For financial advisers and employers only

UK Stewardship Code: activities and outcomes report 2025

Contents

Please note that, as Aegon invests using external fund managers, we are not required to report on Principle 3: engagement, and Principle 4: exercising rights and responsibilities.

This document should be read in conjunction with our **UK Stewardship Code: policy and context disclosure 2025** which sets out our investment stewardship approach and policies.

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

Introduction

Welcome to our UK Stewardship Code: activities and outcomes report 2025. In this report we set out our response to the FRC UK Stewardship Code 2026 (2026 Code), implemented 1 January 2026. The 2026 Code reporting requirement differs from previous years and, as a result, our report comprises of two sections: the Policy and context disclosure and the Activities and outcomes report.

In this, the **Activities and outcomes report**, we provide case studies of how we have implemented our investment stewardship policies during the reporting period, 1 January 2025 to 31 December 2025. The **Activities and outcomes report** should therefore be read in conjunction with the **Policy and context disclosure** for a complete picture of the Aegon UK approach to stewardship.

This year's reporting structure differs significantly versus previously, so we have not cross-referenced to previous versions of our stewardship report.

The 2026 Code also introduces a revised definition of stewardship. The new definition is as follows:

"the responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries".

Our 2025 stewardship reports reflect this revised definition. Please note however that throughout both reports, 'stewardship', 'responsible investment' and 'sustainability' may be used interchangeably to convey our stewardship approach, practices and progress, whilst 'ESG' refers to financially material environmental, social and governance factors that are considered as part of managing our customers' investments.

Company structure

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

Our company is Aegon UK plc and our parent company is Aegon Limited for the 2025 period we are reporting on here. 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 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.

While this document may use forms of collective reference, each entity or other construct has a distinct role within the Aegon Group. 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 how other responsible investment and stewardship activities are applied, particularly in manager monitoring and ESG integration practices. These differences arise from the specific activities carried out by each Aegon UK subsidiary, such as manufacturing funds or simply providing access to them. Our stewardship focuses mainly on fund manufacturing activities, where we can exercise a much greater degree of influence.

‘We have also enabled 700,000 members of the £14 billion Universal Balanced Collection (UBC) to invest in institutional grade private markets, which will offer real-world sustainability benefits’.

Foreword

Our stewardship strategy supports our investment proposition and our stated purpose. I’m pleased to share details of the stewardship activities we have undertaken during 2025 in this, our **UK Stewardship Code: activities and outcomes report 2025**.

As a predominantly indirect investor, we typically invest in pooled funds managed by third-party asset managers; stewardship is an important factor in determining what we invest in, with whom, and then once invested how we monitor our asset manager partners.

Of note during 2025 is the progress we continued to make in integrating ESG considerations in our default pension estate. In addition, we have also enabled 700,000 members of the £14 billion Universal Balanced Collection (UBC) to invest in institutional grade private markets, which will offer real-world sustainability benefits and provide diversification and long-term opportunities that aim to improve their retirement prospects.

We have also provided details of our engagement activity. That the geopolitical and macroeconomic backdrop remains challenging for climate policy and stewardship activity serves to highlight the importance of using our scale, challenging our asset managers and working in collaboration with our industry partners to effect change and more sustainable outcomes for customers.

Lorna Byth
Managing Director,
Head of Aegon UK Investment Proposition

Highlights for 2025

Default enhancements

Strengthened our responsible investment integration by evolving our second largest default strategy, Aegon LifePath (£12 billion) (see **page 10**).

Decarbonisation

Continued to implement our net zero transition plan, with both our 2026 climate solutions target and 2030 decarbonisation target on track for successful completion (see **page 12**).

Private markets investment

After the successful launch of three brand new Long-Term Asset Funds (LTAFs), we made our first investments into private market assets (see **pages 11 and 16**).

Manager assessment improvement

Optimised our annual asset manager due diligence questionnaire to focus on our key managers and include specific asset class questions (see **page 27**).

Strategic group collaboration

Leveraged Aegon Group's collective scale to amplify our stewardship impact through collaborative engagements with Aegon Asset Management, driving clearer climate policy strategies and nature-related disclosures across our highest-emitting shareholdings (see **page 19**).

Principle 1

Signatories integrate stewardship and investment to deliver long-term sustainable value for their clients and beneficiaries

Our stewardship strategy supports our investment proposition and our stated purpose; to help people live their best lives. We provide a range of long-term investment solutions which use a broad set of asset classes. By taking an intentional approach to stewardship, tailored to our customers' investment horizons and needs, and to who we are as a business, we believe we can drive sustainable, long-term value-creation for our customers and our stakeholders.

Case study one – Integrating ESG factors into our workplace solutions

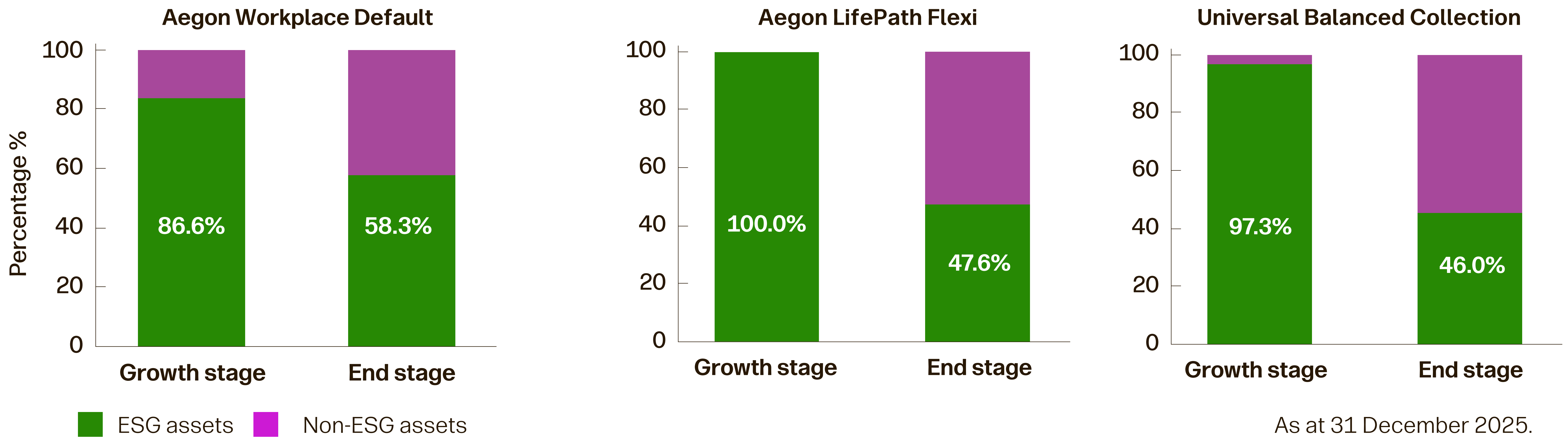
Background

Our workplace pension solutions include our default strategies, which are designed for members who do not actively choose their own investments. As a workplace pension provider, our role is to deliver long term sustainable value for these savers by ensuring they are exposed to an appropriate level of investment risk throughout their pension journey. To achieve this, we work closely with our partnered asset managers, who support our customers' long-term objectives and help implement our responsible investment beliefs and expectations.

Historically, our workplace default assets were invested primarily in passive solutions tracking market capitalisation indices.

Over time, we have evolved these solutions to include more sophisticated passive strategies that aim, not only to deliver returns in line with regional benchmarks before charges, but also to increase exposure to companies with favourable sustainability characteristics. As at 31 December 2025, £44.3 billion (84.1%) of growth stage assets in our workplace defaults are invested in strategies screened and/or tilted for ESG, an increase of more than £17 billion from £26.9 billion reported at 31 December 2024. This progress has enabled us to surpass our Climate Roadmap target of achieving 70% of growth stage default assets in ESG screened and/or optimised strategies by the end of 2026.

Percentage of assets that apply ESG screens or tilts



As at 31 December 2025.

[1] Long gilt assets in the funds don't apply ESG screens and so ESG integration declines as the lifestyle glidepath progresses in the run up to retirement.

Approach

Throughout 2025, we continued to strengthen the ESG integration within our default fund solutions. Our focus this year was on Aegon LifePath Flexi and the Universal Balanced Collection (UBC). As a result, both strategies now integrate ESG factors across their entire passive equity and bond exposures in the growth stage of investment[1].

For further detail see the **Enhancing ESG integration within our second largest default strategy: Aegon LifePath** case study.

Outcomes and next steps

The enhancements made in 2025 reflect continued progress in embedding ESG across our flagship default solutions. These developments have enabled us to meaningfully expand ESG integration and help to mitigate material ESG risks across our workplace pension defaults, support alignment with our climate roadmap commitments, and provide customers with greater access to sustainable investment strategies.

