



For customers

# Our responsible investment framework

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



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# Our purpose

As one of the leading asset owners in the UK, we have an important role to play in promoting a fairer and more sustainable world. This relates both to how we behave as a business and how we help our customers invest responsibly.

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

This responsible investment framework sets out how our and our customers' assets should be managed, consistent with our objectives, relevant laws and market and consumer expectations.

Our overarching purpose as a business is to help people achieve a lifetime of financial security. This involves smart financial planning and offering the right investment solutions at every stage of our customers' lives. However, it also means paying due attention to how our decisions affect people and planet. We believe that responsible investment should ultimately lead to better long term returns, by supporting good governance, wise social practices and careful management of environmental impacts.

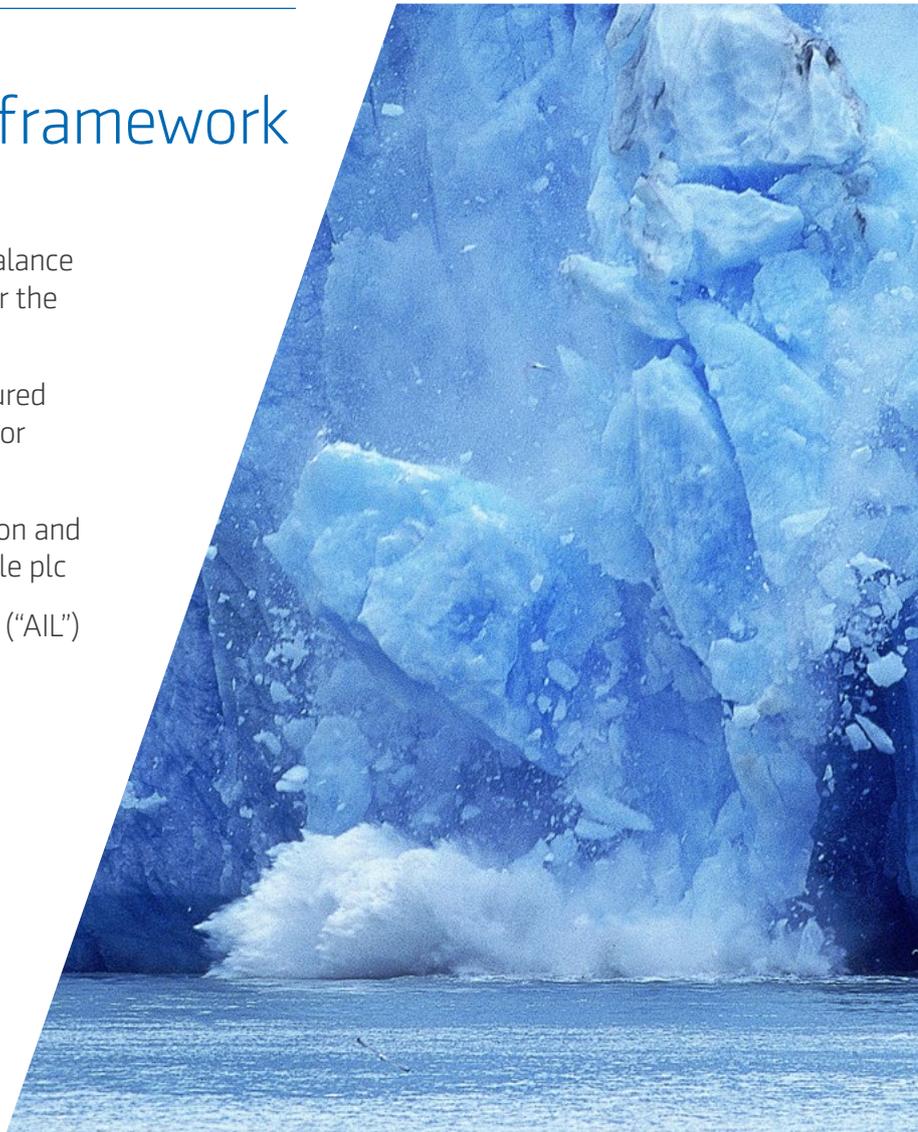
In other words, it's about protecting our customers' best interests. After all, collectively, we decide what is valuable and what isn't, and therefore shape the world we want to live in.

