

Aegon Asset Management UK plc Sustainability Risks and Impacts Policy

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 policy lays out the framework through which Aegon Asset Management UK plc ('AAM UK') integrates sustainability considerations into its investment management activities. The [Aegon AM Responsible Investment Framework](#) and [Active Ownership Policy](#) act as important reference documents for this policy, remaining consistent with the key principles of those documents.

This policy reflects key external standards in Responsible Investment. Specifically, it describes how AAM UK considers sustainability risks in its investment activities, and its approach to managing and mitigating adverse impacts of investments on sustainability factors. Next to that, it describes how AAM UK manages those adverse impacts through screening, exclusion and engagement (and voting) on holdings.

The policy draws from international standards and codes of conduct such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises and its associated Guidelines for Institutional Investors.

We refer to the fund prospectus and supporting documentation for additional information on how specific funds achieve ESG Integration, address principal adverse impacts, and to what extent and how these funds promote ESG characteristics or have a sustainable objective.

This policy applies to all funds managed or sub-advised by AAM UK. This policy does not apply to investment advice provided by AAM UK or to client segregated mandates.

Definitions

- **'ESG Factors'** are environmental, social and governance factors.
- **'Sustainability Risk'** is an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.
- **'ESG Integration'** is the process of systematically considering financially material Sustainability Risks in the investment process as part of a holistic analysis.
- **'Adverse Impacts'** are the potential or actual negative impacts of investment decisions on sustainability factors (such as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters).
- **'Engagement'** is the process of entering into a dialogue with issuers to exercise one's influence as an investor, with the aim of reducing sustainability risks or mitigating adverse impacts.
- **'Exclusion'** is the removal of securities from the investment universe, or the set of securities in which relevant funds are allowed to invest.

Consideration of Sustainability Risks

As active investors, we aim to assess how ESG Factors may influence the financial performance of all of our investments. Consideration of ESG Factors is embedded in our investment process and helps us identify material Sustainability Risks and to uncover opportunities. Aegon AM's global approach to ESG integration and Responsible Investing more generally is further described in the [Aegon AM Responsible Investment Framework](#).

Sustainability risks are systematically considered in our bottom-up research process. We aim to build our own in-house view of the Sustainability Risk profiles of investments or issuers, using a combination of internal and external data sources.

Where the sustainability risks of an investment are considered high or poorly managed, we aim to exercise our influence as an investor through active ownership to mitigate such risks. These activities are carried out in line with the [Aegon AM Active Ownership Policy](#), which governs our firm-wide engagement and voting activities. Ultimately, if a sustainability risk outweighs the other investment factors applicable to an investment, or is inconsistent with our portfolio mandate, we may choose not to invest or to divest from an existing holding.

A small proportion of our strategies take short positions. We integrate ESG factors into our investment decision on short positions just as we do on long positions. Where shorting forms part of an investment mandate, it can be used to implement our ESG (and other) investment convictions.

Identification and Avoidance of Adverse Impacts: Exclusion and Watch Lists

Where we identify issuers engaging in activities or practices that we consider to have significant adverse impacts on society or the environment, we place them on either the Exclusion List or the Watch List. We identify and prioritize such significant adverse impacts using the criteria outlined in Appendix A. These criteria are reviewed periodically to ensure the prioritization remains appropriate.

Following identification, we avoid these significant adverse impacts by not investing in securities issued by the entities listed on the Exclusion List. Investment in securities issued by the entities listed in the Watch List is only permitted following enhanced due diligence with a pre-order justification signed off by the Head of Equity UK (for equity investments), the Head of Fixed Income UK (for fixed income), the Head of Multi-Asset UK or their delegates. Following a decision to invest in a security issued by an entity on the Watch List, the relevant investment control committee is informed ex-post and will consider, in each meeting, whether the Watch List investments remain acceptable. The Exclusion and Watch Lists may be found in Appendix B.

The Watch List is not applicable to short positions: we may take short positions in securities issued by Watch List entities without applying the restrictions or additional approvals set out above. We do not take any position, short or long, in issuers on our Exclusion List. The relevant Investment Control Committee will annually review and consider the Watch List and Exclusion List.

Identification and Mitigation of Adverse Impacts: Engagement and Voting

Where we identify issuers engaging in activities or practices that we consider to have other adverse impacts on society or the environment, we seek to use our influence as bondholder or shareholder to enact change and help mitigate such impacts. We identify such impacts by monitoring our portfolios against the criteria outlined in Appendix C.

