

The UK Stewardship Code 2025 Compliance Statement

April 2025



This report represents the compliance submission of Aegon Asset Management (Aegon AM) for The UK Stewardship Code 2025.

Contents

	Principle	Page
Welcome		3
Purpose and governance	1. Purpose, strategy and culture	4
	2. Governance, resources and incentives	8
	3. Conflicts of interest	12
	4. Promoting well-functioning markets	14
	5. Review and assurance	21
Investment approach	6. Client and beneficiary needs	22
	7. Stewardship, investment and ESG integration	26
	8. Monitoring service providers	35
Engagement	9. Engagement	38
	10. Collaboration	50
	11. Escalation	58
Rights and responsibilities	12. Exercising rights and responsibilities	61
Contacts		66

Welcome

I am pleased to present our 2025 UK Stewardship Report, which offers a focused view of our UK business and its stewardship activities.

This more targeted scope, compared to previous global reports, provides deeper insight into how we are meeting our specific responsibilities for products manufactured in the UK amid heightened market volatility and significant regulatory change.

The UK Stewardship Code, published by the Financial Reporting Council, outlines rigorous standards for how institutional investors should fulfil their stewardship responsibilities. These principles deeply resonate with both our values and commitment to responsible long-term investing.

Stewardship is at the heart of what we do. We have adapted our governance structure and resources to better align with our UK-focused operations while maintaining robust stewardship oversight. These adjustments enable more efficient decision making without compromising the high standards our clients expect.

Throughout 2024, we have actively participated in consultations and industry working groups to help shape finance regulations. Our investment teams have continued to engage with portfolio companies on priority environmental, social and governance (ESG) issues, with particular attention on the most pressing issues of climate change, biodiversity and human rights. Our milestone-based approach tracks how we are progressing in our engagements. During 2024, it helped demonstrate improvement in the quality of our conversations with companies while making our engagement documentation and reporting clearer and more effective.

This report explains how we applied the 12 principles of the Stewardship Code across our UK investment processes, active ownership activities and governance structures from 1 January 2024 to 31 December 2024.

I hope you find it informative and are reassured of our steadfast belief that thoughtful stewardship is fundamental to generating enduring, long-term value for our clients.



Kirstie MacGillivray

CEO

Aegon Asset Management UK

Our 2024 stewardship activities focused on:

- Navigating the new sustainability disclosure requirements
- Engaging with companies on priority ESG issues
- Enhancing our tracking and documenting methodologies
- Strengthening our research capabilities.

Principle 1

Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Our business

As an active investment manager, Aegon Asset Management UK (Aegon AM UK) manages and advises on assets of £35 billion (as at 31 December 2024). Our 273 employees, including 77 investment professionals, serve a client base of pension plans, public funds, insurance companies, banks, wealth managers, family offices, charities and individuals.

We organise our investment capabilities around three focused investment platforms, where we have extensive asset-class expertise: fixed income, equities and multi-asset & solutions. Each platform has dedicated teams committed to maximising their specialist areas, including responsible investing, credit research and multi-asset management.

We believe in fundamental, research-driven active management, underpinned by effective risk management and a commitment to responsible investment. Our investment platforms have the flexibility to organise their resources and processes to best suit their area of focus.

We are part of a global business with 1,127 employees across Europe, the Americas and Asia. Globally, Aegon Asset Management manages and advises on £274 billion.

Aegon Asset Management comprises entities that are wholly or partially owned subsidiaries of Aegon Ltd., one of the world's leading financial services businesses. Aegon Ltd. is a public company listed on Euronext Amsterdam and the New York Stock Exchange.



Our purpose

Through active and engaged investment management, we strive to help people achieve their financial goals while cultivating a vibrant, sustainable world for all. We are dedicated to integrating responsible investment practices across our operations, aiming to secure a prosperous long-term future for our clients and society.

While our organisation evolves to meet the challenges of changing markets, we remain committed to:

- Delivering the highest-quality investment solutions to our clients
- Pursuing competitive long-term results through active investment management
- Providing our employees with fulfilling and rewarding careers in a safe, inclusive and diverse workplace
- Being a force for good through responsible investing and sustainable business practices.



Our culture

For over 180 years, Aegon has been evolving its insurance and investment businesses, expanding its knowledge, broadening its horizons and seeking opportunities for clients.

Today, Aegon AM UK is a vibrant, diverse and inclusive investment business. We embrace different backgrounds, ideas and ways of thinking. We are positive and outward-looking, with a shared responsibility to our clients, the environment and the communities where we live, work and invest.

Investment capabilities

Stephen Jones, Global Chief Investment Officer (CIO) heads up our investment platforms and is a member of Aegon Asset Management's Global Management Board.

Investment platforms	Assets under management	Capabilities
 Fixed Income	£17.4 billion	<ul style="list-style-type: none">▪ Structured finance▪ Core fixed income▪ Leveraged finance▪ Responsible investment solutions
 Equities and Multi-Asset	£16.7 billion	<ul style="list-style-type: none">▪ ESG▪ Income▪ Specialist▪ Sustainable diversified growth▪ Diversified income▪ Investment solutions

As at 31 December 2024. Assets under management/advisement exclude joint venture assets. Multi-Asset include equity, fixed income and real assets allocations within multi-asset portfolios, including those sub-advised to specialist investment platforms.

Responsible investment

At 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. Our responsible investment approach consists of three pillars.



Our responsible investment capabilities

We segment our responsible investment capabilities into five categories.



Exclusions and ethical: Identify companies to exclude usually based on their activities and led by client preferences.

Best-in-class ESG: Select companies with relatively superior ESG profiles based on financially material ESG issues.

Climate: Select companies better prepared to manage climate risks.

Sustainable: Select companies better aligned to sustainable economic activities or the UN Sustainable Development Goals.

Impact investment*: Select projects, borrowers or issuers able to demonstrate measurable social or environmental impact.

*These capabilities are advised and/or sub-advised by Aegon AM NL.

Our responsible investment guiding principles

Responsible investment can align with the interests of clients	As stewards of our clients' capital, we believe it is prudent to consider all relevant material risks and opportunities, including those presented by ESG issues, as part of our comprehensive company research. With a focus on long-term results, we use responsible investment practices to manage clients' assets in accordance with specific mandates to support a holistic understanding of the investments we make on their behalf.
Responsible investment can contribute to long-term value	A 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 investment returns.
Environmental and social risks can be material investment risks	<p>External risks such as natural disasters and pandemics can disrupt industries and threaten business models. Failure to effectively manage these risks can lead to a range of financial, legal and reputational consequences.</p> <p>A company's ability to mitigate such risks can profoundly affect its ability to create and sustain long-term value.</p>
Integrating ESG factors can help uncover opportunities	<p>We believe it is important to form a holistic view of investment opportunities. To analyse future profitability and creditworthiness, we consider financially material ESG factors alongside traditional financial metrics.</p> <p>By considering these factors, we strive to deliver better investment outcomes and long-term performance.</p>
Active ownership is a key aspect of active management¹	Our stewardship ambitions extend beyond today's investment opportunities. 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 maximise our voice.

¹ Active ownership is not applicable to all asset classes or affiliates.

Principle 2

Signatories' governance, resources and incentives support stewardship.

Governance structure

Aegon AM UK's stewardship activities are governed by our [Active Ownership Policy](#), which outlines the processes and standards that we apply to our stewardship activities. It describes how we implement stewardship on behalf of our clients, although this may vary depending on instructions from clients in segregated mandates. This policy has a global focus, with some exceptions based on asset classes and local laws in other business units within the Group.

The Active Ownership Policy is part of a comprehensive framework of relevant policies, which also includes our Conflicts of Interest Policy. This framework collectively guides the implementation of our stewardship with investee companies. Policies applicable to certain Aegon AM UK products contain further details on specific stewardship activities conducted on behalf of these funds. These are publicly available alongside relevant fund documentation. The scope of our active ownership activities extends to investments in all corporate entities that offer securities in public markets, including equities and fixed income instruments.

Material updates to the Active Ownership Policy are approved by Aegon AM's Governance Risk & Compliance Committee and ratified by the Aegon AM UK Board for use in the UK business.

Sustainability governance

Ultimate accountability for our stewardship rests at the highest level of management, demonstrating the importance we place on these activities at Aegon AM UK. To ensure that management board members stay well-informed on such matters, we have implemented a governance structure that enables discussions and agreements at lower management levels, which are periodically presented to the Board. By listening to input from representatives across functions who are involved in daily operations, the Board can make more effective and better-informed decisions.

The Aegon AM Sustainability Board has a mandate to advise the Aegon AM Global Management Board and other decision-making committees on sustainability and stewardship-related matters. It comprises representatives from relevant Aegon AM functions, including our investment platforms. These representatives are appointed by each respective member of the Aegon AM Global Management Board to present the diverse views from across all business functions, including data operations, reporting, human resources, investment, commercial and finance teams.

In 2024, as part of their wider considerations, the Sustainability Board discussed a revised strategic plan to reset our sustainability roadmap through to 2028, incorporating climate change, biodiversity, inclusion and diversity, and human rights.

The Sustainability Board reviews the effectiveness of our Active Ownership Policy and its associated policies through policy attestation results, internal audits and compliance reviews, and in the context of evolving market and regulatory expectations. It can then advise and recommend updates to these policies for discussion and approval by the relevant policy owners and governing bodies. We observe a regular two-year policy review cycle, although we can review the policy more frequently based on evolving market, client, and regulatory demand. The policy's latest review took place at the end of 2024, in accordance with the governance outlined herein.

The Aegon AM Sustainability Board also reports to the Aegon Group Sustainability Board, where Aegon AM is represented by the Global CIO, as well as the co-chairs of the Aegon AM Sustainability Board. This representation enables the sharing of best practices by sustainability-focused leaders across all Aegon businesses, ensuring that our approach to stewardship meets the expectations of affiliated clients within the Group.

Resources

Responsibility for the day-to-day implementation of stewardship activities at Aegon AM UK Plc is shared between the Investment and Responsible Investment teams. This ensures an appropriate balance of expertise to form our position on relevant issues where we manage fully discretionary mandates. It also enables the proper sharing of information and the integration of ESG factors and stewardship findings in our investment research.

Engagement activities are, by default, conducted in partnership with investment and responsible investment experts. An investment analyst may conduct engagement on purely financial matters. However, a responsible investment analyst will typically engage on certain ESG issues that may not be immediately financially material. For fully discretionary mandates, voting decisions are typically taken jointly.

Responsible Investment team

At Aegon AM UK, the Responsible Investment team comprises six members, while the global organisation has a total of 20 responsible investment experts. Regular meetings between the UK team and the other experts ensure a consistent approach across the globe and our products.

The UK team members lend their expertise to ESG integration and contribute to the development of responsible investment products. They also lead engagement, voting and sustainability research activities to promote an understanding of ESG issues and serve as a central resource for education and best practice.

The Aegon AM UK Responsible Investment team has an average of 15 years' industry experience, with an average tenure of 10 years with the firm. The team supports and collaborates with investment managers within the Aegon AM UK business across equities, fixed income and multi-asset. The UK-based team also implements clients' responsible investment policies as required by mandates.

The UK team relies on the wider global Responsible Investment team for input into collaborative engagement and to ensure the quality of ESG data and reporting.



Miranda Beacham (pictured), leads the Aegon AM UK team.

Miranda joined the industry and the firm in 1994. Her experience includes leading engagement activities with policymakers and investee companies on issues such as board structure, remuneration, environmental impact and social practice. She is responsible for ESG integration, voting and engagement for the equity and multi-asset investment platforms. She also oversees the sustainability research process for the platforms' sustainable funds. Miranda is the Deputy Chair of the Stewardship Committee and Chair of the Remuneration and Share Schemes Committee at the Investment Association in the UK.

Equity resources

Within our equity strategies, ESG integration and stewardship activities are conducted by both equity professionals and members of the Responsible Investment team. As active equity investors, we integrate financially material ESG factors into our investment decision-making. This strengthens our investment conviction, supports the management of our concentrated equity portfolios and promotes a long-term focus. At the heart of our equity process is teamwork between our portfolio managers and the independent Responsible Investment team.

There are 18 portfolio managers, research analysts and investment specialists supporting the ESG integration process in our equity products, conducting engagement with companies and considering voting decisions. These investment professionals have an average of 13 years of experience at Aegon AM and 22 years in the investment industry.

ESG integration within our equity strategies is overseen by our ESG Integration Working Group, which meets every two months and is chaired by the Head of Equities. The group reviews the implementation of ESG integration in equity analysis to ensure the process is consistently applied. It also reviews instances where our conclusions differ markedly from those of external data providers and identifies areas for improvement. Please see Principle 7 for more detailed information on our ESG integration process.

Fixed income resources

ESG is an integral part of our fixed income investment process and, in particular, our public corporate credit research. The Credit Research team identifies and analyses financially material ESG and traditional economic factors. ESG analysis is included in their standard research reports, which include a dedicated ESG section. This contains a proprietary ESG credit impact categorisation, analyst comments on the main ESG drivers and any engagement recommendations.

In addition, the Responsible Investment team follows up with issuers that pose the highest ESG risks, initiating engagements to understand these risks better and encourage their mitigation or management. The Credit Research team comprises 27 analysts, with an average of nine years' experience with the firm and 15 years' industry experience, as at 31 December 2024.

Multi-asset resources

Our Multi-Asset team oversees the asset allocation framework for its portfolios, leveraging the expertise of our asset class specialists to deliver bottom-up security selection. Asset-class specialists understand the overall objectives of the strategies. Therefore, our default approach is to give them broad latitude to determine security selection and sizing, consistent with each strategy's objective. It is here that we systematically incorporate analysis of financially material environmental and social issues, governance considerations and engagement to help shape our portfolios. At a security level, the Multi-Asset team benefits from the work of our asset-class and responsible investment specialists.

Segregated mandates

In certain instances, we have limited discretion regarding stewardship activities, such as those clients who wish to apply an engagement overlay or conduct their own voting policy. In these cases, the Responsible Investment team is responsible for implementing active ownership activities in accordance with the instructions outlined in the mandates.

Voting decisions in those mandates are taken according to client policies or in consultation with the respective clients.

Training

Investment team members undertake specialised training on responsible investment and ESG matters, with an initial training commitment of at least 8-10 hours. A further 40-50 hours of specialised training is recommended for portfolio managers and research analysts working on our dedicated responsible investment solutions.

Given the lack of consistency and variable quality of specialised external training for ESG activities, the Responsible Investment team offers customised internal training. This consists of e-learning sessions on our in-house systems, complemented by on-the-job training where senior team members accompany junior members through specific stewardship activities. This may include voting recommendations and engagement meetings.

Beginning in September 2023, we launched a comprehensive series of internal webinars focused on responsible investing. The programme consisted of seven insightful sessions conducted by our Responsible Investment team. Each session concluded with questions and answers, allowing attendees to delve deeper into the subject. The goal of these webinars was to enhance our people's understanding of our responsible investing methodology and its pivotal role in our strategy. We archived the sessions on our online learning platform, ensuring access for new staff members and those who were unable to attend. We review and update these sessions as the ESG landscape evolves, most recently adding a session on the regulatory changes of the past few years.

Incentives

Aligning sustainability risks and stewardship activities with remuneration policies is an important component of Aegon AM's compensation. Our remuneration policy reflects our global focus on integrating critical sustainability factors into the variable compensation structure.

The funding of Aegon AM's annual bonus pool is determined by the company's performance against a balanced set of key performance indicators (KPIs). These are set in accordance with the Aegon Group Global Remuneration Framework and are approved by the Aegon Asset Management Remuneration Committee at the outset of the performance period. Our approach ensures an appropriate balance of indicators to reflect a range of relevant stakeholder interests and sustainability. This includes KPIs aligned to delivering financial performance for Aegon AM and its parent company Aegon Limited, and also KPIs indicators measuring the long-term sustainability of business results. Client interests are reflected by measuring one, three and five-year investment performance and client satisfaction. Performance indicators reflecting employee interests are also included.

Our remuneration framework requires that personal performance objectives contain an appropriate mix of financial and non-financial targets that are aligned to our business plans over the short and long term. This ensures performance sustainability and helps us to avoid incentivising excessive risk-taking or other undesirable behaviours. Individual objectives ensure that all associates have a direct line-of-sight to how they contribute to Aegon AM's strategy and sustainability goals. In particular:

- All employees are expected to have personal performance and development goals relevant to their role and career development
- Investment professionals are required to have personal objectives ensuring ESG factors are considered in relation to the risk and return objectives of each fund while adhering to client fiduciary responsibilities
- Executive leadership has individual objectives aligned to the firm's inclusion and diversity strategy and improving employee engagement within the organisation.

Our remuneration policy also includes management assessments, designed to align compensation with the company's risk management and business performance. Such assessments may result in a downward adjustment of any variable compensation grant, allocation, payout or vesting. The assessments specifically include both Malus and Clawback provisions, which are described within the remuneration policy.

Responsible Investment team members involved in stewardship activities have objectives that include targets to ensure stewardship information flows effectively to investment team colleagues, allowing it to be integrated into investment decision-making.

Service providers

Good stewardship requires solid research. We benefit from numerous specialist research providers (ESG, financial and thematic) to inform our stewardship activities, using their inputs in our proprietary research process. We rely on specialised and customisable systems to help us track and monitor our stewardship activity, including FactSet and Aladdin.

