Asset Management

TCFD ALIGNED CLIMATE REPORT 2023

Aegon Asset Management UK Plc's climate-related disclosures

Aegon Asset Management UK Plc's Climate Report in line with recommendations by the Task Force on Climate-related Financial Disclosures (TCFD)

Contents

Foreword

Climate change presents systemic risks to the global economy and financial systems through physical impacts like extreme weather events and long-term shifts in climate patterns, as well as transition impacts driven by the move towards a low-carbon economy. These climate-related risks carry substantial potential financial implications across sectors. Transparent disclosures and proactive management of climate risks are therefore critical for organisations to navigate the transition and mitigate exposures.

At Aegon Asset Management UK plc, we continue to focus on managing climate-related risks and seeking opportunities to support an accelerating low-carbon transition. Climate considerations are integrated into both investment and stewardship processes. We continued to develop and launch innovative investment solutions led by client demand. Supporting the low-carbon shift, our newly converted Global Short Dated High Yield Climate Transition fund leverages our internal climate research to invest in companies with robust and credible transition plans. This product expands our range, supporting delivery of our net zero commitment to enable clients to align with net zero objectives.

We maintained our comprehensive active ownership program and continued to focus on the heaviest emitters of greenhouse gases across our fixed income portfolios. And our prioritisation of responsible investment was further reflected in the steady progress of important capacity building projects during the year. We also enhanced our materiality framework for the analysis of ESG risks in the credit research process and strengthened our policies and procedures to better align with regulatory requirements.

Robust climate risk management and disclosures are critical for organisations to build resilience and remain competitive in the transition to a low-carbon economy. The disclosures in this report cover Aegon Asset Management UK's activities over 2023 as at 31 December 2023. They have been created to satisfy the FCA's climate-related disclosure requirements for asset managers, which are consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and comply with the requirements set out in 'ESG 2.2 TCFD entity report' and other relevant sections of the FCA ESG Sourcebook.

We prioritise climate action, integrating sustainability into our core business. We have the ambition to play a leading role and continue to build on the progress we have made so far. This report offers an overview of our progress.

Kirstie MacGillivray
CEO,
Aegon Asset Management UK Plc

June 2024

Climate tools

We are onboarding climate stress-testing tools

Supporting the transition

We are developing products and services supporting the transition to net zero

Research

We are expanding our climate transition research coverage

The TCFD outlines 11 recommendations for organisations to include in their climate reporting categorised under the four pillars below.

GOVERNANCE

Describe the Board's oversight of climate-related risks and opportunities. **Page 5 >**

Describe management's role in assessing and managing risks and opportunities. **Page 5 >**

STRATEGY

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. **Page 6 >**

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. **Page 9 >**

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. **Page 11 >**

RISK MANAGEMENT

Describe the organisation's processes for identifying and assessing climate-related risks. **Page 14 >**

Describe the organisation's processes for managing climate-related risks. **Page 16 >**

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. **Page 17 >**

METRICS & TARGETS

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. **Page 19 >**

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. **Page 20 >**

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. **Page 22 >**

Technical terms are defined in the glossary on **page 24** or can be found in the glossary on our website at: **www.aegonam.com**

2023 activity highlights

Published our Climate Action Plan which is focused on enabling clients to align investments with their net zero objectives.

Introduced the Global Short Dated High Yield Climate Transition fund, increasing our offering to support investors to invest in companies with strong and credible transition plans.

Encouraged the 25 biggest public corporate emitters in our affiliated insurance client accounts to set science-based reduction targets for their businesses by no later than 31 December 2024.

On-boarded climate risk and reporting tools, which assess both transition and physical risks.

As an active member of the Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+ we encouraged the world's largest corporate GHG emitters to take necessary action.

Supported climate and ESG related training for employees across Aegon Asset Management through our 'Responsible Investment 2 Know' training program.

Evaluated climate-related risk through our proprietary ESG integration process and applied forward looking climate transition research to dedicated climate transition solutions.

Strategic focus areas for 2024 and beyond

- Continue to support real world decarbonisation efforts by engaging with companies that we believe need to take action to meet the transition challenge.
- Enhance client offerings across solutions and reporting using climate risk and reporting tools.
- Introduce products and solutions to support our clients' net zero goals and enable investment in companies with credible transition plans.
- Strengthen our investment in ESG and climate change training to ensure our team is equipped with the latest knowledge and skills.

This report covers the period 1 January 2023 to 31 December 2023, unless otherwise specified.

The following sections describe the structures and processes in place to enable Aegon Asset Management UK Plc to deliver on its climate ambition. We continue to develop our methodology and expand the scope of our metrics and targets.

Governance

We are committed to establishing an effective and resilient governance and risk environment for climate-related matters. To achieve this, we are integrating climate-related risks into our risk management practices. By doing so, we ensure these risks are considered alongside operational risks. This proactive approach allows us to address climate-related challenges in a comprehensive manner.

Our commitment extends to governance structures at various levels within the organisation. This includes our boards and management teams. By involving multiple levels of governance, we enhance oversight and decision-making related to climate risks and opportunities.

As the demand for reporting and transparency from stakeholders and regulators increases, we adapt accordingly. Transparency is essential, and we continuously evolve our governance processes to meet these needs.

Board oversight

Aegon Asset Management UK plc (Aegon AM UK) is a UK-based subsidiary of the global business Aegon Asset Management (Aegon AM) which operates under Aegon Ltd (formerly known as Aegon N.V.) (Aegon). The Aegon AM supervision and oversight model supports all asset management activities that are wholly or partly owned by Aegon.

The Aegon AM UK Board (the Board) plays a crucial role in setting and upholding values and standards. Their responsibilities include:

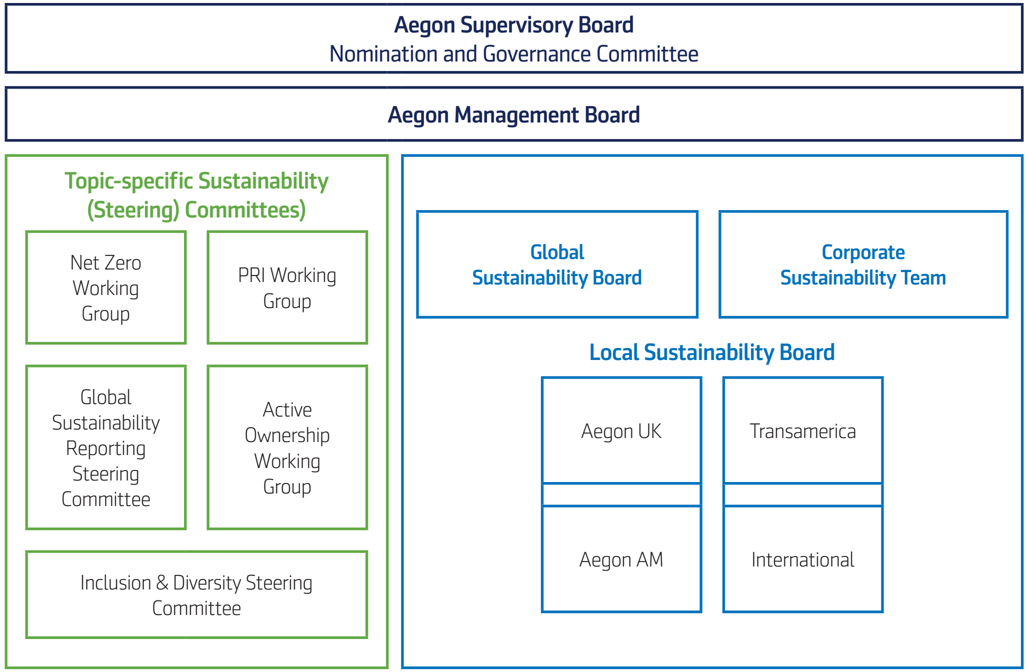
- Monitoring and directing effective internal systems, controls and policies for risk management.
- Challenging and approving risk profiles and regulatory policies.
- Overseeing adherence to risk profiles.
- Considering and challenging investment policies, risk management, distribution and overall value for Aegon AM UK funds.

Certain services are provided to Aegon AM UK from other parts of the global business. Aegon AM UK actively participates in Aegon AM's global risk & control audit and similar programs. Aegon and its subsidiaries (Aegon Group) has a Sustainability Roadmap, which integrates climate, inclusion, diversity and other sustainability considerations into its operating model. Teams and colleagues work toward roadmap milestones, including those identified from Aegon AM's Local Climate Risk Assessment.

