



For customers

Task Force on Climate-Related Financial Disclosures

(TCFD) entity report 2025



Contents

You can find the climate-related financial disclosures for our funds in our [TCFD product level report](#).

Aegon UK Task Force on Climate-Related Financial Disclosures (TCFD) entity report

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We're always here to help if you need some additional support from us.

The value of investments can fall as well as rise and isn't guaranteed. You may get back less than you invest.

Glossary of terms

We'll use everyday words where we can, but here are some key technical words and phrases that might be helpful when reading this report.

We also have a [responsible investment jargon buster](#) on our website.

Absolute emissions: Absolute emissions are the total reported greenhouse gas (GHG) emissions of a company. Absolute emissions are categorised and reported as scope 1, 2 or 3.

Biodiversity: Diversity within species, between species and of ecosystems.

Business operations: The day-to-day activities and processes that a company undertakes to produce goods or provide services.

Carbon footprint: This metric measures the emissions of a portfolio, or the amount of emissions financed for every £1 million invested. Emissions are shared out across all outstanding shares and bonds (referred to as a percentage of enterprise value including cash or EVIC) meaning that we allocate 'ownership' of GHG emissions across the total capital structure of the issuing company (equity and debt), as recommended by the industry standard developed by the Partnership for Carbon Accounting Financials (PCAF). This metric is expressed as tCO₂e/£M invested using EVIC.

Carbon price: The cost of pollution from carbon dioxide (CO₂) implemented either through a carbon tax or an emissions trading scheme. By putting a price on carbon,

the aim is to encourage companies to reduce their carbon emissions, pollute less and use cleaner energy.

Carbon sequestration: A natural or artificial process by which CO₂ is removed from the atmosphere.

Climate Value-at-Risk (CVaR): A forward-looking assessment of the potential financial effects of climate risks and opportunities on our investment funds under different transition scenarios out to the year 2100.

Data limitations: This report is subject to inherent limitations arising from data availability and quality, the use of estimates and assumptions, temporal variability, evolving climate and financial modelling methodologies, technological constraints, and uncertainty in market conditions and external factors, all of which may cause actual outcomes, exposures and valuations to fluctuate over time. We are committed to addressing these limitations by enhancing our data collection processes, investing in advanced monitoring techniques and standardising reporting practices across our operations.

Default fund: A default fund (or default investment strategy) is a type of lifestyle fund that members of a workplace pension scheme are automatically invested in if they don't select a fund when joining the scheme. Lifestyle funds are designed for savers who don't make active fund choices throughout their working life.

Divesting: The process of removing an investment usually for ethical, financial or political reasons. This is often seen as a last resort when other options such as engagement or stewardship have failed.

Double Materiality Assessment (DMA): When we consider the effect of climate change on our investments, we follow the concept of double materiality. This considers both the biggest financial impacts climate change has on our investments, as well as the impact our investments have on nature, climate and society.

Engagement: Purposeful, targeted communication with an entity (for example, fund manager, company, government, industry body or regulator) on matters of concern, aiming to encourage change, or address a market-wide or systemic risk such as climate change.

Environmental, Social, and Governance (ESG): How companies choose to respond to ESG issues (such as climate change, diversity and inclusion, and human rights) could influence investment returns and the ability of a pension to provide a reliable income in retirement.

- **Environmental** – looks at how companies manage environmental risks (such as climate change or waste and pollution) or take opportunities (such as the move to renewable energy).
- **Social** – relates to a company's effect on individuals and society and covers factors such as human rights and labour standards, diversity, equity and inclusion or workplace safety.
- **Governance** – good governance ensures a company's management team, and its Board look beyond short-term financial interests alone to make decisions which ensure long-term success. This covers factors such as risk management, board structure and remuneration.

ESG screens: These exclude investments based on set criteria such as exposure to weapons, tobacco, United Nations (UN) Global Compact violators, thermal coal, oil sands or gambling.

ESG tilts: These favour investments in companies with high ESG scores and reduce exposure to companies with low ESG scores. ESG tilts may reduce the carbon footprint of a portfolio by decreasing exposure to carbon-intensive companies and favouring carbon-efficient or low-carbon assets.

Expression of wish: This is how we tell our key fund managers about our voting preferences for resolutions, including climate-related ones. The aim is for our fund managers to align with our voting positions, and we expect them to use their voting rights and responsibilities in line with our expression of wish.

Green bonds: Green bonds are used to finance projects with specific environmental or sustainable benefits.

Greenhouse gases (GHG): Gases such as CO₂ and methane cause the greenhouse effect which is contributing to global warming and climate change.

Gross domestic product (GDP): GDP is a key economic indicator that measures the total value of all goods and services produced within a country and is used to measure the country's economic performance. It's often used for comparison between different countries.

Gross Domestic Product at Purchasing Power Parity (GDP-PPP): This is an economic metric that adjusts the GDP of a country to reflect the relative cost of living and inflation rates of different countries. This adjustment allows for a more accurate comparison of economic productivity and living standards between countries.

This metric is used to help calculate the sovereign carbon intensity of a country (see sovereign debt).

Implied Temperature Rise: This is a forward looking metric and measures whether the pace of portfolio emissions reduction is sufficient relative to a shrinking global carbon budget. This metric is based on listed equity and corporate fixed income investments only.

Location-based: A method for calculating emissions using the average emissions intensity of the electricity grid in the area where energy is consumed. It reflects the regional grid mix, regardless of specific energy contracts or renewable purchases.

Low carbon economy: A low-carbon economy is one that has low GHG emissions.

Liability risks: The risk that individuals or businesses seek compensation for losses suffered from the effects of physical or transition risks for which they hold organisations responsible. Liability risk is considered a subset of both transition risk and physical risk.

Net zero: Net zero is the point where we balance the amount of GHG emissions being produced with the amount that can be used and stored by nature. One of the main ways to do this will be to reduce the amount of GHG emissions produced.

Operational footprint: The total environmental impact of a company's operations. This includes the consumption of resources such as energy and water, the generation of waste, and GHG emissions. It encompasses all activities within the company's operational boundaries that contribute to its overall environmental impact.

Paris Agreement/Paris-aligned: The Paris Agreement is an international treaty on climate change agreed at the UN Climate Change Conference (COP21) in 2015. The Agreement set long-term goals to reduce GHG emissions, limit the global temperature rise to 2°C above pre-industrial levels by the end of the century, and to pursue efforts to limit the temperature rise to 1.5°C above pre-industrial levels.

Pathways: A set of emissions trajectories used to evaluate progress and the transition to the goal of global net-zero emissions.

Physical risks: The risks arising from changes in the weather system caused by climate change, for example temperature and rainfall changes, or the frequency and severity of extreme weather events, which can lead to financial losses and damage to physical assets. Physical risks can be both acute (event driven) and chronic (long term) in nature.

Pooled fund: An investment fund holding the combined investments from many individual investors.

Private market investments: These are investments that aren't publicly listed or traded. They can be highly 'illiquid' which means they may take a long time to buy and sell. This may also reduce the value of private market investments.

Refrigerant Gas: A substance used within cooling and heating systems – such as refrigeration units, air conditioners, and heat pumps – to absorb heat from one area and release it in another. It circulates through the system, changing between liquid and gas states to enable efficient temperature control.

Responsible investment: The consideration of ESG factors when making investment decisions. This helps minimise ESG-related investment risks and may support growth over the long-term.

Scope 1 GHG emissions: Scope 1 emissions are direct GHG emissions that come from sources owned or controlled by a reporting company (for example fuel combustion in company-owned boilers, vehicles, or on-site processes).

Scope 2 GHG emissions: Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by a reporting company (these emissions occur at the facility where the energy is produced, not at the company's site, but they are attributed to the company because of its consumption).

Scope 3 GHG emissions: All other indirect GHG emissions, not included in scope 1 or 2, that are caused by the activities of the reporting company. Scope 3 emissions are typically more material than scope 1 and 2 (for example purchased goods and services, business travel, employee commuting, waste disposal, use of sold products, transportation and distribution, and investments).

Sovereign debt: The amount of money that a country's government has borrowed to fund government spending. Governments borrow by issuing bonds, bills, debt securities or loans. Pension schemes buy and hold these types of investments.

Stranded assets: Investments in companies that become economically or operationally unviable as economies transition to net zero and lose value, resulting in lower returns to investors. This could include companies extracting coal, gas and oil.

Stewardship: A tool that fund managers can use to influence corporate behaviour, engaging with the companies they invest in to make investors views heard. This can include voting on the re-election of board directors, and challenging companies on weak employment practices or poor environmental records.

Transition risks: The risks arising from the changes required to support the transition to a sustainable, low-carbon economy, including those driven by policy and technology changes.

Universal owner: Universal ownership is the concept that institutional investors (like major pension funds) hold such large, diversified portfolios that they represent a slice of the entire market or economy. This means their investments span multiple sectors and industries globally and as such, they are exposed to an array of macro systemic risks including climate change.

Weighted average carbon intensity (WACI): This metric measures a portfolio's exposure to carbon-intensive companies by revenue, expressed in tonnes CO₂e/£m revenue. Emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).

Foreword

At Aegon UK our purpose is to help people live their best lives. We do this by acting as responsible and professional stewards of our customers’ savings. Aegon UK actively trades with over 3,500 adviser firms and around 9,000 employers, giving it a total of 3.8 million customers.

2025 marked the third year that we were accepted as a signatory to the Financial Reporting Council’s UK Stewardship Code, after a successful first application in 2023. We took further steps towards meeting the climate targets set out in our **Climate Roadmap** by evolving our workplace pension solutions. In 2025, we focused on making changes to our second largest default fund, Aegon Lifepath, following the changes made to our largest default fund last year.

We’ve made further progress towards addressing our operational footprint and improving our climate impact as a business.

As a long-term savings provider, we take responsible investing seriously. We know that investments are where our carbon footprint is most material for us. We offer a range of funds across our platforms that take Environmental, Social and Governance (ESG) considerations into account, giving customers the ability to focus on the issues that matter to them, whether it’s specific themes such as climate change, or sustainability more broadly.

We deliver on our purpose by ensuring that we invest in companies that manage social and environmental risks and impacts well, by supporting efforts to build a fairer, more sustainable and more resilient society, and by remaining focused on delivering long-term value to our customers. We invest intentionally and carefully, we manage risks – including

ESG-related risks - over the range of time frames that are relevant to our customers, and we embed long-term thinking in our investment strategy, practices and processes.

Our fiduciary duty ensures we act in our customer’s best interests, and this includes managing the risks associated with climate change. Companies that are well governed and take a proactive approach to sustainability are likely to be less at risk of negative corporate events and more likely to represent better investments in the long-term. Our climate-related disclosures in this report, based on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, show how we’re identifying and measuring the risks of climate change.

Collaboration and transparency are key to ensuring the pace of climate action matches the level needed to tackle the global problem of climate change. We work with a range of stakeholders, including our fund managers, data and service providers, and clients to ensure we’re taking the right steps to address climate risk for our customers, and evolve our approach over time.

I hope this report gives a good sense of where we are on our decarbonisation journey and where we hope to partner with others to make a difference. I am optimistic we can transition to a fairer and more sustainable world, as long as we all rise to the challenge.



A stylized, handwritten signature in black ink that reads "Mike".

Mike Holliday-Williams
Chief Executive Officer, Aegon UK

Compliance statement

This is Scottish Equitable plc's (SE plc) TCFD entity report. SE plc is part of the Aegon UK group and operates under the Aegon brand. Unless otherwise specified, in this report the investment-focused information references to Aegon UK are to SE plc. SE plc is within the remit of the Aegon UK Group Board. The business operations information shown in this report is presented at Aegon UK level.

The disclosures in this TCFD entity report, including any third-party or group disclosures cross-referenced in it, comply with the requirements under the FCA ESG Sourcebook.



A handwritten signature in black ink, reading "Jim Ewing".

Jim Ewing
Chief Financial Officer, Aegon UK

Executive Summary

In this report we set out the main climate-related risks our **Investments** and **Business Operations** are exposed to and how we're managing these for our customers. Climate-related risks can be financially significant, as our scenario analysis shows and we expect these risks to increase unless appropriate regulatory policy and private sector actions are taken. We therefore expect our climate engagement and advocacy work will also continue to increase over time. Our climate strategy and associated activity is reviewed annually and our main achievements for 2025 are listed here:

Strategy

Investments

- We're making good progress on the implementation of our **Climate Roadmap** including the decarbonisation of default pension funds and climate solutions investments. We published our Climate Roadmap in 2023 to demonstrate our commitment to acting as responsible stewards of our customers' pensions, who are primarily invested in passive funds and therefore exposed to the long-term, market-wide and financially material impacts of a changing climate. We'll make updates to our existing Climate Roadmap in 2026.
- We've evolved our workplace pension solutions to include more sophisticated passive strategies that look to maximise exposure to companies with favourable sustainability characteristics and reduce climate change risk. As at 31 December 2025, we have £44.3 billion (84.1%) of assets in strategies that are screened and/or tilted for Environmental, Social and Governance (ESG) factors across our workplace default funds.
- Further to last year's updates to our largest pension default fund, the Universal Balanced Collection (UBC), we're evolving our second largest default fund, Aegon Lifepath. The evolved Lifepath fund provides greater alignment to our Climate Roadmap through:
 - Full ESG integration and decarbonisation targets across the growth stage of Lifepath.
 - All passive equity assets will vote in line with BlackRock's Climate and Decarbonisation Stewardship Guidelines, which Aegon UK helped to develop last year.
 - Introduction of a broader range of asset classes and illiquid investments aiming to improve customer outcomes and provide the opportunity to make further climate solutions investments.
- Having helped to establish BlackRock's Decarbonisation Stewardship Guidelines in 2024, we were pleased to see these implemented across the passive equity assets contained in our default pension funds and that BlackRock was taking more affirmative action when voting on climate-related issues at company meetings.



Business operations

- We've embedded climate-related risks and opportunities in operational decision making.
- We've continued to reduce emissions through energy efficient upgrades, and use of renewable energy.
- We've committed to transitioning our operations to net zero by 2050.
- We've set a target to reduce our scope 1 and 2 emissions by 65% by the end of 2026, against a 2019 baseline.