Fund name	Aegon Workplace Default	Aegon LifePath Flexi	Universal Balanced Collection
Asset classes with ESG exposure	Equities (passive) Corporate bonds (passive)	Equities (passive) Corporate bonds (passive)	Equities (passive) Corporate bonds (active and passive) Private market assets (active)
Exclusions applied across all ESG-screened or optimised passive component funds	• Controversial weapons • Tobacco • Thermal coal • United Nations Global Compact (UNGC) violators	• Controversial weapons • Civilian firearms • Tobacco • Thermal coal • Oil sands • United Nations Global Compact (UNGC) violators	• Civilian firearms • Controversial weapons • Tobacco • Thermal coal • Oil sands • United Nations Global Compact (UNGC) violators
Additional ESG exposure achieved through:	**Developed world lower carbon ESG tilt equity index fund** *FTSE Russell benchmark – applies additional exclusions of companies with exposure to conventional weapons, adult entertainment, gambling and nuclear power. Optimises to target a 50% carbon emissions intensity reduction, 50% fossil fuel reserves intensity reduction and 20% ESG rating improvement, against the parent index.* **ESG equity index funds** *Morningstar benchmarks – applies additional exclusions of companies with exposure to civilian firearms, adult entertainment, oil sands, gambling and alcohol. Optimises to target a 30% carbon emissions intensity reduction relative to the parent index, and ESG Risk Rating better than, or equal to, the parent index.* **ESG corporate bond index funds** *MSCI and ICE benchmarks – applies additional exclusions to companies with exposure to civilian firearms, oil sands and oil and gas extraction, production or services.*	**ESG world and regional equity funds** • *Proprietary ESG Score maximisation* • *Initial 30%-50% carbon footprint reduction against a baseline.* • *A further 7% year-on-year carbon footprint reduction.* • *20% green revenue improvement relative to benchmark.* **World small cap ESG fund** *MSCI benchmark – additional exclusions of companies with exposure to arctic oil and gas production and palm oil.* **ESG real estate fund** *FTSE benchmark – optimises to target 30% green building certification improvement, 10% energy usage improvement and 20% carbon emissions intensity improvement against the parent index.* **ESG sterling corporate bond index fund** *MSCI benchmark – applies additional exclusions to companies with exposure to fossil fuel reserves, and oil and gas extraction, production or services.*	**ESG world and regional equity funds** • *Proprietary ESG Score maximisation* • *Initial 30%-50% carbon footprint reduction against a baseline.* • *A further 7% year-on-year carbon footprint reduction.* • *20% green revenue improvement relative to benchmark.* **Multi-asset credit fund** *The multi-asset credit fund invests in several underlying active fixed income strategies ranging from high yield debt to emerging market debt. Each of these strategies applies a proprietary ESG scorecard to assets within the portfolios. The ESG score is ranked 1-5 with exposure reduced to assets where ESG factors could negatively impact fundamentals. The strategies also apply a range of exclusions e.g. controversial weapons and tobacco.* **Long-term asset funds (LTAFs)** *In the growth stage, Universal Balanced Collection invests in three different LTAFs managed by key asset managers. Each of these LTAFs provides exposure to a range of private markets assets, e.g. private equity, infrastructure and forestry. Each underlying manager integrates ESG considerations across these different private market assets to manage risk and opportunities appropriately.*

Case study two – Enhancing ESG integration within our second largest default strategy: Aegon LifePath

Background

In our 2024 stewardship report, we outlined the transformation of our largest default fund, the Universal Balanced Collection (UBC), with the aim of improving customer outcomes by broadening asset classes, increasing access to private markets investments and expanding opportunities for responsible investment integration and investment in climate solutions.

Building on this important work, we are developing our investment proposition and evolving our second largest default strategy, Aegon LifePath, which has over £12 billion in assets and nearly 400,000 investors. Our aim is to strengthen long-term growth potential, portfolio resilience and responsible investment integration.

Approach

Following the comprehensive market review and manager selection process completed during the **UBC review in early 2023**, we commenced development work on Aegon LifePath. Our Responsible Investment team carried out a detailed assessment of passive equity fund options available within the DC pensions market. This included evaluating ESG methodologies, stewardship quality, data coverage and the robustness of screening and tilting approaches. The aim was to ensure the selected funds were not only fit for purpose but applied best in class responsible investment practices aligned to our climate ambitions and customer needs.

Outcomes and next steps

In May 2025, we announced plans to refine Aegon LifePath by increasing the period during which customers remain invested in growth-oriented assets, alongside changes to the underlying funds used within the Aegon LifePath strategy. Implementation began shortly after. The evolved bespoke solution strengthens alignment with our **Climate roadmap** and stewardship through:

- **Full ESG integration.** Our asset manager has designed underlying funds that explicitly consider material ESG factors, tailored to the characteristics of each asset class. Across the growth stage of Aegon LifePath, 100% of assets now apply ESG screens and/or tilts across public equity and real estate investments[2].
- **Increased alignment with our emissions and net zero targets.** Decarbonisation targets now apply across the entire growth stage. Aegon LifePath's largest holding, the BlackRock ESG Insights fund range, accounts for 87% of the fund in the growth stage as at end December 2025. The ESG Insights fund range apply a 30–50% initial reduction in emissions intensity relative to their respective benchmarks, followed by 7% year-on-year reductions. All passive equity assets will also be voted using BlackRock's Climate and Decarbonisation Stewardship Guidelines, which Aegon UK helped develop, further enhancing our climate impact.

These changes were implemented in June 2025, with a swift and efficient transition to the new structure. As a result, improvements to responsible investment integration began immediately.

As announced in December 2025, we will further extend our private markets approach by **adding private markets investments within the Aegon LifePath funds**.

These enhancements will be rolled out across the Universal Balanced Collection and Aegon LifePath funds over the next few years and will provide over one million customers with access to a wider and more diverse range of responsible investment opportunities, many of which have historically been difficult for workplace savers to reach. As a **signatory of the Mansion House Accord**, this progress also supports our commitment to invest at least 10% of DC default fund assets in private markets by 2030, helping deliver stronger long-term outcomes for our pension customers.

We will continue to work closely with our asset managers to promote ESG best practice, particularly within private markets where methodologies and standards continue to evolve rapidly.

[2] As investors get closer to retirement, ESG integration reduces as the asset mix gradually changes to include a greater proportion of fixed interest investments.

Case study three – Infrastructure investments

Background

Global investment into infrastructure is growing rapidly, driven by multiple factors including the transition to a low-carbon economy and rising demand for clean energy solutions. In 2025, global energy transition investment reached a record $2.3 trillion[3], yet annual investment of around $3.5 trillion is estimated to be required to reach net zero emissions by 2050[4]. Meeting this ambition will rely on coordinated public and private sector financing, with institutional investors such as Aegon UK playing a critical role.

As part of our continued focus on strengthening responsible investment integration across our workplace pension proposition, we are extending access to private markets, including private infrastructure, across our largest default funds.

Approach

In 2025, we announced plans to further expand our pioneering private markets approach into our second largest workplace default fund, the £12 billion[5] Aegon LifePath strategy. Private markets access will expand gradually within the strategy between summer 2026 and 2030. This builds on the successful and ongoing integration of private markets within our largest workplace default fund, the £14 billion[5] Universal Balanced Collection (UBC). Both Aegon LifePath and the UBC will ultimately gain access to private markets through three LTAFs, provided by Aegon Asset Management, BlackRock and J.P. Morgan Asset Management. These LTAFs will invest across a wide range of asset classes, including infrastructure.

Our infrastructure investments will also help us to progress against our **climate targets**. This includes investment in renewable energy projects, alongside the decarbonisation of existing core infrastructure assets through renewal, replacement and refurbishment. For example, through our infrastructure exposure we will invest in a rolling stock company that leases locomotives, freight wagons and passenger trains to operators across the UK. The company is phasing out their existing diesel fleet and introducing electric models to reduce their carbon footprint.

Environmental, social and governance considerations will be deeply embedded in the infrastructure investment process. A good example is our investment into the J.P. Morgan Infrastructure Investment Fund, held within the J.P. Morgan LTAF mentioned above, which applies a rigorous due diligence process to assess financially material ESG factors. Its analysis focuses on six key channels: Safety, Culture, Customer, Community, Cyber and Climate, reflecting the manager's belief that integrating sustainability factors is fundamental to running businesses successfully over the long term, which is more likely to lead to successful investment outcomes.

Outcomes and next steps

We believe that including private market investments, such as infrastructure, within a default fund has the potential to enhance member outcomes through improved risk-adjusted returns and increased diversification. Through dedicated engagement and collaboration with our key asset managers, infrastructure investment can also play a key role in helping society at large and Aegon UK achieve its sustainability goals.

[3] Source: **Energy Transition Investment Trends: Tracking global investment in the low carbon transition 2026.**
[4] Source: **Energy Transitions Commission: Annual investments in the energy transition by 2050.**
[5] UBC and Aegon LifePath funds sizes as at end December 2025.

Case study four – Progress against our net-zero transition plan; our Climate roadmap

Background

In 2023, we published our **Climate roadmap**, setting out our long-term plan to act as responsible stewards of our customers' pension savings. As most customers are invested in passive funds, they are inherently exposed to systemic, marketwide risks, particularly those arising from climate change.

Our 2050 net zero target for greenhouse gas emissions across our default fund range covers all asset classes except cash and includes all scopes of emissions[6]. Our Climate roadmap also incorporates quantitative and qualitative elements, including short, medium and long-term portfolio decarbonisation objectives, a strong focus on manager stewardship and engagement, and advocacy for policy environments that support credible climate action.

Approach

Throughout 2025, we continued to monitor and report progress against the actions and targets set out in our **Climate roadmap** through our internal governance committees.

Between our June 2020 baseline and December 2025, the carbon footprint of our pension default portfolio decreased by 61.2%, placing us ahead of our short-term 2026 emissions reduction target of 37% and on track to halve emissions by 2030. This decarbonisation has been driven partly by strategic asset allocation decisions that take account of ESG risks and long-term performance. However, we recognise that increases in the denominator used to calculate the carbon footprint (EVIC) have contributed to reductions as well.

Therefore, there is still much to do. As outlined in the **Climate policy advocacy** case study, the companies in which we invest operate within broader economic, regulatory and policy ecosystems. Their ability to decarbonise, an essential driver of our portfolio level emissions trajectory, depends heavily on these external factors.

Aegon UK therefore continues to advocate strongly for climate policies that reflect the long-term financial risks posed by climate change. We also remain mindful that, even if our portfolio meets its decarbonisation objectives, global temperatures have already increased and will continue to rise. This heightens the frequency and severity of extreme weather events and increases the likelihood of physical risks affecting the companies we invest in (see **Climate physical risk** case study for more detail).

Alongside reducing the carbon footprint of existing investments, the net zero transition requires allocating capital to climate solutions that support both climate change mitigation and adaptation. As part of our Climate roadmap, we committed to investing £500 million in climate solutions by the end of 2026.

We define climate solutions as:

'Investments with core activities directly and substantially contributing to climate change mitigation and/or adaptation. We will only count investments towards our Climate roadmap target aligned with existing climate-related sustainability taxonomies and other generally acknowledged climate-related frameworks.'

We are making good progress against that 2026 objective, with investments including green bonds and listed equity investments. We will also add infrastructure and forestry to our range of climate solutions investments shortly.