Management oversight and sustainability

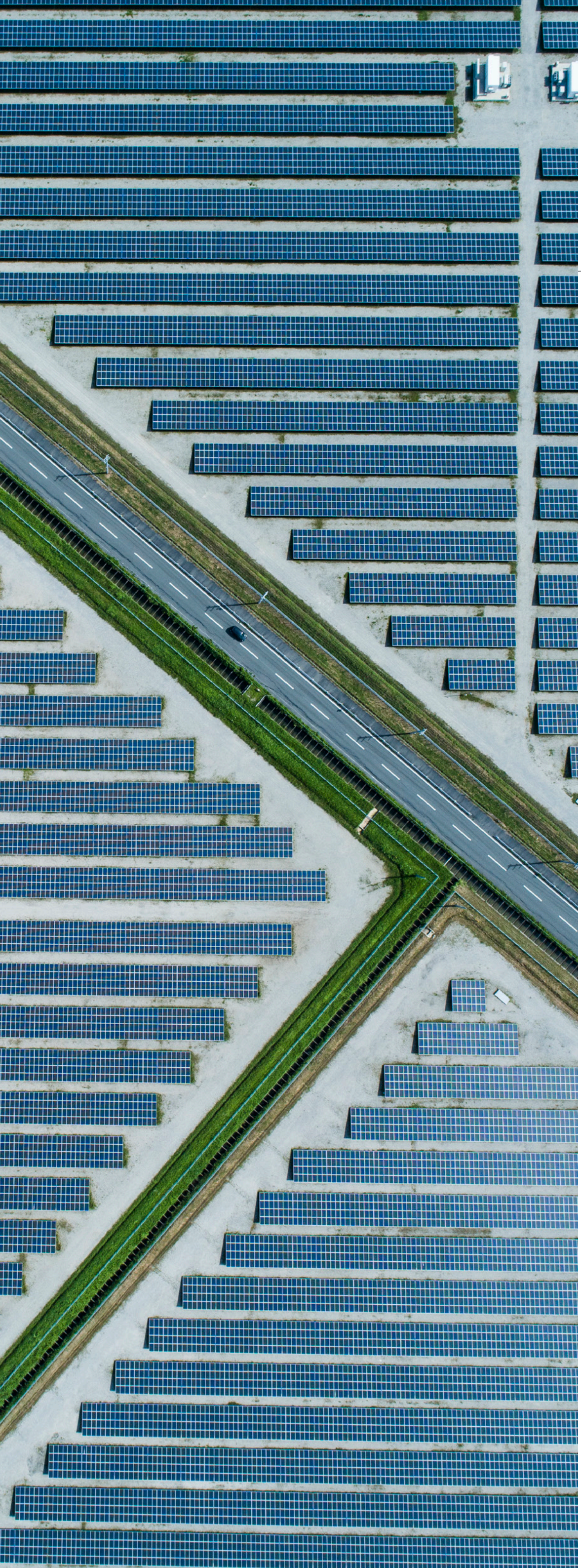
Aegon is responsible for defining the group-wide sustainability strategy, including climate-related initiatives. To support governance and oversight, Aegon has established topic specific sustainability committees as well as Global and Local Sustainability Boards (GSB and LSBs). These boards play a crucial role in steering and reinforcing sustainability efforts across the business. The GSBs and LSBs collaborate to ensure alignment on sustainability actions. The chairs of the LSBs are also members of the GSB, fostering consistency in decision-making. The boards focus on global and local sustainability roadmaps, implementation, key performance indicators (KPIs), responsible investment (RI) policies, and sustainability education.

The Aegon Global Sustainability Board collaborates with the Aegon AM Sustainability Board to achieve objectives and targets for the business unit. The Aegon AM Sustainability Board serves as an advisory body to Aegon AM Management Board and supports implementation of the group sustainability agenda. Other committees within Aegon AM UK contribute to specific components of the strategy. The Aegon AM UK Board remains responsible for oversight and implementation of Group set targets and strategy within the organisation.



Aegon Asset Management is comprised of entities that are wholly or partially owned subsidiaries of Aegon Ltd.

In 2024 the Board will focus on monitoring and overseeing climate risks and opportunities, with specific key performance indicators (KPIs) related to climate.



Strategy

In this section we provide:

- a progress update on the development of our climate transition plan
- an overview of how Net Zero is central to our climate strategy; and
- details of the climate solutions we are offering to clients and our plans to expand on these.

Climate-related risks and opportunities

Climate change presents both an urgent challenge and an opportunity to create a more sustainable global economy. As a responsible global financial institution, we recognise our role in this critical endeavor. That is why, in recent years, we have taken significant steps to reduce greenhouse gas emissions generated by our business and are committed to supporting the transition to a climate-resilient and net zero economy.

Aegon AM is a member of the Net Zero Asset Managers Initiative, a global coalition of asset managers dedicated to achieving net zero greenhouse gas (GHG) emissions by 2050. Our participation reflects our commitment to aligning our investment practices with this ambitious goal.

targeting at least 40% of AuM aligned to net zero objectives by 2025

Our climate action plan is focused on enabling clients to align investments with their net zero objectives. We are taking the following actions:

- **Aim to increase the proportion of assets we manage in line with the attainment of net zero emissions by 2050 or sooner.** By 2025, we strive to have at least 40% of our assets aligned with this goal. We adhere to the Net Zero Asset Managers Commitment, regularly reviewing our interim target every five years. Our ultimate aim is to cover 100% of our assets.
- **For assets managed in line with net zero emissions by 2050, we set interim targets. These targets align with the global reduction in emissions required to limit global warming to 1.5°C.** Specifically, we target a 25% reduction in the carbon intensity of corporate fixed income and listed equity general account assets managed on behalf of Aegon Group companies by 2025 (relative to a 2019 baseline).
- **Stewardship.** Our approach emphasises real-world decarbonisation. We engage with companies that we believe must take action to meet the transition challenge.
- Our financial planning process covers Aegon AM's strategy including key business assumptions on revenue and costs, therefore revenue and costs related to products with climate or sustainable objectives, and climate-related costs are captured through this process. We continue to evolve this process to refine assessment of both risks and opportunities, including those relating to climate change.

Investment activities - Helping to address the climate challenge

Supporting our clients

At Aegon AM UK, we are committed to embedding responsible investment practices to ensure our products and services support a better long-term future for our clients and society. As the world grapples with the urgent issue of climate change, the investment industry will play a pivotal role. Our focus is on identifying opportunities that generate positive, sustainable outcomes for investors, society and the environment. To achieve this, we offer a range of solutions to support our clients' net zero goals and ambitions.

Climate solutions: Many clients begin their climate journey by assessing the carbon footprint of their investment portfolios.

For clients seeking to invest in funds or strategies aligned with specific climate objectives, we offer two types of solutions.

- **Dedicated climate transition products**: Our focused climate transition investment strategies leverage our climate transition research. We identify compelling investment opportunities that support the net zero transition. Investors can access this strategy through a dedicated fund range (see box opposite) or through segregated portfolios.
- **Carbon reduction targets:** We collaborate with clients to implement decarbonisation strategies. This includes setting client-specific targets or aligning with EU Climate Transition or Paris Aligned Benchmark carbon reduction pathways. Typically, these targets are implemented through segregated portfolios.

Dedicated climate transition products

Increasingly investors are looking for ways to accelerate their own journey to enabling a net zero carbon world. One way of doing this is to increase exposure to companies that offer climate solutions and that are leading the transition. Our climate solutions aim to help clients achieve those goals.

Whilst a number of our ethical and sustainable solutions are low-carbon by default, our dedicated Climate Transition range demonstrates our commitment to decarbonisation and our current solutions concentrate on specific aspects of the journey to net zero.

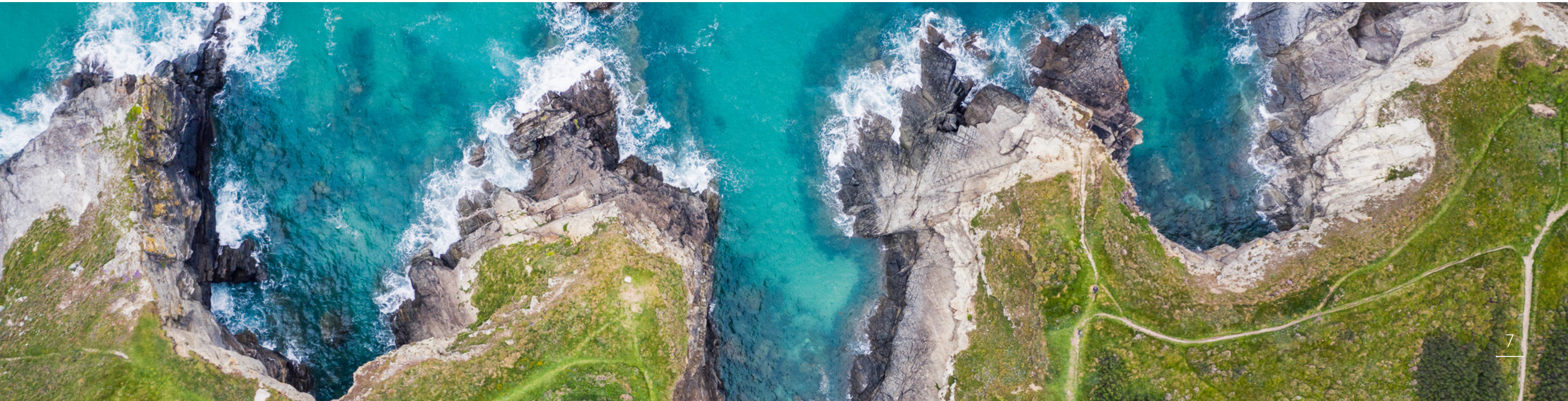
Our climate transition solutions aim to deliver attractive financial returns while supporting investors' ESG goals and climate ambitions. These strategies rely on our internal climate transition research to invest in companies that have robust, credible transition plans. To align with clients' net zero goals, the strategies follow a climate transition pathway that increasingly allocates to companies that are actively and credibly taking steps towards a net zero transition. In addition, the strategies adopt a best-in-class ESG approach as well as exclusionary criteria and carbon reduction targets.

Our current climate transition solutions are:

Global Short Dated Climate Transition: Primarily invests in short-dated global investment grade bonds using an active management approach to build a diversified and liquid portfolio.

Global Short Dated High Yield Climate Transition: Primarily invests in short-dated high yield corporate bonds using a high-conviction and flexible investment approach.

Further climate transition products are in development and will launch in 2024.



