TCFD Aligned Climate Report 2024

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

Introduction

The urgency of climate action has intensified, with 2024 marking a pivotal year for implementing climate policies and planning corporate transitions. As regulatory frameworks mature and investor expectations evolve, the financial sector's role in facilitating the low-carbon transition has become increasingly central to long-term economic stability.

The scale and pace of required climate action demands sophisticated risk management approaches and innovative investment solutions. For asset managers, this translates into both significant responsibility and substantial opportunity to drive meaningful change while delivering sustainable returns for clients.

At Aegon Asset Management (Aegon AM), we remain committed to managing climate-related risks and identifying opportunities to support an accelerating low-carbon transition. Climate considerations continue to be integrated into our investment and stewardship processes.

During 2024, we maintained focus on delivering investment solutions that support our clients' evolving climate objectives. Our enhanced internal climate research capabilities enable us to identify companies with robust and credible transition plans, while supporting our Climate Transition products that help clients align with their net-zero commitments. We also introduced a Climate Insights series to offer greater transparency on our research framework and provide investors with deeper analysis of sector-specific. opportunities and challenges.

Our comprehensive active ownership programme continued to advance, prioritising engagement with the highest-emitting companies across our fixed income portfolios to drive meaningful climate action and transition planning.

To build resilience and remain competitive throughout the low-carbon transition, organisations must demonstrate robust climate-risk management and provide comprehensive disclosures. The disclosures in this report cover our activities throughout the year, as at 31 December 2024, and build on our previous reporting. These disclosures are designed to meet the FCA's climate-related disclosure requirements for asset managers. They align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and comply with the requirements outlined in 'ESG 2.2 TCFD entity report' and other relevant sections of the FCA ESG Sourcebook.

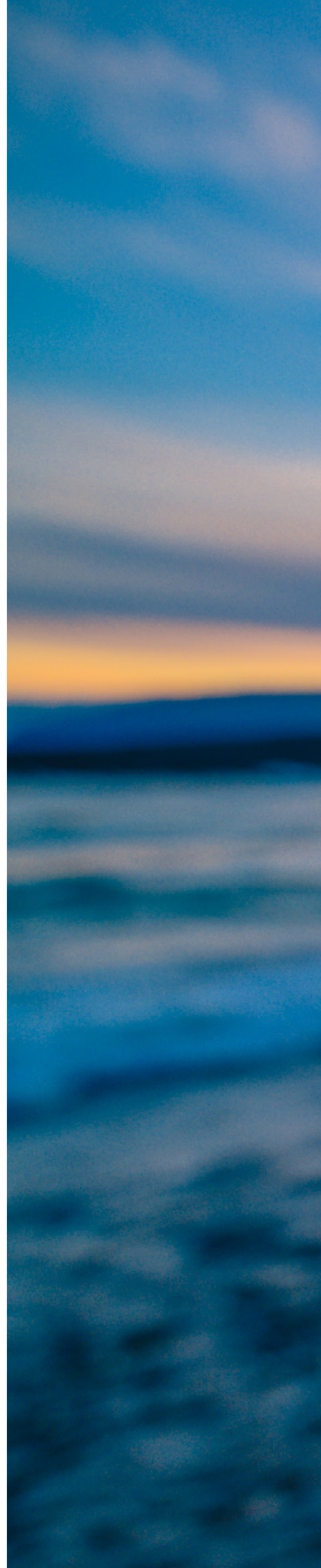
Looking ahead, we will continue prioritising climate action by integrating sustainability principles into our core business operations and maintaining mandatory responsible investment training for all staff. As we build on the substantial progress achieved over recent years, we remain committed to playing a leading role in supporting our clients' climate objectives. This report provides a comprehensive overview of our continued progress throughout 2024.

Kirstie MacGillivray

CEO,

Aegon Asset Management UK Plc

June 2025



Climate tools

Continued development of stress-testing capabilities and portfolio-level climate-risk assessment tools.

Transition solutions

Maintained focus on products supporting clients' diverse net-zero objectives and transition planning.

Research expansion

Broadened sector coverage and enhanced transparency through our Climate Insight series.

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 8 >**

Describe management's role in assessing and managing risks and opportunities. **Page 8 >**

STRATEGY

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. **Page 10 >**

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. **Page 14 >**

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. **Page 17 >**

RISK MANAGEMENT

Describe the organisation's processes for identifying and assessing climate-related risks. **Page 20 >**

Describe the organisation's processes for managing climate-related risks. **Page 22 >**

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. **Page 23 >**

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 26 >**

Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. **Page 27 >**

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. **Page 29 >**

Technical terms are defined in the glossary on **page 31** or can be found in the glossary on our website at: **www.aegonam.com**

2024 activity highlights

Incorporated a biodiversity framework into our equity and fixed income platforms to help identify risks and opportunities in this area.

Launched a dedicated climate web page in 2024 as a comprehensive resource hub for clients and stakeholders.

Every Aegon AM UK employee added an environmental, social and governance (ESG) goal to their annual performance objectives.

Implemented a twice-yearly update to the Aegon AM UK plc Board, designed to highlight climate-related opportunities and risks.

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.