Engagement with the issuers identified is conducted by a combination of portfolio managers, research analysts and the Responsible Investing team. Securities issued by corporate issuers and held in funds managed or sub-advised by AAM UK are screened annually against the adverse impact indicators in Appendix C, and engagements are prioritized with companies whose adverse impacts we consider to be most material and who demonstrate poor sustainability performance. These activities are broadly governed by the [Aegon AM Active Ownership Policy](#).

Where engagement with an issuer is deemed to be ineffective, we may escalate in accordance with the Aegon AM Active Ownership Policy. Ultimately, if a sustainability risk or adverse impact outweighs the other investment factors applicable to an investment, or is inconsistent with our portfolio mandate, we may add the issuer to the Watch List.

Reporting

To provide clients with insights into the adverse impacts associated with their portfolio, as well as how adverse impacts and sustainability risks are being managed and mitigated, we report on these topics annually in the [Aegon AM Active Ownership Report](#). In line with the Active Ownership Policy and related regulations, voting activity is reported on the Aegon AM website.

Appendix A. Exclusion and Watch List Criteria

Exclusion List criteria

Controversial weapons and controversial arms trade

- We exclude companies involved in development, production, maintenance and trade of:
 - Anti-personnel mines;
 - Biological or chemical weapons;
 - Cluster munitions;
 - Ammunitions containing depleted uranium.
- Based on international agreements established in the Non-Proliferation Treaty signed by 189 countries, the only states allowed to possess nuclear weapons are the United States, the United Kingdom, France, Russia and China. We do not invest in companies involved in the production and maintenance of nuclear weapons for any other country;
- Companies that produce or develop key and dedicated components for controversial weapons, as listed above, or offer essential services for their use;
- Companies involved in controversial arms trade to countries where an arms embargo by the United Nations Security Council, the European Union or the United States is in place, or under any other relevant multilateral arms embargo;
- Companies that hold a stake of 20% or more in, or are currently 50% or more owned by, a company that is involved in controversial weapons based on the above criteria are also excluded;
- We also exclude investments in any form of government-issued debt from countries that are under an arms embargo of the United Nations, the European Union, or the United States from our investible universe.

Watch List criteria

Climate change

- Companies that derive 30% or more of their revenue from the exploration, mining or refining of thermal coal. The proportion of revenue threshold will decline to 10% in 2027 and 5% in 2029;
- Companies that produce more than 20 million tons of thermal coal annually and are actively expanding exploration, mining or refining operations;
- Companies that own coal-fired electricity generation capacity greater than 10 gigawatts and are actively expanding coal-fired electricity production capacity;
- Companies that derive 30% or more of their total oil equivalent production from oil sands;
- Companies building or operating pipelines that significantly facilitate export of oil extracted from oil sands.

Human rights

- Investments in any form of government-issued debt (e.g. government bonds) from countries whose governments systematically breach human rights.

Tobacco

- Companies that derive 5% or more of their revenues from tobacco production

Appendix B. Exclusion and Watch Lists

Exclusion List

Weapons & arms trade

Companies associated with controversial weapons

1. Aerospace Long-March International Trade Co., Ltd.
2. Aeroteh SA
3. Air Weapons Complex
4. Anhui GreatWall Military Industry Co., Ltd.
5. Arab Organisation for Industrialization
6. Avibras Industria Aeroespacial S/A.
7. Cia Nationala ROMARM SA
8. Global Industrial & Defence Solutions
9. Hanwha Corp
10. Israel Aerospace Industries Ltd.
11. Kaha Company for Chemical Industries
12. LIG Corp.
13. LIG Nex1 Co Ltd
14. National Development Complex
15. Nityanand Udyog Pvt Ltd.
16. Poongsan Corporation
17. Poongsan Holdings Corporation
18. Roketsan Roket Sanayii ve Ticaret AS
19. Rosoboronexport JSC
20. Rostec Corporation
21. S&T Dynamics Co. Ltd.
22. S&T Holdings Co., Ltd.
23. Splav State Research & Production Association Fsue
24. Synthetic Moulders Ltd.
25. Tasko Corp.
26. China North Industries Corp.
27. Defense Industries Organisation
28. Makina Ve Kimya Endustrisi Kurumu
29. Mil-spec Industries Corp
30. Ordtech Military Industries (OMI)
31. Pakistan Ordnance Factories
32. The Day & Zimmermann Group, Inc.
33. The Indian Ordnance Factories Organisation
34. Yugoimport-SDPR
35. Aerojet Rocketdyne Holdings Inc
36. China Aerospace Science & Technology Corp.
37. China Spacesat Co Ltd
38. Tactical Missiles Corp. JSC
39. Defense Research & Development Organisation
40. National Engineering & Scientific Commission
41. Orbital ATK Inc
42. CSRA Inc.
43. General Dynamics Ordnance and Tactical Systems Munition Services
44. Northrop Grumman Corp.
45. Northrop Grumman Systems Corp.
46. Force Protection Inc.
47. General Dynamics Corp