Risk management

- We've considered climate risk as part of our Enterprise Risk Management (ERM) framework and reviewed the climate focused scenarios in our stress testing activities.
- We've assessed all our fund managers' climate credentials as part of our yearly responsible investment monitoring with more detailed due diligence of our key fund managers who manage the largest portion of our assets under management (AUM).

Metrics and Targets

Investments

- For corporate fixed income (loans issued to companies) and listed equity (company shares) across our range of investment funds, our scope 1 and 2 carbon footprint (tCO₂e/£m) decreased by 18.6% between December 2024 and December 2025. We also saw a reduction in our scope 3 carbon footprint by 9.9% over this same period. We note, however, that whilst this is

significant, it is still not likely to be sufficient to align portfolios with the Paris Agreement and shrinking global carbon budgets.

- We've set specific emissions, investments, engagement and tracking targets for our default funds and reported against these as part of our ongoing Climate Roadmap commitment. Between June 2020 and December 2025, we reduced our scope 1 and 2 carbon footprint by 61.2% for listed equity and corporate fixed income. Our medium-term target is to reduce our scope 1 and 2 carbon footprint by 50% by 2030 for these asset classes, against a 2020 baseline.
- You can find the climate-related financial disclosures for our funds in our **TCFD product level report**.

Business Operations

- We've set clear metrics and targets to effectively manage and track our progress. We measured our scope 1 and scope 2 greenhouse gas (GHG) emissions against our target of achieving net zero emissions by 2050, and our interim goal of reducing emissions by 77% by 2029.
- We've monitored energy consumption, water usage and waste management to make sure our performance in this area supports our sustainability objectives.
- We've shown our commitment and progress to stakeholders in our regular reporting and transparent disclosure of these metrics.



Map of content to TCFD Framework

TCFD pillars	TCFD recommended disclosures	Disclosure in this report
Governance Disclose the organisation’s governance around climate-related risks and opportunities.	a. Describe the board’s oversight of climate-related risks and opportunities.	<u>See Governance section 1</u>
	b. Describe management’s role in assessing and managing climate-related risks and opportunities.	<u>See Governance section 2</u>
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	<u>See Strategy sections 2.1-2.3</u>
	b. Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	<u>See Strategy section 2.4</u>
	c. Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<u>See Strategy sections 3-6</u>
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation’s processes for identifying and assessing climate-related risks.	<u>See Risk Management section 1</u>
	b. Describe the organisation’s processes for managing climate-related risks.	<u>See Risk Management section 3</u>
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	<u>See Risk Management section 2</u>
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<u>See Metrics and targets section 2</u>
	b. Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks.	<u>See Metrics and targets section 2</u>
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<u>See Metrics and targets section 3</u>



Governance

In this section we set out:

- 1. How our Aegon UK Group Board (the Board) is responsible for the oversight of our climate risks and opportunities
- 2. How our committees are set up to respond to climate change challenges
- 3. How our management responsibilities related to climate change are embedded in our day-to-day activities

1. Board and committee oversight

In this section we explain how the Board monitors and oversees progress against our goals and targets for addressing climate-related issues. Our efforts to address climate change are supervised by the Board, which oversees our approach to sustainability and in particular, our responsible investment and stewardship commitments. This includes our net zero commitments, our **Climate Roadmap**, and the long-term resilience of the business to climate change.

The Board is responsible for setting corporate strategy. Our purpose is to help people live their best lives. We're committed to acting as a force for good, shaping optimistic futures for our customers, the environment and the communities we serve, through our expertise and influence to drive positive change in three key areas:

- 1. Responsible investment and financial confidence
- 2. Operating responsibly
- 3. Supporting our people and communities

The Board's oversight of the management of the climate-related risks of Scottish Equitable plc includes the following:

- Risk appetite statements, risk tolerance statements and Key Risk Indicators (KRIs) are reviewed and approved by the Board Risk and Capital Committee (BRCC) annually.
- The reporting of climate-related risk, including its impact on the business model and strategy under different climate scenarios and over various timeframes, is well-embedded in the Own Risk and Solvency Assessment (ORSA), Stress and Scenario Testing (SST), Reverse Stress Testing (RST), and the Risk reporting processes.

We use key performance indicators (KPIs) to assess performance against our strategic ambitions. Our sustainability and environmental KPIs include:

- Corporate Fixed Income (CFI) General Account - reduction of weighted average carbon intensity compared to 2019 baseline
- Relative reduction of scope 1 and 2 compared to 2019 baseline
- Targeting of 80% of suppliers with a net-zero plan/framework
- Investment of £500m into climate solutions (from workplace default funds)
- 37% reduction in scope 1 and 2 emissions for corporate fixed income and listed equity held in workplace default funds by 2026

We track progress on these KPIs on a scorecard which is reviewed annually by the Board. We explain how and when the Board and/or Board committees (for example, audit, risk, or other committees) are informed about climate-related issues in **Table 1**.

We've included an overview of the terms of reference, and main climate-related governance activities for the Board and relevant committees in Figures 1 and 2 (pages 13 and 14). These help to specify accountability for climate disclosures, risk management and strategy.

Committee (frequency)		How climate-related issues are considered
Board	Aegon UK Group Board (quarterly)	Oversees our overall approach to sustainability and responsible investment, including a yearly review of progress in respect of the sustainable future ambition.
	Aegon UK Group Board Risk and Capital Committee (quarterly)	Oversees the management of climate-related risks, and reviews and approves on behalf of the Aegon UK Group Board, recommendations in respect of climate scenarios and stress test bases (as set out in the Committee Terms of Reference).
	Aegon UK Group Audit Committee (quarterly)	Review and approve our sustainability-related financial disclosures, ensuring production is in line with relevant regulatory requirements. For statutory accounts, this includes reviewing the presentation of climate considerations in the Strategic Report, Directors Report and Financial Statements, and considering senior management's approach to identifying and responding to climate-related risks and their presentation within the Strategic Report, Directors Report, and Financial Statements.
	Aegon UK Group Investment Committee (quarterly)	Oversees the approach to responsible investment, including responsible investment and climate strategy implementation and stewardship activities. Reviews and recommends to the Aegon UK Group strategies related to responsible investment, climate, and stewardship, and reviews and recommends approval for the Climate Roadmap. Recommends to the Aegon UK Group Board Risk and Capital Committee to approve policies relating to responsible investment, including the responsible investment policy, which includes climate expectations.
	Aegon UK Group Remuneration Committee (twice annually)	Considers alignment of remuneration strategy with our approach to sustainability, including the responsible investment and ESG objectives.
Executive	With-Profits Forum (quarterly)	Approves the investment policies and strategy adopted in relation to the with-profits funds, taking into account our approach to sustainability and stewardship and, in particular, our responsible investment policy.
	Aegon UK Group Executive Committee (regularly)	Manages our approach to sustainability and particularly responsible investment activities, ongoing business activities, and climate commitments.
	Executive Risk and Capital Committee (regularly)	Considers the financial risks from climate change reporting to the Aegon UK Board Risk and Capital Committee.

Table 1: How climate-related issues are considered by the Board and Executive Committee.

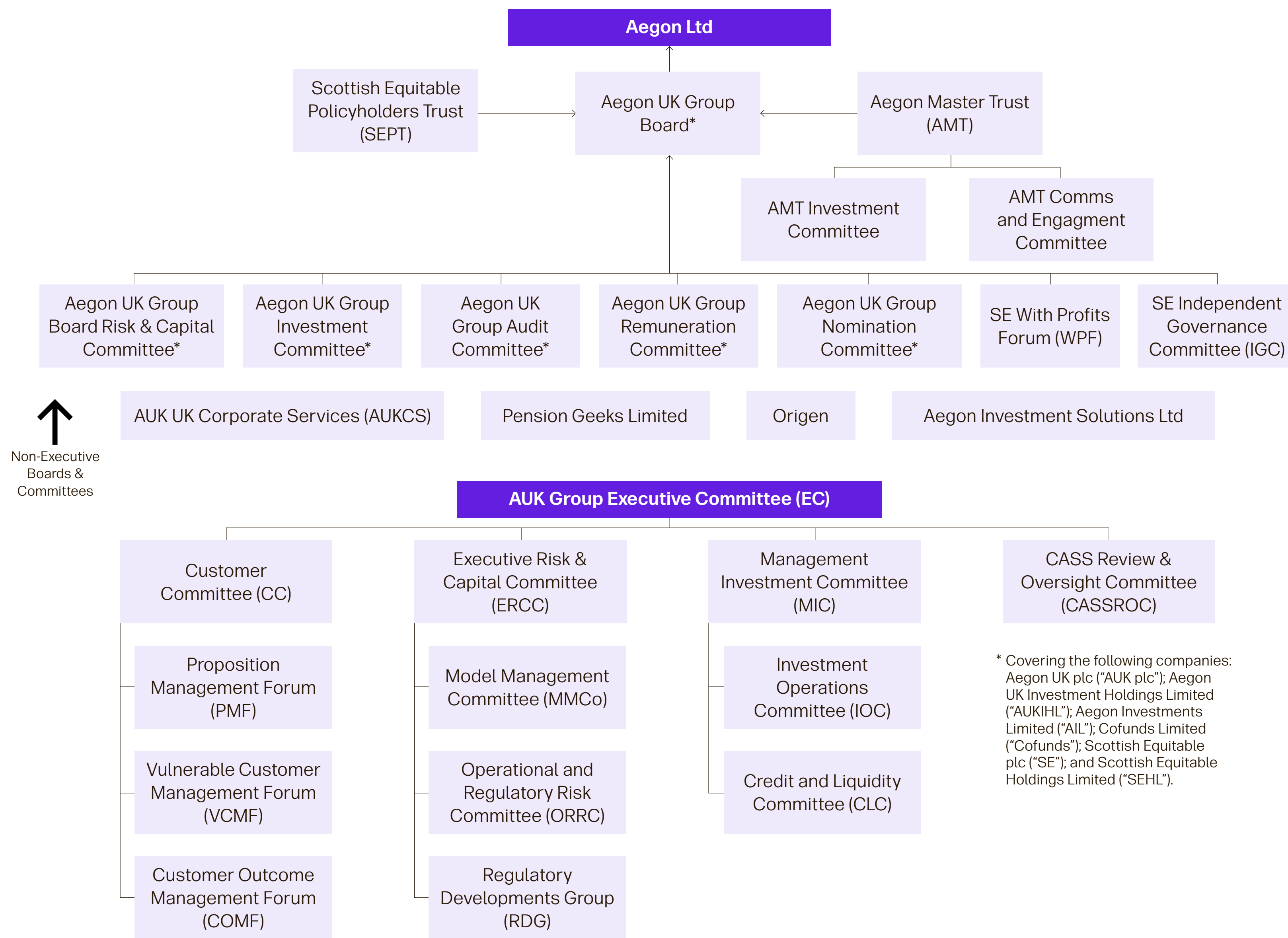


Figure 1: Aegon UK Group governance structure

Aegon UK also benefits from being part of a global group (**Figure 1**) which recognises the importance of sustainability, including climate change. Aegon Ltd set up the Global Sustainability Board (GSB) to increase governance and oversight of sustainability across relevant country units. The GSB is supported by Local Sustainability Boards (LSBs) across Aegon business units.

The responsibilities of the Aegon UK Sustainability Board include developing and proposing the sustainability strategy for Aegon UK and Aegon Ltd in light of UK market dynamics and risk factors; and developing and agreeing our overall UK sustainability roadmap to ensure the GSB sustainability agenda and priorities are translated into action in the UK. The Aegon UK Sustainability Board chair is a member of the Executive Committee. During 2025, the Chief Internal Auditor held this role and reported directly into the GSB.

Aegon Ltd’s Board of Directors has ultimate oversight over sustainability. Through its Nomination and Governance Committee, the Board of Directors is advised and kept informed of business and regulatory developments involving sustainability.