Outcomes

We continue to use our scale and expertise to ensure that:

- Our asset managers fully consider material climate risks in their investment decision-making (see **Annual fund manager due diligence questionnaire** and **BlackRock decarbonisation policy** case studies)
- ESG data providers are evolving their solutions to incorporate increasing physical climate risks (see **Climate physical risk** case study)
- We proactively support the development of credible climate-related policy (see **Climate policy advocacy** case study)

[6] Carbon footprint figures are measured across our full range of default funds and calculated as tonnes of CO_2 equivalent per million pounds invested, using 'Enterprise Value Including Cash' (EVIC). Emissions targets don't apply to individual funds. Climate data is supplied by MSCI, and short- and medium term decarbonisation targets are based on the available funds and available scope 1 and 2 emissions reported, verified or estimated for listed equities and corporate fixed income assets.

Case study five – Nature biodiversity risk screening

Background

Global biodiversity loss is accelerating, causing widespread ecosystem degradation that is already affecting crop yields, supply chains and the frequency of natural disasters. The UK's national security assessment warns that ecosystems are deteriorating worldwide, moving towards potential collapse and heightening food and water insecurity. These trends are expected to drive geopolitical, economic and market instability and increase risk across the financial sector.

Given the UK's strong reliance on global markets for food, fertilisers and other key commodities, the economy is particularly vulnerable to nature related shocks[7]. Biodiversity loss therefore poses increasingly material risks for long-term investors[8]. Our own analysis indicates that nearly half of our assets are linked to biodiversity sensitive areas, reinforcing the need for targeted oversight and engagement.

Approach

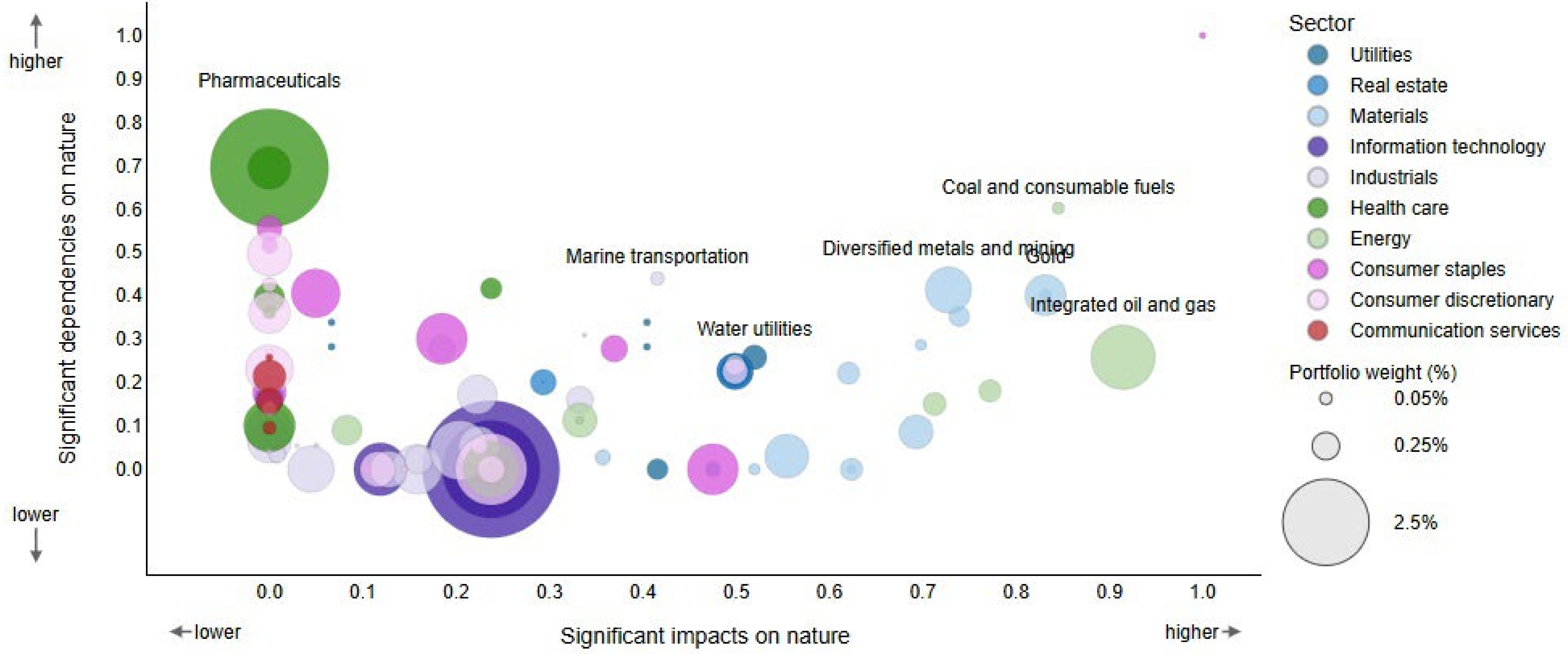
In 2024, we began identifying sub-industries driving our exposure to nature related impacts and dependencies using the ENCORE dataset. This analysis helped us determine which topics and sectors to prioritise for engagement and within our Expression of Wish (EoW) activity.

The work highlighted that all sectors within our portfolio depend on nature and ecosystem services to operate. However, healthcare, consumer staples and material sectors showed the highest direct dependencies, while the energy and materials sectors demonstrated the greatest negative impacts on nature.

In 2025, we enhanced our reporting capabilities by introducing a more detailed analysis of our sub-categories, enabling a more combined, asset weighted picture of our overall impacts and dependencies. This improvement is helping us better target our nature-focused stewardship engagement.

[7] Source: **National security assessment – global biodiversity loss ecosystem collapse and national security**
[8] Source: **Oxford University Press, Volume 28, Issue 4, 2024 – Do Investors Care About Biodiversity?**

Portfolio exposure to sectors with significant dependencies and impacts on nature



Source: ENCORE, MSCI, Aegon UK. Data as at December 2025.

Methodology

We assessed each economic sector by mapping its reliance on ecosystem services (dependencies) against their negative effects on nature (impacts).

- **Nature dependencies** were scored by evaluating the extent to which sectors rely on ecosystem services and calculating the proportion rated "high" or "very high". Sectors with a larger share of critical dependencies received higher scores.
- **Nature impacts** were scored by assessing the proportion of sector related harms classified as "high" or "very high" relative to total impacts.

This produced high-level dependency and impact scores across 140 economic activities. We then normalised these scores (0–1) and mapped them against our portfolio exposure to determine where nature related risks are most concentrated.

Outcome

This year's analysis shows that, while representing a relatively small share of our portfolio, the agriculture products and services sector ranks highest for combined impacts and dependencies, which in turn has an indirect link to all the food industry and retail sectors.

Extractive industries (materials and energy, particularly coal) and utilities (notably water utilities) also demonstrate significant risks, highlighting the strong overlap between our nature and climate engagement priorities. The healthcare sector also shows notable dependencies on ecosystem services, reflecting its reliance on healthy ecosystems for drug discovery and on clean water throughout manufacturing processes[9].

The prioritisation emerging from this analysis informed our 2025 Expression of Wish (EoW) company selection and will do so again in 2026. It will also support our assessment of how key asset managers vote on nature related resolutions in the 2026 proxy season.

In partnership with Aegon Asset Management, we also launched an engagement programme in 2025 with approximately 10 priority companies from the high-risk sectors identified through our screening. (See **Collaborative engagement: Aegon Group companies** case study for more details). Aegon Asset Management will lead engagement on these companies on behalf of Aegon UK.

[9] Source: **Tunley Environmental – Corporate Nature Strategy in the UK Healthcare Industry, August 2025**.

Case study six – ESG integration – Real assets: Campbell Global Forest & Climate Solutions Strategy

Background

Timberland has long been recognised as an asset class offering diversification benefits and protection against inflation, but increasingly also sustainability opportunities. As part of the evolution of our Universal Balanced Collection (UBC) and Aegon LifePath workplace default funds, timberland now forms a component of the private market investments these funds will make.

Specifically, the funds will invest in Campbell Global's Forest & Climate Solutions strategy, which blends traditional timber production with opportunities to generate additional revenue from carbon sequestration while targeting a net negative carbon outcome over the investment term.

The timber produced is used for a variety of purposes (construction, furniture, pulp) and from a sustainability perspective there is growing demand for Cross Laminated Timber (CLT), which is used in tall wood buildings, which offers a reduced carbon footprint versus traditional construction techniques.

Campbell Global's Forest & Climate Solutions strategy also monetises carbon uptake through the sale of Verified Carbon Assets (VCAs), generating compliance or voluntary carbon credits for organisations seeking to mitigate their greenhouse gas emissions.

As at 31 December 2025, the strategy's fund holds high-quality timberland across mature markets including the US Pacific Northwest, the US South, Australia, New Zealand and Chile, representing approximately 760,000 acres. Firmwide, Campbell Global manages over 1.4 million acres globally and $10.1 billion assets under supervision. Diversification across regions enhances resilience and provides varied carbon efficiency profiles.

Approach

With more than 40 years of experience in forest investing, sustainability is critical to Campbell Global's investment strategy. Its approach aligns sustainable forest management with economic performance, recognising that healthy, well-managed forests are more resilient to pests, disease and climate change, sequester more carbon and deliver premium harvested wood products.

Careful consideration of sustainability therefore creates both tangible and intangible value for investors by mitigating risks, increasing alternative revenue streams and delivering ecosystem benefits.

The ESG considerations associated with forestry are extensive and are integrated throughout the full investment lifecycle, from pre acquisition analysis through ongoing management of timberland assets.

Key areas of focus include:

Biodiversity

- Identifying sensitive habitats and the presence of rare, threatened or endangered species
- Opportunities for biodiversity enhancement
- Watershed assessment

Climate

- Greenhouse gas emissions and carbon sequestration potential which meets rigorous third party standards
- Physical and transition related risks

Community

- Consideration of indigenous groups
- Community relations and development
- Recreational access

Employee

- Fair labour practices, worker safety and rights

All properties within the strategy are certified by independent third parties to demonstrate adherence to internationally recognised and locally accepted sustainability standards. Campbell Global's reporting is accordingly extensive, reflecting the nature and scale of its investment activities.