48. Abdul Qader Khan Research Laboratories (AQKRL)
49. Bharat Dynamics Limited
50. L&T Finance Holdings Ltd
51. L&T Technology Services Ltd.
52. Larsen & Toubro Infotech Limited
53. Larsen & Toubro Limited
54. MindTree Limited
55. Nelco Ltd.
56. Walchandnagar Industries Ltd.
57. The Tata Power Company Limited.

Watch List

Climate change

Companies involved in thermal coal

1. Adani Power Ltd.
2. Agritrade Resources Ltd.
3. Alliance Holdings GP LP
4. Alliance Resource Partners LP
5. Anhui Hengyuan Coal Industry & Electricity Power Co., Ltd.
6. Arch Resources, Inc.
7. Banpu Public Co. Ltd.
8. Beijing Energy Investment Holding Co., Ltd.
9. Beijing Energy Investment Holdings Ltd.
10. Beijing Haohua Energy Resource Co., Ltd.
11. Bisichi Plc
12. China Coal Energy Co., Ltd.
13. China Coal Xinji Energy Co Ltd
14. China Datang Co., Ltd.
15. China Huadian Corp. Ltd.
16. China Huaneng Group Co., Ltd.
17. China Power International Development Ltd.
18. China Power International Holding Ltd.
19. China Qinfa Group Ltd.
20. China Resources Power Holdings Co. Ltd.
21. China Shenhua Energy Co Ltd
22. China Shenhua Overseas Capital Co. Ltd.
23. Cloud Peak Energy Inc.
24. Coal India Limited
25. CONSOL Energy Inc.
26. Datang International Power Generation Co., Ltd.
27. Datong Coal Industry Co Ltd
28. Datong Coal Mine Group Co., Ltd.
29. En+ Group International PJSC
30. Energy Earth Public Co., Ltd.
31. Eskom Holdings SOC Limited
32. Eterna Capital Pte Ltd.
33. Eurasian Natural Resources Corp Ltd.
34. Exxaro Resources Ltd
35. Foresight Energy LP
36. GD Power Development Co., Ltd
37. Geo Coal International Pte Ltd.
38. Geo Energy Resources Ltd
39. Golden Energy & Resources Ltd.

40. Guangdong Electric Power Development Co. Ltd.
41. Guizhou Panjiang Refined Coal Co., Ltd.
42. Gujarat Mineral Development Corp. Ltd.
43. Hallador Energy Co.
44. Hebei Construction Group Co. Ltd.
45. Henan Dayou Energy Co Ltd
46. Huaneng Power International, Inc.
47. Huolinhe Opencut Coal Industry Corp. Ltd. of Inner Mongolia
48. Ichor Coal NV
49. Ikwezi Mining Ltd
50. Indika Energy Capital III Pte. Ltd.
51. Indo Energy Finance II BV
52. Inner Mongolia PingZhuang Energy Resources Co.,Ltd
53. Inner Mongolia Yitai Coal Co.,Ltd.
54. Intra Energy Corp. Ltd.
55. JERA Co., Inc.
56. Jiangsu Guoxin Corp. Ltd.
57. Jinneng Group Co., Ltd.
58. Jizhong Energy Resources Co., Ltd
59. Kangaroo Resources Ltd.
60. Kinetic Mines & Energy Ltd.
61. Korea Electric Power Corporation
62. Korea Midland Power Co., Ltd.
63. Korea South-East Power Co., Ltd.
64. Korea Southern Power Co., Ltd.
65. Kuzbasskaya Toplivnaya Kompaniya PJSC
66. Lubelski Wegiel Bogdanka SA
67. Murray Energy Corp.
68. NACCO Industries Inc
69. Nan Resources Enterprise Ltd.
70. Navajo Transitional Energy Co. LLC
71. New Hope Corp. Ltd.
72. NLC India Ltd.
73. NTPC Limited
74. Pardee Resources Co.
75. Peabody Energy Corp.
76. PGE Górnictwo i Energetyka Konwencjonalna SA
77. PGE Polska Grupa Energetyczna SA
78. PGE Sweden AB
79. Pingdingshan Tianan Coal Mining Co., Ltd.
80. PT ABM Investama Tbk
81. PT Adaro Energy Tbk
82. PT Adaro Indonesia
83. PT Atlas Resources Tbk
84. PT Baramulti Suksessarana Tbk
85. PT Bayan Resources Tbk
86. PT Bukit Asam Tbk
87. PT Bumi Resources Tbk
88. PT Dian Swastatika Sentosa Tbk
89. PT Eksploitasi Energi Indonesia Tbk
90. PT Golden Eagle Energy Tbk
91. PT Harum Energy Tbk
92. PT Indika Energy Tbk