Aegon AM UK conducts all engagements in-house, either directly or collaboratively with other asset managers. When making voting decisions, we rely on research from Institutional Shareholder Services (ISS) and the Institutional Voting Information Service (IVIS), which is part of the Investment Association. To implement voting decisions, we use the ISS Proxy Exchange platform. More information on these activities can be found in Principles 9-11.

For certain mandates where we do not have discretion to make voting decisions, we rely on ISS to vote according to predetermined client voting policies. However, the Responsible Investment team still oversees the overall voting activity to ensure it continually meets client instructions.

Principle 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Putting our clients first

Gaining and retaining the trust of our clients is central to Aegon AM UK. This means conducting our business with integrity, fairness, and openness. All Aegon AM UK employees and outsourced service providers must always promote clients' interests, avoiding any actual or perceived personal conflicts of interest.

Managing conflicts of interest

We recognise that potential conflicts of interest with our clients are inherent, due to the dynamic environment in which Aegon AM UK conducts business. Employees must always exercise good judgment to prevent situations that would suggest a conflict of interest. The Aegon AM Conflict of Interest and the Aegon AM Code of Ethics Policies aim to ensure that:

- Aegon AM UK is meeting local regulatory requirements regarding conflicts of interest;
- All material business, client and personal conflicts of interest are either avoided, disclosed or managed effectively through disclosure and appropriate controls.

We provide our people with regular training on our Conflict of Interest and Code of Ethics Policies. Regular second-line monitoring and oversight of the business ensures that our conflicts are managed appropriately. We require all Aegon AM UK employees to read, adhere and attest to our Conflicts of Interest and Code of Ethics Policies.

Our Compliance team administers our Conflicts of Interest and Code of Ethics Policies. Failure by our employees to adhere to our policies may result in a conduct rule breach and subsequent disciplinary action.

Aegon AM UK's senior leadership team is responsible for establishing and promoting a culture of conduct that comports with our policies. These policies are reviewed regularly, as part of the Compliance policy review schedule, to ensure they continue to comply with relevant regulations and meet business and client requirements.

In instances where we are unable to implement sufficient controls that may result in a potential impact on our customers' interests, we will seek to avoid activities that create the conflict or will disclose any material conflicts to our clients. We consider disclosure of conflicts as a last resort and do not rely on this solely as an effective method of managing conflicts of interest.

Any communication will be in a durable format and contain sufficient and clear information, reflecting the nature of the client, to enable the customer to determine if they wish to proceed with the service. We highlight the risks of proceeding, the measures Aegon AM has taken to mitigate these and why these measures have not been effective.

Record keeping

We recognise that a key component of effective stewardship is the management of conflicts of interest. Aegon AM must keep and update a record of the service or activity carried out by or on our behalf, in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen, or, in the case of an ongoing service or activity, may arise.

Aegon AM's conflicts of interest records capture the identified potential conflicts, detailing how we manage the conflict and the control mechanism.

A summary of our conflicts of interest policy is available on our website (www.aegonam.com).

Identifying and managing potential conflicts of interest

We identify conflicts of interest in a range of ways.

- Reporting and challenging through control groups, where conflicts of interest is a standing agenda item
- Employee education and training
- Periodic reviews conducted by our local compliance teams
- Completion of a conflicts of interest attestation by employees, which is designed to capture personal relationships or arrangements in which a conflict could arise

Should conflicts arise with our equity proxy voting process, we escalate the final decision-making on stewardship issues to the Chief Investment Officer. Where decisions deviate from our Active Ownership Policy, we record this and document the rationale for the decision. Our legal and compliance teams may also be consulted as appropriate.

In 2024, no escalation was required to the Chief Investment Officer.

Throughout 2024, we had no material breaches of our Conflicts of Interest and Code of Ethics policies, nor did we identify any unmanaged conflicts.

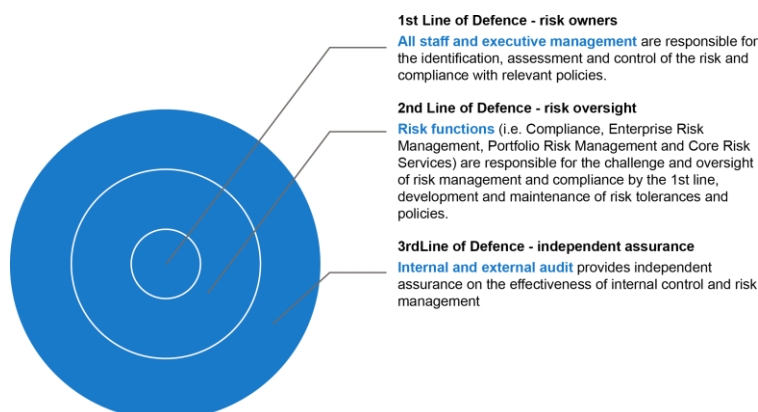
There were examples in 2024 where potential conflicts of interest were recognised and resulted in action being taken to avoid them. These included the following examples.

External Director position held by a staff member in a security owned by clients	A potential conflict on stewardship and investment activities was managed through the enforced segregation of duties, ensuring that we complied with our fiduciary duty to our clients.
Aegon AM held equity holdings in major banks where we have commercial arrangements through firm trade counterparties	<p>Our policies are in place to ensure that stewardship activities are conducted independently, without regard to the extent of the business relationships and without undue influence on matters such as voting decisions.</p> <p>As a result, the Responsible Investment team could take an entirely independent view on the transition strategies that were submitted for shareholder approval over the past year.</p> <p>Each company plan was examined on its own merit and in relation to its alignment with the goals of the Paris Agreement. This meant we abstained from and/or voted against plans where we believed it was in the best interest of our clients. For an example of our engagement with Barclays engagement, please see Principle 10.</p>
Personal account dealing	Staff personal account dealing requests were denied due to open client orders.

Principle 4

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

A well-functioning financial system requires stable and secure market participants. Aegon AM UK is committed to maintaining a strong capital position, being resilient to market stresses, and to honouring our regulatory obligations across the jurisdictions in which we operate.



We achieve this by adopting a 'three lines model' governance framework, which drives our risk culture and ensures effective business control.

Our Aegon AM UK plc Board is accountable for the integrity of our risk and control supervision. It delegates oversight of risks and issues related to Aegon AM UK to the UK Risk Control Committee.

Additionally, the Aegon AM Governance Risk and Compliance Committee (GRCC) oversees and actively monitors Aegon AM's risk-taking and risk management decisions globally. The committee is comprised of members of the Aegon AM Management Board, chaired by the Aegon AM Chief Risk & Compliance Officer (CRCO) and attended by the Aegon AM UK Plc Chief Executive Officer (CEO). It has the authority to adjust risk positions in line with defined risk strategy and risk tolerance. This structure provides a high level of assurance that Aegon AM's risk-taking is in line with the defined risk management and compliance frameworks, which include policies, standards, methodologies, guidelines and other relevant elements.

Risk management at Aegon AM

Our risk function comprises of the following teams:

Portfolio risk management and control	The Portfolio Risk Management team independently identifies and quantifies current and potential risk exposure levels in portfolios and funds. It analyses and reports on exposures to senior management, regulators and Aegon AM's internal governance and control framework. The team also provides risk management services for funds and portfolios, reviewing investment proposals, fund launches, ongoing modelling and monitoring mandate changes. Portfolio Risk and Control specialists are responsible for daily monitoring and reporting of investment risk within our funds and client portfolios, as well as escalating any mandate breaches that may arise.
Operational and model risk management	The Operational Risk Management team assesses operational risks within processes to ensure they are in line with wider Aegon AM and Aegon Group policies and Board-approved risk appetite. It manages risks within tolerance or formally accepts where this cannot be achieved. The team provides timely and high-quality risk advice and reporting. The Model Risk Management team validates that models are designed and operated in line with policy.
Compliance	The Compliance team provides regulatory risk identification, assessment, independent testing, monitoring and reporting to senior management. Risk-based testing and monitoring occur throughout the year in accordance with the priorities identified in the compliance programme. This is set locally, according to local licenses and regulatory priorities, with global coordination.

Bringing our regulators with us

In the UK, we maintain clear dialogue with the Financial Conduct Authority (FCA), our primary regulator. In 2024, this involved initiating proactive discussions about our business model with a focus on our commercial strategy and consumer duty obligations. Such transparent communication with the FCA enables us to affirm our commitment to our clients' interests and align our operations with regulatory expectations.

In addition, we have been actively involved in the consultation process for the Stewardship Code to ensure the best outcomes for our clients and the industry.

Influencing industry bodies

THE
INVESTMENT
ASSOCIATION

Our role in influencing industry standards is varied and tailored to our concerns and relevant shared experiences as a market participant. In the UK, we work as active members on several Investment Association committees, sub-committees, working groups and discussion forums that are relevant to our business. These include the Fixed Income Committee, Stewardship Committee, Sustainability and Responsible Investment Committee, Culture and Conduct working groups, and the Fund Investment Risk Group.



Kirstie MacGillivray (pictured), CEO of Aegon Asset Management UK plc, is on the Board of the Investment Association (IA). There are a number of other colleagues who take active memberships of the committees of the IA such as Adrian Hull as Chair of the Fixed Income Committee and Miranda Beacham as Deputy Chair of Stewardship Committee and Chair of the Remuneration and Share Schemes Committee among others.

Through our participation, we support our trade body in lobbying for more clarity in our industry. We have successfully influenced several consultation papers, including the Sustainability Disclosure Requirements (SDR) as well as contributing to industry responses to pertinent issues, including the Stewardship Code consultation, defence industry and ESG, and the debate around UK PLC remuneration levels and UK market competitiveness. We have found partnering with our trade body to be the most effective way to have our opinions heard.

Operational risk

As an asset manager with limited direct market risk exposures, our most significant risks are operational. The responsibilities of the Operational and Model Risk Management function are to:

- Provide assurance to internal and external stakeholders
- Assess if operational risks are in line with wider Aegon AM and Aegon Group policies and Aegon AM UK Plc Board-approved risk appetite
- Drive appropriate investigation and corrective action when events occur
- Provide timely and high-quality risk advice that is valued by our internal customers and benefits our external clients.

We achieve this through the main operational risk framework elements.

- RCSA: facilitation of risk and control assessments on business units and/or processes, or as a result of material events, including assessment of related control effectiveness. Our bottom-up risk assessment is recorded and rated in our global risk control tool, OneSumX.
- Risk event management: including challenge and advice on corrective actions for errors, as well as monitoring the implementation of mitigating actions.
- Risk identification: involvement in material change projects and new product launches to identify and assess risks related to successful delivery/launch.
- Controls assurance: monitoring the effectiveness of operational controls in support of SOx, ISAE and AAF reporting.
- Scenario analysis: evaluation of low-probability, high-impact events to support risk quantification and capital assessments.
- Reporting: providing risk profile reporting to management and regulators, and participating in governance forums and committees

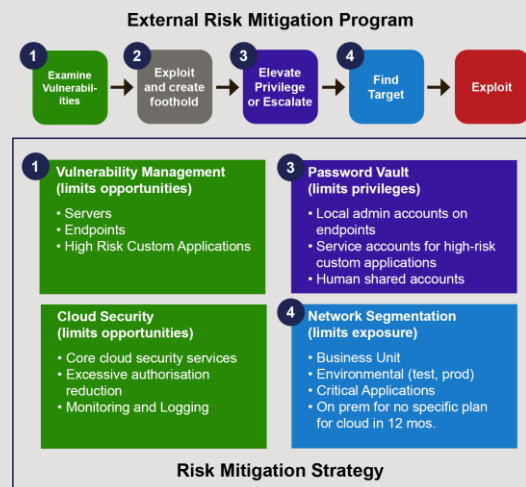
Case study: Management of market-wide risk – evolving cyber threats

As the technological landscape continues to evolve and associated risks increase, cyber security remains a dynamic and critical area of focus for us. Our Risk and Information Security teams collaborate diligently to oversee our enhancements to and investment in our cyber defences. This concerted effort ensures that senior management has visibility of any vulnerabilities in this area, reinforcing our commitment to robust protection.

In the face of increased cyberattacks in recent years, our approach has proven reliable, with Aegon AM and our global network holding firm, and any such attempts successfully blocked.

In terms of internal threats, we have been similarly successful in reducing risks, expanding our data loss prevention toolkit to include the quarantining of potentially sensitive information.

The graphic illustrates our external risk mitigation outlook and the activities/controls we operate to manage these risks. These include controls on vulnerability management, privileged access, cloud security and network segmentation.



Investment risk

Oversight of investment risk begins with the leaders of our investment platforms. They represent the direct managers of our investment teams and the mandates to which they operate. Portfolio risk oversight meetings combine performance and risk analytics, while on-desk challenge sessions by dedicated asset-class risk specialists supplement leadership reviews. This forms the basis of how we fulfil the promises we make to our clients through our mandates, in terms of investment objectives, including any sustainable or ethical commitments we have made. We formalise this through monthly investment risk and control meetings, which inform our quarterly executive risk oversight discussions.

Case study: Market-wide risk – responding to global instability in Europe & the Middle East

As the geopolitical landscape has become increasingly volatile over the past 18 months, we activated crisis management teams at Aegon Group and Aegon AM levels to assess risks and necessary actions across all business activities. From an investment perspective, second-line risk management worked in conjunction with the investment functions, assessing both direct exposure to problematic areas and the potential for contagion to other regions. These included former Soviet bloc countries, the wider Middle East and China/Taiwan.



Additionally, the Portfolio Risk Management (PRM) team conducted a range of stress tests across our estate, applying factors including both direct country exposure and energy market pricing, as well as inflation and weakening GDP growth. This enabled us to proactively assess potential impacts across our portfolio range and feed them into our dialogue with the investment teams.

Case study: Managing systemic risk – responding to the climate emergency

Environmental and responsible investing is a key strategic focus for Aegon AM. This is reflected in our expanded product offerings under the Sustainable Finance Disclosure Regulation (SFDR) with Article 8 or Article 9 status. Article 8 funds promote social and environmental characteristics, and Article 9 funds have a specific objective related to these.

Together with our Responsible Investment team, PRM has implemented a Principal Adverse Impacts (PAI) dashboard. Both portfolio managers and PRM have access to this dashboard to ensure compliance with SFDR and increase awareness and focus on the topic.

The UK Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase the reporting of climate-related financial information. To comply with the first stage of TCFD, the Responsible Investment and PRM teams have collaborated to leverage the available ESG data within Aladdin to provide input for the first client reports under TCFD.

Aegon AM has also implemented Aladdin Climate to help quantify climate risks and opportunities in financial terms for both the first and second lines. For PRM, this will be an addition to the existing toolkit, allowing specific climate-related scenarios to be set up and evaluated. This will evolve to provide deeper analysis of our portfolios and highlight related risks and opportunities.

Equities

Aegon AM's equity platform is based in the UK. We take a long-term view of investing across our equity portfolios, with active management at the core of our approach. As such, we observe market developments and actively identify, assess and manage market-wide and systemic risks across all our equity strategies. These include geopolitical and policy risks at the macroeconomic level and risks in our equity portfolios, such as ESG and liquidity risks.

For several years, market participants and regulators have been particularly focused on market and security-specific liquidity. This is a consequence of crises such as the 2008 Global Financial Crisis (GFC) and the Covid-19 pandemic, which led to heightened liquidity risk and fund-specific liquidity events.

A notable example occurred on 5 August 2024, when short-term market volatility spiked and tested liquidity following the release of weaker US manufacturing and employment data, which sparked fears of recession. This resulted in the CBOE Volatility Index (VIX) soaring, recording both its highest-ever intraday jump and its highest intraday level outside of the GFC and Covid-19 periods.

The selloff was even more pronounced in Japan, as an unexpected interest rate increase caused the unwinding of crowded yen carry trades. This caught out investors who had previously flocked to borrow in yen due to the low interest rates on offer. The Japanese Topix index lost 12.2% on the day, its worst daily fall since Black Monday in 1987.

Ultimately, the volatility was short-lived as the Topix rallied by 9.3% the following day, its biggest one-day gain since 2008. Additionally, the prospect of the US Federal Reserve easing interest rates and the release of more reassuring macro data as August progressed combined to alleviate investor concerns. Markets subsequently moved back into positive territory.

Our approach

As part of our equity management processes, we assess both shorter-term tactical and liquidity-based issues, as well as longer-term strategic and systemic considerations. We do this in various ways.

- Collaborating closely with our specialist risk management functions and equity dealing teams to assess market liquidity and volatility, stock-specific liquidity, and the capacity within our equity funds to make well-informed decisions on clients' behalf.
- Engaging extensively with companies at both the pre-investment and post-investment stages on behalf of clients.
- Carrying out broad engagements with other market participants, including investment managers and intermediaries.
- Executing firm-wide assessments on issues and threats across asset classes.
- Dedicating time and resources to creating and promoting thought leadership and opinion-setting content.

Ultimately, we give most weight to longer-term decision-making, with respect to market-wide structural and systemic risk issues. Bottom-up, single-company-specific risks and issues – including ESG considerations – can all too readily escalate to impact entire sectors and markets. Similarly, broad, top-down societal trends can quickly cascade through markets and into individual stocks and entities.

In 2024, like in recent years, we saw several notable issues emerge, both from broad market trends (top-down) and individual company situations (bottom-up). These prompted us to engage, act and contribute to the ongoing provision of capital and liquidity to companies through financial markets. We also engaged with various industry bodies to provide advice and insights on emerging issues.

In addition, the investment team fully participated in discussions with the FCA, both directly and indirectly through the Investment Association, UKSIF and the Investor Forum. These discussions focused on matters such as the implementation of the SDR to ensure that it meets our clients' needs.