2024 key performance indicators

600+ million
Trees planted since our founding

12.4 million
Trees planted in 2024

35,200+ acres
14,300+ hectares
Planted in 2024

7,600+ kilometres
4,700+ miles
46,500+ hectares
114,900+ acres
Protected stream

115,300+ acres
46,700+ hectares
Conservation easement

34,400+ acres
13,900+ hectares
Protected habitat

500+
Protected species

2,900+
Direct and indirect jobs

1.14 million acres
461,700+ hectares
Available for recreation

12,700+
Safety training and inspections

130+
Organisations engaged

100%
of assets under management compliant with third party sustainable forestry certifications

Environment Social Governance

Outcomes and next steps

By integrating Campbell Global's Forest & Climate Solutions strategy into UBC and Aegon LifePath, customers gain access to diversifying, inflation mitigating, climate positive investments that have traditionally been difficult to invest in through traditional workplace pensions.

The strategy also supports Aegon UK's Mansion House Accord commitments to invest 10% of default fund assets into private markets, and our **Climate roadmap** commitments, by offering:

- a natural climate solution that combines commercial timber value with carbon sequestration benefits
- enhanced diversification across geographies and carbon efficiency profiles
- credible, certified sustainability practices validated by independent third-party standards

We will continue monitoring Campbell Global's management practices, certification outcomes and carbon reporting to ensure ongoing alignment with our ESG expectations.

Case study seven – Collaborative engagement: Aegon Group companies

Background

As part of the wider Aegon Group, Aegon UK works with other Group companies on a range of responsible investment issues. This enables us to draw on diverse responsible investment expertise and, from an engagement perspective, to leverage the Group's collective scale and assets under management where we hold common shareholdings.

In 2025, Aegon UK collaborated with Aegon Asset Management UK plc and Aegon Investment Management B.V. to identify and engage with companies where we hold common equity positions. Our collective focus was on the largest greenhouse gas emitters and those with potentially significant nature related impacts.

Approach

Through this collaboration, Aegon UK benefited from the active investment management experience and existing engagement relationships held by our sister companies. This allowed us to remain close to engagement being undertaken on our behalf while also drawing on Aegon UK's proprietary screening work on nature (see **Nature biodiversity risk screening** case study). This activity also enhances our ability to challenge other external managers on their stewardship practices.

Outcomes and next steps

In 2026, we plan to expand this collaborative model across all Aegon UK engagement themes, including further embedding work on human rights and diversity, equity and inclusion (DEI), to broaden the scope and impact of our stewardship activity.

Examples of collective engagement undertaken in 2025 include:

Company	AUK theme	Engagement type	Objectives	Comments
Global materials company	Climate	Direct and collaborative	Comprehensive emission reduction targets. Clearer climate transition strategy	Company plans to publish a climate action report in 2026.
Global mining company	Climate	Direct	Further Scope 3 emission reduction targets and existing emission target validation.	Continuing to seek improved disclosure on value chain emissions.
Global chemical company	Nature	Collaborative	Increased transparency on hazardous chemicals (PFAS) and the phase-out of persistent chemicals.	Company plans to phase out PFAS in certain products, but less ambitious than some peers.

Principle 2

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

We have a large, diversified portfolio of investments held on behalf of our customers with investments that span different asset classes, multiple sectors and industries not just in the UK but across the globe. Whilst this provides exposure to different opportunities, it also means our portfolios are exposed to an array of macro systemic risks – risks that could impact an entire industry or economy, like climate change. We actively work with others to address market-wide and systemic risks including Aegon group companies to leverage our scale and voice.

Case study one – Climate policy advocacy

Background

The companies that we invest in on behalf of customers do not operate in isolation. Whilst Aegon UK continues to advocate strongly for investee companies to decarbonise, we must also be mindful that each company is part of a wider ecosystem and the rate at which they are able to reduce their greenhouse gas emissions is also determined by factors such as the availability of and cost of low carbon alternative energy sources, supply chain opportunities, demand from customers and importantly the regulatory environment in which they operate.

For us (and other asset owners) to meet our long-term net zero commitments, governments must steadily increase their climate ambition through clear, credible short and medium-term climate policies. Unfortunately recent data shows that climate policy momentum weakened in the US, with slower declines in other regions[10].

Against this backdrop, it has become increasingly important for us to demonstrate our support for appropriate climate and sustainability focused regulatory policy, particularly in Europe where regulatory ambition is facing heightened scrutiny. Throughout 2025, we therefore worked more closely with other Aegon Group companies to amplify our collective voice. We also continued our active participation in policy focused initiatives, including those led by the Institutional Investors Group on Climate Change (IIGCC) and the Net Zero Asset Owners Alliance (NZAOA).

Approach

To help maintain and strengthen the policy landscape needed for an orderly transition, we supported a number of investor led interventions during 2025. These included:

- **Investor support for EU methane regulations (IIGCC/Ceres)**
  Alongside 44 institutional investors, we signed a letter urging the European Commission, Parliament and Member States to uphold and swiftly implement the EU Methane Emissions Regulation (EU MER). The letter emphasised that any weakening of the legislation would undermine regulatory certainty, disrupt market stability and delay progress on methane reduction.
- **Investor support for EU to uphold emission reduction targets (Dutch investors)**
  We signed a joint letter with other European investors emphasising the significant steps already taken to align portfolios with global climate goals, develop robust climate risk management frameworks and actively engage with companies on their transition strategies. The letter stressed that EU policy must continue to incentivise decarbonisation, particularly in energy intensive and hard to abate sectors, while ensuring economic competitiveness.
- **Investor support for EU CO2 emission standards for new cars and vans (IIGCC)**
  Together with other investors, we supported a call for the EU to uphold the current emission standards for new cars and vans, including the 100% CO2 reduction target from 2035 and the interim 2030 targets.

Outcomes and next steps

Our advocacy aims to help ensure that climate policy remains sufficiently ambitious, stable and investable, enabling companies to decarbonise at the pace required and supporting our customers' long-term outcomes. By working through trusted industry bodies and leveraging our position within the wider Aegon Group, we can contribute more effectively to policy frameworks that underpin orderly, market wide transition.

[10] Source: Quarterly Policy Forecast Tracker, Q3 2025. Inevitable Policy Response, October 2025.

Case study two – Responding to government and regulatory consultations to protect customers' interests and support well-functioning markets

Background

Our scale, experience and role within the UK financial system gives us a strong foundation to provide meaningful insight to help inform public policy and regulatory development. Government and regulatory consultations offer an important mechanism through which we can represent our customers' interests, contribute to a stable and effective financial system, and stay aligned with evolving market expectations. Ensuring that policy and regulation support good customer outcomes, market integrity and long-term value creation, remains a central part of our stewardship responsibilities.

Approach

In 2025, we responded to several government and regulatory consultations. Below we outline three examples, detailing the consultation focus, our response and the implications for customers and the wider market:

Pensions Investment Review – 'Unlocking the UK pensions market for growth':

This consultation formed part of the Government's wider pensions investment review, which aims to *"boost investment, improve member outcomes and tackle waste in the pensions system.*[11]*"* This was focused on increasing scheme scale, encouraging consolidation and promoting investment in UK private assets to stimulate economic growth and help support improved retirement outcomes through potentially better returns for members.

Its proposals included a minimum scale requirement of £25 billion for multi-employer schemes' *"main scale default arrangements*[11]*"* by 2030, now reflected in the Pension Schemes Bill, alongside a reserve power to mandate a level of UK investment. The Bill also introduces new provisions enabling contract-based pension providers to transfer members in bulk into better performing arrangements, subject to a best interest test.

Our response:

We responded by emphasising that any scale tests should be focussed at the highest level where investment strategy is set rather than at lower levels which could disrupt schemes without benefitting members. We supported measures encouraging schemes to consider private assets where this can improve member outcomes. We highlighted our own commitments as part of the Mansion House Compact and Accord (now Sterling 20), including investing 10% of our default assets in private assets, with at least 5% directed to the UK by 2030. We raised concerns about the proposed reserve power to mandate asset allocation, stating that investment decisions must remain focused on members' best interests, free from government interference. We also supported the proposed contractual override provisions, recognising their potential for improved member outcomes by enabling bulk transfers without their individual consent into better-value schemes subject to independent oversight.

We will continue to monitor the Bill's progress and engage in discussions as detailed regulations are published in 2026 and beyond.

[11] Source: Department for Work & Pensions, Pensions Investment Review: Unlocking the UK pensions market for growth, 14 November 2024.

Targeted Support – FCA consultations on the Advice Guidance Boundary Review:

In 2025, the FCA published a number of consultations on "Targeted Support" as part of the Advice Guidance Boundary Review. Targeted Support is intended to bridge the gap between holistic advice and generic guidance, enabling firms with the appropriate permissions to provide more tailored support to groups of customers with shared characteristics.

This support could include, for example, signposting customers who are under saving for retirement to increase contributions, helping those with excess cash consider investment options for better long term returns, or guiding individuals through their choices at retirement.

Our response:

We are supportive of the introduction of Targeted Support, for those who don't seek advice, recognising its potential to improve financial decision-making and outcomes for millions of customers. We also believe the wider debate on the advice / guidance boundary will lead to stronger and more useful guidance services, which in some cases may be even more effective than Targeted Support. Several of the points we raised were reflected in the FCA's final rules, which will take effect from April 2026.

Third State Pension Age Review:

The Government commenced the third review of the State Pension age in July 2025. It is being informed by independent analysis from the Pensions Policy Institute's Dr Suzy Morrissey and a separate assessment from the Government Actuary's Department.

The review is examining how future State Pension age changes should reflect life expectancy trends and other factors, with conclusions expected in 2026.