Advice on Aegon Ltd’s sustainability approach is provided by the GSB, an internal committee, which is supported by the Aegon Ltd’s Corporate Sustainability team. The GSB is a senior management committee established to enhance overall governance and oversight of Aegon Ltd’s company-wide approach to sustainability. The GSB meets quarterly and advises the Aegon Ltd’s Executive Committee on Aegon’s strategic sustainability approach. The GSB is chaired by the CEO of the Americas and consists of senior-level representatives from across the company, including eight members of the

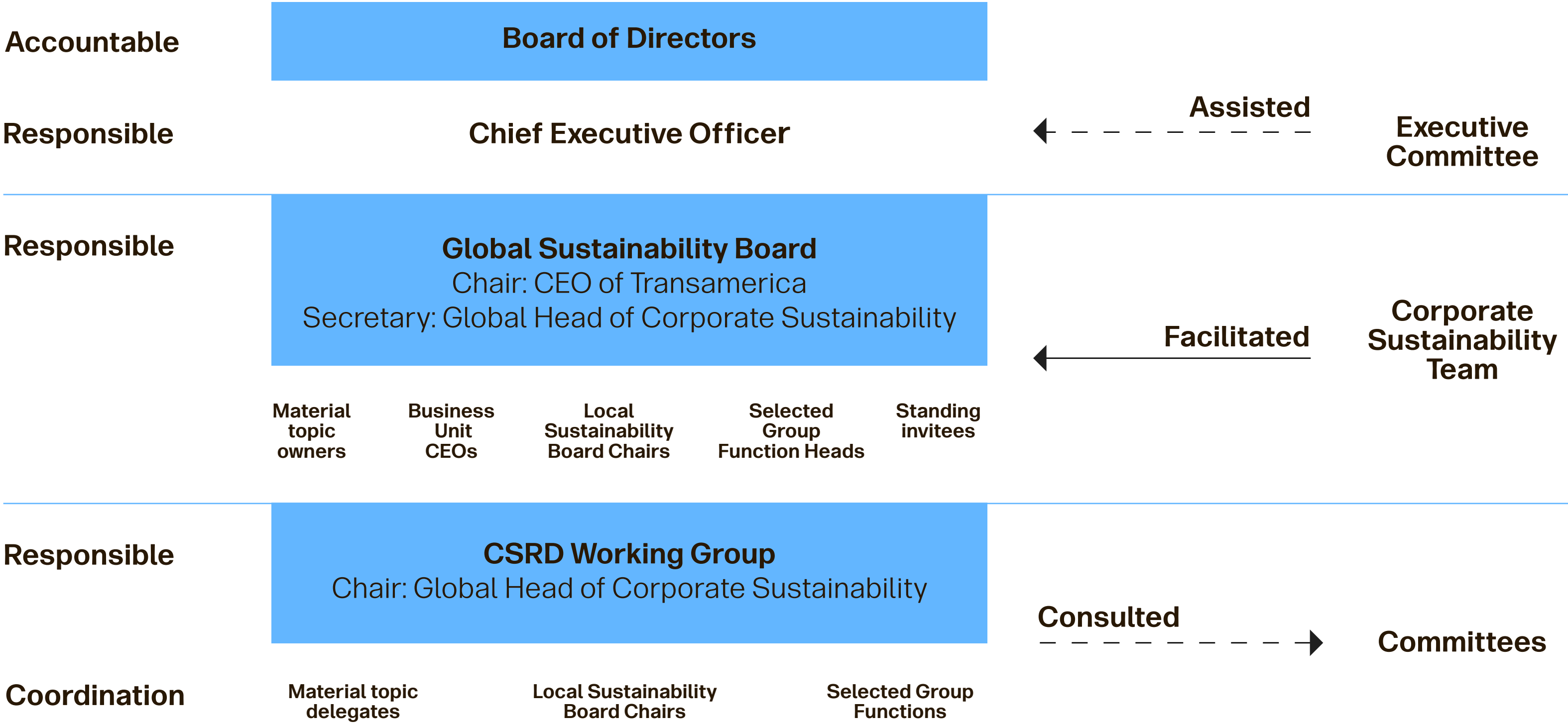


Figure 2: Aegon sustainability governance structure

Aegon Ltd Executive Committee. The GSB’s core function is to steer and strengthen the sustainability approach across Aegon Ltd’s business units, with the support of the local sustainability boards. Key actions include formulating and tracking sustainability focused commitments, key performance indicators (KPIs) and targets.

Aegon Ltd’s approach to sustainability is informed by its double materiality assessment (DMA). The DMA is endorsed by the GSB and approved by Aegon Ltd’s CEO with support of Aegon Ltd’s Executive Committee. Aegon

Ltd’s Executive Committee is the owner of the material topics as defined under European Sustainability Reporting Standards, including the associated impacts, risks and opportunities, and has oversight of how these are managed through relevant policies, targets and actions. Aegon Ltd’s sustainability governance is shown in Figure 2, above.

In the context of Aegon’s stronger focus on the US, it announced at its Capital Markets Day 2025 that it would begin a strategic review of Aegon UK to assess the best way to accelerate and maximize value for all stakeholders.

On 15 April 2026 it was announced that the Aegon UK Group will be sold to Standard Life plc, with transaction expected to close around the end of 2026, subject to customary conditions, including regulatory approvals.

2. Management’s role

In this section we explain how we’ve assigned climate-related responsibilities to management-level positions and committees; whether such management positions or committees report to the Board or a committee of the Board; and whether those responsibilities include assessing and/or managing climate-related issues. Management responsibilities relating to climate change across Aegon UK are clearly defined, and form part of our day-to-day activities.

Sustainability Board

We set up the Sustainability Board as the management committee responsible for overseeing the sustainability agenda across Aegon UK. The committee chair, the Chief Internal Auditor, is executive advocate for our sustainable future strategic ambition. The Sustainability Board is responsible for providing a regular update on those activities to the Board, either as a stand-alone item or as part of the Executive Management Report.

Management Investment Committee (MIC)

The MIC, which meets monthly, is responsible for reviewing the approach to our responsible investment strategy, policies and reporting. The MIC is chaired by our Chief Financial Officer and produces reports for the Aegon UK Group Investment Committee.

Aegon UK Chief Actuary

The Chief Actuary is the designated senior management function with responsibility for identifying and managing financial risk from climate change, in line with the Prudential Regulation Authority’s expectations. The Chief Actuary sits on the Aegon UK Executive Risk and Capital Committee, the MIC and the Aegon UK Sustainability Board.

Property Services Team

The Property Services team is responsible for managing the company’s property portfolio and facilities to ensure safe, efficient, and sustainable operations. This includes implementing the internal Environmental and Energy Management Policies and delivering on commitments outlined in the internal Sustainability Report as they relate to buildings and infrastructure. The team ensures compliance with internationally recognised standards such as ISO 50001 for energy management and ISO 14001 for environmental management, driving continuous improvement in energy efficiency, resource use and environmental performance across all UK sites.

Responsible Investment Team

Our Responsible Investment (RI) team provides dedicated expertise to our stewardship strategy. Their responsibilities include:

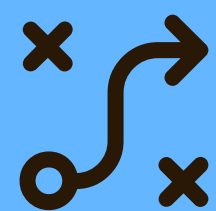
- Developing our responsible investment and climate strategy
- Monitoring our responsible investment and climate reporting

- Leading on voting and engagement
- Supporting ESG integration
- Selecting and monitoring external fund managers based on responsible investment trends

The RI team is part of our Investment Proposition team, which works on building investment solutions mostly using funds from third-party asset managers. To support this work, the team takes a range of factors into account, such as customer needs, objectives, risk tolerance, behaviours, beliefs, time horizon and stewardship. This ensures that stewardship is integral to our investment decision-making and we work with asset managers who support our RI beliefs, expectations and commitments to deliver long term, sustainable outcomes for customers.

Our RI team is responsible for monitoring progress against our Climate Roadmap. Their climate-related responsibilities include monitoring investment climate data, generating climate insights and analysis using data from our third-party ESG data provider, MSCI, and engaging with our fund managers on their own stewardship performance.

The RI team contributes to an Aegon-wide Responsible Investment Working Group that advises the GSB. The RI team also reports on a quarterly basis to both the Aegon UK GIC and the Aegon Fund Governance Group (AFGG). The RI team also have representation on the Aegon UK Sustainability Board.



Strategy

In this section we set out:

1. Our role and responsibility in the context of climate change
2. Our approach to climate-related risks and opportunities
3. How we apply climate scenario analysis on our investment estate
4. How we plan to decarbonise our default investment strategies
5. How we integrate climate considerations into our products and engagement
6. How we're decarbonising our business operations and supply chains

1. Our role and responsibility in the context of climate change

In this section we describe our plans for supporting the transition to a low-carbon economy. We have an active role to play in reducing our greenhouse gas (GHG) emissions and supporting the transition to a low-carbon world through our investments, operations, supply chain and community impact, so that our customers and the communities in which we operate can enjoy a healthy planet and environment. Our purpose is helping people live their best lives.

In 2019, the UK made a commitment to cut GHG emissions to net zero by 2050 and became the first major economy to introduce laws to end its contribution to global warming.¹ As a responsible pension provider, we've committed to net zero by 2050 across our portfolio of workplace default funds, business operations and general account. You can find more information about our climate targets in the '**Metrics and targets**' section of this report.

Our investments

Our climate strategy focuses on the impact of our investments (where our GHG emissions are most material and have the greatest impact), but we also consider GHG emissions targets and specific activities intended to reduce GHG emissions in our business operations and value chain.

As a UK financial institution with long-term investments, we provide retirement, investment and workplace savings solutions to over 3.8 million customers and are exposed to systemic risks such as climate change. Our insured assets are primarily invested in the USA (39%), UK (34%), and Europe (12%) as at 31 December 2025.²

One of our four overarching responsible investment beliefs is that 'climate change presents significant risks, as well as opportunities, to invest in the transition to a low-carbon and climate-resilient future'.³ We know that using our investment footprint and scale is the most impactful way we can support the transition to a fairer and more sustainable world. This is why our climate strategy is focused on our investments, where our carbon footprint is greatest and our influence matters the most.

Our climate strategy for our portfolio of default funds is guided by three principles, as outlined in our **Climate Roadmap**.

¹ **UK becomes first major economy to pass net zero emissions law**, gov.uk, June 2019

² Source: Aegon UK

³ **Aegon UK Responsible investment policy**

1. Climate change mitigation and adaptation is complex. For our investments we measure GHG emissions but don't solely focus on emissions to assess and manage climate risks and opportunities.
2. When we evaluate the impact of climate change on our investments, we follow the concept of double materiality. This considers both the biggest financial impacts climate change can have on investments as well as the significant impact our investments have on nature, climate and society.
3. We seek outcomes in the 'real' economy rather than divesting our investments away from climate change risks and issues. We make long-term decisions, focusing on real world changes and engagement.

We're an indirect investor, and rely on third-party fund managers to identify and influence the companies we invest in. We can drive positive change in two main ways:

1. How we allocate money
2. How we engage with our customers, our fund managers, climate data providers, relevant industry groups and policy forums

2. Our approach to climate-related risks and opportunities

Material climate-related financial risks and opportunities can affect the valuation of the investments we manage, directly impacting the financial wellbeing of our customers. To manage climate risks and opportunities carefully, we need to understand the range of potential climate impacts, how and when they may occur, and the likely consequences on our investment strategies.

These impacts can create opportunities to invest in new products and services.

We also need to understand the potential influence on our business operations. Climate scenarios are used to stress test operations and evaluate potential vulnerabilities as outlined in the '**Risk management**' section of this report. Mitigation measures, such as enhancing infrastructure resilience, adopting energy-efficient technologies and developing response plans for climate-related disruptions, are incorporated into our broader risk mitigation strategies.

2.1 How we define climate risks

We consider the following climate change risks for our investments:

- **Physical risk** – the risk coming from changes in the weather system linked to climate change, for example temperature and rainfall changes. Also, the frequency and severity of extreme weather events, which can lead to financial losses and damage to physical assets. Physical risks can be both acute (event driven) and chronic (long-term) in nature.
- **Transition risk** – the risk arising from the changes required to support the transition to a sustainable, low-carbon economy, including those driven by policy and technology changes.
- **Liability risk** – the risk that individuals or businesses seek compensation for losses suffered from the effects of physical or transition risks for which they hold organisations responsible. Liability risk is considered a subset of both transition risk and physical risk.

As we're mainly an indirect investor, we build most of our investment solutions using funds from third-party managers and delegate the management of climate-related risks to them. Climate is one of the key responsible investment topics we assess when we select, monitor, and engage with our fund managers. This is set out in our **Responsible investment policy**, which is reviewed every year.

As a business, we look to address climate-related risks so that we can maintain our operational resilience while supporting our broader climate and net zero goals.



2.2 Time horizons we consider

We consider relevant short, medium, and long-term time horizons. We also consider the useful life of our assets/ infrastructure and that climate-related issues often appear over the medium and longer-term.

We believe climate risks will impact both our customers' investments and the world they'll live and retire in. While exact outcomes are uncertain, there is a high degree of certainty that some combination of physical and transition risk factors will happen and are already happening, as made clear in the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).⁴

We look at climate risks under three-time horizons:

- 1. Short-term horizon (less than 10 years)** – risks arising over the next 10 years, and which impact our business plans. Within that period, we expect most transition risk to be considered by financial markets while physical risks will increase.
- 2. Medium-term horizon (between 10 and 25 years)** – remaining transition risks and emerging risks resulting from the increasing physical impacts under extreme warming scenarios, which we expect to manifest in 10 years or more.
- 3. Long-term horizon (over 25 years)** – risk built up over time resulting from the increasing physical impacts emerging under extreme warming scenarios risks.

We assess all our time horizons in our evaluation of climate risks, and consider:

- The type of assets our customers are invested in
- How long assets will be invested for until our customers retire
- The time horizon over which climate change considerations will be relevant
- Our long-term business strategy, including our Climate Roadmap targets until 2050

We've also looked at how our business operations could be impacted by climate change across these time horizons.

⁴ Intergovernmental Panel on Climate Change (IPCC), [Sixth Assessment Report](https://www.ipcc.ch), ipcc.ch, 2023

2.3 Mapping of climate-related risks and opportunities

We’ve outlined some of the specific climate-related risks and opportunities we believe could arise over each time horizon (short, medium, and long-term) that could have a material financial impact on Aegon UK across both our **Investments** and our **Business Operations**.

