Responsible Investment Framework

Aegon Asset Management is the global investment management brand of Aegon N.V. See disclosures for more detail.
This framework is a summary of the broader approach to responsible investing and active ownership primarily across the equity and fixed income asset classes within the various Aegon Asset Management affiliates. The activities and processes described herein are not applicable, or not applicable to the same degree, across all affiliates or all strategies. Please refer to the specific strategy books or offering documents as you consider investing with us.
At Aegon Asset Management (Aegon AM), we are active, engaged and responsible investors. We consider investing responsibly a part of our investment philosophy and process as we believe responsible investment practices are critical to securing long-term value for our clients.

This document sets forth our Responsible Investment Framework, including our practices and approaches to investing responsibly as well as the principles that guide them.

**Responsible Investment Defined**

Responsible investment (RI) is an umbrella term that covers various tools and approaches to incorporating environmental, social and governance (ESG) considerations into investment decision-making processes. It may include ESG integration and active ownership as well as dedicated, RI-focused capabilities. Related terms may include sustainable or ESG investing.

**Guiding principles**

**Responsible investing can align with clients’ interests**

As stewards of our clients’ capital, we think it’s prudent to consider all relevant and material risks and opportunities, including ESG factors, as part of our comprehensive issuer research. With a focus on long-term results, we use responsible investing practices such as ESG integration and active ownership to support a holistic understanding of the investments we make on behalf of our clients where applicable.

**Responsible investing can contribute to long-term value**

A growing body of academic research demonstrates that sound ESG practices can enhance corporate financial performance in the long term. This value can manifest itself in the form of lower cost of and access to capital, better operational performance, reduced reputational risks and, in turn, potentially superior long-term returns on investments.

**Environmental and social risks are investment risks**

Exogenous risks such as natural disasters and pandemics can disrupt industries and threaten business models. Failure to effectively manage such risks can lead to a range of financial, legal and reputational consequences. A company’s ability to mitigate such risks can have a profound effect on their ability to create and sustain long-term value.

**Integrating ESG factors can help uncover opportunities**

We believe that focusing solely on financial metrics may lead to overlooking opportunities. We find that it is quite challenging to analyze future profitability and creditworthiness without considering ESG factors. By considering these factors in investment decisions where relevant, we strive to deliver better investment outcomes and long-term performance.

**Active ownership is a key aspect of active management**

Our stewardship ambitions extend beyond today’s investment opportunity. By leading engagement efforts and exercising shareholder voting rights, we use our voice to help effect positive change consistent with our clients’ objectives. We collaborate with other investors and stakeholders to engage where possible to maximize our voice.
Responsible investment approach: Three key pillars

Our RI approach consists of three pillars: ESG integration, active ownership and solutions.

**ESG Integration**
Incorporating financially material ESG factors into the investment decision-making process to help mitigate risk and potentially uncover opportunities.

**Active Ownership**
Addressing ESG issues by actively engaging with issuers and investee companies and exercising shareholder rights.

**Solutions**
Providing focused responsible investment strategies including exclusions, best-in-class ESG, sustainability-themed and impact investments.

### ESG Integration

**Our research framework**
ESG factors are systematically integrated into our bottom-up research process for fixed income and equity issuers. We aim to develop our own holistic house view of issuers’ ESG profiles. By integrating ESG considerations with economic factors, and drawing from specialized ESG research sources, the research teams seek to identify financially material ESG factors and arrive at an independent, comprehensive view of the investment.

**Financial materiality is key**
We view ESG analysis as a risk management tool and a potential alpha source. By integrating ESG factors into the traditional financial analysis framework, we aim to identify financially material factors which could affect the issuer’s long-term growth potential, profitability, or creditworthiness, and to assess if they are appropriately priced.

**Debunking common ESG myths**
Our ESG integration process focuses on managing financial risks and identifying opportunities by including additional information in investment analysis to help inform our decision making. ESG integration does not seek to make ethical judgements. It seeks to systematically uncover ESG risks and opportunities to ensure they are appropriately priced in the investment being considered.

### Three potential key benefits of ESG integration

| 1. | Deepens our knowledge | Bringing new aspects to light, providing a more comprehensive view of the investment |
| 2. | Strengthens our conviction | As fundamental, research-driven investors, it can make us more confident in our decisions |
| 3. | Promotes a long-term focus | Clearing the short-term noise allows us to focus on long-term and fundamental trends, risks and opportunities |
Examples of ESG factors we may consider, depending on their materiality to the issuer’s key activities and operational practices:

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<thead>
<tr>
<th>Environmental</th>
<th>Social</th>
<th>Governance</th>
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<tr>
<td>Climate change and greenhouse gas</td>
<td>Human rights and labor standards</td>
<td>Board independence</td>
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<td>emissions</td>
<td>Product safety and liability</td>
<td>Board diversity</td>
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<td>Energy efficiency</td>
<td>Workplace safety</td>
<td>Anti-corruption policies</td>
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<td>Waste and pollution</td>
<td>Workplace benefits</td>
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<td>Water use &amp; conservation</td>
<td>Employee relations</td>
<td>Compensation structures</td>
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<td>Deforestation</td>
<td>Diversity/inclusion policies</td>
<td>Corporate political contributions</td>
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<td>Natural resource use</td>
<td>Data protection and privacy</td>
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<td>Community involvement</td>
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**Active Ownership**

By spearheading engagement efforts and exercising shareholder voting rights, we use our voice and actions to try to effect positive change, consistent with clients’ objectives.