Continued to engage extensively with companies on climate-change issues, aiming to improve outcomes for our clients' portfolios.

Strategic focus areas for 2025 and beyond

- Continue to support real world decarbonisation efforts by engaging with companies that we believe need to take action.
- 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.
- Maintain 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 2024 to 31 December 2024, 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 integrate climate-related risks into our risk management practices, ensuring we consider these alongside operational risks. This proactive approach allows us to address climate-related challenges comprehensively.

Our commitment extends across our organisation's various governance structures, including our boards and management teams. By involving multiple tiers of governance, we improve oversight and decision-making related to climate risks and opportunities. This multi-layered approach also helps us identify, assess and manage these risks and opportunities effectively. As stakeholders and regulators demand more transparency and reporting, we adjust accordingly by continually evolving our governance processes and maintaining the highest standards of accountability and integrity.

Board oversight

Aegon Asset Management UK plc (Aegon AM UK)   is a subsidiary of the global entity Aegon Asset Management (Aegon AM BV), which operates under Aegon Ltd. The Aegon AM BV supervision and oversight framework underpins all asset management functions wholly or partially owned by Aegon.

The Aegon AM UK Board plays a pivotal role in establishing and maintaining our values and standards. Its duties include:

- monitoring and directing internal systems, controls and policies related to risk management
- scrutinising and endorsing risk profiles and regulatory policies
- evaluating and challenging investment policies, risk management, distribution, and the overall value for Aegon AM UK funds.

As part of its role, the Board will also consider climate-related issues and risks as appropriate.

Aegon AM UK uses the services of other parts of the global business and actively engages in Aegon AM BV's global risk and control audit programmes. Aegon Ltd and its subsidiaries employ a Sustainability Roadmap that incorporates climate, inclusion, diversity and other sustainability considerations into its operational model. Teams diligently work towards achieving roadmap milestones, including those identified through Aegon AM's Local Climate Risk Assessment.

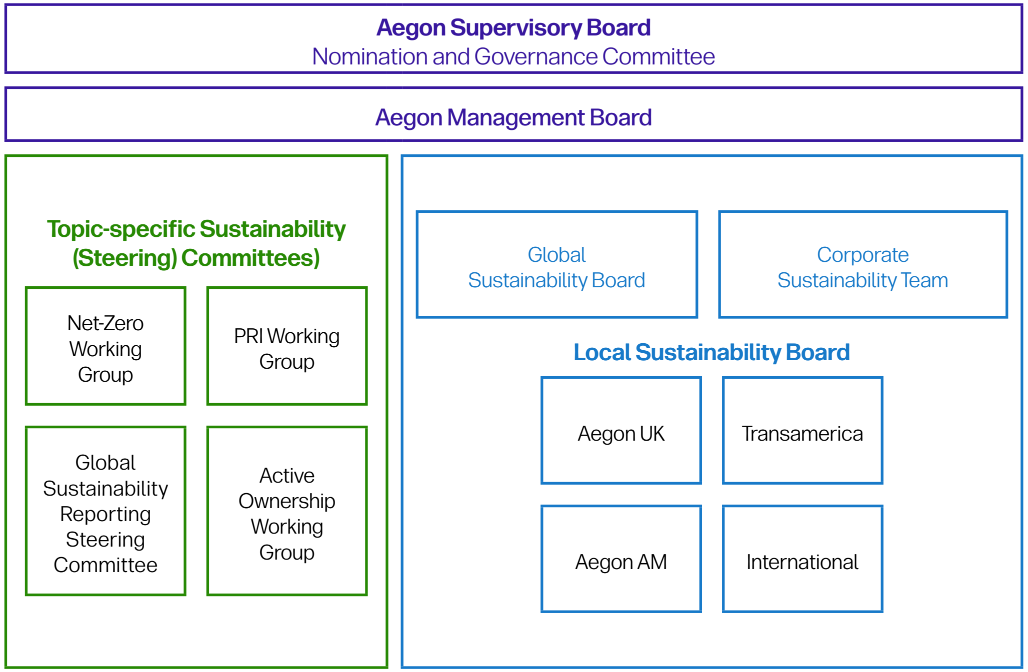
During 2025, the Board will continue to monitor and oversee climate risks and opportunities every six months, using specific climate-related key performance indicators (KPIs).

Management oversight and sustainability

Aegon Ltd shapes its sustainability strategy, including climate initiatives, through various sustainability committees and boards. These include the global and local sustainability boards (GSB and LSBs).

These boards ensure that our actions are aligned and consistent across our organisation, using roadmaps, KPIs, responsible investing (RI) policies and education to track and promote them. The Aegon Ltd Sustainability Board works closely with the Aegon AM Sustainability Board to achieve Aegon AM UK targets.

The Aegon AM BV Sustainability Board also advises the Aegon AM UK Board and supports Aegon Ltd's sustainability agenda. Other committees within Aegon AM UK contribute to the sustainability strategy, with the Aegon AM BV Board overseeing implementation and targets.



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

Strategy

In this section, we provide:

- a progress update on the development of our climate transition plan
- details of the climate solutions we offer clients and our plans to expand these.