93. PT Indo Tambangraya Megah Tbk
94. PT Mitrabara Adiperdana Tbk
95. PT Perusahaan Listrik Negara (Persero)
96. PT Perusahaan Listrik Negara (Persero) Cilegon
97. PT Resource Alam Indonesia Tbk
98. PT Sinar Mas Group
99. PT Toba Bara Sejahtera Tbk
100. PT Trada Alam Minera Tbk
101. Public Power Corp. SA
102. Rhino Resource Partners LP
103. Samruk-Energy JSC
104. Sasol Financing International Plc
105. Sasol Financing USA LLC
106. Sasol Ltd.
107. SDIC Power Holdings CO., LTD.
108. SDS-Ugol Holding Co OAO
109. Semirara Mining & Power Corp.
110. Shaanxi Coal & Chemical Industry Group Co., Ltd.
111. Shaanxi Coal Industry Co., Ltd.
112. Shaanxi Investment Group Co. Ltd.
113. Shandong Energy Group Co., Ltd.
114. Shanghai Datun Energy Resources Co., Ltd.
115. Shanxi Coal International Energy Group Co Ltd
116. Shanxi Coking Co., Ltd.
117. Shanxi Coking Coal Group Co. Ltd.
118. Shanxi Lanhua Sci-Tech Venture Co Ltd
119. Shanxi Lu'an Environmental Energy Development Co Ltd
120. Shanxi Lu'An Mining Industry Group Co., Ltd.
121. Southstone Minerals Ltd.
122. SPIC 2016 US Dollar Bond Co. Ltd.
123. SPIC 2018 USD Senior Perpetual Bond Co. Ltd.
124. State Power Investment Corp., Ltd.
125. Sundiro Holding Co Ltd
126. TerraCom Ltd
127. The Lanna Resources Public Co., Ltd.
128. Turkish Coal Enterprise
129. United Co. RUSAL Plc
130. Universal Coal PLC
131. Vinacomin - Mong Duong Coal JSC
132. Vinacomin - Vang Danh Coal JSC
133. Vinacomin Cao Son Coal JSC
134. Vinacomin Coc Sau Coal JSC
135. Vinacomin Deo Nai Coal JSC
136. Vinacomin Nui Beo Coal JSC
137. Vinacomin-Ha Tu Coal JSC
138. Washington H. Soul Pattinson & Co. Ltd.
139. Wescoal Holdings Ltd
140. Westmoreland Coal Co.
141. Westmoreland Resource Partners, LP
142. White Energy Co Ltd
143. Whitehaven Coal Ltd
144. Yancoal Australia Ltd
145. Yancoal International Resources Development Co., Ltd.

146. Yangquan Coal Industry (Group) Co., Ltd.
147. Yankuang Group Co., Ltd.
148. Yanzhou Coal Mining Co Ltd
149. Zhejiang Energy Group Co., Ltd.
150. Zhejiang Southeast Electric Power Co., Ltd.
151. Zhejiang Zheneng Electric Power Co Ltd
152. Zhengzhou Coal Industry & Electric Power Co., Ltd.

Companies involved in oil sands extraction and transportation

1. Athabasca Oil Corp.
2. Canadian Natural Resources Ltd.
3. Canadian Oil Sands Ltd.
4. Cenovus Energy Inc.
5. Connacher Oil & Gas Ltd.
6. Husky Energy Inc.
7. Imperial Oil Ltd
8. Japan Petroleum Exploration Co., Ltd.
9. MEG Energy Corp.
10. Pengrowth Energy Corp.
11. Petro-Canada
12. Suncor Energy Inc.
13. Suncor Energy Ventures Holding Corporation
14. Sunshine Oilsands Ltd.
15. Teck Resources Ltd
16. Columbia Pipeline Group, Inc.
17. Enbridge Energy Management, L.L.C.
18. Enbridge Energy Partners, L.P.
19. Enbridge Gas, Inc.
20. Enbridge Inc
21. Enbridge Income Fund Holdings Inc
22. Enbridge Pipelines, Inc.
23. NOVA Gas Transmission Ltd.
24. Sabal Trail Transmission LLC
25. Spectra Energy Corp.
26. Spectra Energy Partners, LP
27. TC Energy Corp.
28. TC PipeLines, LP
29. TransCanada Pipelines Ltd.
30. TransCanada Trust
31. Union Gas Ltd.
32. Westcoast Energy, Inc.