We also received approval to use the UK SDR Sustainability Focus Label for two of our sustainability-themed funds and Unlabelled with Sustainability Characteristics for our ethical suite of products.

Fixed income

As financial markets become more complex and globally interconnected, identifying and recognising the warning signs of market-wide and systemic risk is increasingly challenging.

Much of our fixed income investment process has remained broadly unchanged for over 25 years. However, it is sufficiently flexible to incorporate additional reviews, projects or enhancements that may stem from anticipating or reacting to market-wide risks or significant events.

As part of our regular risk management analysis, we conduct ongoing stress tests and scenario analysis for all portfolios. These include assessing the potential risks from interest rate surprises, credit spread shocks and a range of historical scenarios.

Market risk – Economic and geopolitical backdrop

2024 was expected to be a transitional year in bond markets. Following an aggressive interest rate hiking cycle in 2022 and 2023, major central banks were expected to cut interest rates steadily through the course of 2024.

While central banks initiated the cutting cycle, they did not deliver what the market had expected at the outset of the year. Economies, particularly the US, were more resilient than many anticipated, and as a result, the pricing of interest rate expectations fluctuated and volatility in rate markets persisted.

Geopolitics also loomed large in 2024, dominated by the ongoing conflicts in Ukraine and Gaza, while there were critical elections in several major economies. While the Russian/Ukraine conflict continued into its third year, Western political attention in 2024 was somewhat diverted towards the situation between Israel and Hamas amid escalating tensions with Iran, Syria and Yemen.

A new UK government and its first budget focused attention on the potential impact on the UK gilt market, with repercussions from the 2022 Truss budget still in mind. Of course, attention in the second half of 2024 turned to the US election. President Trump's victory led the market to focus on the possible implications of trade tariffs in 2025 and beyond.

Our response

Our response to the management and mitigation of such risks is multi-faceted and leverages the deep global resources of Aegon AM.

Amid heightened macroeconomic risks, our longstanding integration of both rates and credit teams into our investment strategy process proved invaluable. We leverage the research of our sovereign, rates and currency resources, as well as contributions from our macro strategy team. This enables the cross-fertilisation of insights across all global fixed income asset classes, which is crucial for setting our investment strategy.

Given the return of volatility in interest rate markets, we actively managed duration, which was a notable contributor to portfolio risk and returns. Our active management of interest-rate risk is two-fold. The first is managing the size and direction of the active duration positions at the headline portfolio level. The second is determining the geographic composition of this interest rate risk, i.e., in which markets do we wish to take active interest rate risk. Both approaches contributed to mitigating risks and identifying opportunities in fixed income portfolios in 2024.

Credit risk

Unlike 2022 and 2023, interest rate volatility did not prevent credit markets from performing well in 2024.

After several years of witnessing a strong correlation between rates and credit markets, we saw a decoupling in 2024, with credit spreads across core investment grade, high yield and emerging market debt tightening materially throughout the year.

While top-down credit market risks were more subdued, there were numerous sector and company-specific news stories to mitigate or exploit, with several examples illustrated below.



China domestic slowdown

China faced a significant slowdown in 2024, driven by reduced domestic spending amid low consumer confidence. This affected sectors such as premium autos and luxury fashion brands, which experienced periods of marked weakness. We were able to identify potential winners and losers within these sectors by combining our macro insights with fundamental and valuation assessments of individual companies. This led us to increase our exposure to select names that we expected to recover and generate outperformance.



UK water sector

Pertinent to the UK corporate bond market, the UK water sector has faced longstanding issues, including rising leakage and pollution rates and regulatory uncertainty. In 2024, sector volatility was heightened by the financial health of Thames Water and its likely need to restructure its debt. We were able to be selective in our investments within this sector through the expertise of our utilities credit analyst and the Responsible Investment team's insights and experience of the regulatory environment. This approach also helped us to clearly communicate these often complex issues to our clients.

Liquidity risk

Despite some continued volatility in fixed income markets in 2024, liquidity in core fixed income markets remained robust. As such, there were no noteworthy liquidity-related risks or concerns to report.

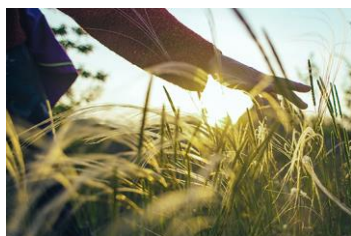
Sharing insights

Our clients look to us for our timely insights and views to help them understand the risks within their investments or to shape or validate their own investment views.

In 2024, we continued to share a wide range of insights with our clients and their consultants/advisers through one-to-one meetings, videos, events or within our regular fixed income blog 'BondTalk'.

In June 2024, we hosted our annual, proprietary 'BondTalk' conference for UK wholesale clients. In our sessions, we tackled the decoupling of interest rates and credit markets, and other key themes across the fixed income spectrum, and net-zero or climate transition-related fixed income investing. We also ran a series of asset class and product-specific training and product oversight sessions.

We provide a small selection of our insights from 2024 below.



[It's beginning to look a lot like 2024 – expect volatility and opportunities for bond markets in 2025](#)



[Blink and you missed it redux. Where from here?](#)



[Fixed Income Opportunities: Evaluating Spreads vs. Yields](#)



[How will the election impact UK gilts?](#)



[Risk markets look nervy as Fed mulls inflation surprises](#)

Note: These insights are for illustrative purposes only and reflect our views at the time of publication throughout the 2024 reporting period. These views may have changed at the time of submitting this Stewardship Code statement.

Principle 5

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Our Active Ownership Policy governs our stewardship activities and is complemented by policies applicable to Aegon AM UK or our fund ranges.

Our standard policy review is two years. However, reviews may occur outside this cycle if any relevant new regulations, interdependent internal policies, new best practices, and/or evolving client demands emerge. Our policy suite is maintained and overseen by the second line Risk Management team which ensures that disciplined reviews take place in collaboration with our policy leads. This helps to drive the continuous improvement of our policies. Recently, we reviewed a range of policies and disclosures in preparation for adhering to the SDR, enhancing transparency and helping investors identify our products with specific sustainability goals.

Approvals and attestations

Material updates to the Active Ownership Policy are approved by the Aegon AM Governance Risk and Compliance Committee and ratified by the Aegon AM UK Board. The Aegon AM Sustainability Board also reviews and endorses the policy.

As part of our policy framework, policies are subject to a periodic attestation process. During this process, the policy owner reviews the key requirements of the policy and provides evidence to support compliance. Our second line of defence reviews the attestation results. Any gaps identified in a policy are logged, and corresponding action plans are developed and tracked to completion.

Our Active Ownership Policy was last subject to policy attestation in 2021 and the results indicated that it met all key requirements. Therefore, no recommendations for change were made. The Aegon AM Sustainability Board also reviewed the results of these attestations.

Our robust framework

To assess policy effectiveness, we have an embedded 'three lines model' governance framework, in which maintaining effective stewardship is a key constituent. We describe these in Principle 3.

Our approach to ESG and the supporting control framework was subject to compliance monitoring reviews and an internal audit in recent years. These areas continue to be part of the universe of compliance monitoring and internal audit and therefore, are subject to a risk-based review frequency. We do not share the outputs of these reviews externally. However, through independent reporting lines to executive management and our Board, we ensure that any actions are documented to drive the necessary improvements.

This model provides a robust framework for overseeing our stewardship practices. We supplement this with key controls such as trading through approved counterparties which are tested as part of our ISAE 3402 report on internal controls, favoured by PWC, our external UK auditor.

Each year, we review our stewardship activities and their effectiveness internally as part of our '[Three Lines Model](#)' described on page 14. We report our stewardship activities through the annual Aegon AM Responsible Investment Report and other client- or fund-specific reports. These allow us to receive feedback on our activities and help shape our Active Ownership Programme going forward.

Compliance statement

Our Head of Responsible Investment compiled this report with content and support from subject-matter experts across the firm, including, but not limited to, heads of investment desks, and other key functional areas. The report has been subject to our Financial Promotions process, where our Regulatory team review it to ensure it is fair, balanced and understandable. Aegon AM UK Plc Executive Board approved the report and it is shared with the Aegon AM UK Plc Board to note.

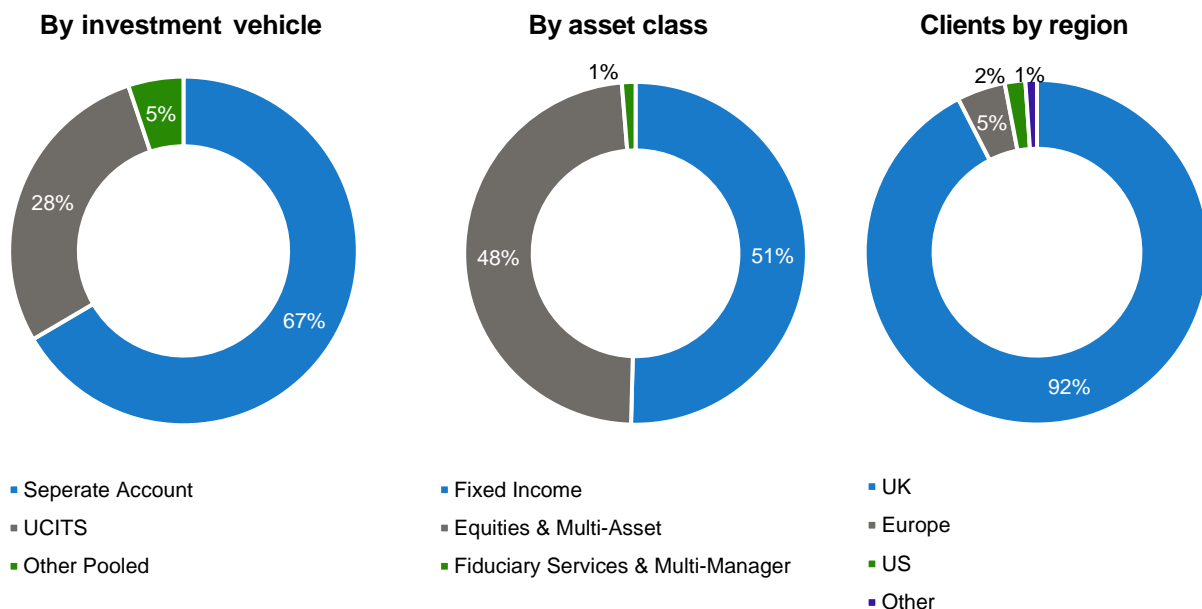
Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Understanding our clients' needs

We combine a global perspective with a focus on local relationships. This helps us to understand changing markets and the evolving needs of our clients across the UK, Continental Europe, the Americas, and Asia. We are proud to serve our international client base of pension plans, public funds, insurance companies, banks, corporate entities, fiduciary managers, charities, sub-advisory, family offices, wealth managers and individuals.

Assets under management £34.6 billion



By client type	(£bn)	
Insurance	24.5	71.0%
Financial Institution	6.4	18.6%
Pension Fund	1.8	5.1%
Public Fund/Government	1.7	4.8%
All others	0.2	0.6%

Source: Aegon AM. As at 31 December 2024. Please note that Multi-Asset includes equity, fixed income and real assets allocations within multi-asset portfolios that are managed by specialist investment teams across the firm. Charts and data shown is for Aegon Asset Management UK plc only.

Client engagement and feedback

Transparency is at the heart of our approach. We engage with clients through various formal and informal channels, regularly gathering their views on stewardship issues and reporting requirements. This feedback is shared with our investment specialists and Responsible Investment team, helping us shape our stance on key issues.

In 2024, we strengthened client engagement through a comprehensive communication strategy across multiple channels and formats. We engage with clients and their consultants/advisers through meetings, videos, events, and regular blogs. In June 2024, we hosted our annual UK wholesale client conference, addressing key themes like interest rates, Net Zero, and climate transition-related fixed income investing. We also conducted asset class and product-specific training and oversight sessions to ensure clients have access to specialised knowledge.

Connecting through client surveys

To further enhance our ethical strategies, every two years, we conduct an Ethical Investment Survey to collect valuable client feedback and help us review and refine our exclusionary criteria. The latest results, published in April 2025, are available on our website. This comprehensive review of our ethical screening methodology includes insights from both investors and advisers.

Complementing this is our Annual Client Survey, which seeks feedback on many aspects of our service, including investment performance, client service quality, relationship management effectiveness, product availability and ESG considerations. The survey results are shared with our Management Board and serve as critical input for our strategic planning process. By systematically gathering and acting on client feedback, we aim to drive organisational changes, broaden our product offerings, enhance our reporting, and refine our service delivery model to better align with our clients' evolving needs.

For mandates where we have limited discretion on stewardship activities, we discuss the clients' views and requirements and incorporate them into the Investment Management Agreement. This includes, for example, clients who wish to apply an engagement overlay or implement their own voting policy. The Responsible Investment team executes these instructions as outlined in client mandates.

Client convenience

Our client portal offers comprehensive self-service capabilities that enable clients and platforms to access, extract and manage data, documents, reports and other information. Regular investment strategy updates, performance analysis, and detailed explanations of portfolio positioning are currently provided separately via email communications.

We are continuously enhancing our digital capabilities and exploring ways to integrate these communications into our portal environment, working towards a more seamless experience that will better serve our clients' information needs in the future.

Evolving our strategies

Over the last three decades, our strategies have evolved in response to client feedback and societal concerns. In 2024, we implemented initiatives demonstrating a holistic approach to stewardship, delivering measurable value to clients through robust investment processes, active engagement and responsible investment practices.

We enhanced our investment decision-making with rigorous risk assessments and conducted numerous company meetings to ensure alignment with long-term value creation. Our processes now better capture market dynamics, resulting in more resilient portfolios.

Reporting responsibly

We publish an annual Responsible Investment Report, which provides a comprehensive overview of our responsible investing activity and key highlights from the previous calendar year. This retrospective report demonstrates how we have put our principles into practice through specific case studies, engagement examples and outcomes achieved.

Separately, we maintain a Responsible Investment Framework document and an Active Ownership Policy, which detail our approach, policies and procedures across asset classes. The latest versions of all of these documents are available on our website.

As part of our client service offering, we provide bespoke stewardship reporting in accordance with clients' requirements and timelines.

Climate and ESG initiatives

To enhance our climate communication strategy, we launched a dedicated climate web page as a comprehensive resource hub for clients and stakeholders. We complement this with our regular series of climate insight articles, which provide timely analysis and expert perspectives on evolving climate-related investment considerations.

We publish our UK Plc's TCFD entity-level report and TCFD product reports on our website, in line with the FCA's climate-related disclosures based on the Task Force on Climate-related Financial Disclosures recommendations.

Additionally, we produced extra TCFD product reports to ensure complete transparency. These are available on request. Following the publication of the TCFD report for Aegon AM UK Plc, we have implemented a bi-annual Climate Framework Update for the UK Board, designed to highlight any climate-related opportunities and risks.

ESG considerations have become an integral component of our client meetings, seamlessly integrating with performance discussions to offer a comprehensive view of investment activities and outcomes.

Investor engagement has driven our ESG reporting practices across various funds, leading to significant enhancements in how we communicate responsible investment information. We are embedding ESG details into all our factsheets, aiming for complete integration by the end of 2025. This enhanced reporting supports our commitment to reducing our carbon footprint through sustainable practices, directly benefiting clients who increasingly consider environmental impact in their investment decisions.

Throughout 2024, we published insightful thematic ESG research and continued our Sustainability Soapbox series, featuring opinion-led articles designed to stimulate thoughtful and meaningful discussion within the investment community. Recent articles can be found on our website.

Carbon emissions reduction targets

With clear targets established, we aim to achieve at least a 75% reduction in carbon emissions from our offices (Scope 1 and location-based Scope 2) by 2030 through energy efficiency initiatives. Business units are held accountable with explicit expectations to meet these minimum requirements.

We are also strengthening our capacity to analyse climate risks, developing investment strategies with credible pathways to Net Zero, engaging with diverse companies to encourage adoption of science-based targets, and improving how we report our analyses to clients. These efforts demonstrate our practical commitment to environmental sustainability both in our operations and investment approaches.

Net Zero commitment

As of 30 June 2024, approximately 36% of the assets we manage are committed to the Paris Agreement's net-zero goal. By 2025, we aim to increase this to at least 40%.

While we are cognisant of the suspension of the Net Zero Asset Management initiative, we maintain our commitment. We review our internal target every five years, with the ultimate objective of including 100% of assets. This structured approach ensures we maintain momentum toward our responsible investment goals while allowing for practical implementation across diverse asset classes.

Client education

Our Global Sustainable Equity Fund advanced from Article 8 to Article 9 under SFDR. Complementing this achievement, we created and published SDR Consumer Facing Disclosure Documents on our website for our ethical fund range.

To help educate clients and prospects about the new regulations, we developed informative articles on SDR and launched an ethical web page and brochure. Our Head of Responsible Investment also participated in several high-profile panel sessions during Good Money Week, where they shared valuable insights on SDR implementation and ethical investing.

Our Ethical funds employ an exclusionary screening process and do not fall under any of the FCA's SDR-defined label categories. From March 2025, we will adopt the SDR Sustainability Focus labels for our Sustainable Diversified Growth Fund and Sustainable Equity Fund.

Industry collaboration

Our collaboration with industry groups underscores our leadership in responsible investment practices and allows us to contribute to broader market developments. We have been early adopters of the Investment Consultant Sustainable Working Group (ICSWG) best practices on reporting requirements, positioning our clients at the forefront of industry developments.

By actively participating in these collaborative initiatives, we help shape emerging standards while ensuring our clients benefit from cutting-edge responsible investment approaches and reporting methodologies.

Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

In this section we discuss our research framework for ESG, before showing how we fulfil this principle by asset class. We then summarise our ESG-themed products, illustrating the range of different strategies.

Our research framework

We systematically integrate ESG factors into our bottom-up company research process for fixed income and equities. The aim is to develop our own holistic house view of companies ESG profiles.

By considering ESG issues alongside other financially material economic factors and drawing from specialised ESG research sources, our research teams seek to arrive at an independent, comprehensive view of the investment. We view ESG analysis as a risk management tool and a potential alpha source.

Our ESG integration process focuses on managing financial risks and identifying opportunities by including additional information analysis to help inform our decision-making. ESG integration does not seek to make ethical judgements. Instead, our aim is to systematically uncover financially material ESG risks and opportunities to ensure they are appropriately priced into the investment being considered.

ESG integration

Examples of ESG factors we may consider in corporate analysis, based on their importance to the company's main activities and practices.

Environmental	Social	Governance
<ul style="list-style-type: none">Greenhouse gas emissionsWater & wastewater impactsHazardous materials & air qualityBiodiversity impactsMaterial sourcingProduct design & lifecycle management	<ul style="list-style-type: none">Human rights & stakeholder engagementData privacyProduct safety & sales practicesHealth & safetyLabour managementSupply chain management	<ul style="list-style-type: none">Governance structureAccounting practicesRemunerationBusiness ethics, fraud & corruptionCyber security

Considering climate risks and opportunities in our fundamental research

At Aegon AM, we integrate climate-related factors into our ESG analysis where relevant. Various climate-related considerations are evaluated in our proprietary ESG integration process as part of the fundamental research framework. Our analysts evaluate the impact on fundamentals with an emphasis on the company's most exposed to climate-related risks.

Climate-related factors may include metrics such as carbon emissions as well as qualitative assessments of climate risks such as stranded assets, regulatory and physical risks. Using their industry, country or asset class expertise, our analysts seek to identify the most material and relevant climate-related factors and assess the potential effect on fundamentals.

Equities

As active investors with responsible investing roots dating back over 30 years, we developed a robust responsible investment programme consisting of the following three pillars.



ESG integration

Incorporating financially material ESG factors into the investment process to help mitigate risk and potentially uncover opportunities. This takes place for all equity research carried out by the team and is facilitated by an ESG integration section in our standard equity analysis template. We provide more information on ESG integration in equities below.



Active ownership

Addressing ESG issues by actively engaging with companies and investee exercising shareholder rights.



Solutions

Providing focused, responsible investment equity strategies within our exclusions and sustainability-themed pillars.

Our Ethical Equity Fund is the main strategy in our exclusions pillar. Its ethical screening, overseen by the Responsible Investment team, removes companies with significant negative environmental or societal impacts from the investment universe.

Our sustainability-themed strategies also feature extensive involvement from the Responsible Investment team, which reviews every stock proposed for inclusion and categorises them as a sustainability 'leader', 'improver' or 'laggard'. Only leaders and improvers can make it into the portfolio. Laggards are uninvestable, meaning the Responsible Investment team has the power of veto. Within the sustainability-themed pillar, we run global, international ex-US, UK and two US strategies.

ESG integration in equity research

Environmental (including climate change), social and governance issues are all explicitly considered in our equity analysis, as we know each has the potential to materially impact both the financial performance and the valuation of our investee companies.

For funds that do not sit within our responsible investment solutions pillar, we do not make ethical value judgements, nor do we impose ESG-related restrictions on the investment universe. Rather, the judgement we make within our traditional equity funds reflects the extent to which we believe ESG issues impact a stock's investment case - positively or negatively. Materiality is key here. Our equity fund managers and analysts draw upon the expertise of our specialist Responsible Investment team. Company engagement is regularly shared with the Responsible Investment team and key ESG issues and questions are agreed and discussed on a per-sector basis, to reflect a more considered approach and nuances between companies.

As fundamental investors, assessment of ESG issues has always been integral to our investment approach. We continue to evolve our thinking in this important area to ensure that our approach remains market-leading.

When researching a company's investment, it is the responsibility of our fund managers to form a judgement on ESG issues and leverage the Responsible Investment team's expertise. We assess 'E', 'S' and 'G' factors, both from a risk and opportunity perspective. We then tailor this to the specific circumstances of a company, rather than taking a blanket approach.

Importantly, when evaluating ESG factors in our fundamental analysis process, our fund managers and analysts look across the ESG spectrum with support from our Responsible Investment team to ensure that ESG analysis is comprehensive and robust. Examples of areas we assess include: a company's range of products and their implications for ESG outcomes; climate change policies and impact; tax transparency; carbon emissions; governance structure; management board structure and compensation; social policies; how a company is positioned for the transition to a greener economy, and its resource efficiency.

To bring this together, our equity team uses a **three-stage ESG framework** to determine the materiality of the identified ESG factors.

Stage 1	Involves identifying the most important ESG impacts for a given company.
Stage 2	When evaluating a particular ESG factor, we ultimately want to determine its level of significance relative to other considerations. What is the overall impact on the investment proposition? Is it a headwind or a tailwind to business performance or valuation?
Stage 3	We then look at the direction of ESG change (ESG momentum) and a company's overall ESG profile. Is exposure to these ESG risks or opportunities changing positively or negatively? Can we see improvement or deterioration? This consideration is critical. ESG cannot be viewed statically, and as a firm, we value and support ESG improvement over time.

Our framework

	Stage 1	Stage 2	Stage 3
	ESG factor impact	Level of ESG significance	Direction of change
Aegon AM ESG category evaluation	<ul style="list-style-type: none"> ● Red ● Amber ● Green 	<ul style="list-style-type: none"> ● High ● Medium ● Low 	<ul style="list-style-type: none"> ↑ Positive → Stable ↓ Negative

Importantly, the Responsible Investment team stores all information related to research, company meeting notes and engagement activity centrally. This provides easy access to all investment team members and reflects our one-team culture. Company engagement is central to our research and includes traditional investment factors such as strategy and asset allocation, as well as ESG and climate change.

Here we provide examples of when the investment team evaluated an investment proposition and decided that ESG was a driving force behind the investment decision.



Example	Decision to invest due to ESG being a positive driver in the investment.
Company description	Nasdaq, Inc. is a global technology company that serves corporate clients, investment managers, banks, brokers, government agencies and exchange operators as they navigate and interact with the global capital markets and the broader financial system. The company aspires to deliver world-leading platforms that improve the liquidity, transparency and integrity of the global economy.
ESG impact on investment case	<p>The stock received a positive ESG rating (green) from our Global Equity team in research carried out over the final quarter of the year.</p> <p>We believe Nasdaq is well-positioned from an ESG perspective. Nasdaq's mission references a commitment to liquidity, transparency and integrity to accelerate economic progress through its products and services. From a materiality perspective, the revenue opportunities from the evolution of ESG considerations,</p>

such as governance standards, compliance, integrity and rule of law, are strong tailwinds for Nasdaq. At the same time, ESG risks are being well managed, leading to a green rating from our team. We believe ESG is a significant consideration for the business, both from a revenue and risk perspective, and we believe ESG dynamics continue to improve.

ESG-aligned products appear to be central to the company's strategy. For example, the company's listing and exchange business promotes minimum governance standards, while the ESG solutions business helps companies with ESG standards and reporting. The company's financial technology (fintech) products are focused on crime fighting and regulation, while its exchanges provide liquidity and price transparency – this is particularly noteworthy in its options exchanges, which are typically an opaque over the counter (OTC) market. Overall, we believe positive ESG trends are a strong revenue opportunity for Nasdaq.

The ESG integration component of our fundamental research view is shown below.



Source: Aegon Asset Management. © owned by the entities named in the respective logos. Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indicator of future performance.

POWERFLEET®

Example	Decision to invest due to positive ESG drivers.
Company description	PowerFleet is a global provider of wireless Internet of Things (IoT) and machine-to-machine solutions for managing high-value enterprise assets.
ESG impact on investment case	<p>The stock received a positive ESG rating (green) from our Global Equity team during the final quarter of 2024.</p> <p>From a revenue perspective, we believe that PowerFleet's products are helping customers improve sustainable outcomes, so we rate ESG drivers as a tailwind for the company. PowerFleet helps in the following areas.</p> <ul style="list-style-type: none"> ▪ Environmental: Carbon footprint reduction: Monitors and reduces CO2 emissions. Vehicle efficiency: Tracks fuel and energy use, aiding in maintenance and EV transition. Eco scoring: Evaluates and improves driver behaviours to lower emissions. ▪ Social: Safety and security: Enhances driver safety and reduces accidents. Employee training: Supports training for better driving habits and fleet management. ▪ Governance: Regulatory compliance: Helps businesses meet environmental and fleet management regulations. Data-driven decisions: Provides analytics for informed decision-making. <p>The ESG integration component of our fundamental research view is shown below.</p>



Source: Aegon Asset Management. © owned by the entities named in the respective logos. Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indicator of future performance.

Active engagement

The Responsible Investment team's engagement is well-suited to advancing broad themes such as climate change policies, diversity and inclusion, and executive pay and remuneration. In aggregate, these are all key to the effective functioning of the financial system.

Our fundamental equity analysts focus more specifically on a company's strategy to deliver sustainable long-term returns to shareholders. They directly engage with management to better understand the risks, opportunities and materiality of ESG factors, and how companies are adapting their strategies to manage those issues. Engagement is a key part of our approach to ESG, and the following case studies are examples of our engagement activities across a range of companies.



Background	Essential Utilities, Inc. is a holding company, which engages in providing water, wastewater, an natural gas services through its subsidiaries.
Timing	September 2024
Engagement objective(s)	Overview of the business, board developments and how PFAS are being mitigated.
How we engaged	A joint meeting with the Investment Manager and Responsible Investment team. The meeting gave the PMs reassurance about the fundamental business case and the RI case, particularly the water systems operations. Currently industry leader in treatment of PFAS and keen to leverage that for future growth opportunities through their modular systems.
Outcome	When the portfolio went from two utilities to one just a few months later, Essential Utilities was the name they retained in the fund. The constructive meeting with management was part of that decision.

Source: Aegon Asset Management. © owned by the entities named in the respective logos. Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indicator of future performance.



Background	Alfen NV is a holding company which engages in the development, production and sale of products, systems and services related to the electricity grid.
Timing	May 2024
Engagement objective(s)	To request a call with the company to discuss the recent CFO departure.
How we engaged	A conference call with the Investment Relations Manager and the Responsible Investment team. The meeting was used to understand the reason for the shock announcement that the incoming CFO would no longer be joining the company. What the short-term plan was with no CFO, what the recruitment plans & timeframes were and if they had succession plans for other key members of the management team.
Outcome	We were alarmed that there was no 'plan B' in place and there was a lack of financial expertise to guide the company in the short-term and no clear outlook on timeframes. The Fund managers materially reduced their position size to reflect the risks in Governance that were highlighted by the Responsible Investment team.

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You can read more examples of our active engagement in [Principles 9 to 11](#).

Fixed income

ESG integration in fixed income portfolios

At Aegon AM, ESG considerations have been a longstanding part of our fixed income research process. Over the years, we have developed proprietary ESG research methodologies tailored to reflect the unique considerations for various segments of the fixed income market. Importantly, we do not make decisions based on external ESG data alone. Instead, we combine external data with our analysts' expertise to better understand financially material ESG risks and form an independent view of a company's ESG profile.

As bond investors, we are focused on a company's ability and willingness to meet debt obligations. For that reason, we believe it is critical to consider all factors that may impact companies' creditworthiness, including ESG considerations. For example, a company facing a lawsuit due to an environmental or social issue may experience financial pressures, which could result in a deteriorating fundamental outlook. As a result, our Credit Research team uses a proprietary framework to evaluate key ESG factors that may impact a company's credit fundamentals.

We have built our fixed income investment process on robust analysis of bond companies. For corporate credit, we analyse the opportunities and risks of bonds and companies under four principal headings: fundamentals, valuations, technicals and sentiment (FVTS). Our Global Credit Research team conducts this research, which involves both traditional business analysis and the consideration of ESG factors.

Our analysts evaluate a wide range of ESG issues and apply their company and industry knowledge to assess the company's exposure to, and management of, ESG risks or opportunities. Considering these metrics in combination allows us to fully appreciate the impact of ESG factors on our investment decisions, with the ultimate goal of ensuring the cash flow sustainability of companies.

Considering ESG from a fixed income perspective is as much about managing risk as it is finding improved returns. Consequently, our ESG process is often reflected in our portfolios by the companies we do not own – those that do not pass our rigorous security selection process – as well as those that we do hold.

Evaluating ESG as part of our investment research process helps us minimise the potential for credit rating migration and defaults. Our ESG risk analysis draws on multiple specialist ESG research sources. It also includes notes from any engagements undertaken with the respective companies. Analysts consider a range of issues in formulating ESG categorisations, with high controversy levels leading to the lowest ranking scores and exclusion from portfolios.

Using the inputs of external ESG providers is a useful starting point, however, third-party data alone does not fully address bond investor needs. Our internal framework provides an independent ESG view as part of a well-rounded fundamental assessment.

ESG integration typically includes four main steps.

Identification	Research analysts identify important ESG and non-ESG factors specific to the company and the industry in which it operates.
Assessment	Research analysts assess if each factor materially affects the company's fundamentals.
Incorporation	Research analysts incorporate the fundamental impact into the credit assessment and their credit recommendation to support a discussion with portfolio managers.
Integration	Portfolio managers integrate analysts' recommendations, including ESG factors, into the portfolio construction process as appropriate to the client's mandate.

The Credit Research team's proprietary analysis incorporates qualitative and quantitative elements to determine and assess the potential materiality of ESG issues and their impact on a company's credit fundamentals. Particular focus is given to the potential economic impact ESG issues may have on the company's ability and willingness to meet debt obligations.

The materiality of ESG factors is ultimately defined according to the team's proprietary ESG categories, shown in the following table. We assign an ESG category to each company based on the analyst's view of how material the ESG factors are.

ESG categories

1. Leader	The fundamentals are positively affected by effective ESG practices.
2. Minimal risk	Fundamentally low exposure to ESG risks or presence of factors that mitigate ESG risks.
3. Event risk	ESG risk exposures could negatively affect company fundamentals, but the effect is not measurable, and the timing is uncertain.
4. Fundamental risk	ESG risks are resulting in negative pressure on fundamentals, but they have limited impact on the credit rating.
5. Rating risk	ESG factors have resulted in a materially negative effect on fundamentals, which may or may not be currently reflected in the credit rating.

Collaboration and interaction between the credit analysts, portfolio managers and the Responsible Investment team is ongoing and formalised through weekly tripartite meetings. These provide a forum for discussion on key ESG themes, risks, opportunities and engagement.

Following ESG risk categorisation, the respective analyst may recommend further engagement on topics of concern, flagging the company to our Responsible Investment team. Many triggers may start and develop engagement. Engagements typically last over several quarters, with milestones for improvement monitored or fed back to the company and portfolio managers for further consideration.

Case studies on ESG integration in credit research

CPI Property Group S.A. – real estate sector

Example	Ongoing monitoring of a company with ESG category 4.
Company description	CPI Property Group S.A. is headquartered in Luxembourg and operates as a property investor and developer with assets in Central Europe, Germany, Austria and Italy. It has a large, high-quality property portfolio, highly diversified with office, retail and residential assets across European markets.
ESG impact on investment case	Our credit analyst for the real estate sector assigns CPI Property an AAM 4 – Fundamental Risk ESG category. This primarily reflects the group's current weak governance framework, due to the relatively complex ownership structure, lack of board independence and reporting complexity through its subsidiaries.
Triggers for change	We do positively view its management's recent decision to hire independent advisers to review its governance procedures and compliance policies, and to simplify the group structure. We also view CPI Property's environmental (energy and water management, GHG emissions and SBTi targets) and social performance as being in line with its peers and take comfort from the lack of controversies in its recent past.
Next steps	We continue to monitor CPI Property Group closely and may review our assessment with the potential to upgrade our ESG assessment to an AAM 3 – Event Risk category, should we see material progress in its governance over the next 6-12 months.

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Center Parcs – leisure sector

Example	Example of a company assigned an ESG assessment upgrade
Company description	Center Parcs owns and operates holiday villages for families, activity holidays and short breaks in the UK. The company provides a variety of holiday accommodation and facilities, including restaurants, bars, retail outlets, and sports and leisure activities. Center Parcs operates five specially constructed holiday villages in the UK and one in Ireland.
ESG impact on investment case	<p>In recent years, the credit analyst assigned the company an ESG category 3 – Event Risk. As a leisure-focused business, the Covid period was particularly challenging, and progression on its ESG agenda was somewhat deprioritised to focus on remaining in business. However, during the last fiscal year, Center Parcs made good progress on its ESG agenda, leading to a reassessment of our classification.</p> <p>At the end of the 2024 financial year, Center Parcs made tangible progress towards its carbon emissions targets. It had set targets for 2030 to reduce carbon emissions by 30% from 2020, source 50% of its energy from renewable resources, and reduce energy use by 5% and water use by 10%. In the last financial year, it reduced emissions by 7% over the financial year and reported a 29% reduction since 2020.</p> <p>The company has also set longer-term targets for 2050, including achieving Net Zero for its Scope 1 and 2 GHG emissions, and is committed to developing a Net Zero strategy to realise that ambition.</p> <p>The company is also TCFD compliant for the year ended April 2024.</p> <p>Center Parcs continues to make progress on biodiversity ambitions, achieving the Wildlife Trust Biodiversity Benchmark Accreditation for 17 years in a row.</p> <p>From a reporting and disclosure perspective, its preparation is well advanced for the upcoming EU Corporate Sustainability Reporting Directive.</p>
Assessment	As a result of the positive progress, we upgraded Center Parcs' ESG assessment from 3 – Event Risk to 2 – Minimal Risk.