Addressing the climate challenge

Investment restrictions: While we prefer to remain invested and engage in constructive dialogues with companies, there are instances where an activity or a company's business model is incompatible with a low-carbon world. To protect our clients from significant financially material climate risks, we make decisions guided by client mandates, preferences, and scientific research. Scientific evidence indicates that global greenhouse gas (GHG) emissions from coal needed to peak around 2020. OECD countries should phase out coal use entirely by 2030 at the latest. Consequently, we exclude certain companies involved in coal exploration, mining, refinement, and power production from the investment universe of funds managed by Aegon AM UK and Aegon AM NL.[1]

Thought-leading research: For climate-related investment strategies our investment research integrates climate change considerations through rigorous analysis and data. We focus on understanding the potential financial impacts of climate change. This research directs investments toward companies with robust and credible plans for decarbonisation. The assessment considers company ambition, performance, and alignment toward net zero, going beyond backward-looking emissions to form a forward-looking view of a company's transition readiness and alignment with the energy transition.

Active ownership: Managing climate-related risks and accelerating the low-carbon transition are integral to our stewardship processes. As active managers, we track how companies will transition and assess the credibility of their commitments.

Engagement by topic

- Climate change 22%
- Governance - Remuneration 15%
- Human and labour rights 12%
- Conduct, culture and ethics 11%
- Strategy, Financial and Reporting Corporate reporting 10%
- Other 31%

- Climate change 37%
- Governance - Remuneration 12%
- Human and labour rights 12%
- Human capital management 5%
- Biodiversity 4%
- Other 30%

At **37%*** climate change remains our largest engagement theme

Collaboration: Aegon AM collaborates with like-minded investors and stakeholders to achieve our active ownership objectives. We actively participate in the Institutional Investors Group on Climate Change's Climate Action 100+ initiative, where our involvement includes co-leading engagements in sectors such as automotive, chemical, cement, and utilities. In addition, we engaged extensively with the FCA in 2023 on the impending Sustainable Disclosure Requirements (SDR).

We also participate in other collaborative engagement programs, where we engage on more specific topics such as methane emissions.

Transparency: Data and disclosure play a crucial role in solving the climate challenge. Aegon AM relies on issuer transparency to obtain the necessary data and understand transition pathways. Material environmental and social disclosures inform our capital allocation decisions. In our direct engagements, we advocate for improved disclosure. We also support the Carbon Disclosure Project's engagement with non-disclosing companies, providing vital data on emissions, water, and forestry.

Aegon Group companies

Aegon Group is a member of the Net Zero Asset Owners Alliance and is committed to net zero. For the assets Aegon AM manages on behalf of the general account assets of Aegon Group Companies, the following targets have been set for 2025:

A 25% target reduction in the carbon intensity of corporate fixed income and equity general account assets

A target to invest USD 2.5 billion in financing by 2025 for activities that help mitigate climate change or adapt to the associated impacts.

An engagement goal in 2022 that asked the 20 biggest public corporate GHG emitters in our affiliated insurance clients' accounts to set a science-based reduction target by 31 December 2024. We are on target to complete this goal.

Aegon AM and Aegon Group are also in the process of reviewing and updating targets for 2030.

Our own operations

We are taking action to reduce the environmental impact of our operations by, for example, including using renewable energy sources and the use of technology and digital communications. Aegon Group is committed to achieving net zero greenhouse gas emissions across our business operations by 2050. Aegon Group have also set interim targets of a 25% reduction in operational GHG emissions by 31 December 2024[2] and a 50% reduction by 31 December 2029[2].

*All engagement contact points we engaged in 2023.

1 For further details of these restrictions please refer to the relevant Sustainability Risks and Impacts Policy on our website - www.aegonam.com/aegonamuk-sustainability-risks-and-impacts-policy.pdf

2 Aegon has set a target to reduce the carbon footprint of its operational activities by 25% by 2025 against a 2019 baseline (using the location-based measurement). Operational GHG emissions include Scope 1 and 2 emissions.

The impact of climate-related risks and opportunities

How we define climate risks

To mitigate the worst future impacts of climate change we must take swift action to reduce global GHG emissions, accelerate the energy transition and move to a low carbon economy. The energy transition has the potential to create disruption to the global economy, though to a far lesser degree than allowing climate change to continue unchecked, and will create both risks and opportunities for our business and client base.

As asset managers, we have a dual role in helping manage the transition and wider impacts of climate change: to mitigate the risks associated with it and to help fund the transition through the identification and support of companies with robust climate transition credentials.

- **Transition risks:** Arise from the transition to a low-carbon economy. It includes efforts to reduce GHG emissions or adapt to existing impacts of climate change. Transition risks can take various forms, such as policy changes, technological shifts, market dynamics and reputational impacts.
- **Physical risks:** Stem directly from climate change itself. It can damage physical assets (e.g, buildings or infrastructure) or disrupt supply chain operation. Physical climate risk has two subtypes:
    - **Acute:** These risks occur immediately after extreme weather events such as wildfires, heatwaves or droughts.
    - **Chronic:** These risks result from long-term changes in the climate system such as rising sea levels or increased frequency/severity of extreme weather events.

These risks can impact our business in two areas:

- **Investment risks:** These risks are present in our investment activities, including where we invest on behalf of clients.
- **Operational risks:** Risks present to Aegon AM UK as an organisation.

Climate risks pose some unique challenges for our financial system.

- **Systemic risks.** Have the potential for widespread impact due to their breadth and magnitude.
- **Uncertainty and extended time horizons.** Predicting when these risks will materialise can be challenging due to extended timeframes.
- **Irreversibility.** Climate change and its impacts are irreversible, emphasising the urgency of action.
- **Tipping points.** The potential for impacts to worsen due to tipping points in the climate system.
- **Dependency on decision making.** Decisions made today e.g. reducing GHG emissions may impact both short-term transition risk and long-term physical risk.

We consider three time-horizons (see following page) when classifying climate-related risks and opportunities aligned to our strategy and business plan.

Embedding climate change awareness in our culture

In 2023, all Aegon AM UK employees set an ESG (Environmental, Social, and Governance) goal as part of the annual goal setting process. We provide employees with tools to take action on climate change including electric vehicle (EV) leasing through salary sacrifice and EV charge stations installed for staff use.

The Responsible Investment (RI) team works to meet client demand for ESG-integrated and sustainable products. A subset of this team focuses on climate-related goals. Our dedicated Global Climate Solutions Lead promotes climate transition approaches, supports climate research, and embeds climate solutions within investment products. This role collaborates with investment specialists and RI teams.

Our investment teams receive a mix of practical on-the-job and formal RI training. In 2023, this included sessions focused on net zero and climate change. Ongoing engagement between our investment teams and RI specialists provides practical training for fund managers on climate-related issues. We also undertake other formal training sessions, such as workshops, with our specialist research providers, or internal training conducted by our RI team.

The table below summarises the risks from climate change that Aegon AM considers could have the most material impact on our business model.

Risk category	Physical or transition	Issue identified AND/OR Impact on Aegon AM?	Impact*	Time horizon
Investment risk	Physical	1. **Asset devaluation is increasingly linked to the rising frequency and intensity of climate-related events.** It's important to assess the risk of devaluation for a variety of assets, such as real estate, mortgages, shares, and bonds, among others. Physical climate change related events include the effects of floods, droughts, storms, wildfires and extreme temperature fluctuations.	Moderate	
	Transition	2. **Asset devaluation may occur as we shift towards a low-carbon economy.** This risk should be evaluated for all relevant assets, considering factors like regulatory shifts, investor sentiment changes, and the transformation of high-emission industries.	Moderate	
	Transition	3. Same as 2, but now under **the assumption that the transition takes place in a disorderly or failed manner**.	Significant	
Operational	Physical	4. **Business disruption risk due to damage to Aegon or third party physical assets** related to increased frequency and severity of climate change related events.	Moderate	
	Transition	5. **Inability or perceived inability in responding to sustainability and climate change can lead to risks.** This includes organisational inflexibility and failing to meet commitments like those of the Net-Zero Asset Owner Alliance (NZAOA) or adapting to customer needs. Such risks may cause reputational harm, stakeholder dissatisfaction, business loss, or legal challenges.	Moderate	
	Transition	6. **Sustainability strategy risks include clashing with political, public, or customer views.** Conflicts may arise from local laws (like potential anti-ESG rules) or shifts in sentiment about sustainability and climate change. These could lead to reputational harm, business loss, operational restrictions, regulatory penalties, and legal issues.	Significant	
	Transition	7. **People risk:** Material increase in difficulty to attract and retain (specialist) talent if prospective employees/current employees do not like Aegon AM's image/stance on sustainability / climate change.	Moderate	
	Transition	8. **Non-compliance with regulations:** Risk of non-compliance with existing regulations, or new regulations, resulting in possible fines, loss of business, reputational damage and/or litigation.	Moderate	
	Transition	9. **Mis-selling risk** involves selling products with false or misleading sustainability claims. This often stems from insufficient or poor quality data.	Significant	

Short: 0 to 5 years Medium: 6 to 10 years Long: 10+ years

* Impact scale is calibrated in line with Aegon AM Global operational risk tolerance statements and risk indicators. Impacts, in accordance with the internal Operational Risk Policy, are assessed along five impact dimensions: financial loss, financial misstatement, customer, regulatory and reputational taking into consideration the likelihood of occurrence.

Climate opportunities

The transition to a low-carbon economy will create opportunities for our investee companies and Aegon AM.

Companies that adapt to the challenges of climate change are well positioned to capitalise on the low-carbon transition. For bondholders, stable cash flows reduce downside risk, while equity investors can benefit from disruptive companies driving innovation within the low-carbon space.

Investment products

As clients increasingly prioritise their own climate objectives, there will be a growing demand for investment products aligned with sustainability and climate transition. Central to our climate strategy is the growth of our climate transition product offering and wider sustainability-themed products.