**Active ownership defined**
The practice of engaging in a dialogue with issuers on responsible investing topics and exercising voting rights to advocate for change.

We believe taking responsibility as an investor also means being a truly active owner, not just as a shareholder but as a financier more broadly. We aspire to influence change by engaging in dialogue with issuers, either bilaterally or as part of an investor consortium. This dialogue can provide opportunities to highlight ESG risks, educate management on sustainability concerns, promote growth in sustainable business lines and advocate for changes that align with responsible investment priorities and client standards. Successful engagement can create new investment opportunities.

**Reasons for engagement**
- Exercise our stewardship responsibilities on behalf of our clients;
- Better understand the companies we invest in;
- Monitor, manage and work to mitigate investment risk;
- Fulfil client expectations with respect to their policies and standards;
- Attempt to maximize positive ESG outcomes.

Further details of our approach are outlined in our Active Ownership Policy.
Responsible investment capabilities

Our responsible investment capabilities are segmented into four primary categories: exclusions, best-in-class ESG, sustainability-themed and impact investments. These serve as building blocks that can be combined to create customized client strategies.

### Exclusions

Utilize negative screening to avoid certain sectors, companies or practices based on specific ESG criteria.

### Best-in-class ESG

Seek to outperform by emphasizing positive selection of issuers with better or improving ESG profiles.

### Sustainability-themed

Focus on issuers aligned with sustainability themes in an effort to generate competitive returns over the long term.

### Impact investing

Pursue financial returns alongside measurable positive social and/or environmental impact.

**Exclusions**

Aegon AM offers exclusionary screening according to legal requirements and client preferences. We act on mandates to exclude certain sectors or companies whose activities are considered incompatible with our clients’ values. Notably, our affiliated clients require ESG-related exclusions in the management of their proprietary assets so over half of the assets we manage are subject to customized exclusion lists mandated by several different clients.

**Best-in-class ESG Solutions**

A significant and growing body of academic research demonstrates that good ESG practices can enhance corporate financial performance in the long term. This value can manifest itself in the form of lower cost of and access to capital, better operational performance, reduced reputational risks and in turn, potentially superior long-term returns. The shift toward sustainable business practices presents interesting investment opportunities. Best-in-class strategies are usually based on research undertaken as part of our ESG integration process. It focuses on mitigating ESG-related risk through the positive selection of issuers applying better or improving operational sustainability practices relative to their peers.

**Sustainability-themed Solutions**

There is an evolution in sustainability-themed products and services, enticing a growing number of companies to provide solutions to key sustainability challenges. We believe this also presents compelling investment opportunities and may generate better returns while contributing to a more sustainable world.

Our sustainability-themed strategies center around a set of investment opportunities contributing to one or more sustainability challenges or trends. Our dedicated Responsible Investment team leads the development of their methodology and advises on the determination of their investment universe. The processes for these activities vary according to asset class, but usually involve a committee or discussion group chaired by an RI team member to help ensure consistency and credibility of the strategy’s sustainability proposition.

**Impact Investing Solutions**

We develop impact investment strategies to align investments with sustainability goals and use capital to help drive environmental and social impact. Our approach builds on two key characteristics: ex-ante intentionality, whereby we outline the intended positive environmental or social impact as part of the investment decision-making process; and ex-post measurement, which consists of monitoring our progress, measuring and reporting impact after the investment is made.
Our commitment to responsible investment in practice

A dedicated global responsible investment team serves as a company-wide resource to support our RI practices. Team members lend their expertise to ESG integration initiatives, conduct and validate ESG research for certain RI solutions, contribute to product development and lead active ownership activities. Our RI specialists serve as a central resource for responsible investment education, best practices and research.

Furthermore, we have taken several organizational steps to support our commitment, including:

- Ensuring our investment teams have access to high quality, broad coverage, specialist ESG data services. Given the diversity of research methodologies on the market, we aim to maintain access to different views to inform our own in-house assessments;
- Providing our staff access to appropriate RI and ESG training for their specific function, encouraging personal development and a corporate culture conducive to best RI practices;
- Supporting investment and academic research to further develop our approach to RI and for the benefit of the investment industry more broadly;
- Collaborating with other investors, industry associations, regulators and stakeholders where possible to exchange best practices, create market standards, develop new solutions and shape RI regulation;
- Maintaining transparency with respect to our RI activities through external reporting.
Disclosures

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