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We also conduct sustainability research in sovereign bonds in a limited capacity for one of our sustainable funds.

Active engagement

In recent years, our fixed income active ownership has developed materially across Aegon AM. In recognition of differing client requirements, our approach has focused on providing solutions to varying underlying fixed income asset classes. Here, we outline our building-block approach (as seen in the client solution section). Our spectrum of capabilities, from exclusion, best-in-class and climate transition to sustainable and impact approaches, allows strategies to build on firm-wide resources and further embed our stewardship focus. For examples of these, please see Principles 9 to 11.

We conduct dialogue with a company in an integrated way, with both the analyst and the ESG specialist present. This not only enhances our credibility with the company but also facilitates a more detailed and mutually beneficial discussion. Additionally it enhances our analysts' knowledge of companies and has led to a more consistent approach to our stewardship and investment decision-making.

We store summary notes in our proprietary engagement database and map these to company tickers. This means they are immediately visible to other analysts and portfolio managers when researching sectors or companies. By sharing information centrally, we can ensure continuity and documentation for future research work.

We are working to enhance our fixed income engagement programme by systematically engaging with companies given the highest ESG risk categories by our Credit Research team – i.e. categories 4 and 5. Although we engage with ratings 1-3 on a case-by-case basis, categories 4 and 5 are a priority due to the material ESG impact.

Multi-Asset

Our Multi-Asset team oversees the asset allocation framework for its portfolios, leveraging the expertise of our asset-class specialists to deliver bottom-up security selection. Asset-class specialists understand the overall objectives of the strategies, and our default approach is to give them broad latitude to determine security selection and sizing, consistent with each strategy's objective.

It is here that we systematically incorporate stewardship, governance and the appropriate analysis of environmental and social issues to help shape our portfolios. At a security level, the Multi-Asset team benefits from the work of our asset-class and Responsible Investment specialists.

Principle 8

Monitoring manager and service providers.

Assessing our suppliers

We assess specific risks, including those relating to ESG factors, when we start engaging with any third-party suppliers, based on the materiality of the third party and service type. We identify and address any risks or concerns raised through our comprehensive due diligence, assurance and contract negotiation processes.

We recognise that effective use of third-party vendors can support our client service and stewardship activities. Additionally, we understand the importance of ensuring that these relationships reflect our commitment to delivering a high level of professional service both internally and externally.

We expect our suppliers to adhere to high standards in how they operate, including alignment with the Aegon Vendor Code of Conduct. This includes complying with all applicable laws and regulations, protecting human rights, providing a safe place of work and minimising environmental impact.

We carry out due diligence on our third parties on a risk proportionate basis, covering key risks including social issues, equality and environmental impacts.

Relevant subject matter experts review the outcomes of the due diligence process. Any issues are raised with the supplier through supplier relationship managers and service owners and are managed effectively to the appropriate conclusion.

Stewardship-related suppliers

Several key suppliers provide data and services closely related to our stewardship activities.

These include MSCI, Institutional Shareholder Services (ISS), BlackRock and LSEG. We recognise that there are still challenges in terms of coverage and quality of ESG data and are constantly reviewing our requirements against current and new providers.

As each service is onboarded, a process of due diligence follows to ensure these third parties' policies and practices adhere to our standards.

This process includes a risk assessment of the service provided and a financial health review. Our Global Procurement and Vendor Management function works closely with specialist areas, such as Third-Party Risk Management (TPRM) and Information Security, to oversee this process.

Procurement, outsourcing and third-party management

To effectively manage relationships with service providers, Aegon AM has both Procurement and Third-Party Risk Management policies. These define the standards for onboarding and managing third-party relationships and inherent risks.

These policies cover:

- Identification and segmentation
- Due diligence
- Engagement (contracts)
- Ongoing monitoring
- Renewals and exits

We select the third-party service provider at the identification and segmentation stage.

Selection is based on the best value to Aegon AM, with appropriate due diligence, governance, contractual protection and oversight in place to minimise the risk that the third party may pose.

Rigorous onboarding, due diligence and monitoring of vendors

A dedicated Procurement & Vendor Management team works with the business and legal departments to ensure that all required activities, including sourcing, are carried out effectively and that governance is in place. The team ensures that appropriate service level agreements (SLAs), contractual provisions and due diligence are in position before onboarding. The due diligence process covers core domain areas, financial health, financial crime screening and relevant system and organisational controls (SOC).

It is mandatory for all new suppliers to sign a Vendor Code of Conduct (VCoC) declaration in which they acknowledge that they will adhere to the Aegon VCoC. Otherwise, suppliers must provide a copy of their own policies so we can assess whether their standards meet at least our minimum requirements. We also invite key suppliers to share their own Vendor Code of Conduct and how they, in turn, work with their third-party and fourth-party suppliers.

As part of our data gathering on suppliers, we identify their Ecovadis rating, which is factored into the selection process.

Ongoing monitoring takes place through regular performance meetings (dependent on the profile of the third party) and ongoing due diligence. These are complemented by more tactical (quarterly) and senior management (bi-annual) meetings. Other teams provide additional support in the monitoring process. These include annual reviews of independent audit reports, such as SOC1 and SOC2, as well as business continuity annual reviews and testing, disaster recovery and exit plans.

Vendors relating to responsible investment activities

We use multiple ESG data providers across the business, with data feeding into various processes ranging from portfolio monitoring and exclusionary screening to research and engagement.

We continuously assess whether the data is fit for purpose, and in 2024, we adjusted some of our data sources and suppliers accordingly.

Managing change robustly

Before making any changes to our data sources, we conducted trials to ensure all internal stakeholders and clients would be satisfied. We wanted to gain comfort and assurance that alternative providers could deliver equivalent datasets, with the same or higher-quality standards and equal coverage of our investable universe.

We implemented a test plan, which provided clarity and set expectations for the testers regarding the scope, process and end of the trial. Process descriptions, meanwhile, included information on data quality dimensions to make evaluation comparable across functions and between the subject matter experts involved in the trial.

Participants scored the providers and indicated whether they supported switching data sources. All users kept a data defect management log so that we could escalate any potential issues to the provider and track them appropriately.

As a result of this rigorous testing, Aegon AM switched data sources for certain datasets. We now have four major ESG data providers servicing most of our data needs – ISS, MSCI, BlackRock and Bloomberg. We also work with additional providers to support more niche and specialised data needs.

Contributing to ongoing improvements

We recognise how much the ESG data industry has matured in the last decade and how it continues to evolve. As such, we work closely with our ESG data providers to understand how they are adjusting their methodologies to reflect the most up-to-date regulatory and disclosure guidelines.

We provide feedback to enable our providers to continuously improve, often through in-person meetings with specialists where appropriate. We also hold recurring relationship management meetings with vendor representatives, providing a platform where we can discuss and escalate any issues.

BlackRock Aladdin is our portfolio management and analytics tool. It combines financial and ESG data to support our portfolio-level monitoring, analysis and, in some instances, reporting activities. Our main ESG data providers' input is natively integrated into the Aladdin platform.

We make great efforts to manage this relationship in tandem with the ESG data providers. This has resulted in further assurance from BlackRock of its focus and attention on data integration.

Principle 9

Signatories engage with issuers to maintain or enhance the value of assets.

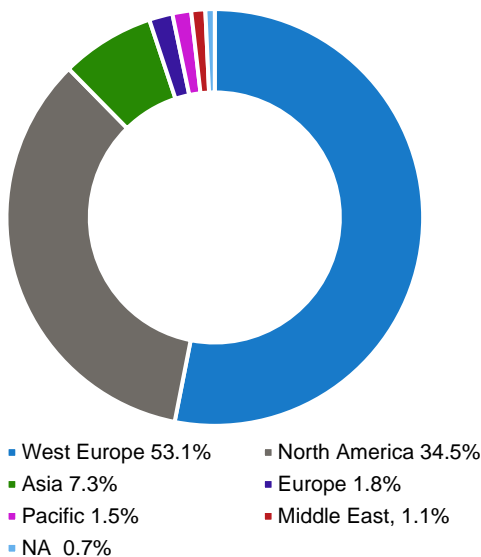
Engagement is a core part of our investment business. The Aegon AM UK Responsible Investment team conducted 275 engagements with 194 companies in 2024. This was in addition to around 1,000 company meetings conducted by the equity and credit investment teams. These engagements are a key component of our research and our ongoing stewardship of the assets we manage.

The equity and fixed income teams regularly engage with the companies in which we invest to discuss strategy, capital allocation and material ESG issues. These are routine meetings with the executive members of the board. While we seek to meet with all companies in which we invest, we prioritise those where we have the highest active position.

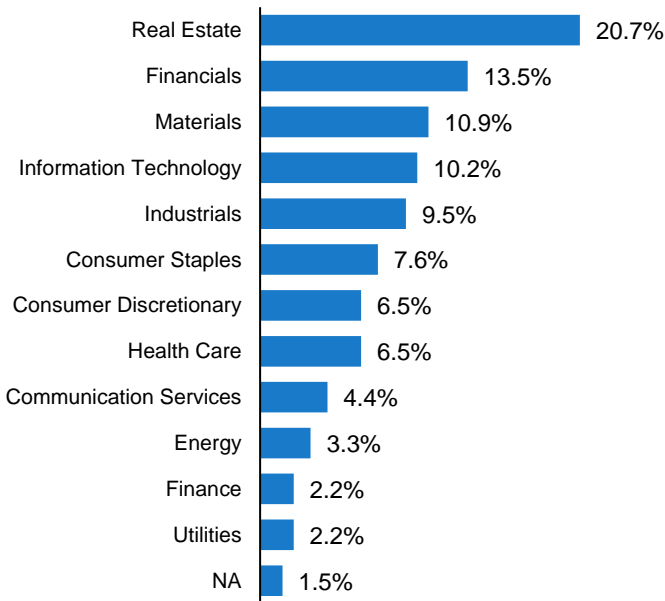
In terms of Responsible Investment team-led engagements, there are three potential triggers to start an engagement.

- 1. We identify long-term financial risks associated with ESG issues during the fundamental research process, or through routine monitoring on key topics such as climate change, biodiversity and human rights. These engagements are initiated when they arise and are prioritised either through the level of perceived ESG risk (see explanations of how these are identified in Principle 7 by asset class), client priority of topic or active position size.
- 2. We routinely engage with companies that do not comply with our clients’ standards as outlined in specific mandates or where we have concerns arising from voting activity. These companies are identified either through screening or the voting process. We communicate any shortfalls and encourage change to align with the required standards.
- 3. Finally, our responsible investing strategies actively seek to encourage certain corporate ESG behaviours. Companies are identified by the fund manager, who selects them as an attractive investment proposition, or through the routine responsible investment analysis updates within the funds. We proactively monitor and engage with these companies to encourage improvement.

Engagements by geography



Engagement by sector



Source: Aegon AM as at 31 December 2024.

Engagements by topic in 2024

Environmental		Social		Governance	
Biodiversity	11%	Animal welfare	6%	Board effectiveness	16%
Climate change	82%	Conduct, culture and ethics	9%	Leadership	10%
Pollution, waste	8%	Human and labour rights	45%	Remuneration	50%
		Human capital management	13%	Shareholder rights	13%
		Inequality	11%	Corporate reporting	5%
		Public health	17%	Board effectiveness - diversity	2%
				Risk management	2%
				Strategy/purpose	1%

Source: Aegon AM as at 31 December 2024. The top 5 are highlighted in blue.

Flexible approach to communication

We continue to reach out to companies in the format that suits them. Face-to-face meetings are less common than in previous years, as technology has enabled virtual meetings, which are often more productive. This allows us to have conversations with companies in real time, regardless of geographical differences, and more frequent conversations if an issue requires it. This is beneficial, both to us as investors and to the companies we engage with.

Some companies are more comfortable with email exchanges, allowing information to be gathered and organised in a way that answers our questions in the best way. We are happy to be flexible in our communications to ensure the best flow of information between ourselves and the companies we are engaging with.

Tracking our engagements

To enable us to track the progress of company engagements effectively, each engagement has a specific objective stated at the outset, which is set according to the engagement trigger.

We start by contacting the most appropriate person in the company to discuss the issue, which could be the chair, another non-executive director, the investor relations (IR) department or someone else entirely. We then closely follow the progress made by the company. We report on our engagement activities on a regular basis directly to clients and on our website.

Systematic screening, up-to-date recording of our activity, and reviews of our objectives allow us to measure progress. We formally review our engagement activities each year as part of our obligations under the Principles for Responsible Investment, EU Shareholder Rights Directives, Dutch and UK Stewardship Codes. Updates on our engagement activity are regularly provided on our website.

Part of a broader stewardship framework

It is important to note that engagement is just one of the levers we have in our stewardship activities, and it is not conducted in isolation. There are many complex parts to the investment system, numerous interactions, and many players involved, both inside and outside the organisation. It can be difficult to quantify outcomes and sometimes results take a while to be identified after an engagement has occurred. Numbers don't tell the whole story.

There are many academic studies on the link between shareholder value and engagement efforts. A paper on ESG and engagement on behalf of the European Financial Management Association was released in 2024. It concluded that engagement activities and ESG progress converge, with the study focusing on the biggest emitters. This aligns with our focused efforts on those investee companies that have the furthest to progress in terms of climate change.

We continue to monitor academic studies to ensure that we are working in the best interests of our clients in our stewardship activities.

Some of our engagements demonstrate activities over more than one of the principles 9-12. For example:

- Alfen and Essential Utilities are included in Principle 7, but also demonstrate escalation in terms of portfolio construction in Principle 11
- HSBC shows direct and collaborative engagement
- Standard Chartered also demonstrates collaborative and escalation activities in Principle 11.

We hold all our engagements, research and voting rationales on systems common across the portfolio, analysts and Responsible Investment teams. This ensures open communication between teams and that investment decisions are based on the most comprehensive information possible.

Engagement intensity in 2024

We track engagements with a milestone-based approach.

Milestone 1		
Flagged concerns and contacted the company	103	37%
Milestone 2		
Contact acknowledged and dialogue begun	66	24%
Milestone 3		
Company begins to make progress to resolve concerns	64	23%
Milestone 4		
Engagement goal achieved	27	10%
No further action		
Result of information gathering*	15	5%

Engagement on ESG issues is largely asset-class agnostic. The material ESG factors impacting companies, such as climate change, supply chain standards and diversity are not overly dependent on whether we hold bonds or equity. We encourage best practices because they will result in a sustainable company that should deliver better shareholder returns and/or will be able to service the debt they have to bondholders. We can, therefore, use our full weight of holdings across the asset classes to exert influence.

*We will take a different engagement approach for matters such as capital allocation and strategy, depending on the requirements and efficacy of stakeholders in the debt or equity instruments.

In the remainder of this section, we provide a selection of engagement examples from 2024.

Engagement example: Natwest Bank



Background	NatWest is a major retail and commercial bank based in London. In 2023, controversy surrounded the 'de-banking' of a politician in the UK and the subsequent departure of the CEO, Alison Rose. We engaged at the time, and following this event, there was a succession of chairs as highlighted in last year's Stewardship report. Concerns were raised in the press about the incoming chair's previous employment at PetroSaudi.
Timing	2024
Engagement objective(s)	Our aim was to understand how the chair succession process was conducted by speaking to the Senior Independent Director.
How we engaged	<p>We spoke directly to the Senior Independent Director to understand the due diligence process around his previous position at PetroSaudi, the amount of time he spent there and his responsibilities.</p> <p>We received a thorough explanation of the recruitment process and a subsequent investigation into the media reports on his role there. We were satisfied that there was no misconduct. However, we will monitor his performance as chair for any lapse in judgement.</p>
Outcome	We were satisfied that the governance process around the succession was appropriate.
Action	Milestone 4. The company explained the process, and we will continue to monitor his performance.

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Engagement example: Crédit Agricole

Environmental - Climate



Background	Domiciled in France, Crédit Agricole SA engages in the provision of banking and financial services.
Timing	2023 to present
Engagement objective(s)	The engagement sought to learn more about several aspects of the company, including SBTi verified targets, strengthening financing exclusion policies on oil and gas companies, setting green financing targets and linking climate-related KPIs to executive compensation.
How we engaged	In June 2023 we engaged through email with Crédit Agricole's IR team. In 2024, we reached out to the bank again following our annual review of Crédit Agricole to confirm its status on SBTi validation of its emissions target.
Outcome	In 2023, the clarification of its climate-linked remuneration policy and progress in getting its greenhouse gas emissions targets verified by SBTi were positive. 10% of executive annual variable compensation is based on increasing its low-carbon energy exposure and reducing its carbon footprint. The bank has already submitted net-zero targets to SBTi and is waiting for verification. In 2024, we upgraded Crédit Agricole under our proprietary Climate Transition Framework. The company has increased the ambition of its 2030 targets, both in terms of its own operational and financed emissions, and submitted these to SBTi for validation. However, in May 2024, SBTi published new guidance for financial institutions, leading to a delay in validating the bank's targets. While Crédit Agricole believes it is well aligned with the new methodology, its target is yet to be validated by SBTi.
Action	Milestone 4. We will continue to monitor the bank's climate transition plan over the coming year and review the position in 12 months.