Our approach to climate scenario analysis

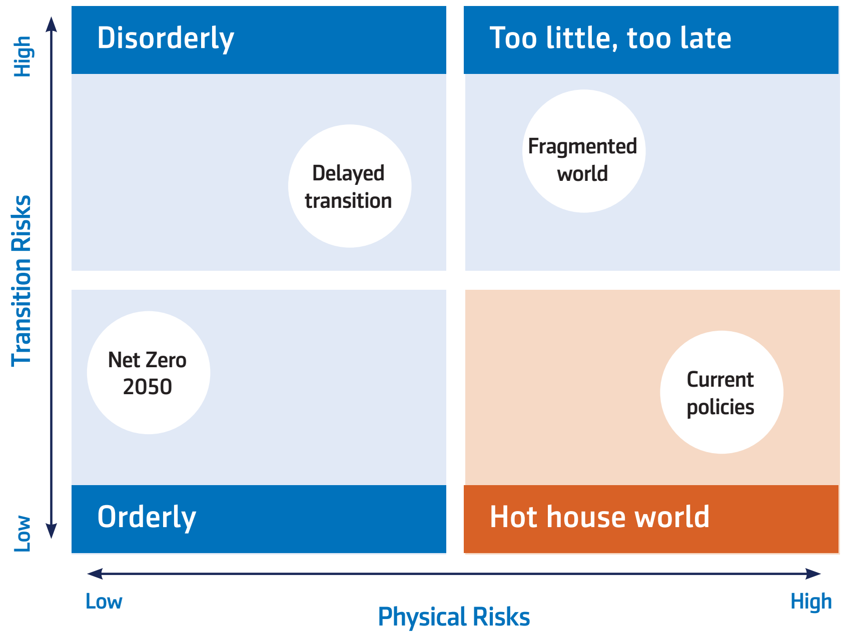
Climate-related scenario analysis is a valuable tool for identifying which areas of our strategies and businesses might be impacted by climate change, under a range of plausible future states. This is an area we are looking to develop in future years. In 2023 we on-boarded a set of climate risk tools, which assess both transition and physical risk. We have carried out some initial scenario analysis on how the market value of our listed equities and corporate fixed income holdings, held within the in-scope funds, would be impacted under the following Network for Greening the Financial System (NGFS) phase 3 scenarios:

- **Orderly – Net Zero 2050.** Aims to limit the global mean surface temperature rise to 1.5°C by 2100 through the gradual implementation of increasingly stringent climate policies. The representative scenario for an orderly transition assumes immediate action is taken to reduce emissions consistent with the Paris Agreement. It assumes introducing a carbon emissions price in 2020 calibrated to keep global warming well below 2°C. Since policy measures are introduced early and increase progressively, physical risks are assumed to remain low over the period.
- **Disorderly – delayed transition.** Limits the global mean surface temperature to 1.8°C by 2100, which explores higher physical risk due to delayed climate policies followed by aggressive policy response starting in 2030. The representative scenario for a disorderly transition shows a more challenging pathway to meeting the Paris Agreement targets. The delay means that net zero CO_2 emissions must be reached quicker by around 2050. Correspondingly the increase in emissions prices is more rapid.
- **Hot House – current policies.** Limits the global mean surface temperature to 3.3°C by 2100, assuming that policies are implemented in some jurisdictions, but globally efforts are insufficient leading to high physical risks. The representative scenario for a "Hot House World" assumes that only current policies are implemented. As a result, the climate goals set out in the Paris Agreement are not met, leading to substantial physical risks over the medium and long term.

We are also aware of the limitations of such analysis, particularly around the potential for physical risk impacts to be materially underestimated, due to, for example, models not capturing the impact of climate tipping points and second order impacts.

TCFD scenario analysis

All scenario data used for TCFD is based on the Central Banks and Supervisors NGFS. The plausible climate scenarios and the underlying parameters can be found here: NGFS Scenarios Portal.*



* Adapted from The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) Climate Scenarios. Original figure and additional information available at: www.ngfs.net/ngfs-scenarios-portal

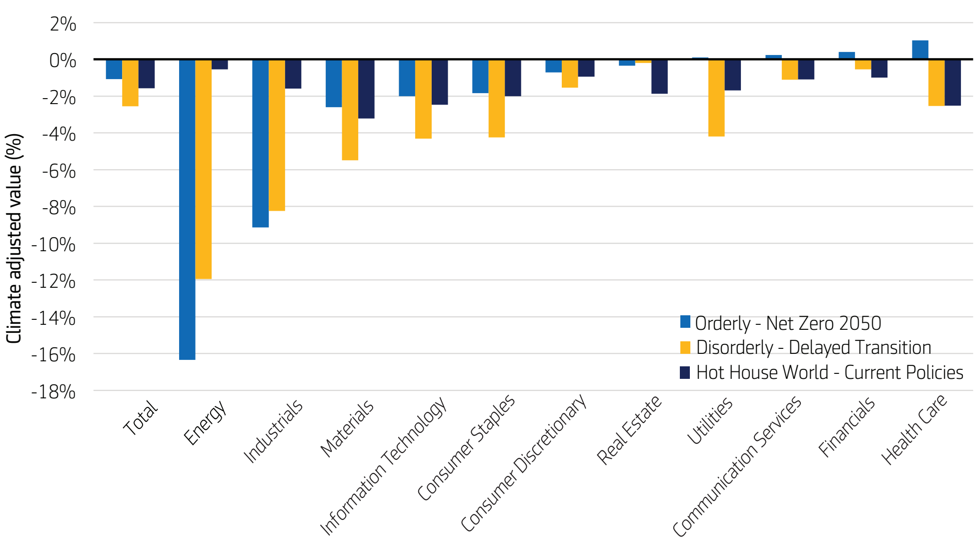
Our approach to modelling transition and physical climate risk uses proxies if data is not provided and published by our data vendors. Depending on the asset class these proxies make use of Gics sector/sub industry average, country cohorts, rating brackets and region. These are used to make sure the NGFS scenarios give the best representation possible at a portfolio or entity level for both transition and physical climate risk.

Scenario analysis results

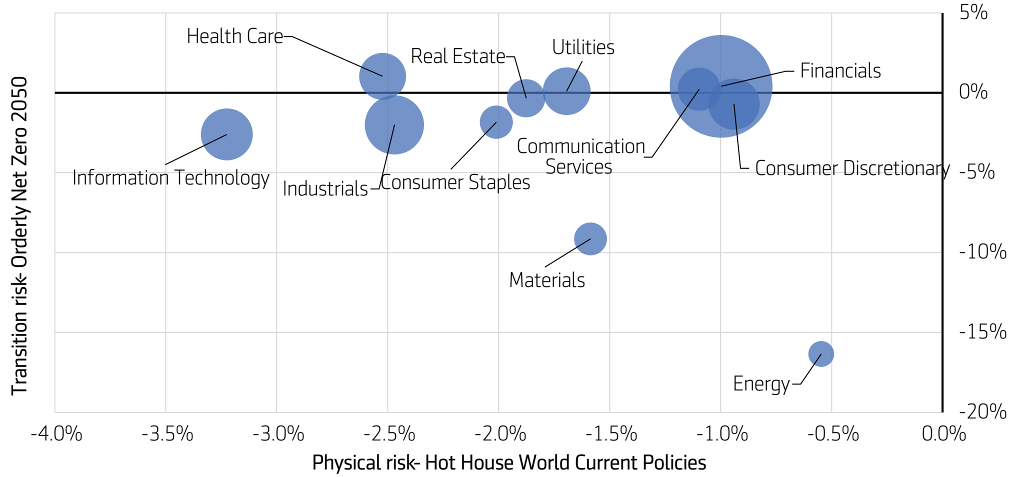
The analysis below covers the corporate fixed income and equity holdings within the in-scope fund list (see Metrics & Targets section (page 19) for more details). The charts below set out the transition and physical climate adjusted values under the three scenarios analysed.

The second chart illustrates each sector's physical and transition risk alongside our investments' exposure to these sectors. The size of the bubble represents the allocation for our in-scope assets under management invested in each sector.

Transition and Physical climate adjusted value % by sector



Transition and Physical climate adjusted value % by AUM

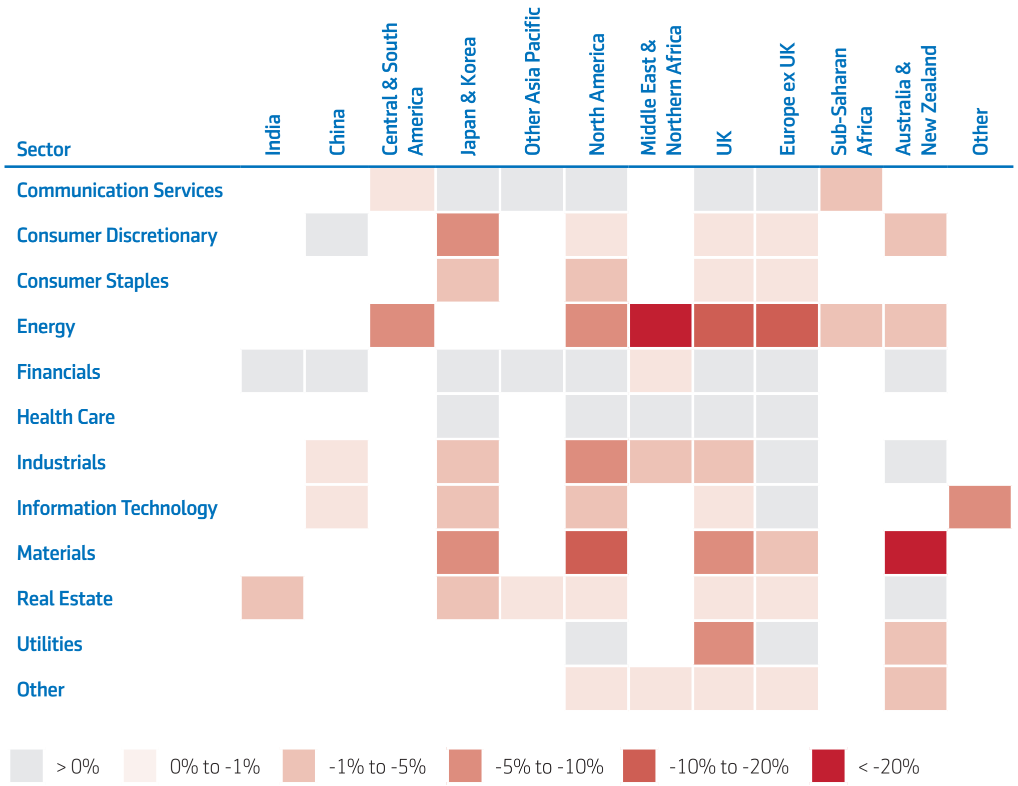


The results show that our investments are most exposed to climate risk under a disorderly transition and transition risk scenarios generally impact our portfolios more than physical risk scenarios.