Our response:

We responded by expressing concern that the Government instructed the review to assume the long-term continuation of the triple lock, which we consider unsustainable. In our view, this risks making the State Pension increasingly unaffordable and accelerating future increases in the State Pension age. We proposed adopting a 'smoothed' version of the triple lock to improve intergenerational fairness and long-term stability.

We also highlighted that increases in State Pension age disproportionately affect people in poorer health or with lower life expectancy, groups that often have fewer private financial assets, including pensions, ISAs and savings. To address this, we recommended introducing flexibility, allowing individuals to take the State Pension earlier, subject to actuarial reduction.

Outcomes and next steps

Public policy and regulatory engagement remain central to our stewardship work. Through consultation responses such as these, we help shape a policy environment that promotes improvements in the functioning of financial markets as well as customer outcomes. We will continue to contribute our expertise as further regulatory developments emerge in 2026.

Principle 3

Signatories engage to maintain or enhance the value of assets

Not applicable to Aegon UK – indirect engagement examples are reported under Principle 5.

Principle 4

Signatories actively exercise their rights and responsibilities

Not applicable to Aegon UK – oversight of our managers voting activities is reported under Principle 5.

Principle 5

Signatories integrate stewardship considerations into the selection and oversight of external managers

We are a predominantly indirect investor which means that most of our funds invest in pooled funds managed by third-party asset managers. As we outline further below, stewardship is an important factor in determining which third-party managers we select and once selected, how we oversee the activities they undertake on our behalf consistent with our responsible investment policies.

Case study one – Annual due diligence questionnaire

Background

We annually assess the responsible investment credentials and practices of new and existing asset managers. Our Tier One managers, those who provide Aegon workplace default investment solutions and who manage the largest portion of our AUM, are prioritised and subject to the most scrutiny.

This assessment includes an annual in-depth due diligence survey alongside regular dialogue with our Tier One managers on stewardship, engagement on our priority themes and deep dive sessions on other topics as needed.

Approach

The 2025 questionnaire built on information collected in previous years and incorporated enhancements to reflect rising global scrutiny of responsible investment, particularly in the US. In addition to core questions requiring confirmatory evidence of managers' responsible investment commitments, we included asset class specific questions covering equity, fixed income and, importantly for our workplace default portfolios, private market investments.

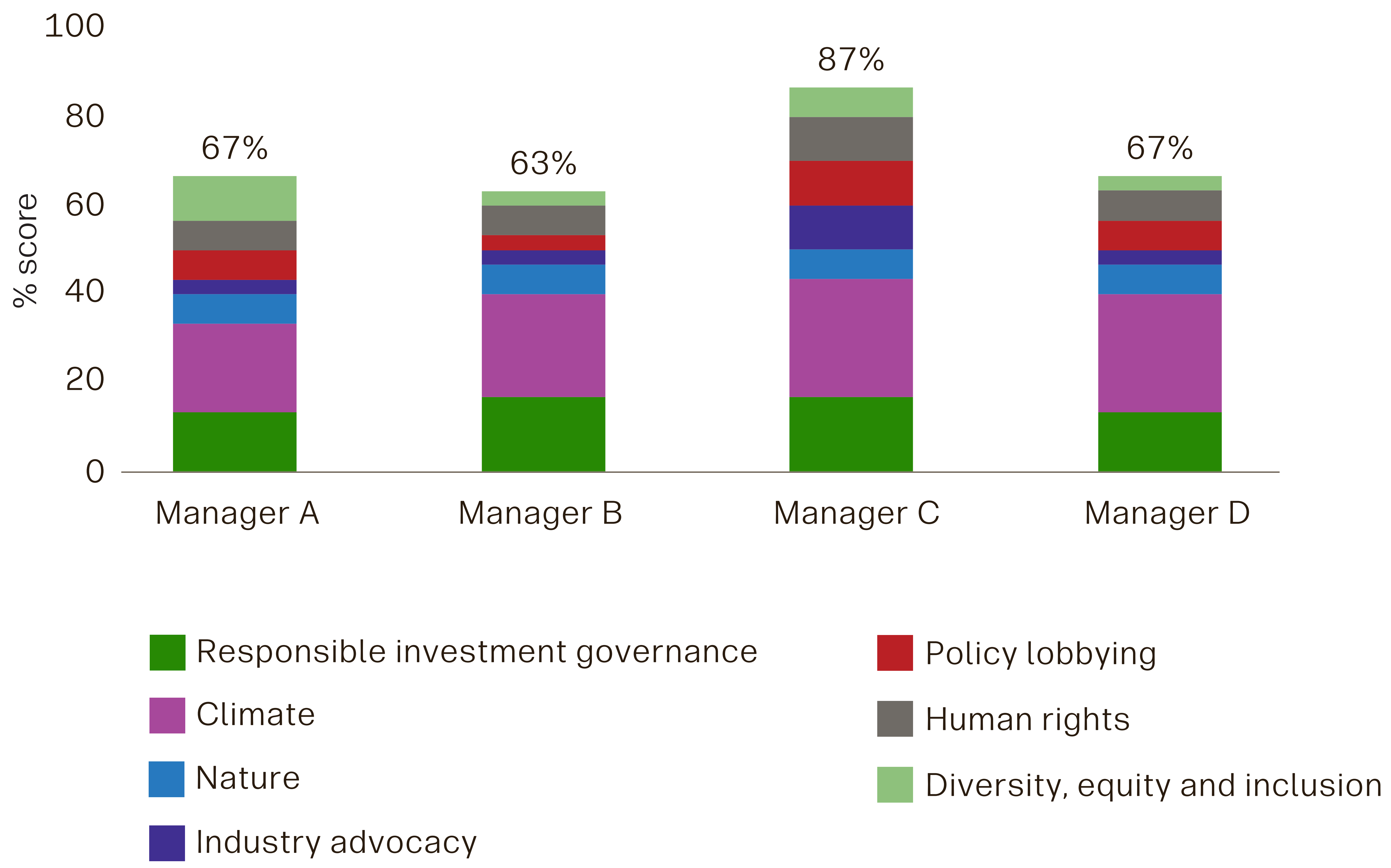
Example 2025 survey questions:

Our ambition	Example questions
Responsible investment governance	• Please detail any significant changes to responsible investment-related governance and resourcing structures in the last 12 months.
Climate and nature	• Please provide evidence of how climate-related risks and opportunities are integrated into investment decision-making. • Do you have a dedicated climate section within your engagement and voting policies and have you made any changes to this approach in the last 12 months? • Please explain any key developments made in the last 12 months on the firm's approach to nature and diversity? • Please provide a list of companies you are engaging with on climate and/or nature and a summary of the activity.
Industry advocacy	• Please provide details of the industry advocacy groups you are a member of and what role you played in each, any outcomes and how it influenced your investment decision-making.
Engagement and voting	• Please explain how you use voting and engagement to ensure a company's direct and indirect lobbying activities are aligned to its stated position on climate. • Please outline key contributions by the firm on climate-related policy engagement activities.
Human rights	• Please explain any key developments made in the last 12 months on the firm's approach to human rights.
Diversity, equity and inclusion (DEI)	• Please explain any key developments made in the last 12 months on the firms approach to DEI.

Outcomes and next steps

Survey responses are analysed alongside our Tier One managers' responsible investment, stewardship and climate policies and their 2025 voting activity we gather as part of our Expression of Wish process, allowing us to build a comprehensive view of each manager's approach.

Tier One manager survey responses 2025:



- Two managers demonstrated clear leadership on responsible investment resourcing, with one expanding its team during the year.
- A noticeable shift in responsible investment narrative was observed among our US-based managers. However, we remain comfortable that they continue to integrate sustainability into their investment processes (see **Monitoring and oversight of external managers based in the US** case study).
- All managers performed reasonably well on core climate practices, though alignment between climate activity, net zero commitments and voting approaches varied.
- One manager stood out for strong net-zero targets, supported by robust ESG integration across their listed equity and fixed income offering.
- Public DEI commitments among US-based managers had regressed, although support for DEI related shareholder resolutions had not noticeably weakened.
- Progress on integrating nature considerations into investment decision-making had stalled across all managers.
- ESG integration in private assets remained highly idiosyncratic; one manager demonstrated notable strength through its approach to integrating ESG within its forestry fund.

We will use these insights to guide our 2026 engagement priorities and will continue to report on developments and manager progress.

Case study two – Strengthening manager alignment with Aegon UK's Expression of Wish

Background

As a predominantly pooled-fund investor, Aegon UK uses its Expression of Wish (EoW) to signal how we expect our clients' shares to be voted at company meetings where we do not hold direct voting rights. Alongside our responsible investment policies and manager oversight processes, Expression of Wish provides an additional mechanism for communicating our stewardship priorities and expectations to fund managers.

In 2025, we refreshed our Expression of Wish approach following a review of our largest investments within our default funds. The focus centred on 50 priority companies (including deep dive research on 10), identified as having material exposure to, but weak performance on, our core stewardship themes: climate, nature, human rights, and diversity, equity and inclusion (DEI).

Approach

To assess each priority company, we triangulated insights from multiple data sources relevant to their exposure and performance on each theme. These included:

- **Climate** – Sectors with material Scope 1–3 emissions, net zero alignment policy lobbying practices, and significant financiers of the fossil fuel industry.
- **Nature** – Priority sectors identified using ENCORE data, Forest IQ (soft commodity exposure), data from the FAIRR initiative (pollination, antibiotics, deforestation and water usage), and As You Sow plastics data.
- **Human rights and DEI** – FAIRR's workers rights assessment, ShareAction's assessment of company practices, gender and human rights scores from the World Benchmarking Alliance.