Risk/Opportunity	Potential impact	Time horizon		
		Short term <10 years	Medium term 10-25 years	Long term >25 years
Transition risk				
Wide-ranging transition risks (policy)	Transition to a net zero world will require significant policy intervention as governments seek to drive the necessary actions from companies and citizens globally, leading to increased costs of adaptation and compliance.	X	X	
Wide-ranging transition risks (technology)	Transition risks associated with the shift from fossil fuels and carbon-intensive processes and technology to sustainable alternatives could lead to the devaluation of high-carbon assets ('stranded assets').	X	X	
Market risks	Risk that broader macro-economic impacts from climate change drive lower asset valuations, higher corporate and sovereign debt defaults, and increased volatility. Potential impacts on interest rates and inflation are unclear. Impacts vary under different climate scenarios, with transition effects stronger under 'orderly' and 'disorderly' scenarios, and physical effects stronger under a 'failed transition' scenario.	X	X	X
Reputation	Failure to act decisively on climate issues could harm our reputation and relationships with key stakeholders, impacting business viability.	X	X	X

Table 2: How climate-related risks and opportunities could have an impact on Aegon

Risk/Opportunity	Potential impact	Time horizon		
		Short term <10 years	Medium term 10-25 years	Long term >25 years
Physical risk				
Wide-ranging physical risks	Physical risks are the many different and interconnected impacts that come with a warmer world. These include extreme weather and rising sea levels, which can damage assets and cause disruption to supply chains and company operations.	X	X	X
Quality of life and morbidity	Risk of deterioration in quality of life that prevents our customers from living their best lives. For example, from the impacts resulting from drought or wildfires affecting crops, food and water security. Risk of higher levels of morbidity, for example, through deterioration in air quality in failed transition scenarios, or chronic changes in weather patterns such as prolonged heatwaves, or severe winters. This is primarily driven by physical risk.		X	X
Mortality	Risk of higher levels of mortality as a direct consequence of climate change/ extreme weather events, or the indirect impact on individual wellbeing levels, driven by worsening economic conditions. This is primarily driven by physical risk.		X	X
Risk to Aegon UK business model				
Legal, regulatory, conduct and compliance	Risk that regulatory change drives additional cost into our business or changes to our business model. Regulatory change includes improved climate-disclosures reporting and regulation of fund labelling. This is predominantly a transition risk.	X	X	
Liability risk	Risk that individuals or businesses seek compensation for losses suffered from the effects of physical or transition risks for which they hold us responsible.	X	X	X
Counterparty risk	Risk of increased defaults from our counterparties. Risk that reinsurer capacity reduces, or cost of reinsurance increases. This is driven by both physical and transition risk factors.		X	X

Table 2: How climate-related risks and opportunities could have an impact on Aegon

Risk/Opportunity	Potential impact	Time horizon		
		Short term <10 years	Medium term 10-25 years	Long term >25 years
Risk to Aegon UK business model				
Expense risk	Risk of higher operational expenses. For example, greater supply chain costs, or higher regulatory compliance or legal costs. Additional investment in facilities to adapt to climate change, or adaptations in our operating model etc. This is driven by both physical and transition risk factors.	X	X	X
Customer behaviour	Risk of lower customer retention rates, or lower contribution levels driven by lower levels of financial wellbeing. The risk that our response to climate change is viewed as inadequate or lagging peers. This risk is predominantly because of transition risks, but the impact of physical risks is likely to grow over time.	X	X	X
Operational risk	Risk that disruptions in our supply chain affects operational resilience, for example through business systems availability. This is driven predominantly by physical risk factors in the longer term, with some shorter-term impact possible from transition risk.		X	X
Reputational risk	Risk that our management of physical and transitional risk factors is poor or negatively perceived by our stakeholders, causing reputational damage.	X	X	
Products and services risks	Costs to transition our products and services to lower emitting investment products.	X	X	

Table 2: How climate-related risks and opportunities could have an impact on Aegon

Risk/Opportunity	Potential impact	Time horizon		
		Short term <10 years	Medium term 10-25 years	Long term >25 years
Opportunities				
Climate opportunities: investee companies' transition	To thrive in the low-carbon world, companies will need to adapt and rethink their business models. Significant capital will be needed to fund corporate net-zero transition plans, with better expected long-term outcomes for companies that manage to change.	X	X	
Climate opportunities: new investment opportunities	We expect more capital will be allocated towards climate change mitigation and adaptation over the coming years. In addition, climate solutions investments may help expand investments to non-traditional asset classes, such as real assets or private equity.	X	X	X
Climate opportunities: new products and services opportunities	Our customers will increasingly be concerned about climate change and the impact on their investments. This is an opportunity to support companies developing new products and services tailored to their customers' concerns and helping to address the challenges of climate change.	X	X	
Investing in energy-efficient technologies and sustainable infrastructure	Can reduce operating costs and align us with the low-carbon transition.		X	
Leveraging renewable energy sources and improving resource efficiency	Can reduce vulnerability to resource scarcity and volatile energy markets caused by physical climate impacts.	X	X	

Table 2: How climate-related risks and opportunities could have an impact on Aegon

2.4 Impact on our business, strategy, and financial planning process

In this section we describe how we use climate-related issues to help our business, strategy and financial planning process for our investment estate, the time horizon(s) used, and how these risks and opportunities are prioritised.

As a large, long-term savings provider we believe that using our investment footprint and scale is the most impactful way we can support the transition to a fairer and more sustainable world and secure good financial outcomes for customers. While accepting some of the exposure to climate risk attached to our investments is beyond our control, there's a lot we can do to manage it, such as applying internal frameworks to reduce and manage the climate risk exposure of our investments. We can use our position as a large asset owner to engage with companies and shape public policy, ensuring we fulfil our fiduciary duty to our customers, and deliver on our purpose of helping people live their best lives.

Our investments extend over decades, which aligns with the long-term time horizon. Many of our customers are still building up their pension and may be exposed to the impacts of climate change for decades to come, both in

their daily life and through the financial impact on their pension savings. As a result, our strategy focuses on taking appropriate short and medium-term actions to help protect our customers' long-term returns, given the risks and opportunities climate change brings.

We've started our decarbonisation journey by committing and making progress towards net zero by 2050 in our default funds,⁵ our general account and our business operations. However, our business strategy needs to be flexible and responsive to the uncertain and large-scale impacts climate change may bring.

While there are risks associated with climate change, there may also be investment opportunities that come from the transition process. We believe firms that respond effectively to policy change and technological developments, and that recognise the change in consumer behaviours and expectations, will be well placed to benefit from these opportunities. We also believe the net zero transition is likely to support companies providing climate solutions, directly helping adapt to or mitigate climate change.

⁵ For more information see [section 4](#) 'How we plan to decarbonise our default investment strategies'



Short-term impacts

Investments

Despite policy volatility, we still believe that transition risk is the most significant form of climate risk in the short-term, both for Aegon UK and for the companies that we invest in, as climate reporting and disclosure requirements increase. We therefore monitor climate policy sentiment, the climate disclosure regulatory environment, the progress investee companies are making in decarbonising their operations, and the opportunities to invest in climate solutions.

We continue to invest in a variety of climate data and scenario analysis, build our own in-house responsible investment expertise and engage with our asset managers on their climate change strategy.

We've considered the following short-term transition risks and how to address them:

- Legal challenges based on alleged climate liability continue to develop globally and we monitor this through a range of investor networks.
- Although the UK Government has not yet mandated climate transition plans, we'll evolve our existing Climate Roadmap during 2026.
- Fund level sustainability disclosures continue to evolve to ensure better consistency, support customer understanding of fund sustainability strategies, and prevent greenwashing. It's not yet clear if the Financial Conduct Authority (FCA) will mandate Sustainability Disclosure Regulations (SDR) for pension products but we monitor a range of Environmental, Social and Governance (ESG) indicators for the funds in our pension range.

- As data quality improves and our understanding of the impacts of company operations and dependencies on nature and biodiversity develops, we expect further disclosure requirements on this issue in line with the Taskforce on Nature-related Financial Disclosures (TNFD) framework. We've developed our own framework for monitoring nature risk exposure and identifying and engaging with the companies we believe represent our largest exposures.
- Despite short-term policy volatility, both developed and developing markets are rapidly decarbonising in part due to the falling costs of renewable technologies. This presents both risks and opportunities to our customers' investments. Our Climate Roadmap aims to mitigate these risks and the addition of private markets investments to our default pension funds provides customers with an opportunity to invest in a wider range of climate solutions-related investments.

2025 was the third warmest year on record with an average temperature of 1.47°C above pre-industrial levels (defined as the 1850-1900 average temperature estimate). 2024 remains the hottest year on record.

We recognise that our investments face growing physical climate change risks as higher temperatures increase the likelihood of severe weather events, amplifying the intensity of storms and droughts and leading to shifting weather patterns. In addition, climate physical risks will only increase in the absence of a consistent climate policy response globally.

Understanding the physical impacts of climate change on investments is complicated and evolving. Physical damages from climate change arise through reduced labour productivity, impaired agricultural yields, higher disaster-related losses and damage to infrastructure. We're keen to engage with our fund managers and ESG data providers to better understand how they're considering this issue in their data provision, investment decision-making and stewardship activities.



Business operations

The direct physical risk to our UK business operations from climate change isn't considered significant in the short term, thanks to our geographical location, the resilience of our office buildings to likely weather-related impacts, and our established hybrid working model.

We've identified four properties which could be vulnerable to rising temperatures, localised flooding and severe storms. The most material risk is temperature change which, based on current plant capabilities, would become an issue once average temperatures exceed approximately 28°C. Given current projections, this isn't expected to be a short-term concern and would only present challenges during occasional mid-summer heatwaves.

The next highest risk is localised flooding, however none of our properties are located within designated flood areas as defined by the relevant authorities (Environment Agency for England and Scottish Environment Protection Agency for Scotland). Our properties are designed to withstand periods of severe gales and storms, with any potential impact likely limited to minor damage. All our properties are insured by landlords against severe weather incidents, except Lochside Crescent in Edinburgh which is insured by Aegon UK. Overall, the short-term risk to operating expenses remains relatively limited.

While the short-term physical risks to our UK operations are limited, there are opportunities to strengthen resilience and operational efficiency in the short term. For example, investing in smart building technologies and improving operational efficiency. Investments in smart building technologies and energy-efficient systems can reduce costs and carbon emissions, while also improving

comfort during warmer periods. Our hybrid working model also provides flexibility to manage occupancy and energy use during extreme weather events. These proactive measures not only reduce risk but also position us to benefit from emerging sustainability incentives and evolving regulatory standards.

Medium-term impacts

Investments

While decarbonisation remains essential to mitigating emissions and reducing the impact of climate change, the temperature increases that have already occurred and the increasing number of extreme weather events, means that the likelihood of physical climate change increases over the medium term. For this reason, and as we've outlined in the previous section, we continue to monitor our fund managers and challenge them on how they're incorporating climate physical risk in their investment decision-making and stewardship activities.

As evidence of climate physical risk grows, we may expect a shift in consumer preferences and for our customers and external stakeholders to become more focused on our climate change strategy and how we're aligning our investments to net zero. This might include more advanced data requests such as asking for emissions performance attribution analysis, or information on sectoral decarbonisation pathways.

Over the medium term we also expect that despite current volatility in climate policy, there will be a more consistent systemic response underpinned by the further advancement of cost-competitive, low-carbon technologies which will remove many of the economic arguments against decarbonisation.

Business operations

Over the medium term, our operations are expected to face increasing climate-related physical risks. Rising average temperatures are expected to increase cooling demand across our properties, particularly during peak summer months. This could lead to higher energy consumption and costs, as well as potential strain on existing cooling systems.

In addition, an increase in the frequency and intensity of rainfall could elevate flood risk for certain sites. Severe storms may also become more common, posing a threat of physical damage to buildings and infrastructure, leading to higher maintenance and repair costs.

There are opportunities to future-proof our operations by investing in sustainable technologies. These include upgrading to high-efficiency cooling systems, integrating further renewable energy sources to optimise energy use and help offset rising energy demands, improve operational efficiency and support our transition to a low-carbon future.

Long-term impacts

Investments

Our Climate Roadmap sets out targets to reduce the scope 1 and 2 carbon footprint emissions for our default funds by 50% by 2030 and for net zero by 2050, aiming to mitigate the long-term impacts of climate change in accordance with the 2015 Paris Agreement. However, we're aware that current policies and commitments place the world above the Paris Agreement threshold for a 2°C temperature rise above pre-industrial levels so it's highly likely that our customers will experience the impact of climate change in their daily lives.

The long-term economic impacts from climate change remain unclear but are expected to be mostly negative and may include lower asset valuations, higher corporate and sovereign debt defaults, and increased volatility. As we outline in the next section, long-term impacts will likely vary under different climate scenarios, with transitional effects stronger under 'orderly' and 'disorderly' transition scenarios, and physical effects stronger under 'high warming' or 'failed transition' scenarios.

Business operations

Over the long term, the frequency and severity of extreme weather events, such as heatwaves, storms and floods, are expected to increase, posing significant risks to physical infrastructure and operational continuity.

Prolonged periods of high temperatures could affect the structural integrity of our buildings and might require major upgrades or replacements of our heating, ventilation and air conditioning (HVAC) systems.

As climate risks become more pronounced, we anticipate rising business costs, including higher insurance premiums for properties and business operations.

Adapting to climate change presents opportunities to reimagine and future-proof our operational footprint. Strategic investment in climate-resilient infrastructure, such as advanced HVAC systems, and further on-site renewable energy generation, can significantly reduce long-term operational costs and carbon emissions. Additionally, embracing circular economy principles in property development and maintenance can enhance resource efficiency, reduce waste and strengthen sustainability performance.



3. How we apply climate scenario analysis on our investment estate

It’s important that we monitor climate change risks and opportunities to protect the value of our investments and optimise performance while we strive to reach our goals.

We use climate scenario analysis to understand the potential financial consequences of climate risks on our customers’ investments under a range of different scenarios projected to 2100. The output of this analysis is called Climate Value-at-Risk (CVaR). The selected climate scenarios apply to the most common asset classes that we invest in, namely equity (company shares), corporate fixed income (loans issued to companies) and sovereign debt. For sovereign debt, the focus is primarily on transition risks resulting from government policy changes. Some impacts of chronic (long term) physical risks are also considered, but acute (event driven) physical risks are not included.

Climate scenarios are hypothetical, rather than forecasts or predictions. They capture a range of possible outcomes related to climate policy, technological developments, and speed of the transition to a low-carbon world. We use a climate scenario analysis tool developed by MSCI to understand the potential financial consequences of climate risks on our investments.

This analysis is separate and different to the scenario analysis applied to our business model and operations, as outlined in [section 6](#).

3.1 Choice and description of our climate scenarios used to analyse our insured investments

We selected three scenarios to assess our exposure to investment climate risks (Table 3).

1. A ‘1.5°C orderly transition to net zero by 2050’

2. A ‘2°C disorderly transition to net zero by 2050’

3. A ‘4°C failed transition’ scenario

Climate scenario analysis combines data on climate risks and opportunities categorised as physical or

transition (policy and technological risks). These risks and opportunities are then translated into a CVaR measurement (% change in portfolio value) for each of the three transition scenarios we’ve selected (Table 3). Climate scenario analysis offers us the opportunity to explore the potential impacts on our investments under a set of possible scenarios.