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Engagement example: Tesco



Background	Tesco plc is a British multinational groceries and general merchandise retailer headquartered in the UK. It is the market leader of groceries in the UK, with a market share of 28.5%. Tesco also has stores in Czechia, Ireland, Slovakia and Hungary.
Timing	2024
Engagement objective(s)	The BBC released a report into possible human rights abuses within the tomato puree industry, which impacted a number of supermarket chains. The report indicated deliberate mislabelling of products manufactured in the Xinjiang Region of China, where there are alleged forced labour camps. We wanted to understand how Tesco monitors and manages these risks within the supply chain.
How we engaged	We contacted Tesco to discuss the steps it was taking to investigate the allegations within the supply chain and how it ensures that forced labour is not occurring. We also wanted clarity on what measures were in place to monitor and audit its suppliers, particularly those in regions with higher risks of labour violations. We were particularly interested in any specific certifications or third-party verifications that Tesco requires from its suppliers to ensure compliance with ethical labour practices.
Outcome	<p>The company quickly responded with a full explanation of how it manages its suppliers and codes of conduct. Tesco is a member of the Ethical Trading Initiative, and forced labour is one of the key pillars of its human rights strategy. Tesco takes these responsibilities seriously and has many checks in place to ensure fair treatment within its enormous supply chain.</p> <p>Furthermore, it suspended supply from the supplier in question and asked the BBC to share its data, as the testing method used is not recognised as a definitive proof of origin test. We await the outcomes of these investigations.</p>
Action	Milestone 4. Tesco has taken definitive action, therefore, this engagement is Milestone 4. We will monitor further the outcome of the investigation.

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Engagement example: Pearson



Background	Pearson is a multinational publishing company focused on the education, assessment and certifications markets. The company is a leader in the learning segment and continues to innovate by integrating new technologies into its platforms.
Timing	2023 onwards
Engagement objective(s)	<p>Pearson was among the first in its industry to integrate generative AI-powered chatbots into its learning platforms. These tools aim to provide a more interactive and personalised learning experience for university students and English language learners. However, reliance on AI can lead to various issues where algorithmic biases are reified by their widespread deployment. As Pearson positions itself as a leader in deploying generative AI technologies, we are encouraging the company to:</p> <ol style="list-style-type: none">1. Adopt voluntary governance arrangements for AI risk management: Take a leadership role by proactively developing governance strategies and infrastructure that ensure responsible AI deployment. These actions should anticipate and align with incoming regulations in the EU and US.2. Engage stakeholders and improve transparency: Clearly communicate with investors and other stakeholders on how it consults with affected parties (including students, professors, and authors) during the AI roll-out process. We encouraged the company to disclose these efforts through Section 172 reporting or other appropriate channels.
How we engaged	<p>Our engagement began with a discussion during the 2023 Investor Roadshow when company representatives visited our offices. The meeting occurred shortly after Pearson published its inaugural Generative AI Strategy Update. At this time, we explored the company's AI strategy and agreed to a follow-up discussion in 2024, once the roll-out of its generative AI capabilities was underway.</p> <p>In Spring 2024, we held a conference call with the firm's Chief Product Officer and President of Consumer Group. During this discussion, we presented our requests for improved governance and stakeholder communication. The call also gave us valuable insights into Pearson's approach to assessing and managing risks associated with generative AI usage.</p> <p>Following the adoption of the EU Artificial Intelligence Act in August, we had a further email exchange with the firm in September to re-emphasise the importance of companies proactively establishing robust AI risk governance frameworks.</p>
Outcome	<p>We believe our engagements with Pearson have been constructive. The company demonstrated a willingness to engage on this critical issue, and we are optimistic about the following potential outcomes.</p> <ul style="list-style-type: none">▪ Stakeholder-centric reporting: Based on our discussions, we anticipate that Pearson will report on how it has incorporated the interests of diverse stakeholders, ensuring its AI approach is human-focused and aligned with best practices for responsible AI deployment.▪ Enhanced transparency: We are also hopeful that Pearson's FY 2024 annual report will provide more detailed information about its evaluation of AI-related risks and the governance frameworks adopted to manage them.
Action	Milestone 2. The company has engaged in dialogue, but we are yet to see meaningful and material change.

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Engagement example: First Solar



Background	First Solar is a manufacturer of photovoltaic (PV) solar modules and a provider of operating services for the system owners. First Solar manufactures and sells PV solar modules with semiconductor technology, which provides an alternative to conventional crystalline silicon PV solar modules.
Timing	2023 onwards
Engagement objective(s)	<p>During an audit conducted as part of its commitments as a member of the Responsible Business Alliance (RBA), First Solar uncovered labour rights failings in its supply chains. Four external service providers at one of the firm's manufacturing facilities allegedly failed to uphold various fundamental labour rights. These third-party service providers were reportedly employing foreign migrant workers, from whom they were detaining passports, withholding pay and taking recruitment fee payments. The audit also outlined issues such as involuntary overtime and employment terms that were not available in employees' native languages.</p> <p>We were particularly concerned that the failings uncovered at one site may indicate inadequate management systems and less robust policies. We wanted to emphasise the importance of the firm responding to the issues according to the OECD's guidelines for multinational enterprises (MNEs) on Responsible Business Conduct. We were also keen to encourage the company to use its leverage over its third parties to promote long-lasting change at those service providers.</p>
How we engaged	We began engaging with First Solar shortly after the allegations were made public. We scheduled a call with the firm's Head of ESG and Sustainability. We have since followed up with email exchanges to learn about the progress of subsequent audits.
Outcome	Progress has continued from last year. First Solar disclosed its remediation approach to us, which ensured affected workers received compensation. In addition, instead of terminating the service provider contract immediately, the company used its substantial leverage to effect lasting change. It incorporated explicit terms into all its service contracts, stating termination would follow if corrective actions were not implemented and if any further abuses occurred. This led to the return of confiscated passports, the release of withheld wages and reimbursement of recruitment fees, thereby addressing workforce impacts and preventing future abuses.
Action	Milestone 3. As a result of First Solar's commitment to transparency, adherence to RBA standards, and response to labour rights violations, we noted that it had taken concrete steps to address concerns. We also note that subsequent follow-up inspections have not revealed any further issues. First Solar achieved Milestone 3 of the engagement plan, and we await information regarding its closure audit before progressing to Milestone 4.

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Engagement example: HSBC



Background	HSBC Holdings plc is a British universal bank and financial services group headquartered in London, with historical and business links to East Asia and a multinational footprint. It is the largest Europe-based bank by total assets under management (AUM), the seventh largest bank globally by AUM and the world's third largest non-state-owned bank.
Timing	Since 2021
Engagement objective(s)	We have been engaging with HSBC since 2021 on its climate transition pathway. It has made steady progress throughout the years in setting sectoral pathways and associated targets, most recently with the oil & gas and power sectors in 2024.
How we engaged	<p>We have held a mix of group calls and individual meetings throughout the years. In 2024, we participated in a group discussion on its most recent report and accounts, which provided greater detail on its transition plan.</p> <p>This was an open discussion with the Group Head of Sustainability and Investor Relations present, who provided details on the thinking behind their actions.</p>
Outcome	<ul style="list-style-type: none">▪ HSBC was interested in getting investor feedback on its climate transition plan.▪ Annual progress against the plan's objectives was published in the annual report, and the company committed to publishing annually going forward.▪ Regarding facilitated emissions, the bank has followed the Partnership for Carbon Accounting Financials (PCAF) guidance.▪ HSBC is no longer committed to setting SBTi targets as it could not meet the deadline for setting these for all sectors specified in SBTi guidance.▪ It aims to provide a view on climate for investors on a three-year basis.▪ The depth of climate transition plan analysis will depend on materiality, i.e. much deeper dives will be conducted on larger clients.
Action	Progress is still being made, and the engagement remains on Milestone 3 .

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Engagement example: Miller Homes



Background	Miller Homes Group Ltd. constructs residential house buildings. It is a private company based in Derby, UK.
Timing	July 2024
Engagement objective(s)	<p>Miller Homes was initially rated as a 'Laggard' in April 2024 under our climate research framework. As Miller Homes is in a high-influence sector, this triggered an engagement.</p> <p>To understand the company's future climate plans and to assess the likelihood of a category upgrade.</p>
How we engaged	Conference call – July 2024. Aegon AM's Responsible Investment team with Miller Homes' Sustainability Director.
Outcome	<p>The engagement call gave us more insight into Miller Homes' future plans. In particular, it was encouraging to learn that it was working on a climate strategy (published in Q4 2024). The outcomes were:</p> <ul style="list-style-type: none">▪ Net Zero commitment and setting of science-based targets▪ Disclosure of Scope 3 emissions, which is a key issue for homebuilders▪ Decarbonisation strategy, focusing on energy efficiency standards, initiatives to reduce 'use-phase' emissions and embodied carbon
Action	<p>We were confident that if the group implemented its strategy, it would lead to a category upgrade. In Q4 2024, Miller published its climate strategy, committing to achieve Net Zero by 2045 and setting interim targets validated by SBTi.</p> <p>The strategy also set out a high-level plan to meet these targets.</p> <p>This resulted in an upgrade to 'Unprepared', and we will continue to engage.</p>

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Engagement example: Quest Diagnostics

Background	Quest Diagnostics is a diagnostic company that provides insights from the results of its laboratory testing to enable people, physicians and organisations to take action to improve health outcomes. Its clinical laboratory testing services include blood tests, body fluid testing, tissue pathology and cytology, health screening and monitoring tests, drug screening and testing, and gene-based testing.
Timing	February 2023
Engagement objective(s)	<p>Given the current climate change situation, we believe that all portfolio companies should demonstrate a commitment to addressing climate change-related issues. This includes adopting strategies to address transition risks arising from companies' own operational emissions. We prefer companies to set emissions reduction targets aligned with robust methodologies, such as those provided by the SBTi.</p> <p>During the screening of our holdings, Quest was identified as a 'Laggard' against its sector peers in not having established GHG emissions reduction of any form. Therefore, we have been trying to encourage the firm to formally set a GHG emissions reduction target aligned with the SBTi's core methodology.</p>
How we engaged	<p>We contacted Quest to discuss its approach to setting climate disclosures following its CDP response, stating "Global emission reduction targets were being discussed for the near future".</p> <p>However, the firm has repeatedly declined our requests to schedule a call to discuss the issue, instead preferring to respond with a short response, saying that it was continuing to assess its approach and that SBTi targets were included in these discussions.</p> <p>Given the apparent lack of commitment and willingness to engage meaningfully, we decided to support successive shareholder resolutions at its AGMs that require the company to set GHG emissions reduction targets. In doing so, we are voting against the Board's recommendation and have sent follow-up letters to the company explaining our voting decision.</p>
Outcome	<p>Despite significant support for the shareholder resolutions in defiance of the Board's recommendation (2023: 48% 'votes for' – 2024: 42%) and our (and we assume several other) investors raising the issue in bilateral engagements with the firm, we are yet to see any progress in setting GHG emissions reduction targets.</p> <p>Fortunately, the company does not operate a carbon-intensive business model, so the matter is not material enough to consider re-evaluating its position size in our portfolios. Despite this, we are considering escalation options, including writing to the Chair of the Board and voting against certain director re-elections.</p> <p>Due to the lack of meaningful dialogue, the engagement remains on Milestone 1.</p>
Action	We will escalate efforts in 2025.

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Engagement example: International Public Partnerships

Background	International Public Partnerships is a large British publicly listed investment company dedicated to infrastructure investments. We hold it in one of our sustainable portfolios, so the analyst sought greater clarity on how the company was progressing in terms of Net Zero and biodiversity.
Timing	2024
Engagement objective(s)	To seek clarity on how the company deals with climate and biodiversity in its infrastructure projects.
How we engaged	Direct conversations with the board, investor relations and ESG personnel
Outcome	<p>On the environmental targets: The company has set ambitious targets framed around what is within its control and is taking action. It uses the Net Zero Investment Framework (NZIF) infrastructure module to guide its activities and is working pragmatically, i.e. there may be some short-term increase for long-term reduction.</p> <p>Regarding biodiversity: The company is part of the TNFD Forum and is currently considering implementation and reporting.</p> <p>It has some projects underway around tideways and planting, but is seeking a more systematic approach with monitoring to capture its progress.</p>
Action	Milestone 4 , as the company provided greater clarity around its implementation. We will continue to monitor progress.

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Engagement example: Remuneration

We are keenly interested in the remuneration of the companies we invest in to ensure alignment of interests between the executives running the company and the shareholders.

During the year, the Remuneration and Share Schemes Committee at the Investment Association, which is chaired by our Head of RI, released an updated version of the Principles of Remuneration with the aim to balance remuneration with shareholder interests and the ongoing competitiveness of the UK market. The updated principles were well received by the industry, and we are seeing UK-listed companies adjusting their expectations. We are regularly approached in advance of publication to consider company proposals, predominantly relating to executive remuneration and this year we are seeing companies beginning to respond to the new principles, however, we expect to see more during the course of 2025.

These consultations are typically received by letter and usually with the offer of a subsequent meeting with the Chair of the Remuneration Committee, so we can further understand the context and decision-making around the changes.

Proposals vary greatly. Some involve a complete review of remuneration structures, while others describe decisions already made. Should a company submit a proposal that concerns us, we encourage it to either make changes or withdraw it entirely if we fundamentally disagree with the structure. Our subsequent voting will reflect the extent to which our concerns have been addressed. In 2024, we received remuneration consultations from 16 companies. Many companies responded positively to our suggestions and incorporated changes into their final proposals



One example was GSK Plc. Reflecting the global market in which the company operates and competes for talent, and following pay increases at AstraZeneca Plc, GSK proposed significant increases to its performance share plan. However, we argued that, given AstraZeneca's size and recent success, GSK should retain a different level of remuneration. Furthermore, we argued that raising the individual limit should not lead to greater rewards just for meeting the minimum performance threshold. In response, the company made significant changes, including a commitment that the second phase of increases would only be implemented after a significant improvement in the share price. It also reduced the proportion of the award that vests at the minimum performance threshold.

Other companies occasionally proceed with their proposals despite our initial concerns. While we expected some changes to the structures of remuneration plans following the publication of the revised Principles of Remuneration, we have seen relatively few unconventional ones.



One example was Bellway Plc. The company had proposed moving away from a conventionally structured performance share plan to a restricted share plan under which vesting would not be subject to the achievement of pre-determined performance targets. We argued that there were no exceptional circumstances to warrant the move and that to incentivise future outperformance, a greater proportion of the existing plan should be linked to relative total shareholder return (TSR). Despite expressing our concern, the company still proceeded with its original proposal. As a result, we voted against the proposal when it was submitted at the AGM.

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Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Power of collaboration

We believe in the value of engaging with investee companies to drive change in ESG practices. Our strategy combines direct engagement with collaborative efforts alongside other investors and stakeholders who share our vision. Engaging collaboratively is effective for two main reasons.

1. **Common themes:** For issues prevalent across multiple investments and where we aim for industry-wide change, joining an organised campaign led by an organisation with specialised knowledge makes the most sense.
2. **Influence through unity:** When our individual shareholding is insufficient to drive change, we opt for collective action, often as a step in an escalation process.

Definition of collaborative engagement

Collaboration with other investors and/or non-governmental organisations to discuss material issues facing the company. It does not require or seek collective decision-making or action with respect to acquiring, holding, disposing and/or voting of securities. Investor participants are independent fiduciaries responsible for their own investment and voting decisions. They must always act completely independently to set their own strategies, policies and practices based on their own best interests.

Wider engagement with other stakeholders, such as employee unions and non-governmental organisations, may also form part of our engagement activities. This can involve collaborating with a small group of investors to address specific issues with a company. At other times, we participate in international initiatives that adopt a multi-sectoral approach. Such activities bolster our influence over investee companies, encouraging them to conduct their business responsibly. The following examples are a selection of initiatives we have engaged in during 2024, focusing on these critical topics.



Institutional Investors Group on Climate Change and its CA100+ initiative. We are an active member of the platform within our fiduciary duty and represented in various working groups, as well as the advisory committee. We co-lead engagements in four sectors – automotive, chemical, industrials and utilities.



As You Sow is a shareholder advocacy group promoting environmental and social corporate responsibility.



Together with other investors, we stimulate and guide pharmaceutical companies to contribute actively to the Access to Medicine Foundation index to do more for people in low- and middle-income countries who lack access to medicine.



ShareAction is a UK-registered charity that works to define and drive change in the financial system for social and environmental progress.



Together with other Platform Living Wage Financials members, we encourage the implementation of a living wage in global supply chains. We are predominantly focused on engaging with garment companies.



IHC aims to reduce the adverse impacts of hazardous chemicals, thereby helping its members avoid related financial risks.



On an annual basis, we support CDP's Non-Disclosure Campaign, urging companies with a significant environmental impact to disclose data on climate, water and forestry. We have also supported CDP's science-based targets campaign since its launch.



Nature Action 100

Nature Action 100 is a global investor engagement initiative that drives greater corporate ambition and action to reverse nature and biodiversity loss.

As at 31 December 2024. Collaboration could comprise any of Aegon Asset Management's entities. Aegon Asset Management or Aegon Ltd is not associated with, nor endorsed by, the organisations depicted above. All third-party names and logos are the property of their respective owners and are used in this material for identification purposes only.

Focused and targeted collaboration

In 2024, we had 180 collaborative engagements with 64 companies on various issues. Participation style varied. In some, we were very active in the engagement platforms, where we took a lead role for specific companies. In others, we acted on client-specific requests to engage with top emitters, such as BMW, Mercedes Group, ArcelorMittal and BASF SE.