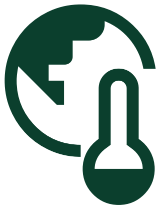
Climate-related risks and opportunities

Climate change presents both an urgent challenge for humanity and an opportunity to create a more sustainable global economy. As a responsible global financial institution, we recognise our role in achieving this and in recent years, have taken significant steps to reduce greenhouse gas emissions generated by our business. We are committed to supporting the transition to a climate-resilient, net-zero economy, and our climate action plan is focused on enabling clients to align their investments with their net-zero objectives.

For the assets we manage in line with achieving net-zero emissions by 2050 or sooner, we set interim targets that align with the global effort to limit global warming to 1.5°C. These interim targets include reducing the carbon intensity of the corporate fixed income and listed equity general accounts that we manage for Aegon Group companies by 50% by 2030, compared to 2019 levels. As of 30 June 2024, approximately 36% of the assets we manage are committed to the Paris Agreement's net-zero goal and by 2025, we aim to increase this to at least 40%.

To achieve this, we intend to focus on real-world decarbonisation and engaging with companies that we believe need to take action to meet the transition challenge. We may also increase our investment in companies we see as best prepared to transition to a net-zero world and are investing in solutions to help drive the transition.

Our financial planning process reflects Aegon AM's strategy, including key business assumptions on revenue and costs. This means revenues and costs related to climate or sustainable products are captured through this process. We continually evolve this process to refine how we assess both risks and opportunities, including those relating to climate change.



At **29%***
climate change remains the largest of our three engagement themes

*Source: Aegon AM as at 31 December 2024.

Investment activities – Helping to address the climate challenge

Supporting our clients

At Aegon AM UK, we embed responsible investment practices across our investment activities 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 solutions that support our clients' net-zero goals and ambitions.

Climate solutions

Many clients begin their climate journey by assessing their investment portfolios' carbon footprint. 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 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.

Climate solutions for the transition to a low-carbon world

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 are leading the transition. Our climate solutions aim to help achieve those goals.

We are developing a climate range that demonstrates our commitment to decarbonisation. Our current solutions concentrate on specific aspects of the journey to net-zero.

Fixed income strategies

Our climate transition strategies 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 with robust, credible transition plans. To align with clients' net-zero goals, the strategies follow a climate-transition pathway that increasingly allocates to companies 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 solutions include:

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.

Global Investment Grade Climate Transition strategy:** Primarily invests in global investment grade bonds across all maturities using an active management approach to build a diversified portfolio across the maturity curve.

The solutions in our range are EU SFDR article 8*** and therefore promote environmental and/or social characteristics. These funds benefit from the expertise and proven track record of the global fixed income team and our in-house responsible investing expertise.

**Strategy launched September 2024, UCITS fund in development for launch during 2025.
*** All products manufactured or sold in the EU need to be categorised as 6, 8 or 9. Article 8 is defined as promoting environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

Addressing the climate challenge

At Aegon Asset Management, we are active, engaged and responsible investors. Aligned with our clients' investment objectives, we consider responsible investing an integral part of our investment philosophy and process because we believe it is critical to securing long-term value. Effective investor stewardship and high standards of corporate governance support the long-term success of companies, while social and environmental issues can also have an important impact on their performance and development. Over more than 30 years, we have built a comprehensive responsible investment approach consisting of three pillars: ESG integration, active ownership and solutions. We are also continually expanding ESG integration across investment strategies, strengthening our active ownership efforts and expanding our client-centric responsible investment strategies. In 2024, we incorporated a biodiversity framework into our equity and fixed income platforms to help identify risks and opportunities in this area.

Investment restrictions: We prefer to remain invested and engage in constructive dialogue with companies. However, 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 and preferences, as well as scientific research.

Scientific evidence indicates that global GHG emissions from coal should have peaked around 2020. OECD countries need to phase out coal 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: Our climate-related investment strategies are guided by in-depth investment research that integrates climate-change considerations through rigorous analysis and data. We focus on understanding the potential financial impacts of climate change. This research directs our investments toward companies with robust and credible plans for decarbonisation. Our assessment of these plans considers company ambition, performance and alignment toward net-zero. It goes beyond backwards-looking emissions to form a forward-looking view of a company's readiness and alignment with the energy transition.

Active ownership and collaboration: 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.

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. Our involvement in this initiative includes co-leading engagements in sectors such as automotive, chemical, cement and utilities. In addition, we engaged extensively with the FCA on the impending Sustainable Disclosure Requirements (SDR). We also participate in other collaborative engagement programmes 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.

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.

1 For further details of these restrictions please refer to the relevant Sustainability Risks and Impacts Policy on our website - www.aegonam.com/globalassets/responsible-investment/ri-documents/aegon-am-uk-sustainability-risks-and-impacts-policy.pdf

Aegon Group companies
As a member of the Net Zero Asset Owners Alliance, Aegon Group is committed to achieving net-zero. We have set the following targets for 2025 for the assets Aegon AM manages on behalf of the general account assets of Aegon Group Companies.

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

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

We have achieved the engagement goal set in 2022, which 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.

Our own operations
We are actively reducing the environmental impact of our operations by, for example, switching to renewable energy sources and using technology and digital communications. Aegon Group is committed to achieving net-zero greenhouse gas emissions across our business operations by 2050.