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## Funds covered by the framework

The framework applies to:

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



# What is responsible investing?

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

 <b>Environmental</b>	 <b>Social</b>	 <b>Governance</b>
<ul style="list-style-type: none"> <li>✓ Climate change</li> <li>✓ Biodiversity</li> <li>✓ Energy efficiency</li> <li>✓ Waste and pollution</li> <li>✓ Water use and conservation</li> <li>✓ Deforestation</li> <li>✓ Natural resource use</li> <li>✓ Green buildings</li> <li>✓ Renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Human rights and labour standards</li> <li>✓ Workplace safety</li> <li>✓ Employee relations</li> <li>✓ Diversity / inclusion policies</li> <li>✓ Data protection and privacy</li> <li>✓ Community involvement</li> <li>✓ Supply chain / controversial sourcing</li> </ul>	<ul style="list-style-type: none"> <li>✓ Board independence</li> <li>✓ Board diversity</li> <li>✓ Anti-corruption policies</li> <li>✓ Shareholder rights</li> <li>✓ Compensation structures</li> <li>✓ Corporate political contributions</li> <li>✓ Corporate behaviour / corruption</li> </ul>

## Approaches to responsible investing

There are several ways that fund managers can implement a responsible investment strategy, and many will use a mix of approaches. The most common methods used are:

Integration	Negative screening	Positive screening	Positive impact	Thematic investing
Include ESG factors in investment analysis and decision-making	Avoid certain sectors, companies or practices with poor ESG profiles	Positive selection of companies with better or improving ESG profiles	Invest in companies pursuing financial returns alongside positive social and/or environmental impact	Focus on specific ESG factors e.g. climate change, women's empowerment
<p style="text-align: center;"><b>Stewardship</b></p> <p style="text-align: center;">Use shareholder power to influence positive change, for example by engaging with companies and casting votes.</p>				

Responsible investing can mean different things to different people. To ensure our customers can align their investments with their beliefs and preferences, we aim to offer a range of quality funds and solutions.

## ESG and investment performance

There's now lots of research showing the impact material ESG factors can have on investment performance. On one level, it's simply a matter of fiduciary duty. For example, greenhouse gas emissions are very material to a fossil fuel company. To properly assess the prospects for an oil company, an investor has to take into account global efforts to decarbonise, which are strengthening by the day.

Increasingly, there is a recognition that ESG factors can also be a source of improved performance, although there's no guarantee of this. A compelling logic to this: companies that manage ESG well appear to benefit from happier and more productive employees, greater customer loyalty, stronger brands and better pricing power, among other things. Similarly, companies that are providing solutions to environmental and social problems are likely to benefit as the world strives to meet the United Nations Sustainable Development Goals, and to transition to a net-zero global economy by 2050.

# Our responsible investment management process

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

## We believe that

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

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

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



# Fund manager expectations

Prospective managers are screened based on their ability to meet our minimum expectations across the five areas of responsible investment shown below. We expect our fund managers to have a view, and to be able to report back to us on activities across these responsible investment themes and risks. We also expect fund managers to commit to net zero by 2050 and to sign up to both the United Nations Principles for Responsible Investment and the UK Stewardship Code.

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

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

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

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

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## Governance

### Execution and implementation

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

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

# Our responsible investments

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

## Workplace default funds

Workplace pension schemes are automatically invested in default funds if scheme members don't select their own investment strategy. We're committed to achieving net-zero carbon emissions across our range of default funds by 2050, and to halving emissions by 2030.

As part of this, our in-house workplace default funds for Workplace Solutions and TargetPlan are in the process of transitioning to ESG strategies, using a combination of exclusions and tilts, (for example, excluding oil companies or companies that produce weapons) or by favouring certain companies over others, based on specific criteria, such as carbon intensity and ESG scores, to improve the sustainability profiles of the portfolios.

## Shareholder general account assets

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



In 2019, we committed to halving carbon emissions for our default funds by 2030, and to net zero emissions by 2050



## About Aegon

Aegon is an integrated, diversified, international financial services group. We offer investment, protection and retirement solutions – serving over 31.7 million customers (as at December 2021).

Aegon's global strategy supports the UN Sustainable Development Goals (SDGs), with targets outlined in our annual reports. We are a member of CDP Worldwide (formerly Carbon Disclosure Project), signatory of the Paris Pledge for Action, and a founding signatory of the UNEP-FIs Principles for Sustainable Insurance (PSI). Aegon NV has been included in the FTSE4Good Global Index since 2001.

For more information please visit our website at [aegon.co.uk/investments](https://aegon.co.uk/investments)

Or if you're an Aegon Platform investor please visit [cofunds.aegon.co.uk/customer/investments](https://cofunds.aegon.co.uk/customer/investments)

[aegon.co.uk](https://aegon.co.uk)

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