Tobacco

Companies involved in tobacco production

1. 22nd Century Group Inc
2. Al-Eqbal Co. for Investment Plc
3. Altria Group Inc.
4. B.A.T. Capital Corp.
5. B.A.T. International Finance p.l.c.
6. BADECO ADRIA dd
7. BOTS, Inc.
8. British American Tobacco
9. British American Tobacco Bangladesh Co.
10. British American Tobacco Chile Operaciones S.A.
11. British American Tobacco Holdings (The Netherlands) B.V.
12. British American Tobacco Kenya Ltd.
13. British American Tobacco Malaysia Bhd.
14. British American Tobacco Uganda Ltd.
15. British American Tobacco Zambia Plc
16. British American Tobacco Zimbabwe Ltd.
17. British American Tobacco p.l.c.
18. Bulgartabac Holding AD
19. CTO Public Co. Ltd.
20. Ceylon Tobacco Co PLC
21. China Flavors & Fragrances Co. Ltd.
22. Coka Duvanska Industrija AD
23. Duvanska Industrija a.d. Bujanovac
24. Eastern Co. (Egypt)
25. Goce Delchev-Bulgartabak AD
26. Godfrey Phillips India Ltd.
27. Golden Tobacco Ltd
28. Gotse Delchev Tabac AD
29. ITC Ltd.
30. Imperial Brands Finance Plc
31. Imperial Brands PLC
32. JT International Financial Services BV
33. Japan Tobacco Inc.
34. Jerusalem Cigarette co. LTD.
35. KT&G Corp
36. Karelia Tobacco Co., Inc.
37. Khyber Tobacco Co Ltd
38. NTC Industries Ltd
39. Ngan Son JSC
40. Nikotiana BT Holding AD
41. PT Bentoel International Investama Tbk
42. PT Gudang Garam Tbk
43. PT Hanjaya Mandala Sampoerna Tbk
44. PT Indonesian Tobacco Tbk
45. PT Wismilak Inti Makmur Tbk
46. Pakistan Tobacco Co. Ltd.
47. Philip Morris (Pakistan) Ltd.
48. Philip Morris CR a.s.
49. Philip Morris International Inc.
50. Philip Morris Operations AD
51. Pyxus International Inc

52. Reinet Investments S.C.A.
53. Reynolds American Inc.
54. SITAB
55. Scandinavian Tobacco Group A/S
56. Shanghai Industrial Holdings Ltd.
57. Sinnar Bidi Udyog Ltd.
58. Slantse Stara Zagora Tabac AD
59. Souza Cruz S.A.
60. Standard Diversified, Inc.
61. Swedish Match AB
62. Tanzania Cigarette Co. Ltd.
63. Tian Chang Group Holdings Ltd.
64. Turning Point Brands Inc
65. Tutunski Kombinat AD Prilep
66. Union Investment Corp.
67. Union Tobacco & Cigarette Industries Co
68. Universal Corp
69. VPR Brands LP
70. VST Industries Ltd.
71. Vapor Group, Inc.
72. VaporBrands International Inc
73. Vector Group Ltd
74. Wee-Cig International Corp
75. West Indian Tobacco Co. Ltd..

Countries

Government bonds and other government debt

1. Belarus
2. Central African Republic
3. Democratic Republic of Congo
4. Eritrea
5. Iran
6. Libya
7. Myanmar
8. North Korea
9. Russia
10. Somalia
11. Sudan
12. South Sudan
13. Syria
14. Venezuela
15. Zimbabwe

Appendix C. Engagement Criteria

1. **Greenhouse Gas emissions:** issuers with high levels of scope 1, 2 and 3 emissions, with a particular focus on issuers with poor disclosures or without credible plans for reduction
2. **Biodiversity:** issuers undertaking activities with high risk of significant harm to biodiversity, including but not limited to energy, mining, agriculture, forestry
3. **Water:** issuers highly dependent on the use of fresh water or located in areas of high water stress
4. **Waste:** issuers with potential for high levels of hazardous waste
5. **Social and employee matters:** issuers with poor governance practices, including but not limited to board oversight, remuneration and human capital management