Aegon Group also set an interim target to reduce operational GHG emissions by 25% by 31 December 2024. We now 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. We hold business units accountable to these targets with explicit expectations to meet these minimum requirements.

Embedding climate-change awareness and accountability in our culture
In 2024, every Aegon AM UK employee set an ESG goal as part of their annual performance objectives.

We provide employees with tools to take action on climate change, including electric vehicle (EV) leasing through salary sacrifice and installing EV charging stations 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, and our dedicated Global Climate Solutions Lead promotes climate-transition approaches, supports climate research, and embeds climate solutions within investment products.

Our investment teams receive a mix of practical on-the-job and formal RI training, including sessions focused on net-zero and climate change. Ongoing engagement between our investment teams and RI specialists provides fund managers with practical training 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.

To enhance our climate communication strategy, we launched a dedicated climate web page in 2024 as a comprehensive resource hub for clients and stakeholders. We complement this with our regular series of Climate Insight articles, which provide timely sector analysis and expert perspectives on evolving climate-related investment considerations.

Finally, to increase accountability within our organisation, we have implemented a twice-yearly update to the Aegon AM UK plc Board, designed to highlight climate-related opportunities and risks.

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 disrupt the global economy, though to a far lesser degree than allowing climate change to continue unchecked. It will also 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 by identifying and supporting companies with robust climate-transition credentials.

- **Transition risks:** Arise from the transition to a low-carbon economy. They include 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. These risks can damage physical assets (e.g. buildings or infrastructure) or disrupt supply-chain operations. Physical climate risk has two subtypes:
  - **Acute:** These risks occur immediately after extreme weather events, such as wildfires, heat waves 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.

Our business can be impacted by these risks in two areas:

- **Investment risks:** These are present in our investment activities, including where we invest on behalf of clients.
- **Operational risks:** Risks presented 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 lengthy timeframes.
- **Irreversibility.** Climate change and its impacts are irreversible, emphasising the urgency for 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 the following page) when classifying climate-related risks and opportunities aligned to our strategy and business plan.

The table below summarises the climate-change risks that could potentially 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 the increased frequency and severity of climate-change-related events.	Moderate	
	Transition	5. **Inability or perceived inability to respond to sustainability and climate change can lead to risks.** This includes organisational inflexibility and failure to meet commitments like 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

Climate opportunities

The table below summarises the climate-change opportunities that could have the most material impact on our business model.

Opportunity		Description	Impact	Timeframe
Investment	**Transition: policy & legal**	Changes to climate-related regulation that positively impact our investee companies' operations or products.	Increased security valuation/ higher AUM & increasing revenue.	Sector dependent, e.g. renewables (S), IT (L)
	Transition: market	Climate change impacts product demand by changing client behaviour and increasing client demand for climate-related strategies. Development of lower carbon products.	Higher AUM & increased revenue from growing demand for lower carbon products and climate strategies. Increased security valuations in some sectors.	Industry dependent, e.g. Autos (S), IT (L)
	Transition: reputational	Climate change impacts product demand by changing client behaviour and increasing client demand for climate-related strategies. Development of lower carbon products.	Higher AUM & increasing revenue.	All timeframes (S, M, L)
Operational	**Transition: operations**	Impact on physical operation through the use of more carbon-efficient buildings, transport policies and technology.	Reduced operational costs identified through ongoing assessment and business planning. Greater use of virtual conference/meeting technology.	M, L

Our approach to climate scenario analysis

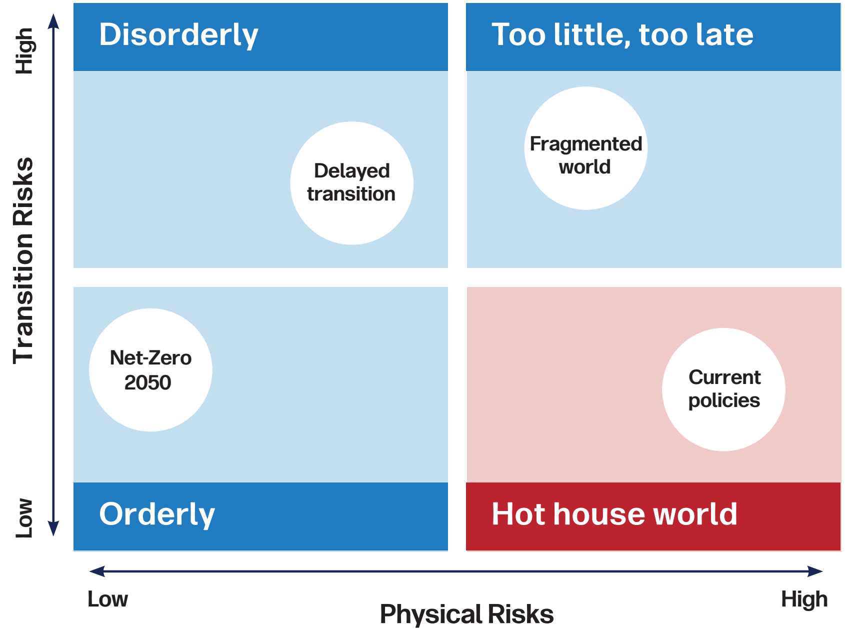
Climate-related scenario analysis is a valuable tool for identifying which areas of our strategies and businesses might be impacted by climate change, under a range of plausible future states. This is an area we are looking to develop in future years through use of our climate risk tools, which assess both transition and physical risk. We have carried out 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) scenarios:

- **Orderly – Net Zero 2050.** Aims to limit the global mean surface temperature rise to 1.5°C by 2100 by gradually implementing 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 the introduction of 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 an 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 CO2 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 that global 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.[2]



[2] 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**

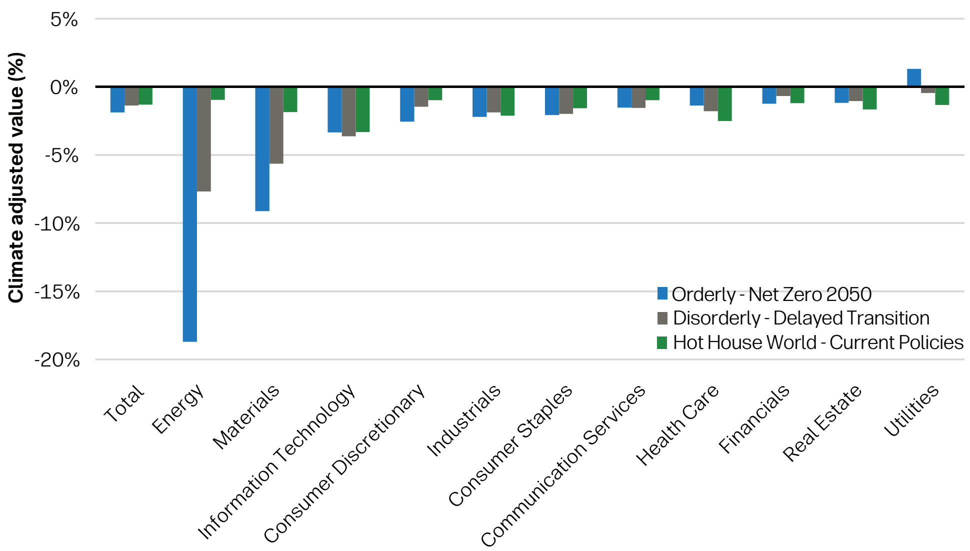
Our approach to modelling transition and physical climate risk uses proxies if data is not provided and published by our data vendors. Depending on the asset class, these proxies make use of the Global Industry Classification Standard (GICS) sector/sub-industry average, country cohorts, rating brackets 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

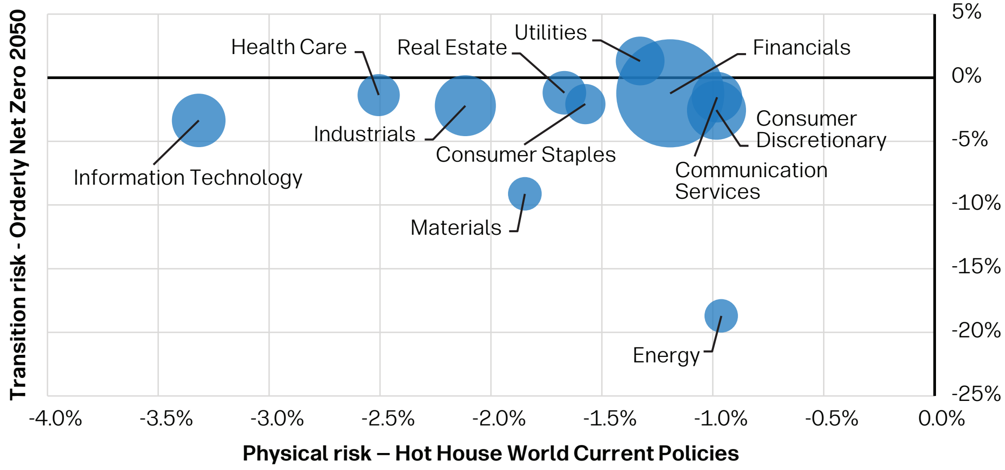
The analysis below covers the corporate fixed income and equity holdings within the in-scope fund list (see Metrics & Targets section (page 26) for more details). The charts below set out the transition and physical climate-adjusted values under the three scenarios analysed.