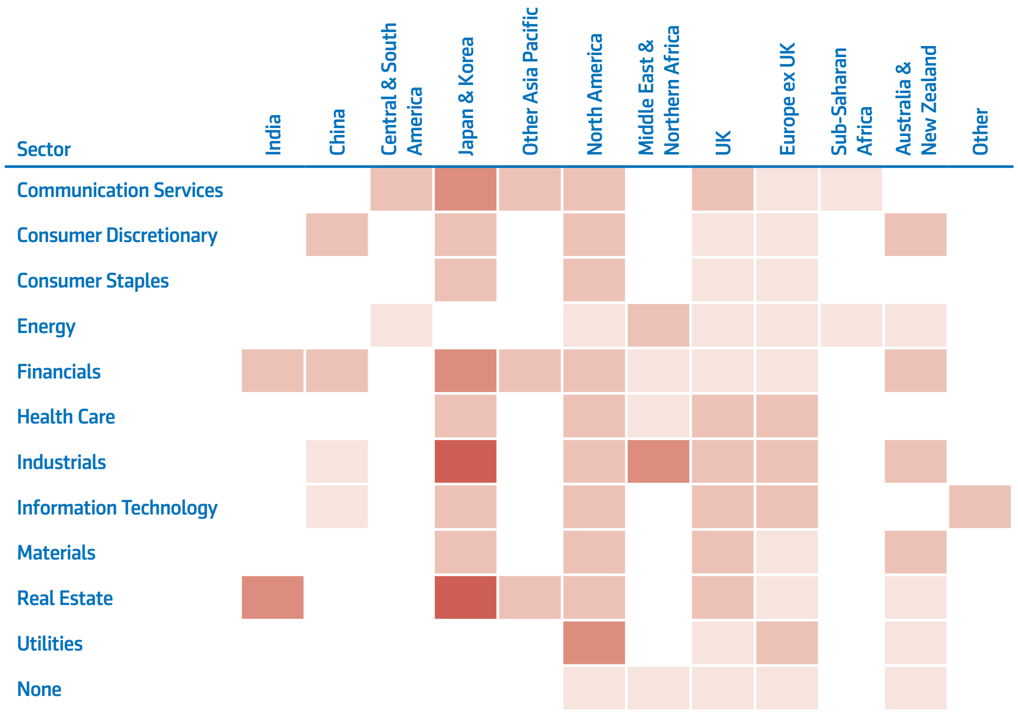
In terms of sector exposure, the energy and materials sectors are most impacted by transition risk scenarios. However, our portfolios have relatively small exposure to these sectors (indicated by small size of bubble). In terms of physical risk exposure, the most impacted sectors are IT, healthcare and industrials.

In addition, we have also examined our investments' exposure to transition and physical risks through a regional-sectoral lens, as shown in the charts below.

Transition (Orderly – Net Zero 2050) climate risk by region



Physical (Hot House World – Current Policies) climate risk by region



In the transition risk scenario, the chart shows that the Middle Eastern and North American energy exposure and the Japan & Korea and ANZAC materials exposure is particularly impacted and more generally Asia Pacific is more impacted than other regions. The table also shows that some regional sector exposure is expected to be positively impacted by the transition.

In terms of the physical risk scenario, all regions and sectors are negatively impacted. The Asia Pacific region is most impacted, particularly within the industrials and real estate sectors.

This analysis is also available to our portfolio managers at an individual fund level (see Risk Management section (page 14) for more details).

Risk management

In this section, we provide details of:

- **Aegon AM's regulatory compliance and climate risk management through governance frameworks**
- **How Aegon AM engages with companies to promote sustainability and resilience against climate impacts.**

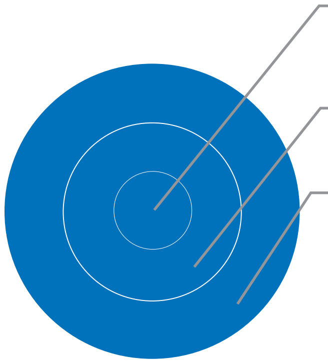
Identification and assessment

Climate change poses significant challenges for society, the economy and financial institutions. At Aegon AM we recognise the global impact of mitigating climate change and reducing greenhouse gas emissions. As part of Aegon Ltd, we believe that governments, companies and investors have a responsibility to mitigate the impact of a changing climate and facilitate the transition to a more climate-resilient economy.

Aegon AM UK benefits from the Aegon AM Enterprise Risk Management (ERM) framework, which is a comprehensive structure that encompasses various risk components such as appetite, tolerance, identification, assessment, response, reporting and monitoring, and risk control.

Within this framework, sustainability, including climate risk, is explicitly integrated. While climate risk is not treated as a separate risk type, it serves as a critical driver impacting multiple risks across various aspects of Aegon AM operations. Climate-related risks, alongside other ESG-related risks, form part of our operational risk universe, informing Aegon AM UK's risk profile. We embed climate risk considerations into our assessment of strategy execution risks and events that could damage physical assets.

As participants in the financial system, we remain committed to maintaining a strong capital position, resilience to market stresses, and compliance with regulatory obligations across the jurisdictions where we operate.



1st line of defence - risk owners
All staff and executive management are responsible for the identification, assessment and control of the risks and compliance with relevant policies.

2nd line of defence - risk oversight
Risk functions (i.e. Compliance, Enterprise Risk Management, Portfolio Risk Management and Core Risk Services) are responsible for the challenge and oversight of risk management and compliance by the 1st line, development

3rd line of defence - independence assurance
Internal and external audit provide independent assurance on the effectiveness of internal control and risk management.

We achieve this by adopting a 'three lines of defence', governance framework, which drives our risk culture and ensures effective business control. Accountability for the integrity of our risk and control supervision resides with our Governance Risk and Compliance Committee (GRCC), which comprises of members of our Management Board, chaired by the Chief Risk & Compliance Officer (CRCO) and attended by the Chief Executive Officer (CEO).

The GRCC oversees and actively monitors Aegon AM's risk taking and risk management decisions. It has the authority to adjust risk positions in line with defined risk strategy and risk tolerance, providing 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 framework 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 the daily monitoring and reporting of investment risk within our funds and client portfolios, and the escalation of any mandate breaches that may arise.
Operational and model risk management	The Operational Risk Management team assesses the operational risks within processes to ensure these are in line with wider Aegon AM and Aegon Group policies and Board-approved risk appetite, managing risks to within tolerance or formally accepting where this cannot be achieved. They provide 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 teams provide 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 program. This is set locally according to local licenses and regulatory priorities, with global coordination.

With respect to portfolio risk oversight and climate-related risks for all SFDR regulated funds, we monitor Principal Adverse Impact (PAI) indicators in alignment with the Sustainable Finance Disclosure Regulation (SFDR). These indicators are based on external market data and allow us to track absolute and relative performance against benchmarks. This includes carbon emissions & intensity and fossil fuel exposures. We analyse these indicators through point-in-time and time series trend analyses. For strategies with specific climate-related exposure targets or limits, rules are coded and monitored in our third-party portfolio management, risk management and trading system. These rules ensure pre-and-post trade compliance helping us adhere to our desired risk thresholds. Regarding climate scenario analysis & stress testing, our risk management system incorporates a model that simulates various climate scenarios such as orderly transition to net zero, disorderly transition to net zero, or no transition. These scenarios align with observations from climate-related governing bodies and panels. We review the results of these analyses with portfolio managers during regular risk oversight meetings.

Issuer level research

Climate change and the transition to a net zero carbon economy are critical concerns for investors. There is a consensus that we must significantly reduce greenhouse gas (GHG) emissions. As a result, regulatory bodies, society, and investors are paying closer attention to climate-related risks, leading to increased scrutiny from regulators and asset owners.

The challenge lies in integrating climate change risk into investment analysis to create more resilient portfolios. At Aegon AM, we are committed to incorporating financially material ESG factors into our investment decision-making processes. This holistic approach ensures a comprehensive understanding of our investments. By evaluating ESG factors, including both transition and physical climate risks, alongside traditional financial metrics, we gain insight into the climate risks specific to each investment. This knowledge enables us to make informed decisions and, if necessary, take action to safeguard our clients' investments from significant ESG-related events.

For actively managed portfolios, climate risk is systematically considered in our bottom-up research process for public corporate fixed income and equity issuers. We also consider Sustainability Risks, including climate risk, in the investment analysis process for sovereign and securitised issuers. We aim to build our own in-house view of issuers' Sustainability Risk profiles where possible and as appropriate, using a combination of internal and external data sources.

Our analysts document and record the Sustainability Risks they consider, such as explicitly mentioning these risks in research reports. Additionally, any in-house methodologies we develop for assessing Sustainability Risk/ESG ratings or categorising issuers are documented.