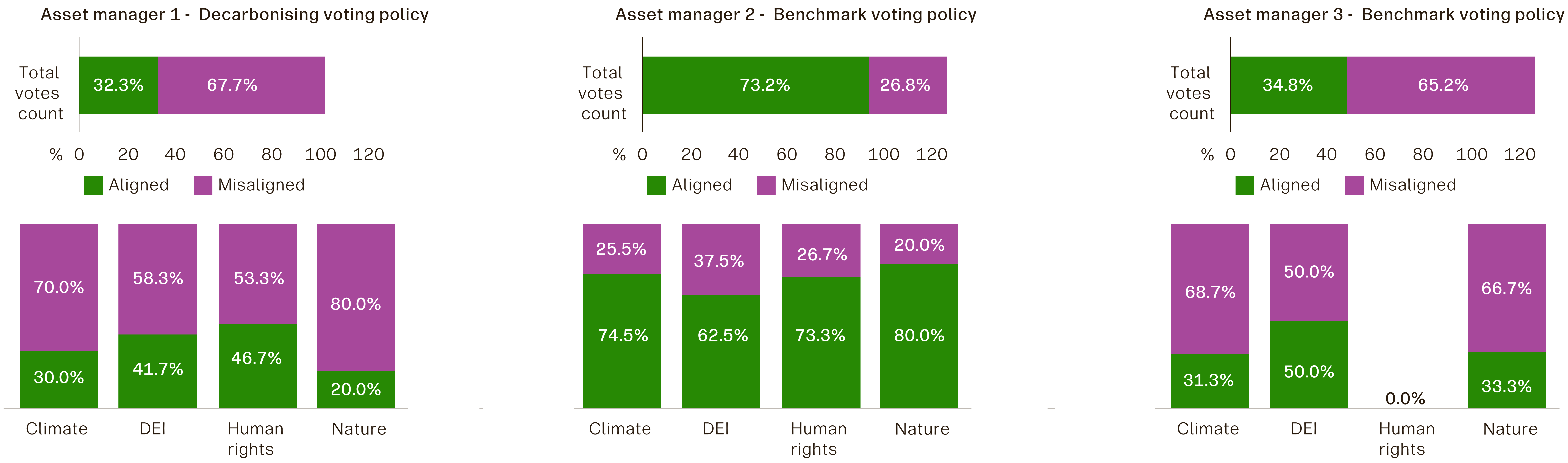
Using these inputs, we identified suitable AGM shareholder resolutions through which to express our wish(es) regarding each priority company's responsible investment performance. Or, where no suitable shareholder resolutions were available via voting, on climate transition plans ('Say on Climate' votes), or against management or other standard AGM items in accordance with our voting guidelines and stewardship framework. We also proactively assessed anti-ESG resolutions to ensure managers were voting in line with our expectations and avoiding automated ('robovote') outcomes.

Our proxy adviser, Minerva, provided company research and voting recommendations. We also engaged directly with key asset managers to understand their engagement processes, vote decision-making rationale, and to encourage their support our voting preferences.

The table below provides examples of our Expression of Wish for our top 10 priority companies:

Company	AUK theme	Vote type	Vote detail	AUK EoW
AMAZON. COM. INC	Climate	Shareholder proposal	Scope 3 emissions reporting	Against
	Climate	Shareholder proposal	Climate impact of data centres	For
	Nature	Shareholder proposal	Report on packaging	For
ANGLO AMERICAN PLC	Climate	Director re-election	Voting against director elections due to climate concerns	Against
BP PLC	Climate	Director re-election	Voting against director elections due to climate concerns	Against
CHUBB LTD	Climate	Approve sustainability report	Approve sustainability report	For
	Climate	Shareholder proposal	Scope 3 emissions reporting	For
CITIGROUP INC	Climate	Shareholder proposal	Anti-ESG	Against
	Nature	Shareholder proposal	Risks associated with animal welfare	Against
	DEI	Shareholder proposal	Reporting on respecting indigenous people's human rights	For
CVS HEALTH CORP	DEI	Director re-election	Board diversity and gender diversity policy	Against
EQUINOR ASA	Climate	Approve Climate Action plan	Approve Climate Action plan	Against
	Climate	Shareholder proposal	Discontinue wind investment	Against
	Climate	Shareholder proposal	Climate risk integration and absolute emissions reduction	Against
GLENCORE PLC	Climate	Director re-election	Voting against director elections due to climate concerns	Against
SHELL PLC	Climate	Shareholder proposal	LNG plans consistent with climate commitments	For
UNITED PARCEL SERVICE INC	Climate	Shareholder proposal	Anti-ESG	Against

Manager voting alignment with our 2025 Expression of Wish



Source: Minerva Analytics, October 2025.

For our three largest equity managers, who vote the majority of our equity assets, alignment varied. One manager showed strong alignment; another demonstrated improvement; and a third appeared to significantly deteriorate although this was principally a sampling issue which reflected the smaller number of priority companies they held rather than a philosophical divergence. Engagement with the manager confirmed that their approach continues to be consistent with our responsible investment philosophy.

Where alignment had improved, this closely reflected the introduction of the manager's new decarbonisation guidelines, resulting in voting patterns more consistent with our climate expectations.

Overall, alignment was highest across the top 10 positions we identified as having the highest ESG exposures, with managers most aligned on human rights resolutions and least aligned on climate. One manager was more strongly aligned across all our responsible investment themes: climate, DEI, human rights and nature.

A further insight was that managers were generally more inclined to support ESG shareholder resolutions reactively than to proactively vote against directors based on ESG performance. We have subsequently engaged with each manager on this point, noting that the number of ESG resolutions in the US may decline in 2026 given the political and regulatory environment.

Outcomes

Our Expression of Wish process continues to evolve. Ahead of the 2026 proxy voting season we have engaged with each Tier One fund manager to better understand how their proxy voting analysis is developing, including the integration of new technologies such as AI. We have particularly challenged managers on how they account for physical climate change risks within their voting decisions (see **Climate physical risk** case study).

As noted in the following case study – **Monitoring our US-based asset managers**, the political climate for stewardship in the US remains challenging. A significant portion of our engagement has therefore focused on understanding this evolving political/regulatory environment and ensuring managers' voting processes continue to align with our expectations and requirements.

Case study three – Monitoring and oversight of external managers based in the US

Background

Our US-based asset managers continue to operate within a challenging and highly politicised environment for responsible investment. Since 2023, scrutiny from both major political parties has increased, prompting many US investors to reassess stewardship terminology and practices. In 2025, the US administration introduced additional policy changes and revised regulatory interpretations that directly affect how investment managers can undertake stewardship on behalf of clients, particularly in relation to companies listed in the US.

Recent developments include:

- New Securities and Exchange Commission (SEC) Compliance and Disclosure Interpretations impacting how passive investors can engage with investee companies.
- Changes to SEC guidance which will make filing ESG-related shareholder resolutions (such as asking for greater disclosure on climate-related risks) at US-listed company AGMs more challenging.
- Launching an investigation into the role of proxy-voting advisory firms, an important source of analysis and operational support for investment managers.

These come alongside other steps in the US which will reduce access to greenhouse gas emissions data from corporates (and used by asset managers in their investment decision-making) e.g. the US Environmental Protection Agency proposal to rescind the 2009 Greenhouse Gas Endangerment Finding in July 2025, (confirmed by President Trump in February 2026).

Approach

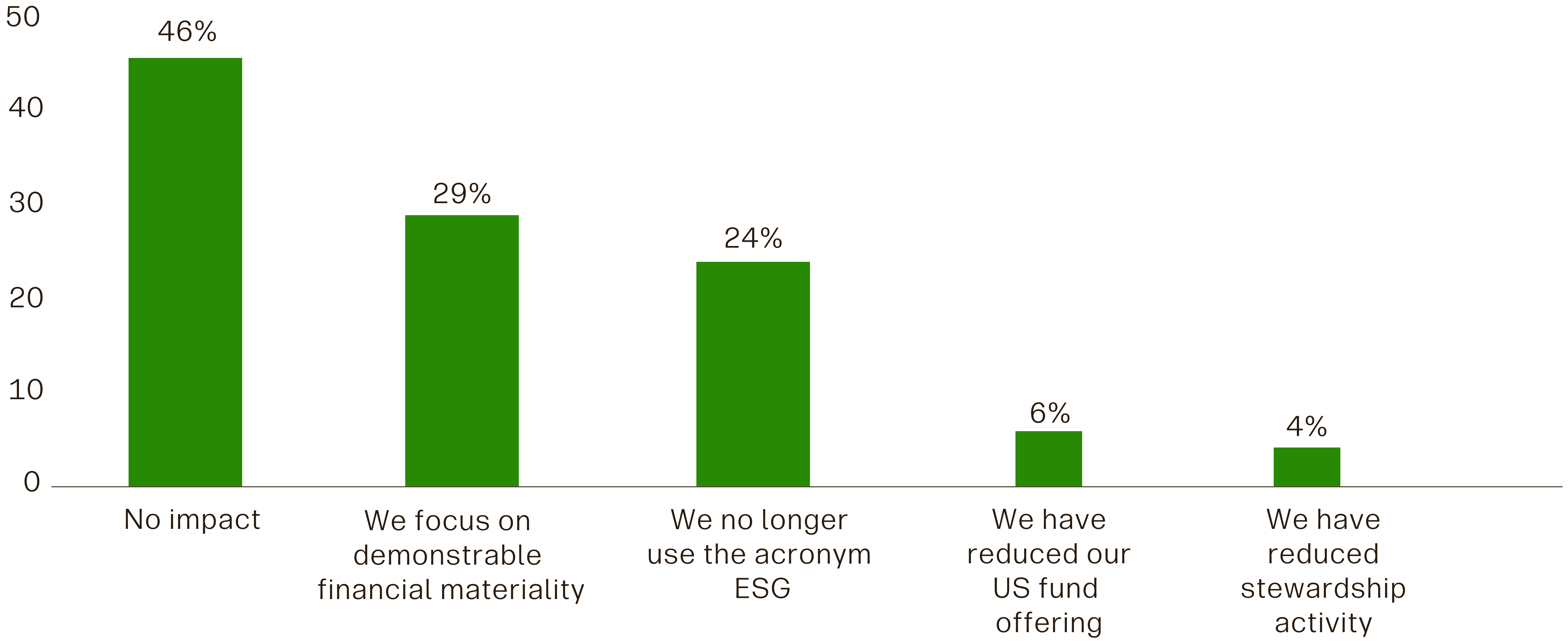
Throughout 2025, we implemented a focused programme of monitoring and engagement to ensure that our Tier One, US-based managers remained aligned with our stewardship requirements. Key activities included:

- Assessing adherence to Aegon UK responsible investment policies via our annual manager due diligence questionnaire, designed to identify changes in commitment and approach to responsible investing.
- Tracking voting behaviour through our Expression of Wish, enabling us to monitor how managers supported or diverged from our preferred voting outcomes.
- Monitoring regulatory developments in the US and seeking regular feedback from managers on how these changes may affect their ability to deliver our responsible investment objectives.
- Monitoring sentiment across the wider US investment industry towards responsible investing.