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

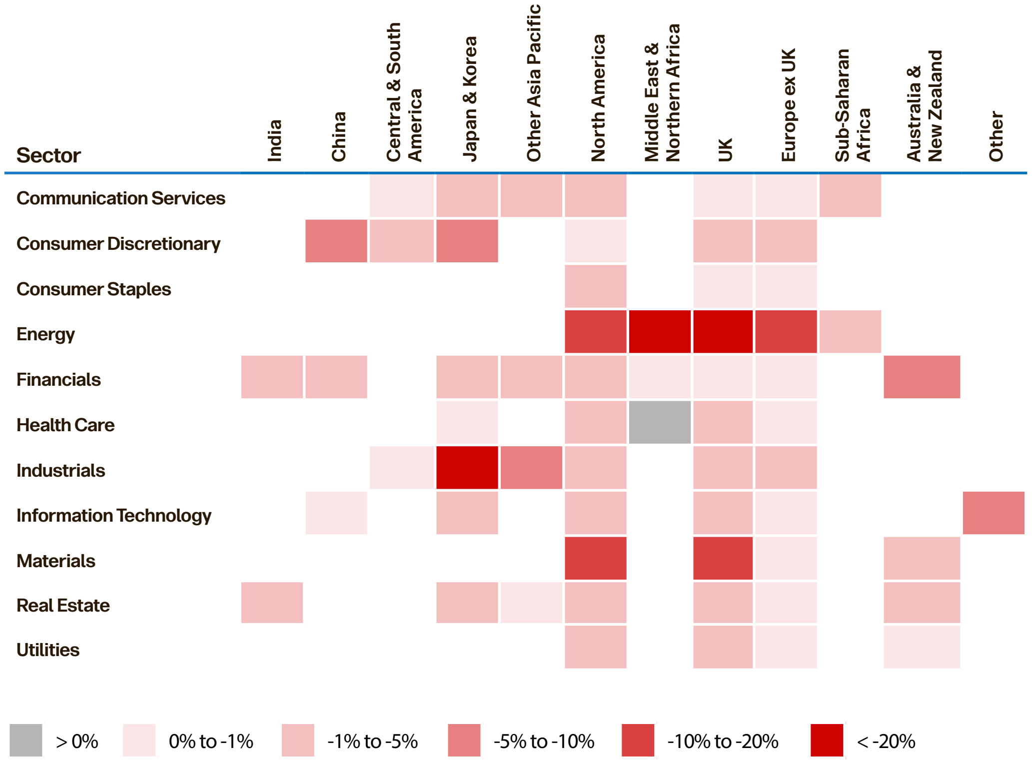


The results show that our investments are most exposed to climate risk under a disorderly transition, and transition risk scenarios generally impact our portfolios more than physical risk scenarios.

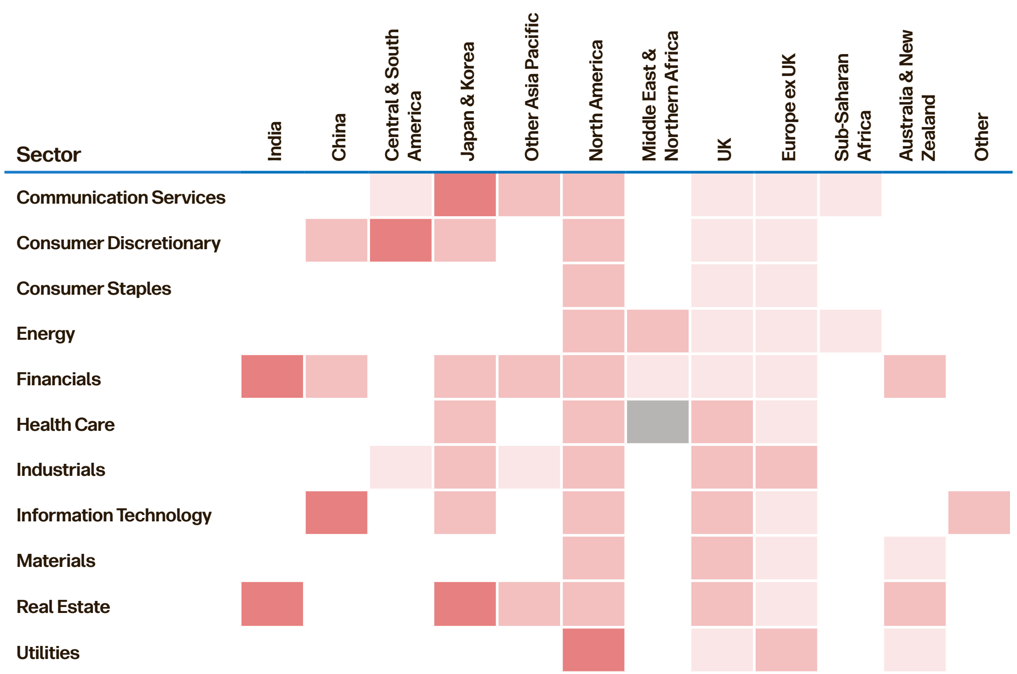
In terms of sector exposure, transition risk scenarios impact the energy and materials sectors most. However, our portfolios have relatively limited exposure to these sectors (indicated by the small bubble size). In terms of physical risk exposure, IT, healthcare and industrials are the sectors most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

In addition, we have 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 UK energy exposure and the North American and UK materials exposure is particularly impacted. The table also shows that some regional sector exposure is expected to be positively impacted by the transition, for example Japanese and Korean industrials and UK utilities.

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

This analysis is also available to our portfolio managers at an individual fund level (see Risk Management section (page 20) 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.