When we identify significant or poorly managed climate risks in the public corporates we invest in, we leverage our position as investors to influence change through Active Ownership. Our aim is to mitigate Sustainability Risks, in accordance with the Aegon AM Active Ownership Policy, which directs our Engagement and Voting activities.

It's important to note that Aegon AM UK can only manage Sustainability Risks, including climate risk, exclusively within actively and internally managed portfolios. Passive and externally managed portfolios do not undergo our proprietary investment analysis, and thus, do not account for Sustainability Risks. However, passive portfolios that follow ESG or sustainability-influenced benchmarks may benefit from the benchmark provider's approach to Sustainability Risks, based on their unique methodology.

Climate research framework

To support a real economy climate transition, it's critical to combine current emissions data with a forward-looking view of the company.

Our global RI team developed a proprietary, forward-looking climate transition research framework. This goes beyond backward-looking emissions to form a forward-looking view of a company's transition readiness and alignment.

The research focuses on issuers' transition readiness by evaluating climate ambitions and targets, emissions and disclosures and management, governance and alignment of company strategy.

We can then categorise an issuer's readiness and net zero alignment as follows:

1. Leader	Ready for a low-carbon future and actively driving the net zero transition
2. Prepared	Policies, targets and actions aligned toward progress on net zero
3. Transitioning	Demonstrating awareness of transition but a mixed degree of alignment
4. Unprepared	Policies, targets and actions misaligned or unaware of required transition
5. Laggard	Unprepared for a low-carbon future and actively working against climate goals

The research process consists of a base assessment common to all corporate issuers, followed by a sector-specific adjustment for those in pre-determined high influence sectors. We can then utilise the findings of the climate transition research for security.

These detailed climate assessments are currently applied to all issuers in our dedicated climate transition portfolios. To date, Aegon AM has covered around 500 companies and is continuing to expand coverage.

Fund level oversight

Our third-party climate data provider provides quantitative data for issuer research portfolio level physical and transition risk scenarios. The climate scenario data is available in our third-party system for both first and second line and is continuously being discussed on a portfolio and benchmark level between the first and second line teams. These are also reported within various control and oversight committees with Aegon AM.

Climate transition strategies

Our dedicated climate transition strategies use the climate categories assessed through our proprietary research process directly in portfolio construction processes. Our climate transition analysis can feed through to climate-related guidelines set to reflect a reasonable pace of transition and encompass issuers from all sectors. Such guidelines apply thresholds to the percentage of issuers in each climate category that can be held in the portfolio. These guidelines move at five-year intervals to reflect the transition of the portfolio and pathway towards net zero. The percentage of issuers with poorer climate transition profiles is limited and diminishes over time. The table below illustrates the pathways which have been implemented in one of our funds and represents our recommended pathways to net zero alignment.

Climate Transition Category	Day 1	End 2024	End 2029	End 2034	End 2039
Leader	No maximum limit				100%
Prepared	No maximum limit				
Transitioning	< 80%	< 60%	< 40%	< 20%	0%
Unprepared	< 40%	< 30%	< 20%	< 10%	0%
Laggard	< 10%	< 5%	0%	0%	0%

Active ownership and engaging companies to address climate risk

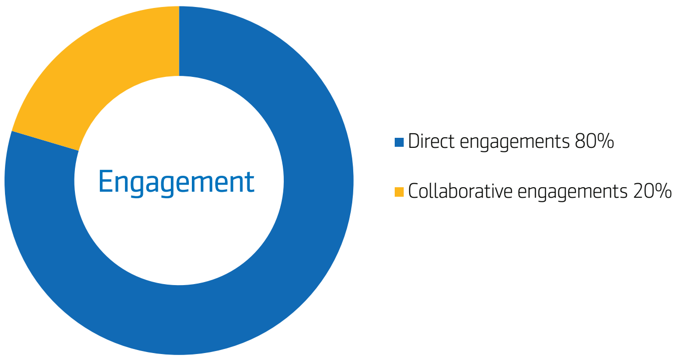
Our commitment to active ownership and engagement is integral to our investment strategy. It enhances our understanding of the companies we invest in, allowing us to effectively monitor and mitigate investment risks. In 2023, Aegon AM engaged extensively with companies on climate change issues, aiming to improve outcomes for our clients' portfolios.

We encourage portfolio companies to adopt science-based greenhouse gas (GHG) reduction targets and develop robust decarbonisation plans. Our engagement takes various forms:

- **Direct engagements:** We regularly engage with top GHG emitters to discuss their progress towards set targets and alignment with the 2015 Paris Agreement, a crucial framework for climate transition.
- **Collaborative engagements:** 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 that are 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.

  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, it involves participating in international initiatives that adopt a multi-sectoral approach. Such initiatives bolster our influence over investee companies, encouraging them to conduct their business responsibly.



- **Research engagements:** For strategies focused on climate transition, we engage with companies to support the climate research process. These interactions provide additional insights for our assessments and promote positive environmental changes.

Engagement example

Background	A French international banking group.
Engagement objective(s)	The engagement sought to learn more about several aspects of the company, including Science Based Targets Initiatives (SBTi) verified targets, strengthening financing exclusion policies on oil and gas companies, setting green financing targets, and linking climate-related KPI's to executive compensations.
How we engaged	In June 2023 we engaged through email with the company's investor relations team.
Outcome	The information gathered is a mixture of positive and negative signals regarding the company's climate transition plan. The clarification of climate-linked remuneration policy and progress of getting greenhouse gas emission targets verified by SBTi are viewed positively. 10% of executive annual variable compensation is based on increasing low-carbon energy exposure and reducing carbon footprint. The bank has already submitted net zero targets to SBTi and is waiting for verification. On the downside, the company does not have near-term plans to change its green financing targets or to strengthen its oil and gas sector financing policy. The company has strong exclusion policies relative to peers around financing of coal and has set some exclusions around oil extraction. However, its fossil fuel financing continues to increase in absolute terms, which means it is relatively lagging in mitigating climate transition risks.
Action	We will continue to monitor the bank's climate transition plan over the coming year and review the position in 12 months.

To enable us to effectively track the progress of company engagements, 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, and updates on our engagement activity are regularly provided on our website.

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 the organisation and outside. It can be difficult to quantify outcomes – and sometimes results take a while to be identified after the engagement has occurred. Numbers don't tell the whole story.

We track engagements with a milestone based approach: the below chart depicts our progress across engagements on the topic of climate change in 2023.

Engagement status

Milestone one	Flagged concerns and contacted the company	**48**
Milestone two	Contact acknowledged and dialogue begun	**38**
Milestone three	Company begins to make progress to resolve concerns	**80**
Milestone four	Engagement goal achieved	**24**
No further action	Result of information gathering*	**11**

*There will be 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.

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 are encouraging best practice 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.

Engagement example

Background	A multinational automobile manufacturer.
Engagement objective(s)	The engagement sought to learn more about the company's climate transition plans, including getting SBTi verified targets, strengthening financing exclusion policies on oil and gas companies, setting green financing targets, and linking climate-related KPIs to executive compensations.
How we engaged	We had email communication and a call with the sustainability and investor relations teams.
Outcome	Current targets are aligned with a 2C pathway including their scope 3 target, which is approved by SBTi. The company is waiting on further guidance from SBTi for 1.5C pathway. It is also working with its key suppliers to put in place robust carbon measurement, visibility and improve data consistency. The supplier code of conduct applies to 11,000 suppliers and requires them to work towards SBTi targets of their own. These measures will help identify key supply chain emissions and prioritise target setting. For executive pay in 2023, the company set a 20% pay structure based on electric vehicle sales volume. Regarding carbon offsets, the company emphasised that the decarbonisation strategy focuses on vehicles, operations and supply chain emissions reductions before offsets are considered to mitigate further. The company expects offsets may be required further in their decarbonisation plan closer to 2050.
Action	Engagement was deemed successful. We will monitor performance against decarbonisation targets and will re-engage if necessary.

Metrics and targets

In this section, we provide details of:

- Disclosure of our financed and operational GHG emissions
- The metrics and methodologies used to quantify climate impacts and inform our strategies.

ESG data plays a crucial role in assessing a company's sustainability performance. When it comes to carbon emissions data, there are several sources and methodologies involved. At Aegon AM, we employ a diverse set of metrics to identify and assess climate-related risks and opportunities. Our approach includes monitoring progress towards environmental targets and adhering to the Partnership for Carbon Accounting Financials (PCAF) Standard. This standard provides recommended methodologies for calculating the carbon emissions financed by our portfolios, ensuring that our tracking is accurate and aligned with industry best practices.

Financed (GHG) emissions of our portfolios

	Scope 1&2	Scope 3
GHG Emissions (tCO2e)	**363,305**	**2,474,296**
Carbon Footprint (tCO2e/million GBP invested)	**52**	**359**
GHG Emissions & Carbon Footprint Value with emissions data (GBP)	6,821,652,967	6,811,861,973
GHG Emissions & Carbon Footprint Coverage (%)	67.5%	67.4%
Value with reported emissions data (GBP)	6,096,742,476	0
Value with estimated emissions data (GBP)	724,910,491	6,811,861,973
Value Reported (%)	60.3%	0.0%
Value Estimated (%)	7.2%	67.4%
WACI* (tCO2e/million GBP revenue)	**129**	**770**
WACI Value with emissions data (GBP)	7,658,121,305	7,585,189,870
WACI Coverage (%)	75.8%	75.1%
Value with reported emissions data (GBP)	6,563,894,996	0
Value with estimated emissions data (GBP)	1,094,226,309	7,585,189,870
Value Reported (%)	65.0%	0.0%
Value Estimated (%)	10.8%	75.1%
Science Based targets (%)	**27.40%**	
Sovereign Financed GHG Emissions (tCO2e)	**169,167**	

* Weighted Average Carbon Intensity

Explanations are provided for each metric disclosed in the above table to ensure clarity and transparency around the data captured in this report. It should be noted that explanations are based on recommended calculations for listed equity and corporate fixed income. For single-name derivative instruments, the issuer's emissions of underlying assets are used.