Scenario	1.5°C orderly transition	2°C disorderly transition	4°C failed transition scenario
Model <i>(see model descriptions on page 29)</i>	Integrated Assessment Model: REMIND NGFS 1.5°C	Integrated Assessment Model: REMIND NGFS 2°C	Integrated Assessment Model: 3°C REMIND NGFS transition scenario and 4°C IPCC SSP3-7.0 aggressive physical scenario
Key impact/risks	Transition impact of policy measures and technology drivers	Transition impact of policy measures and technology drivers	Severe physical impacts over time – both gradual physical changes, as well as more frequent and severe extreme weather events Limited increase in carbon price by 2050
Summary of assumptions	Transition is assumed to occur as smoothly as possible. Carbon capture and storage are developed. There is increasing energy efficiency Steep increase in carbon price by 2030	Transition to low carbon technologies results in sentiment shock and stranded assets No increase in carbon price until 2030, steep increase between 2030 and 2050	Severe physical impacts over time – both gradual physical changes, as well as more frequent and severe extreme weather events. Limited increase in carbon price by 2050
Outcomes	Locked-in physical impacts of 1.5°C (in other words, already in motion)	Locked-in physical impacts of 2°C (in other words, already in motion)	Assumes temperature rise of 4°C by 2100. Physical impacts difficult to avoid with continued high emissions

Climate scientists currently predict that climate change could lead to a world temperature rise of 2.6°C by 2100.⁶ These projections are significantly higher than the ambition set by the Paris Agreement,⁷ which aims to limit global surface temperature rise to well below 2°C above pre-industrial levels by the end of the century and to pursue efforts to limit the temperature rise to 1.5°C above pre-industrial levels. Consequently, our disorderly scenario assumes a 2°C increase in temperatures, while our failed transition scenario assumes a 4°C increase.

Table 3, summarises the types of risks associated with climate change that are considered in scenario analysis.

Physical risk

Physical risk hazards consider the impact of different global warming-induced weather patterns like flooding, wildfires, and droughts, on company operations both directly (for example on their buildings, energy supplies, employees) and indirectly (for example through their supply chain or through changes to customer behaviour). Our data provider, MSCI, uses a measure of physical risk to assess the possible effect of different physical risk ‘hazards’ on companies.

Transition risk

Transition risk relates to the risk that a company’s operations or business model is impacted by existing and/or future climate policies and regulations. An ‘orderly transition’ assumes that policy makers introduce changes gradually, giving companies time to adapt their business models. A ‘disorderly transition’ assumes the shift to a low-carbon economy is not coordinated potentially leading to economic volatility, supply chain disruptions and significant impacts on high greenhouse gas emission business models.

MSCI has also developed a measure of transition risk, which tries to estimate the likely path of human economic activity over a 50-year time horizon and measure how our investments are likely to be affected.

Technology opportunity

Technology opportunity considers the business and investment opportunities arising from the technological changes required to meet the transition to a low carbon economy.



6 **The CAT Thermometer**, climateactiontracker.org, November 2025
7 United Nations Framework Convention on Climate Change, **The Paris Agreement**, unfccc.int

3.2 Assumptions made in relation to climate scenarios

We based our orderly and disorderly transition scenarios on the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) REMIND scenarios.⁸ NGFS partnered with an expert group of scientists and economists to design these scenarios, and they're commonly used to help understand how climate change could affect investment returns. MSCI provide us with the most recent scenarios. We note that there are other scenarios available.

We assumed an average physical risk for the 1.5°C NGFS REMIND orderly transition scenario, and an aggressive physical risk under the 2°C partially disorderly transition scenario. Our failed transition scenario is based on 3°C REMIND NGFS transition scenario, because there's no 4°C scenario for REMIND NGFS. The impact from a 3°C or 4°C transition scenario is broadly similar. We've combined a 3°C REMIND NGFS transition scenario with a 4°C Intergovernmental Panel on Climate Change (IPCC) SSP3-7.0 aggressive physical scenario. Transition risks are likely to be less relevant compared with the significance of physical risks in a 4°C world.

The data inputs into the 1.5°C and 2°C scenarios are similar in terms of population, Gross Domestic Product

(GDP) growth, and electricity generation fuel mix in 2050. However, they differ in how fast the transition happens, how quickly carbon sequestration is implemented, and the year emissions peak and reach net zero. The 4°C failed transition scenario is like the other two scenarios only in terms of population and GDP growth. This scenario is characterised by a slow and limited decarbonisation of its electricity generation mix in 2030, with further progress expected to be limited. Carbon sequestration uptake is low and late, and emissions never reach net zero.

Our climate scenario analysis relies on large sets of assumptions at the core of the economic and climate models used. While these may offer an indication of the potential financial impacts on our investments, the long-term socio-economic assumptions on which climate scenarios are based are themselves subjective and the models are inherently simplified versus complex natural and economic systems. The financial impacts of climate change may be far worse under all scenarios, and no investment decision is made solely based on climate scenario analysis.

We combine the impacts of the transition and physical climate risks, plus opportunities, to produce a combined CVaR measure, based on the three transition scenarios discussed above. This is an isolated risk measure and does not include other economic risks and opportunities.

⁸ REMIND (Regional Model of Investment and Development) was developed by the Potsdam Institute for Climate Impact Research to analyse the future implications of interactions between energy, land-use, economy, and climate systems. REMIND uses a general equilibrium model with perfect foresight, meaning the model can anticipate changes happening over the modelling time horizon, to simulate the interactions between the various systems inside a closed economy

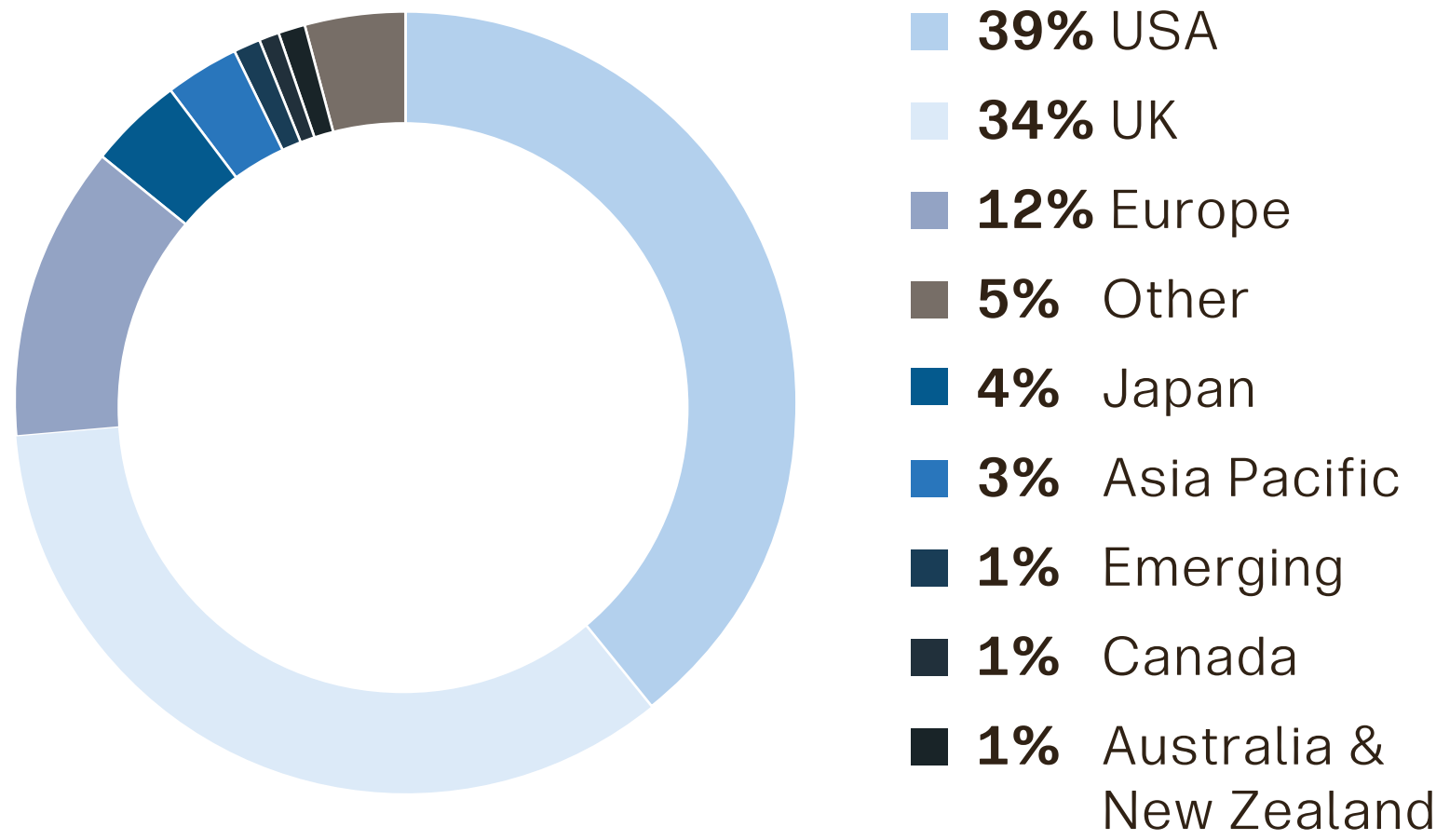


3.3 Climate Value-at-Risk results and resilience of our investment portfolio

The characteristics of our investments have a substantial impact on the outcome of our climate scenario analysis. Our investments are strongly tilted towards listed equity (70%), sovereign debt (12%) and corporate fixed income (7%). Our investments are primarily invested in the USA (39%), the UK (over 34%) and Europe excluding the UK (12%) as at 31 December 2025.

Under the three scenarios discussed, our investment portfolio is materially exposed to physical and/or transition risks. The climate scenario analysis suggests that for all three scenarios, expected returns due to the impact of climate change would be lower compared with those expected from a ‘climate-uninformed’ baseline,⁹ because of the negative effects of climate risk over time. The data suggests that significant changes in policy, investment and behaviour will be necessary to change the global warming trajectory to a Paris-aligned outcome.

Region and country breakdown



Asset class breakdown

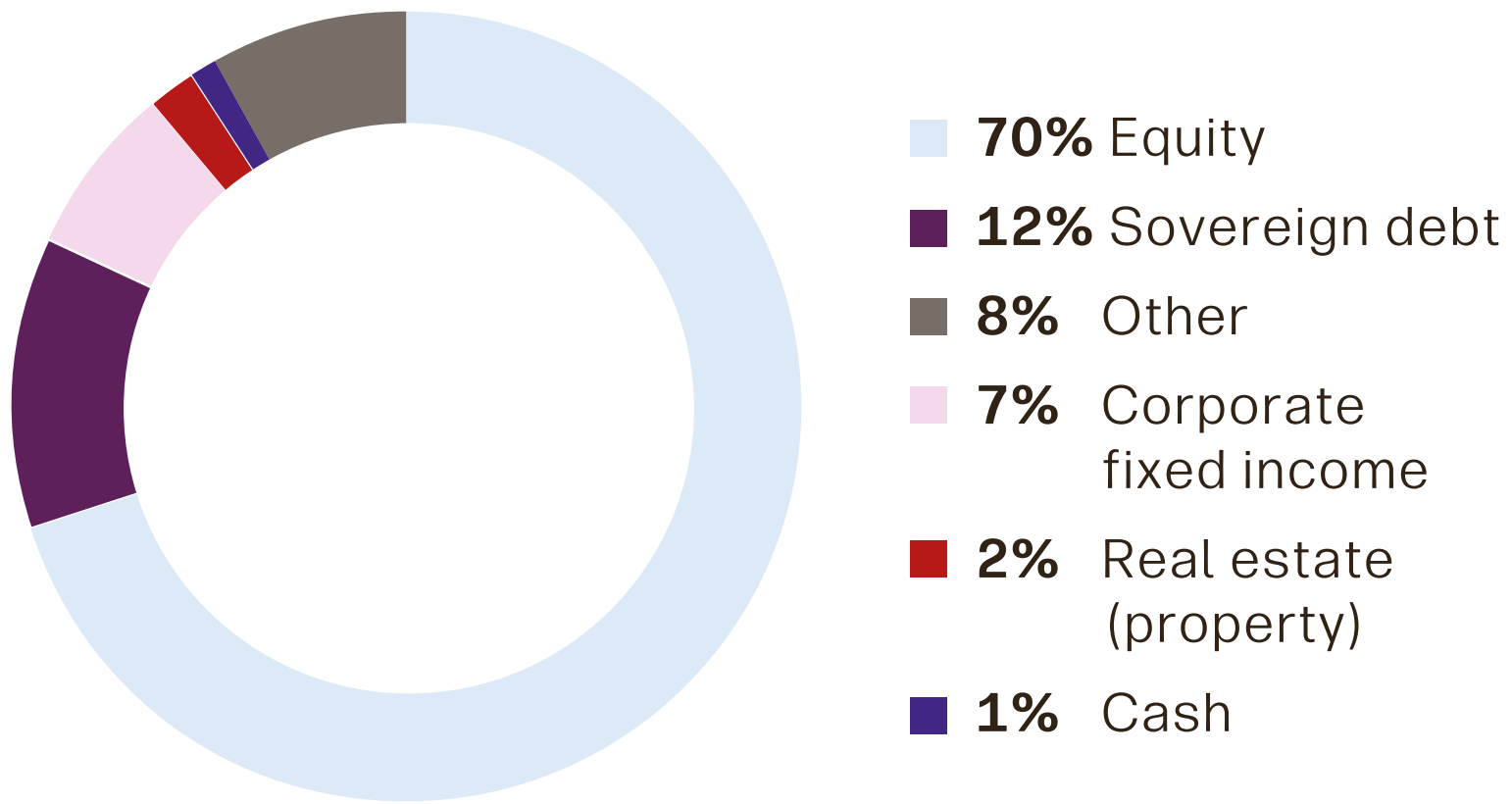


Figure 3: Investment breakdown – regional and asset class breakdown.
Source: Aegon UK as at 31 December 2025 (percentages rounded to nearest whole number)

⁹ The CVaR measure is relative to a baseline scenario which is ‘climate-uninformed’, i.e. one where existing policies and past physical impacts are assumed to have been priced in by markets, but no future transition policies or physical risks are accounted for.