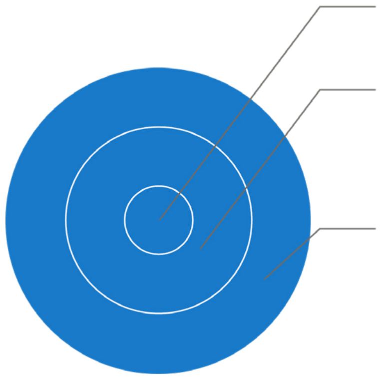
Identification and assessment

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 components such as risk appetite, risk tolerance, risk identification, risk assessment, risk response, risk 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 risk 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.



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 Aegon AM UK plc Board, which delegates oversight of risks and issues pertaining to Aegon AM UK to the UK Risk Control Committee. In addition, 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 comprises 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, providing a high level of assurance.

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 align with wider Aegon AM and Aegon Group policies and Board-approved risk appetite. It manages risks to 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 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 programme. 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, including carbon emissions and 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 systems. These rules ensure pre- and post-trade compliance, helping us adhere to our desired risk thresholds. Regarding climate scenario analysis and 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 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 highlighting them in research reports. Additionally, we document any in-house methodologies we develop for assessing sustainability risk/ESG ratings or categorising issuers.

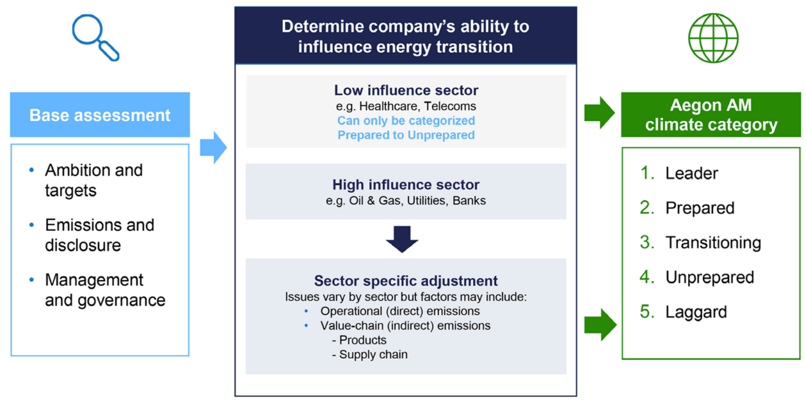
When we identify significant or poorly managed climate risks in the public companies we invest in, we leverage our position as investors to influence change through active ownership. Our aim is to mitigate sustainability risks, in accordance with the Aegon AM **Active Ownership Policy**, which directs 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, therefore, 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 is critical to combine current emissions data with a forward-looking view of the company. We have developed a proprietary, forward-looking climate transition research framework.

Our research focuses on issuers' transition readiness by evaluating their 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:



These detailed climate assessments are currently applied to all issuers in our dedicated climate-transition portfolios. To date, Aegon AM has covered around 650 companies, and we are continuing to expand our coverage.

Fund level oversight

Our third-party climate data provider supplies 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 discussed on a portfolio and benchmark level between the first and second line teams. These are also reported within relevant control and oversight committees with Aegon AM.

Climate-transition strategies

Our dedicated climate-transition strategies use the climate categories assessed through our proprietary research directly in portfolio construction. 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 the 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 implemented in one of our funds and represents our recommended pathways to net-zero alignment.

<table>
<tr><th>Climate Transition Category</th><th>Current</th><th>End 2029</th><th>End 2034</th><th>End 2039</th></tr>
<tr><td>Leader</td><td colspan="3">No maximum limit</td><td rowspan="2">100%</td></tr>
<tr><td>Prepared</td><td colspan="3">No maximum limit</td></tr>
<tr><td>Transitioning (and below)</td><td>< 95%</td><td>< 50%</td><td>< 25%</td><td>< 0%</td></tr>
<tr><td>Unprepared (and below)</td><td>< 20%</td><td>< 10%</td><td>< 5%</td><td>< 0%</td></tr>
<tr><td>Laggard</td><td>< 10%</td><td>< 5%</td><td>0%</td><td>0%</td></tr>
</table>

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.

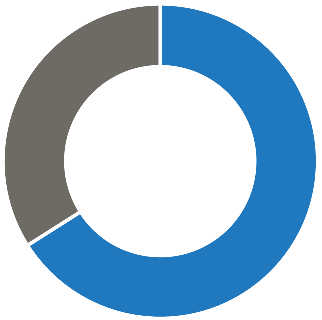
In 2024, Aegon AM engaged extensively with companies on climate-change issues, aiming to improve outcomes for our clients' portfolios. We encourage portfolio companies to adopt science-based GHG reduction targets and develop robust decarbonisation plans. Our engagement takes various forms.

- **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 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 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.



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.

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.

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.

Milestone 1 Flagged concerns and contacted the company	35
Milestone 2 Contact acknowledged and dialogue begun	29
Milestone 3 Company begins to make progress to resolve concerns	48
Milestone 4 Engagement goal achieved	14
No further action Result of information gathering*	23

*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.

Engagement example:

Background	French banking group
Engagement objective(s):	The engagement sought to learn more about the company, including its Science Based Targets Initiatives (SBTi) verified targets, strengthening its financing exclusion policies on oil and gas companies, setting green financing targets and linking climate-related KPIs to executive compensation.
How we engaged	Having engaged through email with the bank's investor relations team in 2023, we reached out to the bank again following our annual company review 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 GHG gas emissions targets verified by SBTi were positive. In 2024, we upgraded the bank 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 the company believes it is well aligned with the new methodology, its target is yet to be validated by SBTi.
Action	We will monitor the bank's climate transition plan this year and review the position in 12 months.