We continued to combine our longstanding general support of the non-disclosure campaign through CDP, with direct engagement targeting the lowest-rated climate transition names in one of our climate transition funds. In addition, we engaged with major banks on their transition plans, including Barclays and HSBC, where we engaged both directly and collectively, through ShareAction.

The following examples focus on our equity and fixed income holdings. As highlighted previously, these engagements can span several years. Therefore, some of the examples are building on progress made last year. They also strengthen our commitment to the collaborative platforms.

Often, these engagements will not directly impact our investment decisions, as they are generally raising a standard of practice across many companies. However, if a company persistently lags in this respect, we would take this into consideration in the portfolios we manage across the estate, alongside other factors such as valuation and outlook for the company/industry.

Engagement priorities


When deciding our priority engagement themes, we consider the most material issues facing our investment companies as well as the issues that are important to our clients. One such example is our internal client, Aegon UK, which provided clear guidance on the key engagement issues it wanted us to focus on during the year.

The theme-related engagements in 2024 mainly focused on climate change, human rights and biodiversity.

In our socially linked collective action on access to medicine or the payment of living wages in global supply chains, we decided to no longer support ADVANCE. This is a PRI-led collaborative initiative where institutional investors seek to advance human rights and positive outcomes for people through investor stewardship. Since its focus is on companies related to the energy transition, such as renewable energy and metals and mining firms, we found there was too much overlap with the work we are already doing through other channels. Therefore, we decided to refocus our resources.

Sometimes unforeseen incidents require our attention. Safety systems, processes and capabilities in the mining business are highly developed these days. Still, it shows that workplace safety is a field that needs continuous attention to avoid putting physical integrity at risk.

Engagement example: ArcelorMittal

Target company	ArcelorMittal SA is a holding company that engages in steelmaking and mining activities.	 ArcelorMittal
Engagement objective(s)	Health and safety (H&S) concerns due to a severe accident at its Kazakhstan mine, with 46 fatalities, triggered engagement on the company's safety approach. We immediately engaged after the accident and followed up on the promise for a third-party H&S review. We wanted to raise our expectations regarding this audit, gain an understanding of the findings and assess any potential changes made as a result.	
How we engaged	We teamed up with other investors who shared the same ambition and objectives. We exchanged emails and held calls with the company to gain further insights into its plans and actions.	
Outcome	<p>ArcelorMittal did act on our request and published an interim update on its company-wide safety audit. The auditor, a sustainable operations management consultant, conducted a company-wide audit of its safety practices. The audit approach, scale and scope were presented, and a complete audit report with key recommendations is available.</p> <p>The audit focused on three key areas.</p> <ol style="list-style-type: none"> 1. Fatality prevention standards 2. Process safety risk management assessment 3. Top-to-bottom health and safety governance review <p>We are pleased with the company's transparency and subsequent actions. However, we are concerned that issues at the company appear to be more cultural than technical or standards related. Arcelor must work on a stronger 'one safety culture' across all levels, particularly when working with contractors. The challenge is to raise all operations in the group to a higher standard – something the auditor's recommendations addressed.</p>	
Action	Milestone 3. We provided feedback and await the publication of its 2024 annual report. Our ongoing engagement aims to support improvements in the company's health, safety and human rights practices.	

Engagement example: Merck & Co., Inc. (MSD)

Target company	MSD is a healthcare company that provides health solutions through its prescription medicines, vaccines, biologic therapies, animal health and consumer care products.	
Engagement objective(s)	Encourage MSD to actively participate in the Access to Medicine Index and improve its scores.	
How we engaged	The company fell to almost the lowest position in the Access to Medicine Index. We engaged the company to improve its ranking and to make it aware of gaps that we could see in its access to medicine strategy. We discussed the reasons behind its change in performance and helped the company to understand its investors' expectations.	
Outcome	The 2024 Access to Medicine Index scores have been released, and MSD moved up by two points. We discussed with the company areas where improvements would be expected and possible. The company embraced our advice and improved its access and product delivery governance. In these areas, it demonstrates best practice by sharing high-value intellectual property assets for tuberculosis and transferring technology for end-to-end vaccine manufacturing.	
Action	<p>Milestone 4 for improving its index ranking, from 18 to 16 out of 20.</p> <p>Milestone 3 for the company's overall engagement objective and involvement with the Index. Many American companies have no interaction with the Access to Medicine Foundation or its scoring system, which helps investors make better informed investment decisions, so this sets MSD apart.</p>	

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Engagement example: Barclays Bank

Target company	Barclays is a British multinational bank. According to the banking on Climate Chaos report in 2024 it ranks as the eighth largest fossil fuel funding bank globally. Since 2020, following Share action targeting the AGM we have been actively engaging with Barclays on climate change issues. This demonstrates the long term focus of our engagements. 2020 to Present
Timing	2020 to Present
Engagement objective(s)	Our engagement with Barclays is a mix of direct and collaborative efforts alongside Share action and the Investor Forum. The objectives have been to gain insights into the bank's strategy for transitioning towards a lower carbon future and to keep track of advancements in alignment with the Paris agreement. We are committed to ensuring Barclays monitors and responds to the fact that climate change is a material factor for the organization.
How we engaged	Engagement began positively with Barclays providing details on how it plans to meet its Net Zero commitment by 2050 including: <ul style="list-style-type: none"> ▪ Targeting High Emission sectors – concentrating on energy and power sectors due to their high carbon footprint with specific reduction targets set for the next 5 years. ▪ Annual Carbon Budgeting – Introducing a yearly carbon limit for funding activities to ensure responsible budgeting. Restricting certain investments – Halting funding for fracking and oil sands in Europe, with enhanced due diligence in the US. However, the 2022 investor update revealed some regression due to the energy crisis, with no significant progress in 2023. In 2024, we attended a group investor call to discuss the recent changes the bank had made to its energy policy and transition finance framework. The call was a good platform for investor Q&A.
Outcome	In 2024, Barclays updated its energy policy and included more stringent exclusions around Oil & Gas project financing as well as expectations around transition plans of their energy company clients. The bank also published its transition finance framework which sets out the range of activities eligible for inclusion.
Action	Milestone 3: Progress is slow over the past few years but we need to maintain ongoing engagement to ensure it is aligned with the overall ambitions regarding climate. We will closely monitor the implementation of its new energy policy and transition finance framework.

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Expanded focus on the chemicals sector

During 2024, we decided to approach the chemicals sector from a slightly different angle. In addition to our continued involvement in ShareAction's work with the sector, we joined the Investor Initiative on Hazardous Chemicals, facilitated by ChemSec. Members, like us, engage in ongoing dialogue with the world's largest publicly traded chemical companies. The aim is for them to achieve a better ranking in the annual ChemScore Report and to avoid the financial risks associated with the production and use of toxic chemicals. We supported work related to the scorecard improvement and encouraged policymakers to ambitiously tackle systemic risks connected to PFAS – also known as forever chemicals. We will provide more information in next year's report when our involvement has progressed.



We also continued to work with ShareAction, which targets the chemicals sector as a major global emitter of GHGs and encourages systemic change in the industry. In 2023, we met 11 of the 13 European target companies regarding climate transition, with positive results. The initiative continued in 2024, focusing on high-priority companies in the chemicals value chain, such as Air Liquide, BASF and Croda.

On the positive side, we were pleased that BASF joined LyondellBasell in setting a Scope 3 emissions target. However, getting the company's commitment on other issues proved more difficult, including phasing in non-petrochemical feedstocks or aligning future capital spending with 1.5°C and disclosing its spending accordingly.

Engagement example: Chemicals value chain through ShareAction

Target company	BASF SE is the largest chemicals producer in the world.
Engagement objective(s)	The chemicals sector is a major global emitter, responsible for 5.8% of GHG emissions. As a major chemicals company, BASF faces financial risks if it fails to transition to Paris-compliant practices. We expect BASF to plan emissions-neutral feedstock by 2050 with clear intermediate targets, and to make a time-bound commitment to zero emissions from energy consumption through the phasing in of non-petrochemical feedstocks, electrification and transitioning to 100% renewable energy.
How we engaged	Our engagement included writing to the company and holding calls, including one with the new CEO.
Outcome	BASF's climate strategy focuses on several points to achieve its emissions reduction targets. We engaged with the company to set a comprehensive Scope 3 target, which it did in part. It committed to reducing specific Scope 3.1 emissions by 15% by 2030 compared to 2022 levels, with a long-term goal of achieving net-zero Scope 3.1 emissions by 2050. While we welcome this step, we are concerned that BASF has not defined plans to address the majority of its Scope 3 emissions. We expect the company to set clearer plans for scaling new low-carbon processes over time. We also want SBTi to validate BASF's targets.
Action	Milestone 3. Engagement objective (partly) achieved.


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Collaboration on climate

Climate-related engagement and voting are integral to our active ownership strategy. Our Responsible Investment team conducts engagements on this critical issue alongside regular meetings involving analysts and fund managers.

To maximise effectiveness, we collaborate with initiatives like Climate Action 100+. Having been an active member of this initiative for phase one, we have signed up our UK and Netherlands business units for phase two. We are an active member of various sector groups, including autos, chemicals, utilities and materials (steel and mining), and are co-leading several engagements. In this way, we can tackle decarbonisation across value chains, not just at a single point, and discuss the action necessary to transition to a net-zero economy.

Engagement example: Climate change through Climate Action 100+

Target company	E.ON SE is an international investor-owned energy company that provides energy networks and customer solutions.	
Engagement objective(s)	This engagement took place in the context of CA100+, an investor-led initiative that engages the world's largest corporate greenhouse gas emitters to improve governance on climate change, curb emissions and strengthen climate-related financial disclosures. One of the CA100+ benchmark indicators is climate policy engagement. This examines how lobbying actions (direct and indirect via industry associations) align with the Paris Agreement goals. It also assesses the quality and accuracy of company disclosures on climate policy engagement activities.	
How we engaged	We held numerous calls with the company and corresponded via email.	

We also connected E.ON with the policy analyst body InfluenceMap. Subsequently, E.ON arranged to meet with the BDI, the German industry association. This provided additional opportunity for E.ON to explore investors' expectations around lobbying investee companies.

Outcome After successfully engaging the company to disclose its climate policy work, we made clear that we expected greater detail and material evidence of its climate-positive policy work in its next disclosure. After raising this with E.ON representatives and meeting with the BDI, the company finally published an update to its first report. We appreciate that the company improved its benchmark scoring and that the assessment identified several improvements.

Action **Milestone 4.** The company responded to our requests and published an update of its climate policy work.

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Engagement example: Climate Action 100+ engagement with Mercedes-Benz Group AG (MBG)

Target company MBG manufactures and distributes premium cars.

Engagement objective(s) Improve the company's scores on the CA100+ benchmark and push for further achievements towards Net Zero 2050. This initiative allows companies, including MBG, to prepare for the impact of climate change on their businesses and to manage the related risks and opportunities.

How we engaged As CA100+ co-lead for MBG, we regularly checked in with the company throughout the year. At its annual ESG day and AGM, we discussed the company's climate strategy progress ahead of and around the benchmark release. We particularly focused on how MBG plans to reach its CO2 reduction targets after it retired earlier plans to discontinue its combustion-engine car models. We also wanted more strategic clarity on MBG's battery strategy, electric vehicle (EV) architecture improvements and EV production plans – to assess alignment with the company's stated climate targets and evaluate feasibility.

Outcome MBG stated that dropping its EV sales targets will not lead to any immediate changes and that it is still committed to investing billions in EVs and architectures. However, MBG believes that changing market conditions and customer sentiment are creating pressures. While it is not worried about the future of EVs, it is concerned about the timing and scale of the transition. The company's 2035 target is due to be reviewed in 2026, and it will wait until then to decide if it needs to be changed. MBG will continue to invest as planned, and some technical developments it has made on the EV platform can also be used in combustion engines.

Action **Milestone 3.** As the company's response raises further questions, we want reassurance that it will not abandon or scale back its climate targets, so we will continue engaging regularly.

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Engagement example: Climate Action 100+ engagement with SSE plc



Target company	<p>SSE, a multinational energy company headquartered in Scotland is a focus for the Climate Action 100+ initiative, run by the Institutional Investors Group on Climate Change (IIGCC).</p> <p>SSE is held in part of our sustainable fund suite due to its focus on supporting the transition to low-carbon electricity systems in the UK and Ireland. Despite its ambitious decarbonization goals, it remains a high emitter. We engage with the company continuously and have joined the Climate Action 100+ group to collaborate with asset management peers on the company's climate ambitions.</p>
Engagement objective(s)	<p>SSE has made significant progress in recent years, including seeking shareholder approval for its first Net Zero Transition Report in 2022.</p> <p>In 2024, the discussion focused on SSE's decarbonisation strategy, the risks of the company not meeting its 2030 emissions reduction targets and the Just Transition.</p>
How we engaged	<p>Collaborative engagements among the investor group involved discussions about SSE's journey and how the company could strengthen its ambitions and strategy. We focused on encouraging the company to address the issues above. The broad discussions touched on other points that are key to the company's transition, such as climate board expertise, lobbying alignment, and committing to Net Zero in a challenging geopolitical environment. The company has been responsive to the group's engagements and appears keen to meet investors expectations.</p>
Outcome	<p>SSE has continued to make progress over the year. In particular, the company has disclosed the key decarbonisation levers and the amount of emissions reductions it expects from each in relation to its 2030 targets. SSE has also published its Just Transition plan. The end goal of the engagements, which will likely span several years, is to meet all the criteria laid out in the Climate Action 100+ Net Zero Company Benchmark. Engagement priorities will be revisited and enhanced where appropriate in early 2025.</p>

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Backing biodiversity

Given its intrinsic link to climate change, we have been increasingly engaging on biodiversity. However, data is not as readily available or quantifiable on this topic as it is for climate, so our engagements are at a far earlier stage and are still developing.

Meanwhile, we believe regulators have an essential role to play in defining the basis of robust biodiversity solutions.

As a result, we supported the 2024 Global Investor Statement to Governments on the Climate Crisis, coordinated by UNEP. We believe we need global governments and policymakers to take urgent action. The statement calls on governments to raise their climate ambition in line with the goal of limiting global temperature rises to 1.5°C by:


1. enacting economy-wide public policies
2. implementing sectoral strategies, especially in high-emitting sectors
3. addressing nature, water and biodiversity-related challenges contributing to and stemming from the climate crisis
4. mandating climate-related disclosures across the financial system
5. facilitating further private investment into climate mitigation, resilience and adaptation activities in emerging markets and developing economies.

In addition, we signed a letter raising concerns over the proposed delay to the application of the EU Deforestation Regulation (EUDR). Many large companies have already established practices and supply-chain incentives to support farmers and meet the regulation's standards. This regulation is needed to help mitigate climate and biodiversity risk during a critical decade for action.

We also signed an investor letter for urgent action to reduce plastics from intensive users of plastic packaging. This was ahead of Intergovernmental negotiations to request a legally binding instrument for ending plastic pollution.

On the corporate engagement front, we joined Nature Action 100 and have already begun engaging with several target companies, including Pepsi.

Engagement example: Biodiversity

Target company	PepsiCo, Inc. manufactures, markets, distributes and sells beverages, food and snacks.	
Engagement objective(s)	To introduce the co-leads for the Nature Action 100 engagement and PepsiCo. Also, to introduce the benchmark, which reviews a company's ambition, assessment, targets, implementation, governance and engagement on protecting and restoring nature and ecosystems.	
How we engaged	We engaged alongside other Nature Action 100 members from different countries, specifically interested in engaging with PepsiCo.	
Outcome	We discussed the company's performance against the NA100 benchmark, which leaves much room for improvement. The company has started to set targets and take action regarding how it discloses its progress. However, it has not assessed or disclosed its impact on nature loss in high-impact regions or on indigenous people. Pepsi must dive deeper and demonstrate a better approach to managing biodiversity loss.	
Action	Milestone 2. The company has taken the first steps but must take more urgent and necessary corporate action to protect and restore nature and ecosystems.	

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Principle 11

Signatories, where necessary, escalate stewardship activities to influence issuers.

Our approach to escalation

As outlined in Principle 9, we track each engagement according to set objectives, and progress is regularly monitored, recorded and discussed internally. If concerns remain following engagement, we may escalate activities. This can include additional meetings with executive management, meetings with non-executive board members, expressing concerns through the portfolio company's advisers and voting against the portfolio company's recommendations at its AGM or extraordinary general meeting. We prioritise these activities based on the size of our active position or the seriousness of the issue at stake – while this approach involves qualitative judgement, it has been successful in our experience.

We may adapt our approach by seeking collaboration with other like-minded investors. In some instances, we may even reduce or sell our holdings, subject to appropriate client approvals in non-discretionary client mandates. The example of Standard Chartered that follows demonstrates when we escalated our activities to collaborative engagement when we could not gain enough traction at an individual level. In Principle 7, we also include an example where poor engagement outcomes led to an escalation to reduce the holding in Alfen.

We have also escalated activity with another UK-listed company due to fraud. However, we cannot currently disclose details due to possible legal action. We will disclose information retrospectively when we can.

We adjust our approach for fixed income engagements as there is no ability to vote at meetings. Fixed income escalation may take the form of public statements, legal protection of our rights or divestment.