Table 4, below, shows the expected returns for each scenario as outlined in Table 3 (page 27) along with the percentage of assets covered in the scenario analysis. In the orderly and disorderly transition, most risk comes from policy changes and technology drivers. For the failed transition, these risks are less important, with physical risk being the most important factor. These results are based on current models and portfolio holdings.

Choice of three scenarios	Aggregated CVaR	Data coverage
Orderly transition (1.5°C)	-10.4%	83.3%
Disorderly transition (2.0°C)	-7.4%	83.3%
Failed transition, a hot-house world (4°C)	-15.2%	83.3%

Table 4: Climate Value-at-Risk for three transition scenarios.
Source: Aegon UK as at 31 December 2025 using data from MSCI

Whether or not we experience an orderly, disorderly, or failed transition, there are likely to be significant changes in financial markets over the coming decades, which in turn could have a material impact on our investments.

Limitations of data and methods

We’ve identified factors limiting the reach of our scenario analysis:

- Limited data coverage and developing methodologies still affect how useful the CVaR metric is at the present time and there is significant uncertainty regarding the ability to model severe, non-linear and deep uncertainty in economic models.
- Climate scenario analysis is widely believed to underestimate physical climate change risk drivers such as climate tipping points and the potentially interconnected nature of physical climate change risk events. For example, for sovereign debt, the focus of our CVaR analysis is primarily on transition risks resulting from government policy changes. Some impacts of chronic (long term) physical risks are also considered, but acute (event driven) physical risks are not included.
- The scenario analysis methodology assumes our investments maintain a consistent asset class and sector composition. We recognise this as a limitation, as future asset allocation of the funds may differ from the current asset allocation.
- The climate scenario methodology does not capture the risk linked to systemic breakdown of supply chains. While it considers a company’s own operations, many industries are organised in clusters with subcontractors and are dependent on external supply chains.
- We also consider the potential impact of climate change on Aegon UK’s own financial performance and consider climate scenario analysis as part of our risk and solvency assessments (more information in the ‘**Risk management**’ section).

4. How we plan to decarbonise our default investment strategies: Our Climate Roadmap

Our Climate Roadmap is an important part of the forward management of our investment estate and a key part of fulfilling our fiduciary duty to clients. It focuses on Aegon UK’s workplace default funds, where our carbon impact is most material and our opportunity to influence change is greatest.

Our Climate Roadmap strategy has three pillars, supported by nine key actions, and is aligned with established industry guidance, market best practice, competitor research and customer insights. It comprises both quantitative and qualitative aspects including short, medium and long-term decarbonisation objectives and engagement and stewardship of our asset managers activities and advocacy for a favourable climate policy environment.

Progress against our agreed Climate Roadmap actions and targets is monitored and reported to our internal governance committees.

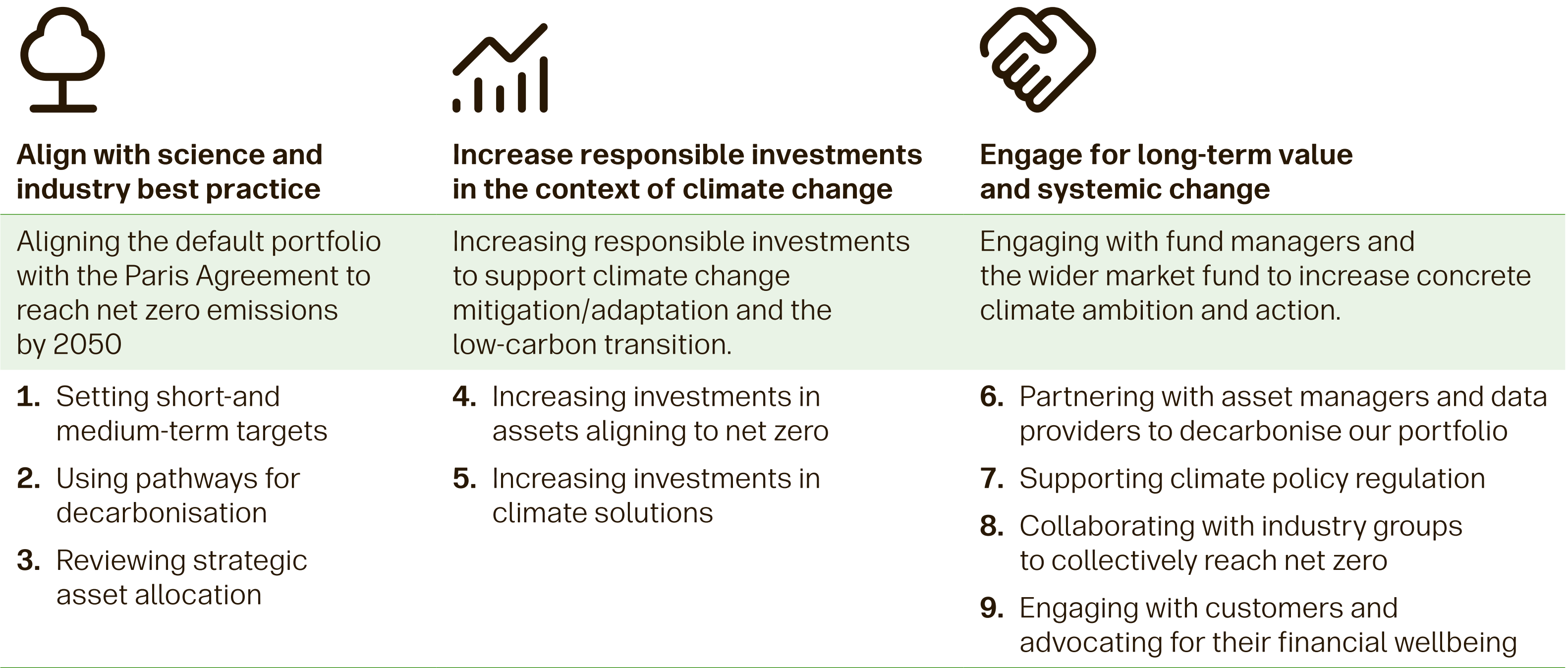


Figure 4: Aegon UK’s three pillar climate strategy and nine-point transition plan

4.1 Engaging with our customers on climate

We continue to engage with our customers as part of our responsible investment strategy and Climate Roadmap. Gathering their views supports client engagement and helps to inform our approach. Customers are surveyed annually on their understanding and opinions on a variety of responsible investment issues. In the most recent survey, climate change continued to be the most significant factor associated with responsible investment, but financial returns remain the priority for most.

5. How we integrate climate considerations into our products and engagement

We're mainly an indirect investor, which means that we build most of our investment solutions using funds from third-party fund managers. These are often in pooled investment vehicles where we're one of many investors. In this section, we describe how climate-related risks and opportunities have influenced our product and engagement strategies. We have three key levers that we use to implement our strategy:

1. Fund manager monitoring and engagement
2. Capital allocation
3. Industry and policy advocacy

Our **Responsible investment policy** outlines how we practice responsible investment as an asset owner through the selection, appointment and monitoring of our asset managers. It sets our minimum expectations for fund managers across responsible investment governance, voting and engagement, climate change, industry advocacy and diversity and inclusion.

5.1 Fund manager monitoring and engagement

5.1.1 Selection, monitoring, and engagement

Selection

Working with our third-party fund managers is key to the delivery of our climate strategy, especially as a significant part of our assets are invested in pooled funds that they directly manage. Our fund managers act as the primary safeguard in the management of all investment related risks and opportunities, including those related to sustainability and climate change. Therefore, we need our fund managers to do their job well and responsibly, both in terms of investment returns and risk management and how they align with our responsible investment goals and net zero targets. This is set out in our Responsible investment policy, which lists climate change as one of the key topics.



We’ve clearly defined manager expectations covering areas of responsible investment deemed as financially material over the time horizons during which our customers are invested. Our fund manager responsible investment expectations are reviewed regularly to ensure alignment with client expectations, evolving market conditions and regulatory requirements. Full details of our fund manager expectations are provided in our Responsible investment policy and a summary is provided here.

Responsible investment area	Summary of our manager expectations
Responsible investment governance	Ensuring robust and adequately resourced governance is in place.
Engagement and voting/exercising rights and responsibilities	Driving active engagement and voting, informed by material sustainability issues. Demonstrating effective stewardship across all asset classes.
Climate change and nature	Supporting our climate ambition and net-zero commitment. Demonstrating how they identify and assess nature risks and opportunities.
Industry advocacy	Using their voice to drive systemic sustainable changes in the economy.
Diversity and inclusion	Improving representation for better decision making.
Human rights	Able to clearly articulate their investment and engagement practices in relation to human rights.

Figure 5: Aegon's fund manager expectations for responsible investment

Monitoring

We annually assess the responsible investment credentials and practices of our existing asset managers. Fund manager monitoring is prioritised with the most focus on our top four fund managers (Tier 1) who look after the largest portion of our assets under management (AUM), which is where we believe we can have the most impact. Monitoring provides an opportunity to draw comparisons and encourage best practice among our partners. It also helps us to identify shortfalls in their responsible investment performance and informs our capital allocation decisions, any engagement we subsequently undertake, and our escalation activity.

Figure 6, opposite, shows an outline of our tiering approach to manager monitoring and provides a summary of the monitoring and engagement activities that occur within each tier.

Managers of external unit-linked funds that are made available to customers as self-select fund ranges through an Aegon-insured wrapper on our workplace and adviser platforms are also considered where they’re in-scope of the above categories or where we identify other specific factors that warrant additional scrutiny.

Tier	Managers & justification	AUK monitoring and engagement undertaken
Tier 1	Aegon workplace default solution asset managers: This covers key asset managers who have responsibility for managing Aegon’s mandated funds or for managing component funds of Aegon’s multi-asset default workplace solutions, or both. They may also have responsibility for managing general account assets and with-profits funds. Most of the assets in this tier are invested via pooled vehicles, where we are one of two or more investors. However, for some funds that we invest via our default solutions, we will often represent the largest, or be amongst the largest investor in the funds. As a result, we’re able to maintain regular dialogue on stewardship.	Managers must complete a full Due Diligence questionnaire. We set an expression of wish outlining our preferences and voting expectations. Regular face to face meetings/hybrid meetings on manager monitoring, stewardship and topics related to our engagement themes, and other deep dive sessions on key topics/priorities as needed.
Tier 2	Other key Aegon solution asset managers: This covers manager of assets invested via pooled vehicles, where we are one of two or more investors and where significant AUM is managed on our behalf.	Managers complete a reduced due diligence questionnaire.

Figure 6: Aegon’s fund manager monitoring and engagement



Engagement

Our Stewardship policy (available to financial advisers and employers) covers our engagement themes, including climate, as well as our expectations and monitoring process for fund managers in respect of their engagement and voting activities. It also outlines our manager escalation and conflict of interest processes related to stewardship.

In addition, our Responsible investment voting policy (available to financial advisers and employers) sets out our expectations regarding how companies should approach material ESG factors and how we expect our fund managers to vote on key issues at Annual General Meetings (AGMs) and at other shareholder meetings of the companies that they invest in on our customers behalf.

Monitoring and oversight of our Tier 1 managers based in the United States

Our US-based asset managers continue to face a challenging political backdrop when undertaking stewardship activities on our behalf, particularly with the US companies that they invest in. The largest US-based asset managers are subject to criticism from both Republicans and Democrats.

During the year, the US government administration has implemented a variety of policy changes and issued revised interpretations which challenge responsible investment activities and potentially reduce greenhouse gas emissions reporting by corporates.

To ensure that the US-based Tier 1 asset managers we use continue to adhere to our responsible investment policies we’ve undertaken the following specific activities:

- Monitored US fund manager adherence to Aegon responsible investment policies via our annual fund manager due diligence questionnaire which seeks to identify changes in commitment and approaches to responsible investment
- Tracked our fund managers voting activities via our Expression of Wish process (**section 5.1.2**)
- Tracked US regulatory change and sought regular feedback from our US-based fund managers on their ability to deliver our responsible investment objectives
- Tracked wider US investment industry sentiment towards responsible investment

Climate physical risk

Higher temperatures increase the likelihood of severe weather events, amplifying the intensity of storms and droughts and leading to shifting weather patterns. While decarbonisation remains essential to mitigating emissions and reducing the future impact of climate change, the temperature increases that have already occurred and the increase of extreme weather events mean that we must consider the physical impacts of climate change that are impacting many of the companies that we invest in today.

Understanding the physical impacts of climate change on portfolios is complicated and evolving. Physical damages from climate change arise through reduced labour productivity, impaired agricultural yields, higher disaster-related losses and damage to infrastructure. Impacts are location and asset specific, with current analysis rarely accounting for supply chain dependencies. Estimates vary widely and uncertainty is high. Despite this, we've continued to engage with our fund managers and ESG data providers over the year to better understand how they're considering this issue in their investment decision-making and stewardship activities.

Examples of where physical climate change impacts are being incorporated into investment decision-making by our Tier 1 fund managers include:

- Bottom-up analysis of sectors where assets are particularly exposed, for example US utilities and wildfire risk
- Top-down physical risk analysis incorporated into ranking sovereigns

- Consideration of Task Force on Climate-Related Financial Disclosures (TCFD) aligned resilience planning disclosures as part of the proxy voting process

5.1.2 Expression of Wish and voting guidelines

As most of our investments are in pooled funds, Expression of Wish (EoW) provides a mechanism for us to express how we would like our customers' shares to be voted on at company meetings (such as AGMs), where we don't have direct voting rights. Alongside our responsible investment policies and fund manager oversight activities, it's another way for us to express our views and expectations on responsible investment and climate to our fund managers.

In 2025, following a review of the largest investments within our default funds, our EoW activity focused on 50 priority companies (with deep-dive research on ten companies), which were flagged as having material exposure to, but poor performance on, our stewardship themes: climate, nature, human rights and diversity, equity and inclusion.

We used various data sources to assess each priority company's exposure to and performance on the appropriate stewardship theme. For climate, these included: sectors with material scope 1, 2 and 3 emissions, net zero alignment, policy lobbying practices and companies that were significant financiers of the fossil fuel industry.