The following section outlines the metrics we report on and methodologies used. These are all in line with the TCFD recommendations and SBTi approved methodologies.

Metric and what it is	How we use it
Financed Emissions (tons of CO_2 equivalent) metrics, shown in this report such as Scope 1 & 2 emissions and Scope 3 emissions, are the absolute greenhouse gas emissions associated with a portfolio. This metric uses an ownership-based methodology, multiplying the emissions of the issuer by an ownership factor: for listed equity and listed corporate fixed income issuers, it uses the current value of the asset manager's investment against the Enterprise Value Including Cash (EVIC) of the issuer to quantify the emissions associated with the investment.	Scope 1 & 2 emissions and Scope 3 emissions are useful for considering the overall emission impact of a portfolio – changes can be monitored in the emissions and attribution analysis can be done on an issuer level. However, these metrics are not optimal for comparison between portfolios since they are not normalised. Additionally, the EVIC, an underlying datapoint in the calculations, is calculated by external data providers and has been observed to differ greatly (by up to 300% in some cases) dependent on the exact calculation methodology used by a provider, which might inadvertently inflate or minimise the financed emissions.
Carbon footprint (economic emissions intensity) represents the financed carbon emissions (Scope 1 & 2 and Scope 3 reported separately in this report) of a portfolio normalised by the total portfolio value in millions of GBP.	This metric is useful for understanding a portfolio's carbon intensity relative to the value invested but depends heavily on EVIC data. When tracking the carbon footprint over time, changes in EVIC can skew the results. The Partnership for Carbon Accounting Financials (PCAF) recommends an adjustment factor to make accurate comparisons over time. Although the Asset Manager (AM) supports this concept, it doesn't account for changes in portfolio composition or data access. Therefore, this report's carbon footprint hasn't been adjusted, pending further development of PCAF's methodology
Weighted Average Carbon Intensity (or GHG intensity) represents the carbon emissions (Scope 1 & 2 and Scope 3 reported separately in this report) of an issuer divided by their revenue in millions of GBP which is then allocated by portfolio weight.	This metric is effective for comparing portfolio sizes and issuer carbon intensity. Yet, companies with higher market prices may appear better when emissions are normalised by revenue. Future adjustments may include an inflation factor for revenues, like the EVIC adjustment, although PCAF has not yet provided guidance on this.
Sovereign financed GHG emissions reflect the greenhouse gas emissions attributed to our holdings in government debt. Like corporate emissions, they're calculated using an ownership approach. The asset manager's investment value is compared to the issuing country's Nominal GDP to determine the associated emissions.	It is important to note that the PCAF Standard now recommends using Purchase Power Parity (PPP)-adjusted GDP for this metric, enhancing comparisons between real economic sizes. We plan to adopt this method next year once integrated into our systems. Currently, we use nominal GDP, consistent with industry norms and previous PCAF guidance.
Science Based Targets (SBTi) measures our investment percentage in companies with approved emission reduction targets. SBTi provides copmanies with a clearly defined path to reduce emissions in line with the Paris Agreement. It's backed by leading environmental groups—CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI), World Wide Fund for Nature (WWF) - and part of the We Mean Business coalition. SBTi provides best practices, tools, and independent validation for setting science-based emissions targets.	This metric is a useful indicator to assess portfolio's exposure to issuers that have a clearly-defined, validated and approved path to reduce emissions in line with the Paris Agreement goals. For the in-scope portfolios, over 25% of our corporate bond and listed equity investments under this disclosure are in assets issued by companies that have set validated carbon reduction pathways and targets.

Scope 1 carbon emissions

are emissions generated from sources that are controlled by the company that issues the underlying securities.

Scope 2 carbon emissions

are emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying securities.

Scope 3 carbon emissions

are all indirect emissions that are not scope 1 or scope 2 emissions and that occur in the value chain of the reporting company, including both upstream and downstream emissions.

Supporting metrics

The below two metrics provide a frame of reference for the climate metrics listed above: when looking at portfolio aggregated climate data, it's important to understand the context behind those numbers. Looking at the data source helps in getting a sense of where the data comes from, while coverage shows how representative the aggregated number is for the portfolio.

- **Coverage:** of our portfolio gives an indication on the data availability per metric from our external provider it should be noted that exposures to assets other than public equities, fixed income and sovereign bonds are not filtered out of the report, but no carbon emissions data is available for these asset classes. Coverage is expressed as a %, which is the sum of the market value % of portfolio holdings that are covered by ESG data. Similarly, value with emissions data is the same concept expressed by the sum of the market values of the same holdings. Securities with no ESG data coverage are disregarded from the aggregation methodology for all metrics and the rest of the dataset is renormalised.
- **Data source:** ESG data may be either: reported directly by the issuer company, estimated by a financial market participant or by a third party ESG data vendor. The source of the carbon emissions data used in this report is indicated accordingly, expressed as the aggregated market value or market value % of holdings in each respective category. For listed equities and corporate fixed income assets no internal estimations are carried out, estimated data is sourced from a third-party data provider and is based on their proprietary estimation models. We have seen an increase in company disclosures on emissions, particularly for Scope 1 and 2, which has resulted in over 90% of the Scope 1 and 2 emissions data in this report being sourced from company disclosures. Where data is available for Scope 3 emissions, it has been estimated by our third-party data provider.

Beyond absolute carbon emission measures, carbon intensity based on Enterprise Value Including Cash (EVIC) or revenue can be hard to interpret.

The volatile nature of EVIC - a metric swayed by market sentiment - and the fluidity of revenue streams can cloud the true narrative of carbon intensity. Empirical evidence shows that EVIC and revenue can move in opposite directions in case of big changes in corporate business models or corporate structures. Macroeconomic conditions also impact carbon intensity. High inflation can create an illusion of declining carbon intensity, which makes inflation adjustment important. However, there is no industry consensus for inflation adjustment and methodologies proposed by different organisations can be fundamentally diverse and difficult to implement.

Our own operations

The tables below present the greenhouse gas emissions and corresponding intensity ratios for the years ended 31 December 2022 and 2023.

Emissions (tCO2e*) type	2023 Emissions (tCO2e)	2022 Emissions (tCO2e)
Scope 1 – Direct emissions	50	95
Scope 2 – Energy indirect emissions	98	105
Total emissions	**148**	**200**

*Metric tonnes of Carbon Dioxide Equivalent

Emissions (tCO2e) type	2023 Emissions (tCO2e)	2022 Emissions (tCO2e)
Intensity ratio tCO2e per Full Time Equivalent	0.41	0.59

The table below presents the energy data usage for the years ended 31 December 2022 and 2023.

Energy use type	2023 consumption (kWh)	2022 consumption (kWh)
Electricity	372,135	449,987
Gas	271,629	519,864
Total energy consumption	**643,764**	**969,851**

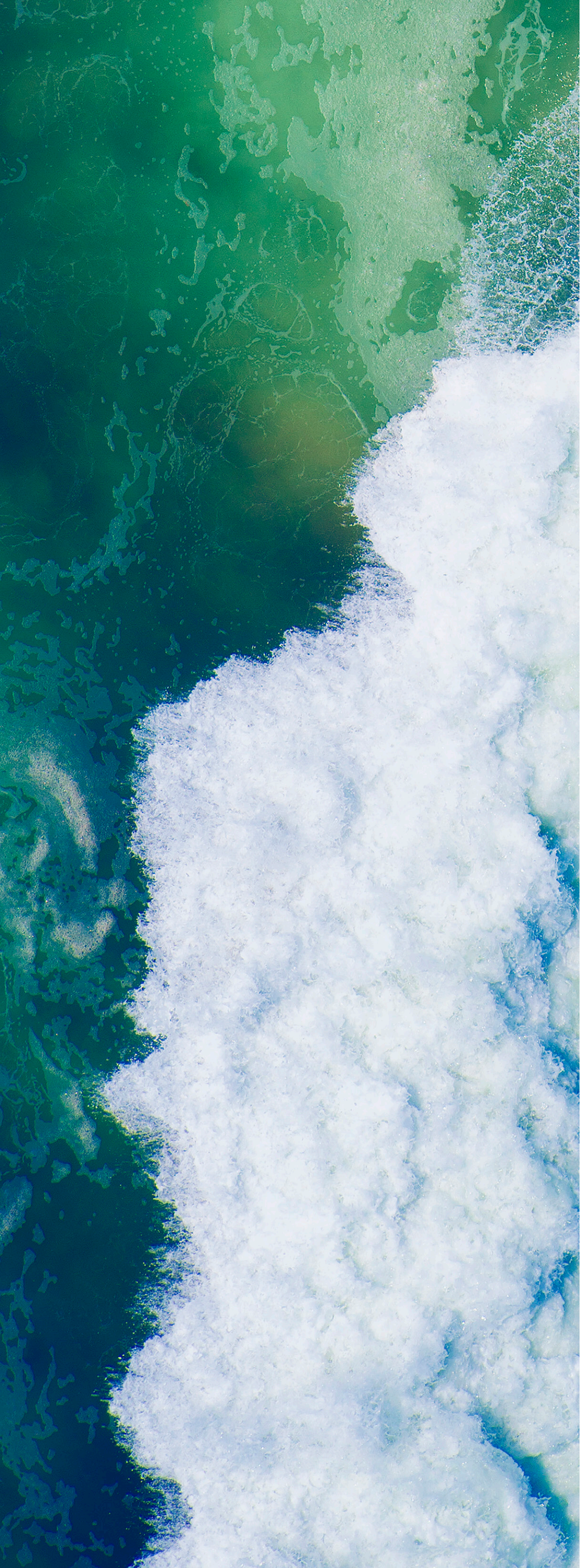
Methodology

Energy use and carbon emissions are monitored and measured at Aegon UK level (that is all companies which are part of the Aegon Group and which operate within the UK) and therefore an approach has been agreed to allocate the totals across entities. In allocating the energy use and carbon emissions across Aegon UK entities, consideration was given to the financial control that the 'operating' companies i.e. Scottish Equitable plc and Cofunds Limited have over the assets and other resources that use energy and produce carbon emissions as compared to the holding and service companies.