Background	A British universal bank and financial services group
Engagement objective(s):	We have been engaging with this bank on its climate transition pathway since 2021. 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	In 2024, we participated in a group discussion on the bank's latest report and accounts, which provided greater detail on its transition plan. The group head of sustainability and investor relations team explained the thinking behind their actions.
Outcome	The bank sought investor feedback on its climate transition plan. It published its annual progress against the plan's objectives in the annual report, and the company committed to publishing this information annually. Regarding facilitated emissions, the bank has followed the Partnership for Carbon Accounting Financials (PCAF) guidance. However, the bank is no longer committed to setting SBTi targets as it could not meet the deadline for setting these for all sectors. It aims to provide a view on climate for investors on a three-year basis The depth of its climate transition plan analysis will depend on materiality, with deeper dives conducted on larger clients.
Action	Progress is still being made, and the engagement remains on Milestone 3.

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 (tCO_2e)	398,755	5,577,246
Carbon Footprint (tCO_2e/million GBP invested)	47.6	657.5
GHG Emissions & Carbon Footprint Value with emissions data (GBP)	8,417,618,434	8,477,688,357
GHG Emissions & Carbon Footprint Coverage (%)	66.9%	67.4%
Value with reported emissions data (GBP)	7,558,726,930	1,895,421,875
Value with estimated emissions data (GBP)	858,891,503	6,582,266,482
Value Reported (%)	60.1%	15.1%
Value Estimated (%)	6.8%	52.6%
WACI* (tCO_2e/million GBP revenue)	105.2	1,212.3
WACI Value with emissions data (GBP)	8,485,997,655	8,485,997,655
WACI Coverage (%)	67.4%	67.4%
Value with reported emissions data (GBP)	7,519,674,243	1,891,258,104
Value with estimated emissions data (GBP)	966,323,412	6,594,739,551
Value Reported (%)	59.8%	15.0%
Value Estimated (%)	7.7%	52.4%
Science Based targets (%)	28%	
Sovereign Financed GHG Emissions (tCO_2e)	279,544	

* Weighted Average Carbon Intensity

Explanations are provided for each metric disclosed in the table on the left 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 the 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 (tonnes 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 emissions impact of a portfolio – changes can be monitored in the emissions and attribution analysis can be done at an issuer level. However, these metrics are not optimal when comparing 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) depending on the provider's exact calculation methodology. This 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 we support this concept, it doesn't account for changes in portfolio composition or data access. Therefore, this report's carbon footprint hasn't been adjusted.
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 an issuer's 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. 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 companies 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 a portfolio's exposure to issuers that have a clearly defined, validated and approved path to reduce emissions in line with the Paris Agreement goals.

Supporting metrics

The two metrics below 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 to get a sense of where the data comes from, while coverage shows how representative the aggregated number is for the portfolio.

- **Coverage:** the coverage of our portfolio gives an indication of 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.

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 programmes. 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.

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 2023 and 2024.

Emissions (tCO2e*) type	2024 Emissions (tCO2e)	2023 Emissions (tCO2e)
Scope 1 – Direct emissions	64	50
Scope 2 – Energy indirect emissions	94	98
Total emissions	**158**	**148**

*Metric tonnes of Carbon Dioxide Equivalent

Emissions (tCO2e) type	2024 Emissions (tCO2e)	2023 Emissions (tCO2e)
Intensity ratio tCO2e per Full Time Equivalent	0.51	0.41

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

Energy use type	2024 consumption (kWh)	2023 consumption (kWh)
Electricity	454,767	372,135
Gas	351,014	271,629
Total energy consumption	**805,782**	**643,764**

Methodology

Energy use and carbon emissions are monitored and measured at Aegon UK level – that is, all companies that are part of the Aegon Group and which operate within the UK. Therefore, an approach has been agreed to allocate the totals across entities. In allocating the energy use and carbon emissions across Aegon UK entities, we gave consideration to the financial control that the 'operating' companies, i.e. Scottish Equitable plc and Cofunds Limited, have over the assets. We also took into consideration 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' by providing these disclosures.

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

The GHG Protocol Standard is one of the recommended methodologies under the SECR guidelines. The footprint uses 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 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 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

About Aegon AM UK

Aegon AM UK is an active investment manager with extensive capabilities in fixed income, equities and multi-asset & solutions. We provide investment solutions that meet a range of client objectives, including growth, income, total return and absolute return.

We are part of a global business with employees located across Europe, the Americas and Asia. Globally, Aegon Asset Management manages and advises on £274 billion. This global strength and support mean that Aegon Asset Management UK and our sister companies across the group can offer clients access to the best products and services. We manage investments on behalf of UK and international clients, including pension funds, financial advisers, financial institutions, charities, wealth managers, family offices and individuals.

£35 billion*
Total assets under management and advisement

273*
Employees in UK

*All data as 31 December 2024. 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.

Important infomation