We then sought to identify the appropriate shareholder resolutions tabled at each company's AGMs to express our wish(es) regarding each priority company's responsible investment performance. We also identified where no suitable shareholder resolutions were available

via voting on climate transition plans (‘Say on Climate’ votes) or against management or other standard AGM items in accordance with our voting guidelines and stewardship framework. Anti-ESG resolutions were also identified and considered as we were keen for all fund managers to vote on these appropriately and ensure they were not ‘robo-voting’, which means the manager automatically follows the recommendations of a proxy voting adviser without making their own assessment.

2025 was the first year that the BlackRock Decarbonisation Stewardship Guidelines were used for voting on assets that BlackRock manage on behalf of Aegon UK. We played a key role in influencing the development of these guidelines. Previously BlackRock voted on assets managed on our behalf in line with its BlackRock Investment Stewardship (BIS) Benchmark Policy.

We were pleased to see the more affirmative action that BlackRock took during 2025 when voting on climate change related issues in line with the new Guidelines. This included voting against a greater number of companies where:

- There were insufficient disclosures for investors to assess climate-related risks and opportunities
- There was limited emissions reporting (scope 1, 2 and material scope 3)
- There was an absence of disclosure regarding emissions targets and/or decarbonisation efforts (scope 1 and 2)
- There was minimal or no alignment with, or support for, a 1.5°C pathway

In addition, there was notably greater support for climate and natural capital shareholder resolutions.

5.2 Capital allocation

Capital allocation is the way we allocate our customers’ money to different asset classes and funds. It includes how we consider ESG and/or climate considerations in the investment process, as well as how we may divest from certain investments.

5.2.1 Climate screens and tilts

Until recently, our workplace default funds were mostly invested in passive solutions tracking weighted benchmarks based on the size of the company (market capitalisation). We’ve now started to evolve our default workplace investment solutions to include more sophisticated passive strategies that aim to provide an investment return in line with a regional benchmark as well as maximising exposure to companies with favourable sustainability characteristics.

As at 31 December 2025, over £44 billion of default fund assets were managed with ESG screens and/or optimised ESG factors. This is equivalent to 84.1% against our Climate Roadmap target of 70% by 2026. This has been achieved by significant progress in two of our largest default solutions: Aegon Lifepath Flexi and Universal Balanced Collection (UBC). In 2025, we focused on improving the ESG integration of Aegon Lifepath Flexi and UBC which resulted in both funds’ entire passive equity and bond exposure now applying ESG factors. 90.8% of our passive equity assets now follow BlackRock’s Climate and Decarbonisation Stewardship Guidelines (or equivalent) when voting on company resolutions as of December 2025.

5.2.2 Climate solutions

In addition to decarbonising our current investments, the net-zero transition requires investments in climate solutions to help mitigate and adapt to climate change. As part of our Climate Roadmap, we have a commitment to invest £500 million to climate solutions by 2026. We classify climate solutions as:

‘Investments with core activities directly and substantially contributing to climate change mitigation and/or adaptation. We will only count investments towards our climate roadmap target aligned with existing climate-related sustainability taxonomies and other generally acknowledged climate-related frameworks.’

Using this definition, we’re making good progress against our 2026 objective with investments including green bonds and selected listed equity investments, and we’ll soon be adding suitable infrastructure and forestry investments.

5.2.3 Net zero alignment

We’re tracking the proportion of assets aligned or aligning to net zero using metrics developed by MSCI aligned with the Institutional Investors Group on Climate Change (IIGCC) guidelines. In our Climate Roadmap, we’ve set a long-term objective to have a portfolio 100% aligned or aligning to net zero. We expect to increase our default funds’ net-zero alignment primarily by future reviews of our strategic asset allocation, incorporating fund-level objectives, and engaging further with our fund managers to help influence investee companies to transition to net zero, rather than divesting.

5.3 Industry and policy advocacy

Industry advocacy is one of our key levers to drive change across the market and fulfil our net zero goals. We advocate for change in three main ways:

1. Supporting industry guidance
2. Driving collective engagement
3. Taking part in industry consultations

We engage with at least two relevant net zero industry groups or policy forums every year to encourage market-wide decarbonisation and raise standards across the industry. We take part in collaborative engagement activities where there are clear objectives, roles and outcomes, and where we believe we can have the most impact and help drive positive change.

The companies that we invest in on behalf of customers do not operate in isolation. While we continue to advocate strongly for investee companies to decarbonise, we must also be mindful that each company is part of a wider ecosystem and the rate at which they are able to reduce their greenhouse gas emissions is also determined by factors such as the availability, and cost of, low carbon alternative energy sources, supply chain opportunities, demand from customers and importantly the regulatory environment in which they operate.

For us and other asset owners to meet net zero commitment(s), policy makers, such as governments, will be required to gradually increase their climate ambitions by implementing short- and medium-term climate policies. Unfortunately, during 2025 climate policy momentum deteriorated in the US, although in other regions the slowdown is more muted.

Where appropriate, we've continued to demonstrate our support for existing and new climate and sustainability-focused policies, specifically in Europe, where such policy is under increasing scrutiny. To do so, we worked more closely with other Aegon group companies during 2025 to leverage our voice and scale. Aegon UK also continued to actively participate in policy-related initiatives, for example by the IIGCC and the Net Zero Asset Owners Alliance (NZAOA).

6. How we're decarbonising our business operations and supply chains

In this section, we describe how our operations and supply chain strategies might change to address potential climate-related risks and opportunities. This includes how climate-related risks and opportunities have influenced our decision making and processes.

Although our climate impact is concentrated in our investments, we also lead by example when tackling the environmental impact of our own operations and supply chains, where we have a net-zero commitment and associated targets. It's important that we play our part in supporting an orderly transition to a low-carbon economy.

Our short-term operational strategy focuses on improving energy efficiency and waste management by introducing new working practices and encouraging our suppliers to adopt best practices. We also aim to improve data quality through automation and real-time monitoring to help us better understand and reduce our environmental impacts. We expect to see most reductions in our emissions in the medium term, partly driven by a reduction in our scope 3 business travel and supplier emissions. In the long term,

we expect to achieve net-zero emissions across our entire value chain through continuous investments in energy efficiency and embedding net-zero considerations in our process for selecting and reviewing suppliers.

We recognise the impact our supply chain has on the environment and our communities, which is why we've committed to several global initiatives to support responsible procurement:

- We encourage our main suppliers to sign up to EcoVadis – a global company that independently assesses a business's corporate social responsibility (CSR) credentials. From 2022 onwards, we strengthened our supply chain responsibility by including EcoVadis scores in our quarterly suppliers' oversight report.
- Our tier-one suppliers agree to meeting our Vendor Code of Conduct every year, which includes a section on climate change and biodiversity. Tier-one suppliers are defined as being critical to our business.
- We include ESG factors in our procurement due diligence.
- We've received completed ESG questionnaires from over 80% of our in-scope suppliers and have used responses to rank them. Suppliers in scope include all tier-one suppliers; the main facilities outsourcing partners; and (any remaining) highest spend suppliers. We intend to continue discussing how we can help the lower scoring suppliers improve with a particular focus on their GHG emissions (which some of them don't currently calculate).



Risk management

In this section we set out:

1. How we identify and assess climate-related risks
2. How we integrate climate-related risks into our risk management framework
3. How we manage and mitigate climate-related risks

1. How we identify and assess climate-related risks

In this section we describe our risk management processes for identifying and assessing climate-related risks. This involves a mixture of quantitative (numbers based) and qualitative (research based) analysis. To try and assess the potential risks from climate change to Aegon UK, we consider all risks resulting from physical, transition and liability drivers, as outlined in the '**Strategy**' section of this report.

We use our existing risk management policies and procedures to assess the potential size and range of climate-related risks. We do this using our Enterprise Risk Management (ERM) framework. This framework supports how we manage risks within our business both now and in the future. It also sets out how we identify, assess, monitor, and manage any risks our customers and business operations could be exposed to.

When identifying risks, including climate-related risks, we use expertise from our various business functions, including our Risk function and specialist investment teams. We also use specialist external input where needed. We look at existing and emerging regulatory requirements relating to climate change, through the analysis of information available in relation to the political and regulatory outlook. When initiatives are identified these are rated for potential impacts and tracked through a cycle of engagement and planning to implementation.

Regulatory initiatives related to climate change follow this same path.

We also monitor longer-term risks using an emerging risk process. Although we actively manage climate-related risks, we also consider climate-related risk within our emerging risks process. We do this to try and identify any early triggers which would help us to actively manage those risks. Our Aegon Group Emerging Risk Scan (ERS) aims to identify newly developing or changing risks or signals, including relevant climate risk developments, which could have a significant impact on our financial strength, competitive position, reputation or risk profile. It's also used to check that the risk universe we use to assess Aegon's risks continues to be appropriate, to assess how ready we are to respond to emerging risks and to provide input and awareness on topics to help us develop our strategy. Climate change and loss of biodiversity are explicitly covered under the ERS process.

When assessing the risks identified, we use a matrix within the ERM framework to consider the likelihood of the risk occurring and a variety of potential impacts that could occur including, customers impacted, financial loss, regulatory compliance and reputational impact. The use of this assessment matrix to assess all these risks enables a comparable assessment of the different risks identified.

2. How we integrate climate-related risks into our risk management framework

In this section we describe how we integrate processes for identifying, assessing, and managing climate-related risks into our overall risk management framework. This includes how we assess the significance of climate-related risks in relation to other risks.

We aim to manage risks within our business using our ERM framework. This framework includes processes to help us identify risks across various risk categories. Using this framework, we expect any climate-related risks will be identified using existing categories rather than specific climate-related ones. These include Investment and Counterparty Risk, Mismatch Risk, Operational and Conduct Risk and Underwriting Risk (Figure 7, opposite). For example, climate-related transition risks of any new regulation would be identified under our Investment and Operational Risk categories.

We believe the impacts of climate change will be far-reaching and have different effects across different risk categories. We expect some elements will appear quickly while others may happen more slowly. For example, stock markets may react quickly to physical risk events or government policy changes that promote the transition to a low carbon economy.

If we identify any new risks under these categories, we use the ERM framework to apply a consistent approach to assess the likelihood and impact of the risk, using the matrix referred to in the previous section. This assessment would consider our products, services and operations and include any specific climate related considerations. For some parts of our business, we can only assess risks by looking at the impact over the longer-term. This long-term approach is particularly relevant to market risks impacting our investment portfolios.



Figure 7: Aegon UK risk universe from the ERM framework.



Other key elements within our ERM framework include:

- **Risk appetite and risk tolerance:** Risk appetite describes how we think about, measure, manage and monitor risk. Risk tolerance expresses risk appetite in qualitative and quantitative form. These guide how we respond to all risks, including climate risks that are outlined in the '**Strategy**' section of this report. We review our risk appetite and tolerances every year. We don't consider climate risk as a standalone risk, but because of its importance to us, we include a tolerance for sustainability risk which looks at the amount of responsibly invested Assets under Management (AUM), and our carbon emissions as an organisation.
- **Risk policies:** We have a suite of risk policies that support how we manage risk, including more detailed controls around different aspects of operational risk. We specifically address climate change considerations in our **Responsible investment policy** and our Stewardship policy. We set minimum expectations about climate for our fund managers in our Responsible investment policy. This policy is aligned with the ERM framework and is addressed in **How we manage and mitigate climate-related risks**.

Any risks we identify across our business, including climate-related factors, are formally reported, and monitored through our Board governance structure, ensuring appropriate visibility and escalation where needed. This includes, but is not limited to, risk appetite monitoring, risk policy compliance, risk event reporting and compliance reporting. We then document and perform any mitigating actions as appropriate.

We produce an Own Risk and Solvency Assessment (ORSA) report every year. This is a regulatory requirement for companies supervised by the Prudential Regulation Authority (PRA). This report supports Board level considerations on our ability to follow our strategy safely while maintaining an appropriate level of customer protection. It does this by providing a full view of:

- The key risks to Aegon UK both now and in the future
- How these risks are being managed
- The solvency assessment of Aegon UK

The ORSA was presented to and approved by the Board in March 2026.

We drive our customer protection by testing our capital position under various scenarios and using this analysis to ensure the business is sustainable under these stresses. We also use this analysis to assess how suitable our existing triggers are and the availability of management actions to allow us to recover from these stresses. For example, we monitor spend relative to budgets and, if a stress scenario resulted in higher costs than expected, management actions would focus on cost management and reducing discretionary spend.

As part of these scenarios:

- We use inputs from the Ortec Finance ClimateMAPS model to assess the potential impact of climate risk scenarios on the solvency of the business. These scenarios include the impact of the Ortec Finance ClimateMAPS Net Zero Financial Crisis scenario which assumes a disorderly but successful transition to a low carbon economy, limiting global warming to 1.5°C by the end of the century.

- We develop Reverse Stress Tests, where we look at scenarios that could break the current business model, with the aim of identifying actions to improve the management of these risks. These scenarios link directly to supporting our strategy to become the UK's leading digital savings and retirement platform, and in recent scenario review cycles have included climate-based scenarios. For example, a scenario which considered the physical impact on our data storage and connected operations under an extreme warming scenario.
- Climate scenarios are also used to stress test operations and evaluate potential vulnerabilities. Mitigation measures (such as enhancing infrastructure resilience, adopting energy-efficient technologies, and developing response plans for climate-related disruptions) are incorporated into our broader risk mitigation strategies. This ensures that climate risks are proactively managed within the overall risk framework, supporting business continuity and alignment with sustainability objectives.

We maintain a run-off plan for the business, designed to ensure customer assets are protected in the event the business needs to be run off. The run-off plan includes a scenario to test our ability to safely run-off the business under a severe climate stress. This scenario represents a 'Net Zero Financial Crisis' where there are disruptive effects in financial markets as climate risks are abruptly priced in, leading to a confidence shock to the financial system.

3. How we manage and mitigate climate-related risks

In this section we describe how we manage climate-related risks, such as how we make decisions to mitigate, transfer, accept or control these risks.