Accordingly, most of the energy use and carbon emissions are allocated to the operating companies by using a notional Full Time Equivalent (FTE) of staff in each of the relevant Aegon UK buildings. The allocation basis is calculated by cost management and is consistent with the basis used to allocate Aegon UK Corporate Services Ltd costs across entities. For the holding and service companies in-scope of these disclosures, total energy allocation will be less than 40MWh in each case, allowing these companies to apply the 'low energy user exemption' from providing these disclosures.

The greenhouse gas emissions have been calculated using a methodology aligned with the principles of the GHG Protocol (GHG) Standard for Corporate Accounting and Reporting produced by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) – a global recognised standard.

The GHG Protocol Standard is one of the recommended methodologies under the SECR guidelines. The footprint utilises UK Government conversion factors for the year of reporting. For energy use where figures were not already within kWh these have been converted using their density and gross calorific value taken from the UK government GHG conversion factors fuel properties tables for the year of reporting.



In-scope funds for financed emissions disclosure

Portfolio Name
Aegon Ethical Corporate Bond Fund
Aegon UK Sustainable Opportunities Fund
Aegon Sustainable Diversified Growth Fund
Aegon Diversified Monthly Income Fund
Aegon High Yield Bond Fund
Aegon Ethical Cautious Managed Fund
Aegon Ethical Equity Fund
Aegon Sustainable Equity Fund
Aegon Investment Grade Bond Fund
Aegon Strategic Bond Fund
Aegon Sterling Corporate Bond Fund
Aegon UK Equity Absolute Return Fund
Aegon UK Equity Fund
Aegon UK Smaller Companies Fund
Aegon Absolute Return Bond Fund
Aegon Global Diversified Income Fund
Aegon Global Equity Income Fund
Aegon Global Short Dated Climate Transition Fund
Aegon Global Short Dated High Yield Climate Transition Fund
Aegon Global Sustainable Equity Fund
Aegon High Yield Global Bond Fund
Aegon Investment Grade Global Bond Fund
Aegon Strategic Global Bond Fund
Aegon Global Equity Market Neutral Fund
Aegon Global Sustainable Diversified Growth Fund

About Aegon Asset Management UK

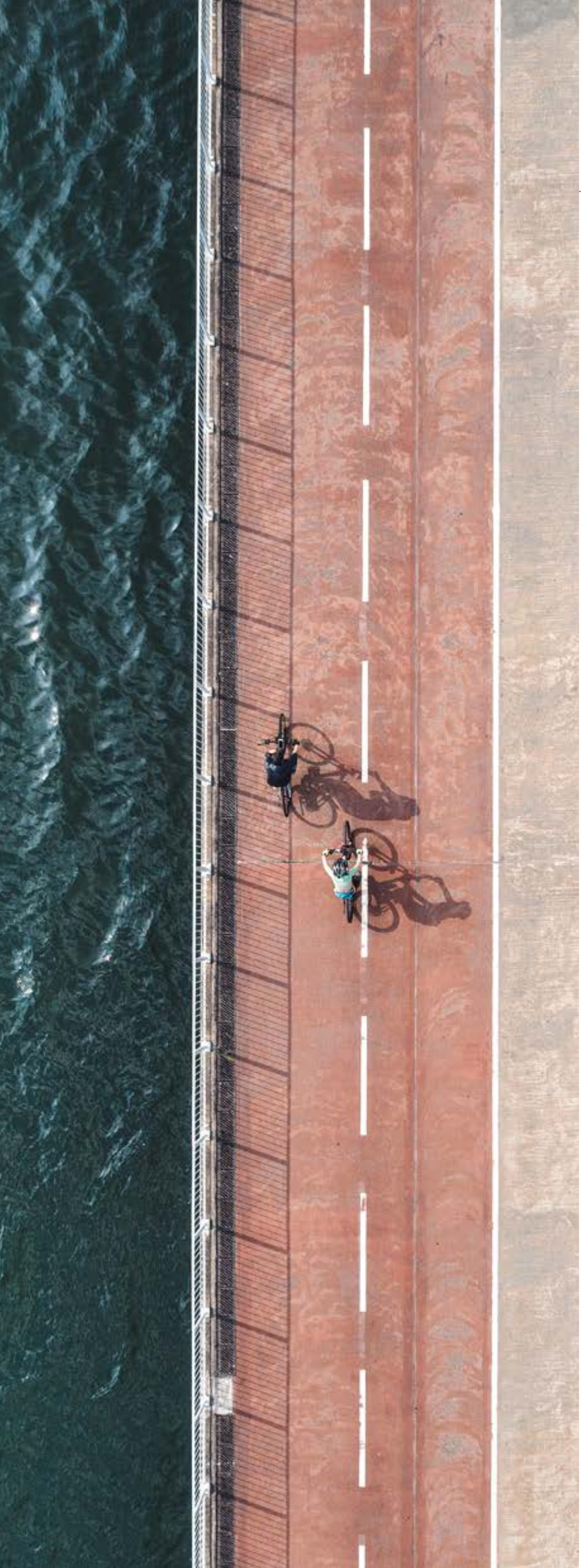
Aegon AM UK remains dedicated to active management. We have capabilities in fixed income, equities, multi-asset and cash investing and invest to meet a range of client objectives, including growth, income, total return and absolute return.

Aegon AM UK is part of Aegon Asset Management, an international group of investment management businesses owned by Aegon Ltd, one of the world's leading providers of financial services. As part of Aegon Asset Management we offer our clients access to the best products and services from Aegon Asset management UK and our sister companies across the group. We manage investments on behalf of UK and international clients, including pension funds, financial advisers, financial institutions, charities, wealth managers, family offices and individuals.

£33 billion*
Total assets under management and advisement

301*
Employees in UK

*All data as 31 December 2023. Assets under management/advisement excludes joint ventures.



Glossary

Carbon footprint

Carbon footprint refers to financed emissions normalised by portfolio value (GHG emissions per million pounds of investment).

Carbon offsets

A reduction or removal of emissions of carbon dioxide or other greenhouse gases made to compensate for emissions made elsewhere.

Climate Adjusted Value

This metric, calculated on a bottom-up basis, assesses the impact of different climate scenarios on a company's financial position. It provides adjusted values for physical and transition risks using the Aladdin Climate scenario model.

Climate scenario

A plausible representation of future climate that has been constructed for explicit use in investigating the potential impacts of anthropogenic climate change.

Enterprise Value Including Cash (EVIC)

EVIC represents the sum of market capitalisation for ordinary and preferred shares at year-end, along with book values of debt and minorities' interests (excluding cash or cash equivalents). For listed companies, total value is measured using Enterprise Value Including Cash (EVIC) in climate metric calculations.

Financed Carbon Emissions (FCE)

Financed Carbon Emissions represent the total greenhouse gas emissions associated with a portfolio of investments.

Gross domestic product (GDP)

This is the monetary value of all finished goods and services made within a country during a specific period.

Just transition

Just transition refers generally to strategies, policies or measures to ensure no one is left or pushed behind in the transition to low-carbon and environmentally sustainable economies and societies.

Network for Greening the Financial System (NGFS)

The Network for Greening the Financial System is a group of central banks and supervisors committed to sharing best practices, contributing to the development of climate- and environment-related risk management in the financial sector and mobilising mainstream finance to support the transition toward a sustainable economy.

Net Zero Asset Managers initiative (NZAM)

The Net Zero Asset Managers initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

Paris Agreement

The Paris Agreement is an agreement within the United Nations Framework Convention on climate change, dealing with greenhouse gas emissions mitigation, adaptation, and finance, agreed in 2015.

Purchase Power Parity (PPP)

Purchasing power parity (PPP) is a popular metric used by macroeconomic analysts that compares different countries' currencies through a "basket of goods" approach. PPP allows economists to compare economic productivity and standards of living between countries. Some countries adjust their gross domestic product (GDP) figures to reflect PPP.

Science Based Targets (SBT)

An emissions reduction target is defined as 'science-based' if it is developed in line with the scale of reductions required to keep global warming below 2°C from pre-industrial levels.

Scope 1,2 and 3 emissions

Greenhouse gas emissions are categorised into three groups or 'Scopes'. Scope 1 covers direct emissions, e.g. use of natural gas, company car vehicle emissions. Scope 2 covers indirect emissions from the generation of purchased electricity, steam and heating. Scope 3 includes 15 other categories of indirect emissions in a company's value chain, e.g. business travel and investments.

Single-name derivatives

A single-name derivative is a security for which the underlying instrument is a reference obligation or a bond of a particular issuer or reference entity. (As opposed to an Index-based derivative, where the underlying asset is the index itself.)

Weighted Average Carbon Intensity (WACI)

Weighted Average Carbon Intensity is a measure of the carbon intensity of the portfolio, calculated as the weighted average sum of carbon emissions per million pounds of issuers sales.

Disclosures

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