/ environmental shareholder resolutions)	4% votes against management	1% votes against management	40% votes against management
Votes against management (social/diversity-related shareholder resolutions)	3% votes against management	92% votes against management	0% votes against management
Link to public voting records	Voting records on BlackRock **here**	Voting records on HSBC Asset Management **here**	Voting records on Aegon Asset Management **here**

* Voting data provided only for the HSBC Developed World Sustainable Equity Index Fund, our key equity fund with HSBC.

Manager engagement case studies on listed equity

Case study 1 – Japanese multinational automotive manufacturer | Focus on policy lobbying

Issue

A Japanese multinational automotive manufacturer was identified as exhibiting poor performance on climate lobbying disclosures as identified by Lobbymap. This included the lack of transparency on how it evaluates alignment of these against Paris Agreement goals and on the actions taken on any misalignment.

Aegon's position and actions

Our voting guidelines are transparent about climate policy lobbying expectations for corporates. Companies should disclose the membership of trade associations and address instances where there are significant inconsistencies between a company's publicly stated policy positions and commitments including sustainability and net zero targets, and potentially conflicting views of trade associations of which the company may be a member. We encourage companies to publicly commit to aligning lobbying with the goals of the Paris Agreement in line with the Global Standard on Responsible Corporate Climate Lobbying. Through our EOW, we requested that our key managers supported a shareholder resolution at the company to request issuance of an annual report on its alignment with climate-related lobbying activities and the goals of the Paris Agreement.

Manager response/approach

The asset manager in question disclosed that it continues to engage with the company to improve the assessment and reporting alignment of lobbying activities with the goals of the Paris Agreement. In 2024, the asset manager supported a shareholder proposal requesting greater disclosure of the company's climate-related lobbying activities. We found that the same asset manager had supported a similar shareholder proposal in 2023.

Outcome and next steps

The company had improved disclosure of climate-related lobbying activity although the company has not yet fully assessed alignment of its lobbying activities with goals of the Paris Agreement. In 2025 and through our DDQ, we'll continue to engage and influence our key managers' activities to understand how they seek to improve corporate practices on climate policy lobbying alignment.

Case study 2 – voting on Anti-ESG shareholder proposals

Issue

As we referenced earlier (page 92) we included anti-ESG shareholder resolutions in our EOW for 2024 to ensure managers' voting did not support these. We recognise there have been concerns in the industry that some asset managers may apply fully automated voting methods that could not identify such proposals that negatively impact company efforts to address material sustainability risks.

Aegon's position and actions

Aegon expects managers to be thoughtful and nuanced in their voting activities. Therefore, in our 2024 EOW vote monitoring exercise, we looked at approximately 10 anti-ESG resolutions to ensure our key managers did not support the shareholder resolutions that we believe to be hindering progress on climate, human rights and DEI issues.

Outcome and next steps

We found our key managers aligned 100% with our EOW in respect of anti-ESG proposals. This demonstrates our key managers' voting in a thoughtful manner, instead of 'robo-voting'. We'll continue to engage with our managers regarding their voting practices to ensure alignment with our stewardship expectations.

Case study 3 – American multinational automotive and clean energy company | Human rights engagement

Issue

The company is an American multinational automotive and clear energy company that continues to face significant material legal and reputational risks due to high-profile controversies, including ongoing harassment and discrimination allegations.

Aegon's position and actions

As per our voting guidelines, we are generally supportive of proposals requesting enhanced disclosure on social issues such as human rights and labour impact assessments, including workplace discrimination. Our EOW was to support a shareholder proposal for the company to report on quantifying the effectiveness and outcomes of its efforts to prevent harassment and discrimination against its protected classes of employees

Manager response/approach

The shareholder proposal was also on the ballot at the company's August 2022 AGM, and it received approximately 46% shareholder support. The company subsequently made some enhancements to its disclosures, such as reporting on types of complaints received and employee training initiatives. The asset manager view was that enhanced disclosures on this issue, would help investors better assess risks at the company.

Outcome and next steps

We were pleased to see our key manager's voting aligned to our EOW on the human rights shareholder proposal. The asset manager found the enhanced disclosures by the company did not provide investors with a clear sense of how many of these complaints were specifically related to harassment and discrimination, or whether any remediation efforts had been sufficient to minimize the risk of additional adverse verdicts. We'll continue to engage with the asset manager to better understand how they seek to improve the company's practices and ensure appropriate escalate activities are pursued when needed.

Manager engagement case studies on fixed income

Case study 4 – global multinational technology company | Environmental and social practices engagement

Issue

A global multinational technology company faced several sustainability-related operational challenges. Concerns were raised regarding the energy intensity of the company's AI data centres as well as the company's commitment to reducing environmental impacts through sustainable practices, such as, increasing its fleet of electric vehicles and recyclable packaging. Other issues related to unionization efforts and worker safety.

Aegon's position and actions

Within our stewardship policy, under our engagement principles and guidelines, we expect our fund managers to engage with companies on the transparency of their climate disclosure, net-zero commitment(s), and associated transition plans to reduce greenhouse-gas emissions, aligned with a 2ºC future. We would expect that emissions from the company's AI data centres and the reduction of these emission to be included within a clear, detailed net zero plan. Per our stewardship policy, we also expect our managers to engage with companies on human rights.

Manager response/approach

Our fixed income manager in question encouraged further alignment of energy efficiency targets with AI-related infrastructure demands. Furthermore, the manager discussed the effectiveness of the company's renewable energy strategies, transportation emissions targets, and progress on packaging sustainability. On social issues, the manager discussed the company's safety advancements in fulfilment centres, employee benefits enhancements, and the factors behind the reduction in union activity, urging continued focus on these areas to align with the company's stated long-term ESG goals.

Outcome and next steps

We are encouraged by the company's demonstrated progress in multiple areas of its sustainability-related business risks, showing openness to feedback and a commitment to refining practices. While the manager acknowledged the improvements, it emphasized the importance of further transparency in energy reporting, safety metrics, and sustainable packaging goals.

Case study 5 – major retail and commercial bank | Ensuring correct governance procedures

Issue

A major retail and commercial bank based in the United Kingdom encountered controversy surrounding the 'de-banking' of a UK politician and the subsequent departure of the CEO. Concerns were also raised around the incoming chair's previous employment in a global energy company.

Aegon's position and actions

As outlined in our stewardship policy under our exercising rights and responsibilities guidelines, in respect of corporate debt we expect our managers to engage with issuers on material sustainability issues particularly at debt origination and reissuance. In addition, we expect managers to assess covenants when reviewing prospectus and transaction documents, and request where applicable, the amendment and/or inclusion of contractual obligations to support stated sustainability objectives.

Manager response/approach

The manager's aim was to understand how the Chair succession process was conducted by speaking to the Senior Independent Director and understanding the due diligence process around his previous position at a global energy company, the amount of time he spent there, and his responsibilities. The manager received a thorough explanation of the recruitment process and subsequent investigation into the media reports on his role there and was satisfied that there was no misconduct.

Outcome and next steps

The manager was satisfied that governance process around the succession was appropriate.

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