Outcome

Despite the evolving constraints within the US stewardship landscape, our monitoring indicates that our managers remain committed to integrating sustainability considerations. However, consistent with the US Sustainable Investment Forum (SIF) survey below, several managers have adjusted elements of their stewardship protocols, language and disclosure frameworks to navigate the shifting legal and political environment.

To what extent has the shift in US political environment impacted your organisation's approach to sustainability / ESG?



% of respondents who selected each option

Source: US Sustainable Investing Trends 2025/2026 Report, US SIF

Case study four – Manager engagement – BlackRock decarbonisation policy

Background

As outlined in our **Responsible investment and stewardship report 2024**, Aegon UK played a key role in influencing the development of BlackRock's Decarbonisation Stewardship Guidelines. The 2025 proxy season marked the first year these guidelines were applied to the assets BlackRock manages on our behalf. Previously, BlackRock voted these holdings using its BlackRock Investment Stewardship (BIS) Benchmark Policy.

We were pleased to see BlackRock take more affirmative action on climate-related issues during the year. This included voting against a larger number of companies where:

- Climate-related disclosures were insufficient for investors to assess risks and opportunities.
- Emissions reporting was limited (Scope 1, 2 and material Scope 3).
- Emissions targets or decarbonisation strategies had not been disclosed (Scope 1 and 2).
- Company actions showed minimal or no alignment with a 1.5°C pathway.

In addition, BlackRock demonstrated increased support for climate and natural capital related shareholder resolutions.

Approach

During quarter three 2025, we met with the BlackRock Stewardship team to discuss the application of the Decarbonisation Guidelines in the 2025 proxy season, understand potential areas for refinement ahead of 2026 and provide targeted feedback.

Our engagement sought further insight into the qualitative and quantitative analysis BlackRock uses when forming voting decisions on climate matters. We also challenged BlackRock on several points, including:

- How physical climate risk could be incorporated more systematically into stewardship assessments
- How BlackRock intends to maintain momentum on climate action should the number of ESG-related shareholder resolutions fall in 2026, following changes to US Securities and Exchange Commission guidance (see **Monitoring and oversight of external managers based in the US** case study)

Outcomes and next steps

Our engagement continues to inform BlackRock's application and future evolution of its Decarbonisation Guidelines. We will monitor how these expectations are further embedded across the assets they manage on our behalf and continue to assess whether BlackRock's stewardship activities remain aligned with our own expectations and priorities.

Case study five – Climate physical risk

Background

2025 was the third warmest year on record, with global average temperatures reaching 1.47°C above the 1850–1900 baseline, the period typically used to represent preindustrial levels (2024 remains the warmest year recorded). Under the 2015 Paris Agreement, governments committed to pursuing efforts to limit global warming to 1.5°C, beyond which scientists expect the risk of severe and irreversible climate impacts to increase materially.

Data from the ERA5 climate dataset, produced by Copernicus for the European Union's Earth observation programme, shows that the average global temperature for 2023–2025 exceeded the 1.5°C[12] threshold, highlighting both the scale and immediacy of the challenge.

Higher temperatures increase the likelihood and intensity of extreme weather events, leading to more frequent storms, droughts, wildfires and shifting weather patterns. In 2025, notable events included Hurricane Melissa (the third strongest tropical cyclone ever recorded), Storm Eowyn in the UK, prolonged heatwaves across Asia, North America, Africa and Europe, and severe wildfires in the US, Canada, Russia and Australia.

While decarbonisation remains essential to mitigating emissions, the physical impacts of climate change are already materialising and affecting many of the companies in which we invest. For example, Bloomberg estimates that climate-related costs in the US reached $955 billion in the 12 months to April 2025, equivalent to 3.2% of GDP, reflecting insurance payouts, repairs and federal relief efforts[13]. In addition, there is an opportunity cost associated with this as climate clear-up and repair diverts investment away from other infrastructure needs and consumer discretionary spending.

Understanding the physical impacts of climate change on portfolios is complex and continually evolving. Physical damages from climate change arise through reduced labour productivity, impaired agricultural yields, higher disaster-related losses and damage to infrastructure. Impacts are location and asset specific, with current analysis rarely accounting for supply chain dependencies. Estimates vary widely, and uncertainty is high.

[12] Source: 2025 Global Climate Highlights, by the European Centre for Medium-Range Weather Forecasts (ECMWF), January 2026.
[13] Source: Bloomberg Intelligence, The Climate Economy: 2025 Outlook, 16 June 2025.

Approach

Despite these challenges, we are committed to engaging with fund managers and ESG data providers to better understand how they consider physical climate risk within their investment and stewardship processes including:

- How are you integrating climate resilience into your investment decision-making?
- How do you consider climate resilience as an investment theme?
- What tools and datasets are you using to identify companies exposed to physical climate impacts?
- Is climate resilience a feature of your corporate engagement and proxy voting approach?

Outcome

We will continue to engage our fund managers and monitor for how the understanding of physical climate change impacts evolves. Examples of how managers are already embedding physical climate risk into their decision-making, include:

- Bottom-up analysis of sectors whose assets are particularly exposed, such as US utilities facing wildfire risk.
- Top-down assessments that integrate physical risk into sovereign risk ranking.
- Consideration of resilience planning disclosures, including TCFD aligned reporting, as part of proxy voting assessments.

Case study six – Examples of asset manager voting and engagement activity

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.

A British-Australian multinational mining company | Engagement on key climate concerns

Issue

The company is a leading global diversified miner producing iron ore, aluminium, copper, and lithium across 34 countries. The company was flagged for engagement due to its significant greenhouse gas emissions as well as its ability to set and meet decarbonisation targets to successfully navigate the energy transition.

Our position and actions

We expect our asset managers to engage with companies on the quality and transparency of their climate disclosures, including net-zero commitments, targets and associated transition plans to reduce greenhouse gas emissions aligned with a well-below 2°C future, preferably 1.5°C, and the approach to managing the social risks of the transition to a low-carbon economy.

Our position is consistent with our support of Climate Action 100+ and membership of the Institutional Investor Group on Climate Change (IIGCC), and Net Zero Asset Owner Alliance (NZAOA).

Companies should adopt short and medium-term emissions reduction targets across all scopes and we would encourage all companies with significant greenhouse gas emissions to commit to the Science Based Targets initiative (SBTi) net-zero standard.

Through our expression of wish process, we expressed a preference to vote against the company's 2025 Climate Action Plan proposal. This reflected our concerns that the plan lacked a scope 3 emissions reduction target and that elements of the company's climate related lobbying activity were misaligned with our responsible investment approach and voting guidelines.

Manager response

Our asset manager engaged with the company throughout the year on the strength of its emissions reduction targets and broader decarbonisation strategy. The manager also communicated our concerns that the absence of scope 3 emissions targets undermined the overall credibility of the proposed 2025 Climate Action Plan.

As a result, the manager abstained from voting on the company's 2025 Climate Action Plan.

Outcome

We were pleased to see our asset manager engaging on material climate issues aligned with our engagement themes and voting expectations. Following engagement, the company enhanced aspects of its emissions disclosures; however, it has not yet adopted an overall scope 3 emissions target or sought external validation of its targets. These remain areas of focus for further engagement with our asset managers.

Biodiversity – Investor Initiative on Hazardous Chemicals (IIHC) | Collaborative engagement

Issue

The company in question, develops, manufactures and sells paints and coatings and is one of the world's largest chemical producers and is a focus company for the Investor Initiative on Hazardous Chemicals (IIHC). Our asset manager flagged concerns about transparency in the use of hazardous and persistent chemicals, particularly per- and polyfluoroalkyl substances (PFAS).

Continued reliance on PFAS may expose companies to material regulatory, legal, reputational and insurance risks. Our asset manager participates in the IIHC, an investor-led collaborative engagement initiative coordinated by ChemSec.

Manager response

Our asset manager encouraged the company to improve its performance against the ChemSec benchmark score, which assesses sustainability practices across major chemical producers. The company received a ChemScore of C- in 2024, unchanged from the previous year.

The IIHC engagement framework focuses on four key objectives:

- Increase transparency
- Phase-out of persistent chemicals
- Reduce hazardous product portfolio
- Increase share of safer solutions

During engagement, the company highlighted its longstanding approach to responsible product management and regulatory compliance but kept its internal chemical list private to avoid scrutiny. The company is assessing the implications of Corporate Sustainability Reporting Directive (CSRD) disclosure requirements from 2025 and expressed caution around increased transparency given differing definitions of what constitutes hazardous chemicals.

The company plans to phase out PFAS from consumer and architectural products by the end of 2025, while acknowledging technical challenges for certain industrial products. Research into alternative formulations is ongoing, with progress demonstrated in areas such as Bisphenol A-free packaging. However, the company remains reluctant to fully commit to phasing out PFAS, unlike their peer PPG Industries, Inc.

Outcome

We view our asset manager's collaborative engagement with this company as constructive and aligned with our nature and biodiversity engagement themes, recognising chemical pollution as a key driver of species and biodiversity loss globally.

The company remains committed to addressing the issues raised and employs dedicated product stewards across the globe who review product formulas according to applicable chemical regulations and standards. The company is open to ongoing dialogue and future disclosures. We expect our asset manager to continue engagement with the company and build on the progress already achieved.

A US financial institution | Engagement over diversity, equity and inclusion best practices

Issue

The company is a large US-based financial institution providing a wide range of consumer and commercial banking services. The prevailing political environment and recent government actions in the US has made it more challenging to discuss internal diversity, equity and inclusion (DEI) initiatives.