Engagement example: Standard Chartered

Target company	Standard Chartered Bank is a London-based international banking group with over 1,700 bank branches in 70 countries. Its offerings include a variety of consumer and corporate financial products. Though based in London, the bank generates 90% of its profits from Africa, Asia and the Middle East, which creates challenges in balancing climate transition with a just transition.
Timing	2022
Engagement objective(s)	We have been engaging with the company for several years on how it is managing its financed emissions and green financing. This company has greater challenges, given that many of the markets it operates in are not as advanced in cleaner energy. Progress has been slow, so we wanted to publicly encourage more work on its green financing.
How we engaged	<p>We have spoken directly to the company and in collaborative forums. In 2024, we signed a statement in conjunction with EQ Investors to be read at Standard Chartered's AGM.</p> <p>The sustainable finance target that the company has set is very broad and encompasses all products within its sustainable finance product suite. However, we have asked for greater clarity around the distinction between green and other sustainability-related financing.</p>
Outcome	<p>The company was receptive to the question, but it remains to be seen if it will provide this level of granularity in the next report.</p> <p>Milestone 3. We will keep monitoring and engaging on this topic.</p>

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Engagement example: Upholding ethical principles – Thames Water

Target company	Thames Water is a British private utility company responsible for the water supply and wastewater treatment in most of Greater London, Luton, the Thames Valley, Surrey, Gloucestershire, north Wiltshire, far west Kent and other parts of England. Like other water companies, it has a monopoly in the regions it serves.
Timing	2022 - ongoing
Engagement objective(s)	To gain information on leakage rates and fines resulting from pollution, and to understand the company's strategy to rectify these problems.
How we engaged	<p>We have been aware of the pollution problem at Thames for a while, but also cognisant of the vast infrastructure in its domain that is aged. However, the increasing number of controversies indicated deterioration, so we decided to monitor the company more closely and to engage.</p> <p>Throughout 2022 and 2023, we engaged with Thames to ascertain, the extent of the leakage and pollution problems, the financial impact, timelines and its strategy to resolve the issues.</p> <p>In January 2024, a new CEO was appointed, and more data was published showing that the company's environmental performance was deteriorating further. In fact, there was a nine-fold increase in the hours of sewage discharge in 2023 versus 2022. The huge increase in rainwater during the year exacerbated this problem. However, despite assurances from Thames Water that there was a strategy in place to deal with the problem, it soon became clear that it was only getting worse. From the available data, it was widely recognised that there was a deterioration at the company and vast improvements are required. Thames Water has been under the scrutiny of the regulator for some time and is on the radar of a number of its stakeholders.</p>
Outcome	In March 2024, with the turmoil surrounding the financial situation at the company, we lost confidence that its management's attention would be focused on resolving the environmental problems with any urgency. We therefore assigned Thames Water as unsuitable for our ethical funds due to the associated environmental damage. Consequently, we sold out our positions in the portfolios.
Action	Milestone 4. No further action is required as the portfolios no longer hold Thames Water.

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Engagement example: Remuneration at Zurich



Target company	Zurich is a global insurance company that is organised into three core business segments: general insurance, global life and farmers. Zurich employs 55,000 people, with customers in 215 countries and territories.
Timing	From 2021 and ongoing.
Engagement objective(s)	To encourage alignment of performance with remuneration outcomes.
How we engaged	We have continually engaged with Zurich Insurance Group regarding its remuneration structure. In particular, we have been concerned that its employees can be rewarded for below-average performance under its long-term incentive plan. Despite previously expressing these concerns, there was little change when reviewed in 2024. In addition to voting against the remuneration report, we focused our attention on the chair of its remuneration committee. He had been aware of our concerns for several years but failed to address them.
Outcome	We will await the company's 2025 AGM before deciding on our escalation approach if the issue has not been resolved.
Action	Milestone 2. Progress has not been made.

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Principle 12

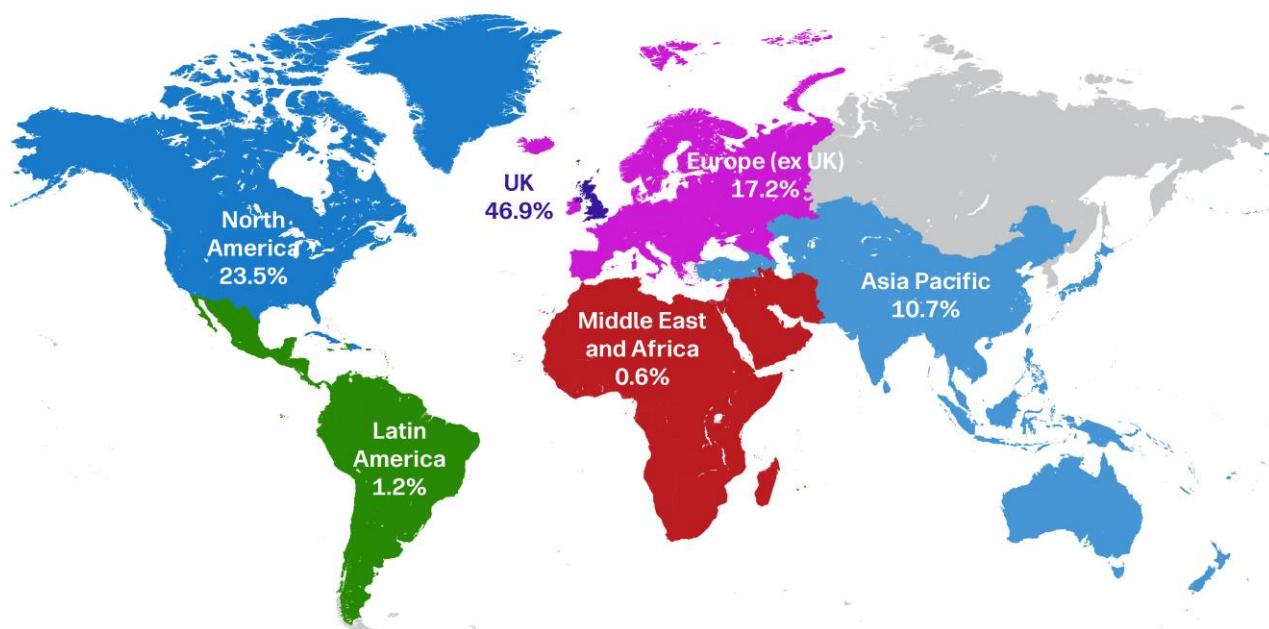
Signatories actively exercise their rights and responsibilities.

As active owners, we recognise that exercising our voting responsibilities and constructive long-term engagement with companies are vital to our role as an asset manager. Both are central to our responsible oversight of the capital that we allocate on our clients' behalf.

We use our voting rights in the best interests of our clients, exercising them on our active holdings according to the policy below. This commitment underpins our stewardship activities.

To respond to Principle 12, we are focusing specifically on our voting process, which we use where we have discretion to apply the Aegon AM policy. We also facilitate client-specific voting policies in certain funds.

2024 votes by country



Source: Aegon Asset Management and Institutional Shareholder Services (ISS) reflecting data from 1 January to 31 December 2024.

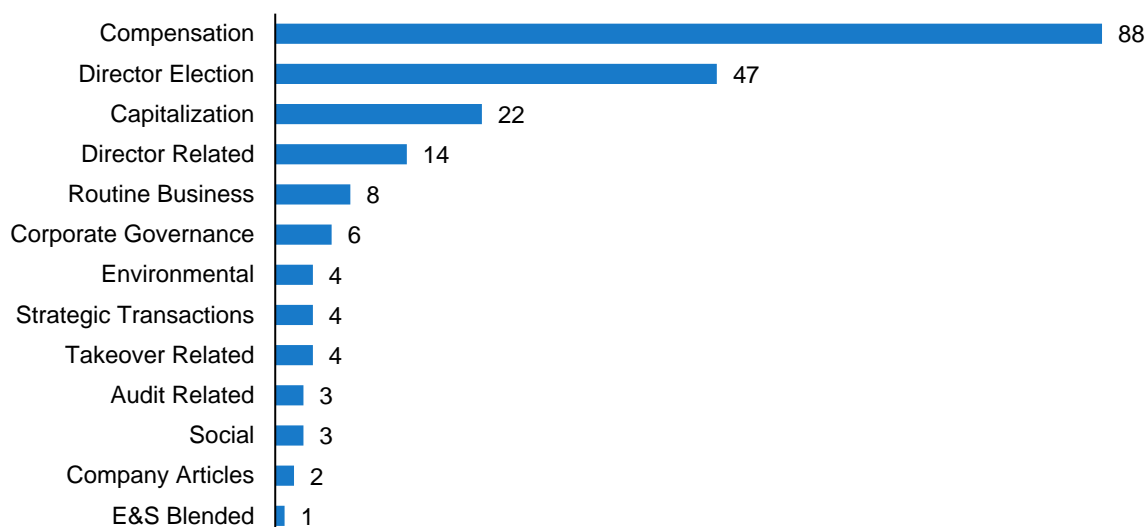
Promoting best practice

We strive to promote established best practice through regional corporate governance codes, or where these are absent, through international best-practice codes, such as the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance. While cognisant of regional differences, we actively promote best practices in all our engagements, as demonstrated in Principles 9-11

Our default position is to support company management. However, we expect companies to adhere to the highest governance standards relevant to their country of incorporation. We recognise that no two companies are the same. We therefore support the 'comply or explain' model of corporate governance.

Our voting guidelines are intentionally flexible to enable us to fully consider a company's stage of development and maturity. This approach places the onus on companies to explain any deviations from our expectations. If any deviations arise, we strongly encourage companies to engage so that we may gain a deeper understanding of the issue.

Votes against management by topic



Source: Aegon Asset Management and Institutional Shareholder Services (ISS) reflecting data from 1 January to 31 December 2024.

We consider, evaluate and vote in all UK and Dutch investee companies' shareholder meetings, as well as funds labelled sustainable. We also vote in all other meetings where we own over 0.1% of the issued share capital. We believe this threshold is the minimum level at which we can begin to influence management.

This approach resulted in 58% of all meetings being voted on in 2024. We occasionally vote on overseas companies in which we hold less than 0.1% if a particular issue merits special consideration.

Constructive contact

If we identify concerns when evaluating a shareholder meeting, we will seek to contact the company before voting. This allows us to understand the issue further and provide the company with an opportunity to explain its decision-making. In less developed markets, establishing direct contact with companies can be challenging. Therefore, engagement may sometimes be limited to written communication.

Contacting a company will not always change our proposed voting stance. However, every time we abstain or vote against a proposed resolution (in all markets), we write to the company fully explaining our reasoning and offering suggestions that it could implement to alleviate our concerns. This triggers ongoing engagement.

Having identified a concern, contacted the company where practicable, and determined our voting intention, we will inform the relevant fund manager, who must formally agree with the proposed intention before casting our vote. This ensures a cohesive approach within the investment function. On the rare occasion there is disagreement, the issue will be referred to the Chief Investment Officer for the final decision.

Should any improvements from year to year lead to a favourable voting result, we will promptly inform the respective fund manager. This ensures they remain fully informed of all developments.

The role of research

As part of our decision-making process, we take research from both ISS and IVIS (via the Investment Association). We use these for research purposes. The voting recommendations issued by ISS do not influence our own voting decisions. In 2024, we did not vote in line with ISS at 21.4% of meetings, equivalent to 1.8% of all resolutions voted.

In addition to using research providers, when determining our vote, we give due consideration to previous company communications and specific knowledge offered by the relevant fund manager. Each vote is considered on a case-by-case basis and in a pragmatic manner.

While we seek to apply our voting guidelines consistently, we sometimes offer companies a degree of flexibility dependent upon different factors. These may include whether the company is new to market, transitioning to a main market or if tangible progress has been made over the preceding year. This forms part of our engagement process in helping companies achieve the highest governance standards. Our voting guidelines can be found in our Active Ownership Policy.

Active industry membership

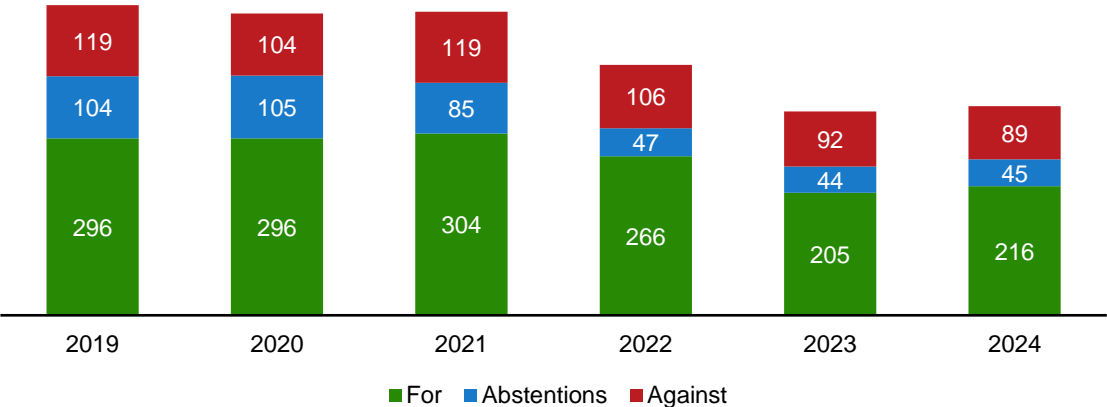
We are active members of the Investment Association and Eumedion’s Investment committees on stewardship and sustainability. Our Head of Responsible Investment continues to act as chair of the Investment Association Remuneration and Share Schemes Committee. We are also members of the GC 100 Investor Group.

This active industry participation ensures that we can influence systemic issues, including the development of standards and disclosure initiatives such as the Investment Association Principles of Remuneration, the final guidance for which was published in October 2024.

Centralised voting data

We vote our holdings through the ISS Proxy Exchange platform. All votes cast are recorded on the FactSet system, alongside the rationale for any votes against management and records of our engagement activities. This enables us to track progress against engagement objectives and provides the investment managers easy access to our activities.

2024 votes on non-support by category



Source: Aegon Asset Management and Institutional Shareholder Services (ISS) reflecting data from 1 January to 31 December 2024.

Our voting records, together with explanations to accompany abstentions and votes against management or votes on shareholder resolutions (our definition for significant votes) are publicly available on our website: [Proxy voting report](#).

We attend general meetings when appropriate. Before exercising our right to request an extraordinary general meeting or to table a shareholder resolution at a general meeting, we consult the portfolio company’s board. We also ensure a team member is present or represented at such meetings to explain the respective resolution.

Respecting and listening to our clients

In 2024, we maintained stock lending in select portfolios, recalling loans before voting to fully exercise our rights. We also respect and facilitate clients’ individual stock lending preferences.

Clients in segregated accounts will agree to a voting approach in the Investment Management Agreement and may use our voting policy or choose their own.

Our voting rights strategy in pooled funds is disclosed in the fund prospectus and is available to all investors.

Currently, we do not offer clients in these vehicles the opportunity to make individual voting decisions. However, we communicate with clients regularly, listening to their feedback on our voting policy and making amendments to ensure it reflects their expectations.

Finally, if clients have suffered losses resulting from funds holding entities that have provided misinformation, are involved in fraudulent activities or other violations of securities laws, we screen the portfolios and file class actions to recoup any losses.

Examples where voting has led to change

When it comes to remuneration, we favour packages that are structured simply and transparently and that are aligned with our long-term interests.



For several years, we have raised concerns at Craneware Plc regarding the proportion of long-term awards that vest for achieving average performance. We believe awards should be structured so that the majority is delivered for outperformance.

Having escalated our voting while continuing to engage, the company reduced the proportion of award vesting at the median in 2024.



We have discussed governance matters for a considerable time with Veracyte, Inc. and have been singled out by the company for our constructive engagement approach over the years.

This culminated in a significant change to the structure of the company's ongoing executive remuneration and led to positive alignment between pay and performance. Having voted negatively for several years, we can now support remuneration-related resolutions at Veracyte in the future.

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Targeting European remuneration

While disclosure of performance targets is the market norm in the UK, disclosures in certain overseas jurisdictions can be limited. In recent years, we have particularly focused on European markets, where we want better remuneration disclosures. Greater transparency in this area allows us to properly assess targets and ensure an appropriate link between pay and performance. A combination of voting and engagement led to notable success at Royal Unibrew A/S and Adidas AG in 2024.

Instilling change at the board and/or committee level tends to be a lengthy process in which we both engage and use our vote. Many of our concerns centre on the composition of audit committees, which we believe, given their importance, should be entirely independent. During 2024, we successfully changed the membership of committees at several companies, including Killam Apartment REIT and AES Corporation.

Fixed income

In fixed income, creditors typically seek to amend indentures (legal contracts between bond issuers and holders) at two points. Firstly, at a new issue, i.e. when a company seeks to raise capital and the indenture is being negotiated for the first time, and secondly, when the company falls into restructuring.

Aegon AM seeks to always maximise creditor protections where possible, acknowledging the need to balance our leverage and participate in financial markets as a constructive creditor for our investors.

Aegon AM's approach in all markets uses various resources and points of leverage. We have specialist research providers that produce detailed legal analysis of indentures, highlighting risks to creditors within the documentation. This augments the analysis of our experienced Credit Research team, which also reviews indentures alongside a credit risk assessment.

We consider the materiality of any points of concern, including the severity of risk and the likelihood of it coming to bear. This can lead us to engage with the issuer or syndicate banks to seek documentation changes on areas such as extending maturity dates and tightening loopholes.

We may engage directly or collaboratively with like-minded peers or through the Investment Association. Aegon AM's representative is the current Chair of the Fixed Income committee at the Investment Association, ensuring we are up to date with all the latest developments in this area.

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