

AEGON INSIGHTS

Understanding Ethical Investing

Your values. Your investments.

In a world facing complex social, environmental, and governance challenges, investors are increasingly looking to align their financial goals with their values. This article explores the fundamentals of ethical funds and reveals how our specialised investment solutions combine client-led ethical exclusions with rigorous stock selection to construct true and transparent responsible investment (RI) portfolios.

Ethical investing goes beyond traditional financial metrics. It incorporates a deeper consideration of the impacts and implications of investment decisions, aligning investments with clients' values. This approach promotes corporate social responsibility by considering environmental, social, and governance (ESG) factors alongside financial performance.

Ethical investing avoids controversial areas like gambling, tobacco and alcohol amongst others (see [screening policy](#) for more details), meaning investors can rest assured that their savings are not associated with these sectors. This approach aligns with specific client preferences but may not suit everyone's investment goals. Some investors prefer to invest in these industries to influence how their investments generate returns.

The results of excluding sectors that are deemed to be harmful to the environment or society means that an ethical fund invests in companies that are naturally better in terms of environmental practices and a fairer, more inclusive future, while still aiming for competitive financial returns.



Miranda Beacham
Head of UK
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Miranda Beacham is Head of UK Responsible Investment. She is responsible for ESG integration, voting and engagement. Her role involves overseeing the environmental, social and governance research process for ethical and sustainable funds. She also oversees the stewardship activities, supports the ESG integration processes and further research in ESG issues for all equity investments across the firm.



A total of 68% of people are uncomfortable investing in companies that damage the environment

UK Sustainable Investment and Finance Association's Good Money Week Survey 2024

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Aegon Asset Management is the global investment management brand of Aegon Ltd. See disclosures for more detail.

Key features of our ethical funds

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|--------------------------------|---|
| Exclusionary screening: | ▪ exclude investments in industries that conflict with clients' ethical standards * |
| Positive outcomes: | ▪ consequently, this leads to investment in companies that have positive sustainable attributes including employee welfare and responsible governance. |
| ESG integration: | ▪ integrate ESG factors into our investment analysis to manage risk and identify opportunities. |
| Active ownership: | ▪ vote on all equity holdings and engage with companies to encourage better ESG practices.
▪ we conduct a formal review of our ethical criteria every two years to ensure our client's values and preferences are reflected. |
| Transparency: | ▪ regular updates on the financial performance of your investments and how they align with our ethical standards. |

* Full exclusion criteria available at: www.aegonam.com/esg-screening-policy

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Is the world a better place because of this company?

Our approach

Our ethical investing approach is built on a clear and simple foundation: we apply specific exclusions based on defined ethical criteria, which has been guided by client preferences. This process results in a portfolio with lower carbon metrics, not because we actively seek 'green' companies but as a natural consequence of our exclusions.

Furthermore, our experienced team engages actively with companies on material ESG issues and exercises voting rights on all equity holdings, aiming to encourage better practices. This approach helps to manage regulatory and reputational risk and, we believe, contributes to long term value creation for shareholders.

We have succeeded in securing commitments from companies to improve labour rights, animal welfare and environmental practices.

We launched our first **Ethical Equity Fund** in 1989 and have since expanded our range to include an **Ethical Corporate Bond** and **Ethical Cautious Managed Fund**. Today our ethical range is characterised by clear client-led exclusions and remains popular with investors who want to avoid certain companies and sectors.

We conduct a formal review of our ethical criteria every two years. Access the survey [here](#).

Potential benefits



Competitive financial returns: Companies with strong ESG practices can manage risk better and show long-term resilience, potentially leading to sustained financial performance.



Positive outcomes: Our screening process results in lower exposure to high carbon industries.



Social responsibility: Companies with favourable ESG practices are likely to demonstrate strong labour standards, diversity, inclusion and community engagement, thus contributing positively to society.



Alignment with personal values: Our ethical funds allow clients to invest according to their specific ethical criteria while pursuing financial goals.



Influence on corporate behaviour: Our active ownership approach involves engaging with companies on material ESG issues to encourage positive change, within the scope of our ethical criteria.



Risk management: Our ethical screening process aims to exclude companies that may face higher regulatory or reputational risk due to their involvement in certain industries or practices.

Our experience

At Aegon Asset Management we are committed to active, engaged and responsible investing. With over 35 years of experience managing specialist responsible investment portfolios, we provide solutions for investors who wish to invest ethically and sustainably.

Our team has remained at the forefront of ethical investment, developing new approaches such as engagement, thematic investment and integration analysis to complement traditional positive outcomes and exclusionary screening.

Conclusion

In an increasingly complex financial landscape, our ethical investment approach stands out for its clarity and simplicity. We offer a straightforward proposition: a rigorous screening process that excludes companies involved in activities that many consider contrary to their values.

This approach results in a portfolio that looks different from broad market indices. While we don't actively seek out specific industries, our screening typically leads to lower exposure to high-carbon sectors and reduced involvement in other controversial areas.


Our commitment extends beyond screening. We practice active ownership, engaging with companies and issuers on material topics and exercising our voting rights across our equity holdings. This allows us to encourage good corporate practices within the boundaries of our ethical criteria.

Transparency is key to our process. Investors receive regular updates on the performance of their investments and how they align with our ethical standards. This ensures investors can clearly understand where their money is invested and why.

Ultimately, our ethical funds offer investors a way to align their investments with specific ethical criteria while pursuing their financial goals. We don't claim to solve global challenges or drive sustainable outcomes directly, but rather provide carefully constructed investment options for those who wish to avoid exposure to certain industries and practices in their portfolios.

Our experienced team can help you understand if our approach aligns with your investment needs and values.

Your values. Your investments.

 For more information please contact your usual Aegon AM representative or email retailsales@aegonam.com or visit: www.aegonam.com



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