Our position and actions

We expect our fund managers to promote transparency around DEI policies and practices at board, senior management and workforce levels. We encourage engagement on DEI as it relates to business processes, product and service development, and supply chain practices.

Manager response

One of our asset managers meets annually with the company on DEI themes identified through thematic analysis. During engagement, the manager discussed inclusive product design, including affordability considerations, and the importance of a workforce that reflects the diversity of the company's customer base to support effective decision-making.

Outcome

Despite political challenges, the company assured our manager that they have not altered its approach to DEI and recognises the strategic and financial benefits of maintaining a diverse and representative workforce. Progress is monitored through employee surveys and engagement with employee resource groups.

The company also continues to develop innovative products designed to be accessible and appropriate for customers on lower incomes. We were encouraged by the company's continued commitment to advancing DEI practices in a challenging external environment.

US multinational technology company | Engagement on human rights

Issue

One of our asset managers has engaged over several years with a large US-based technology company that has faced labour rights allegations, including concerns around injury rates, employee turnover and workforce morale. Our manager shares our concerns that these issues could lead to recruitment challenges, increased costs and reputational impacts, which in turn may weaken operational and financial performance.

Our position and actions

Human rights, including modern slavery, is one of our four engagement themes through which we assess alignment with our fund managers engagement activities. We expect fund managers to maintain active engagement programmes on human rights, particularly in higher-risk sectors or geographies, and to be able to evidence engagement outcomes.

In line with our voting guidelines, we are generally supportive of proposals requesting disclosure on social issues such as human rights and labour impact assessments, including workplace discrimination.

Manager response

Since 2021, our asset manager has engaged with the company on working conditions, living wages and workforce disclosures. During 2025, the manager met with the company on three occasions, continuing to raise worker safety as a key material issue and discussing investments being made by the company to improve safety outcomes.

While the manager has previously supported shareholder proposals requesting enhanced disclosure on labour-related topics, ahead of the company's AGM they were satisfied that sufficient evidence had been provided demonstrating progress and ongoing commitment to improvement.

Outcome

In line with our manager's views, we were pleased to see the company's investment in safety initiatives, contributing to a reduction in injury rates. The company remains a priority engagement for our manager, who will continue to monitor progress and encourage further improvements.

Policy engagement | Review of the Sustainable Finance Disclosure Regulation (SFDR)

Issue

As a leading UK asset owner, we recognise our role in supporting fair and well-functioning markets that enable long-term value creation for our customers. Our stewardship framework sets clear expectations for appointed managers, including constructive engagement with policymakers where regulatory developments may materially affect market outcomes or customer interests.

This forms part of our broader purpose of helping people live their best lives by ensuring their savings are invested responsibly and with a long-term perspective.

In 2025, the European Commission launched a Call for Evidence as part of its review of the Sustainable Finance Disclosure Regulation (SFDR). Given SFDR's influence over sustainability-labelled products and investor disclosures, we considered it essential that our appointed managers brought their expertise to bear on the consultation. One of our asset managers identified the review as an opportunity to improve clarity, reduce complexity and strengthen the overall coherence of the regulatory framework.

Manager response

In line with our stewardship expectations, the manager submitted a detailed response to the European Commission in May 2025. The response focused on:

- **Regulatory stability**, highlighting the importance of predictable and durable rules to support effective product governance and protect investors from unnecessary disruption.
- **Client-centred product categories**, advocating a principles-based approach reflecting differing sustainability objectives and constraints across asset classes, including data availability and the complexity of fund-of-funds structures.
- **Simplification and interoperability**, the streamlining of entity- and product-level disclosures and aligning SFDR with other regulatory frameworks including ISSB, CSRD, MiFID and IDD.

These views are closely aligned with our stewardship priorities on transparency, effective oversight of fund manager stewardship activity, and the promotion of efficient markets.

Outcome

The managers contribution provided policymakers with practical, evidence-based insights aimed at improving investor understanding. Their contribution helped highlight areas where refinements to SFDR could meaningfully improve clarity and comparability for end investors.

This engagement demonstrates how our oversight and expectations support managers in contributing constructively to policy development in line with our stewardship policy's principles on engagement, promoting well functioning markets and safeguarding long term customer interests. It also reflects our broader commitment to ensuring that the regulatory environment evolves in ways that support responsible investment, effective governance and a fairer, more sustainable world.

A British power generation business | Green bond engagement

Issue

The company is a UK-based power producer developing and operating thermal and renewable power generation assets. In January 2025, it issued a green bond where proposed use of proceeds included natural gas-related electricity generation. Our asset manager identified this as a point of engagement due to gas-related expenditures representing a contentious category within the manager's proprietary green bond taxonomy.

Our position and actions

We expect our fund managers to engage on material sustainability issues in corporate fixed income, particularly at debt origination and reissuance points. We expect them to provide clear and transparent expectations of companies, particularly in relation to our engagement themes.

Manager response

The manager's Global Fixed Income team engaged with the issuer ahead of the issuance, explaining that while gas-related investments may be aligned with the EU Taxonomy, they do not meet the manager's internal green bond eligibility standards. Multiple discussions were held to clarify expectations around use-of-proceeds alignment.

Outcome

Following engagement, the issuer committed that no proceeds from the bond would be allocated to gas-related investments. Instead, proceeds will be directed towards capital expenditure in wind and solar energy.

This positive outcome demonstrates the effectiveness of proactive engagement and the role it can play in strengthening sustainable finance practices and improving issuer outcomes.

Manager voting behaviour for 2025

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

The table below illustrates a summary of voting activity undertaken in 2025 by our Tier One asset managers.

We are satisfied that managers are generally voting in a manner aligned with our responsible investment principles. Where we believe managers could vote more proactively on ESG issues, we engage to understand their rationale and ask managers to demonstrate alternative escalation methods to support our voting expectations.

Voting information request	Asset manager 1	Asset manager 2[14]	Asset manager 3
Number of votable proposals	110,966	12,244	9,994
% votes where eligible	99%	97%	58%
% meetings with at least one vote against management	38%	14%[15]	39%
% meetings with at least one abstain	4%	<1%[15]	11%
Company tabled climate ballot items supported	100%	82%	71%
Climate shareholder resolutions supported	25%	76%	57%
Nature/biodiversity-related resolutions supported	0%	100%	50%
Social/DEI shareholder resolutions supported	7%	100%	35%
Votes cast **against management** re. climate strategy/performance/disclosure (not incl. climate shareholder resolutions)	<1%	4%	2%
Votes **against management** re. social/DEI strategy/performance/disclosure (not incl. social/DEI shareholder resolutions)	2.37%	26%	n/a[16]

Data from 1 January 2025 to 31 December 2025.

[14] Data relates to Aegon default fund investments from this manager.
[15] Number of proposals reported.
[16] No applicable proposals received for this category.

Principle 6

Signatories monitor and hold to account stewardship service providers

We benefit from our investment in a range of systems, processes, research and analysis to inform and evolve our stewardship approach. We have dedicated significant time and effort in developing our own systematic processes for monitoring our investment managers responsible investment activity, which combines data and analysis from a variety of third parties. These data sources are regularly checked for their accuracy and challenged where we believe there are inaccuracies or areas that could be improved.

Monitoring our service providers

Aegon UK's key service providers from an investment and stewardship perspective in 2025 included:	
External asset managers	Most of our funds are managed by third-party asset managers.
MSCI	Provides data on ESG matters, such as emissions data relating to companies in underlying portfolios.
FE Fund info	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 funds. Aon additionally provides us with capital-market assumptions, including expected return, volatility and yield across a range of asset classes.
Minerva	We use Minerva to support our Expression of Wish decision-making process.

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.

Case study one – UN Global Compact Compliance: ESG data providers and our Tier One fund managers

Background

We apply a range of exclusions across our default pension funds to help avoid contributing to harm and to support our purpose of helping people live their best lives. These exclusions apply to the underlying funds that have transitioned to screened or ESG-optimised indices, each with defined threshold limits. One of the most used exclusions relates to compliance with the UN Global Compact (UN GC), a voluntary initiative requiring businesses to align with ten universally accepted principles covering human rights, labour standards, the environment and anti-corruption.

However, third-party ESG data providers use the UN GC Ten Principles as a framework of reference to rate companies' sustainability performance. Asset managers often rely on these assessments, alongside their own analysis, to determine whether a company is in breach of the UN GC Principles.

The absence of a consistent approach has become an increasing concern to Aegon UK and other asset owners, particularly in light of heightened geopolitical tensions in Ukraine and Palestine. This creates a risk that portfolios applying UN GC exclusions may be exposed to companies assessed differently across providers, undermining the robustness of our screening.

Approach

To ensure the effectiveness and consistency of our UN GC related exclusions, we engaged extensively with our ESG data provider and Tier One fund managers during 2025. Our aim was to understand how each assesses corporate compliance, how methodologies differ, and where improvements could strengthen alignment with our expectations.

We also joined the Investor Initiative on Human Rights Data (IIHRD), alongside Aegon Investment Management B.V. and Aegon Asset Management UK plc. This collaborative initiative brings together institutional investors seeking to improve the depth and breadth of corporate human rights data provided by ESG data vendors and proxy advisers. By working collectively, the initiative aims to build industrywide alignment on principles for assessing corporate 'norms breaches'.

Outcome and next steps

Our engagement has helped deepen our understanding of how UN GC compliance is currently assessed and highlighted opportunities to strengthen consistency across our providers and asset managers.

In 2026, we plan to play a more active role within the initiative, contributing to discussions aimed at shaping a consistent and credible market standard for UN GC compliance assessments. This will support more reliable application of exclusions across our portfolios and enhance the integrity of our responsible investment approach.

Visit our **responsible investment hub** to learn more about our approach to responsible investing and to view our **UK Stewardship Code: policy and context disclosure 2025**:

For employers:
aegon.co.uk/workplace/responsibleinvesting

For financial advisers:
aegon.co.uk/adviser/responsibleinvesting

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