As we described earlier in this section, we use our existing risk management policies and procedures as part of our ERM framework to assess the potential size and range of climate-related risks. We also consider the actions we take to mitigate and control these risks, with reporting and monitoring through our Board governance structure.

A key factor in mitigating the potential impacts of financial risk from climate change will be the quality of the overall business response, ensuring that our proposition continues to develop to meet the needs and expectations of our customers, and that our climate disclosures are effective in demonstrating our responsible business practices to all stakeholders. Key activities mitigating the risks from climate change are:

- Ensuring climate is considered in fund manager selection, monitoring and engagement
- Continuing to develop our understanding of how climate change could affect the business through climate scenario analysis
- Ensuring climate-related disclosures are comprehensive, appropriate and continue to meet the needs of all stakeholders

- Maintaining our status as a signatory of the Stewardship Code
- Monitoring the status of key competitors' funds and their wider net zero transition plans
- Monitoring the feedback from lost new business opportunities to understand if our position on climate risks is a contributing factor
- Proactively reviewing our fund ranges, particularly the default funds and our own mandates, to identify any opportunities to improve our transition progress
- Continuing to invest in our operations and facilities to ensure that they remain resilient to climate risk, and that our carbon footprint is minimised

As an asset owner we also monitor our fund managers on a regular basis in relation to our strategy on climate-related risks and opportunities. As we invest indirectly, we collaborate with our fund managers to ensure that companies invested in via our funds are encouraged to employ better practices relating to climate risk. Providing better climate data information will, in turn, help us assess climate-related risks within our investments.

To help us with external manager monitoring on responsible investment, including the management of climate risk, and meeting our net zero commitment for our workplace default funds to achieve net zero by 2050, we're supported by our Responsible Investment (RI) team (as detailed in **Governance section 2: 'Management's role'**).

As part of our fund manager monitoring process, our fund managers are required to provide us with specific information and updates on their stewardship and responsible investment policies, with a focus on climate change issues and themes. Our analysis of their responses allows us to score and assess progress on how well our managers are meeting our expectations.

We operate a tiering system where our most significant fund managers, for example those managing assets in our portfolio of default funds where net zero targets apply, are asked to provide additional climate-related risks and opportunities information. We've set specific climate engagement objectives for key fund managers and ask them to engage with companies on their net zero commitments, and associated transition plans to reduce GHG emissions. We use the responses from our yearly fund managers' responsible investment questionnaire, combined with market best practice and industry guidance, to inform engagement topics throughout the year. Our monitoring and oversight help us challenge our fund managers where necessary, helping to drive progress in meeting our Climate Roadmap targets. We expect asset managers to be UK Stewardship Code signatories or equivalent and are capable of evidencing stewardship activities across different asset classes. We also expect asset managers to report according to TCFD recommended disclosures or can evidence integration of climate related risks and opportunities.

We review our Responsible investment policy every year and we expect our fund managers to support our ambitions and net zero commitment across our default funds.

Finally, we also engage with industry groups to help with our risk horizon scanning and to inform our climate risk management approach.





Metrics and targets

In this section we set out:

- 1. The importance of climate monitoring for better management
- 2. The metrics we've chosen to track and monitor
- 3. The progress we've made against our targets
- 4. Data limitations

1. The importance of climate monitoring for better management

Monitoring key climate metrics lets us track and manage the impacts of climate change on our investment estate and operations. It also provides our external stakeholders with information to help them understand our climate-related risks and opportunities and how we're responding to them.

2. The metrics we've chosen to track and monitor

2.1 Description of metrics to track our investment portfolios

The metrics we're reporting cover the insured fund assets of Aegon UK. This includes insurance-based investment products, such as those held within personal pension schemes, Workplace group pension plans, stakeholder pension schemes and self-invested personal pensions schemes (SIPPs). Climate data and reporting of emissions information, such as carbon footprint ([section 2.2](#)), is more established for listed equity (company shares, including real estate investment trusts) and corporate fixed income (loans issued to companies). These are also our most material asset classes, representing 78.7% of our investment estate and the emissions from both asset classes are added and reported together.

Emissions reporting for sovereign debt is different to

reporting on listed equity and corporate fixed income, and the Partnership for Carbon Accounting Financials (PCAF) has developed a specific methodology for measuring and reporting the emissions associated with sovereign debt ([section 2.2](#)). We report emissions associated with our sovereign debt separately.

We'll continue to follow market developments on data availability for additional asset classes, such as property and private market assets. We'll also continue to engage with our data providers and fund managers to increase data coverage and availability for future reporting.

In [Table 5](#), we set out the metrics we use to assess climate-related risks and opportunities aligned with our strategy. In line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we include scope 1, scope 2 and, scope 3 greenhouse gas (GHG) emissions, and report across three years (2023, 2024 and 2025).

Climate data is supplied by MSCI for funds where data is obtainable and where emissions data is available for companies. In some cases, company emissions data may be estimated. Climate data, metrics and methodologies continue to evolve, and we expect that reporting frameworks will, in time, become standardised. As a result, previously reported information may be restated as more and better climate data becomes available, in line with market best practice and regulations.

GHG emissions are calculated in line with the GHG Protocol, with emissions categories for corporate fixed income and equity split into three distinct ‘scopes’, as defined by the GHG Protocol Corporate Standard.¹⁰

- **Scope 1 corporate fixed income and equity emissions** are direct GHG emissions that occur from sources owned or controlled by the reporting company, for example company facilities.
- **Scope 2 corporate fixed income and equity emissions** are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.
- **Scope 3 corporate fixed income and equity emissions** include all other indirect GHG emissions, not included in scope 2, that occur in the value chain of the reporting company, such as business travel, employee commuting and use of sold products.

For scope 1 and 2 corporate fixed income and equity, most data is based on reported emissions. However, scope 3 corporate fixed income and equity emissions are based on estimated data as provided by MSCI. Scope 3 emissions are typically much greater than scope 1 and scope 2 emissions. We expect that more reported scope 3 emissions data will become available as company reporting and associated data availability improves in the coming years.

Scope 3 estimated emissions are based on MSCI’s proprietary estimation model, which covers over 8,800 companies, across all Global Industry Classification Standard (GICS) sectors and includes 15 scope 3 categories relating to different parts of the corporate value chain, such as business travel, the use of sold products, or waste generated in operations.¹¹

For sovereign debt, GHG emissions are also split into three distinct groups, as defined by the PCAF and referenced by the Institutional Investors Group on Climate Change (IIGCC) in its Sovereign Bonds and Country Pathways discussion paper.¹²

- **Scope 1 sovereign emissions** are production emissions including exports. This covers domestic GHG emissions from sources located within a country’s territory.
- **Scope 2 sovereign emissions** covers emissions from imported electricity, heat, steam, and cooling (energy sector).
- **Scope 3 sovereign emissions** are those from non-energy imports but arise from activities taking place within a country.

¹⁰ Partnership for Carbon Accounting Financials, [The Global GHG Accounting and Reporting Standard for the Financial Industry. First edition](#), ghgprotocol.org, November 2020

¹¹ MSCI ESG Research, [A Major Step Forward for Scope 3 Carbon Emissions](#), msci.com, October 2020

¹² IIGCC, [Sovereign Bonds and Country Pathways](#), iigcc.org, April 2024



2.2 Climate metrics for the Aegon UK investment estate

In **Table 5**, we set out the climate metrics that we’re reporting on. We recommend considering metrics together rather than drawing conclusions from a single metric, which is unlikely to provide a full picture.

These are as follows:

Absolute emissions metric:

- **Total GHG emissions:** This metric captures the absolute carbon emissions of corporate fixed income and equity assets across our investment estate. We report GHG in tonnes of carbon dioxide equivalent (tCO₂e).

Listed equity and corporate fixed income emissions intensity metrics:

- **Carbon footprint:** This metric measures the emissions of a portfolio, or the amount of emissions financed for every £1 million invested. Emissions are shared out across all outstanding shares and bonds (referred to as a percentage of enterprise value including cash or EVIC) meaning that we allocate ‘ownership’ of GHG emissions across the total capital structure of the issuing company (equity and debt), as recommended by the industry standard developed by the PCAF. This metric is expressed as tCO₂e/£M invested using EVIC.
- **Weighted average carbon intensity (WACI):** This metric measures a portfolio’s exposure to carbon-intensive companies by revenue, expressed in tonnes

CO₂e/£m revenue. Emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value).

Portfolio alignment metric:

- **Implied Temperature Rise (ITR):** This is a forward looking metric and measures whether the pace of emissions reduction is sufficient relative to a shrinking global carbon budget. It gives an indication of how much the global temperature would increase if the global economy had the same carbon output as our investment estate.¹³ This metric is based on listed equity and corporate fixed income investments only.

We include this metric to show the extent to which our investment estate and portfolio of default funds (excluding sovereign debt, real estate and cash) are aligned to a well below 2°C scenario.

Data quality metric:

- **Data quality (% total portfolio):** This metric shows the percentage value of scope 1 and 2 emissions that are reported, estimated or unavailable. Included in this metric is the coverage for sovereign debt scope 1 emissions. An explanation of the different scopes for corporate fixed income, equity and sovereign debt is provided in **section 4 ‘Data limitations’**.

Sovereign debt carbon intensity metric:

- **Carbon intensity:** This metric measures the scope 1 production emissions of our sovereign debt investments, relative to the amount invested. The emissions for each

country are apportioned using Gross Domestic Product (GDP), adjusted for purchasing power parity (PPP), as recommended by the PCAF. GDP is a key economic indicator that measures the total value of all goods and services produced within a country. PPP allows for the comparison of the purchasing power of various world currencies to one another, and when applied to GDP it allows for a more accurate comparison of economic productivity and standard of living between countries.

The emissions for sovereign debt are expressed in tonnes CO₂e/£m GDP-PPP. We report this metric on a pound sterling basis (£), rather than international US dollars basis, as outlined by PCAF, to align with the currency we report for other asset classes. We’ve used the USD/GBP exchange rate as at 31 December 2025 to calculate the metric in pounds sterling.

Sovereign debt data quality (% of sovereign AUM):

This metric shows the coverage for scope 1 sovereign debt emissions as a percentage of total sovereign debt investments.

Reporting of climate metrics for our investments

Metrics are calculated for our insured investment estate every year. **Table 5** shows the metrics across our insured investment estate for 2023, 2024 and 2025.

During 2025, our assets under management (AUM) increased from £98.5 billion in 2024 to £108.6 billion. This increase reflects a net increase in new money from customers, and a positive investment return across the investment portfolio.

13 MSCI, **Implied Temperature Risk Methodology**, msci.com, published February 2024

Climate metrics for Aegon UK			December 2023	December 2024	December 2025
Assets under management			£87.8 billion	£98.5 billion	£108.6 billion
Absolute emissions metrics for corporate fixed income and equity					
GHG emissions	Scope 1 and 2 tonnes CO ₂ e		5,508,720	5,642,859	4,487,379
	Scope 3 tonnes CO ₂ e		44,173,615	47,599,373	42,571,246
Total GHG emissions	Total (scope 1, 2 and 3) tonnes CO ₂ e		49,682,335	53,242,232	47,058,625
Emissions intensity metrics for corporate fixed income and equity					
Carbon footprint	Scope 1 and 2 tonnes CO ₂ e /£M EVIC		54.4	47.1	38.4
	Scope 3 tonnes CO ₂ e /£M EVIC		454.0	404.9	365.0
Weighted average carbon intensity	Scope 1 and 2 tonnes CO ₂ e/£M revenue		116.3	102.3	89.0
	Scope 3 tonnes CO ₂ e /£M revenue		884.8	827.3	827.0
Portfolio alignment metric					
Implied temperature rise in degree Celsius			2.2°C	2.3°C	2.4°C
Data quality metric					
Data quality (% total portfolio)	Covered (%)	Estimated (%)	7.8%	6.8%	4.1%
		Reported (%)	79.7%	81.2%	84.4%
	Not covered (%)	No coverage (%)	12.5%	12.0%	11.5%
Sovereign debt					
Sovereign debt carbon intensity	Tonnes CO ₂ e /£M GDP-PPP		193.2	165.3	162.1
Sovereign debt data quality (% of sovereign AUM)	Scope 1 production emissions - reported		96.5%	97.4%	98.1%
	Scope 1 production emissions - no coverage		3.5%	2.6%	1.9%

Table 5: Aegon UK climate metrics.

Source: Aegon UK/MSCI.



Corporate fixed income and listed equity emissions

Absolute emissions:

Across our investments, absolute scope 1 and 2 emissions for our corporate fixed income and listed equity investments have decreased by 20.5% over the latest year. Scope 3 emissions have decreased by 10.6% over the latest year. In the meantime, we observed an increase of 10.3% (£10.1 billion) in AUM over the last year. We attribute this decrease in emissions despite an increase in AUM to the revamping of two of our flagship funds, Universal Balanced Collection (UBC) and Aegon Lifepath, and the introduction of constituent funds with more ambitious climate targets.

Scope 3 emissions are typically more material than scope 1 and 2 but reported data is often low because of the challenges companies have when collecting and tracking scope 3 emissions, and because there are no standardised methodologies for measuring scope 3 emissions. This means that most scope 3 data is estimated by our data provider, MSCI, using in-house modelling and expertise. However, we expect reporting quality to increase over time and consequently we expect our scope 3 emissions reported data to rise as more companies report these emissions.

Carbon footprint metrics:

Our scope 1 and 2 carbon footprint (tCO₂e/£M invested using EVIC) from our corporate fixed income and listed equity investments has decreased by 18.6% over the last year.

Using the emissions' attribution analysis methodology issued by the Net-Zero Asset Owner Alliance (NZAOA),

we identified that the most significant contributors to the reduction in scope 1 and 2 carbon footprint over the last year were as follows:

- Our portfolio has increased its allocation to companies that are reporting lower emissions, for example by increasing our investment in funds with Environmental, Social and Governance (ESG) screens and tilts. This factor is particularly relevant to the workplace default component of our estate, where most of these changes happened.
- An increase in the EVIC value (see description of carbon footprint metric opposite) of our investments, which means our emissions are shared out across, or divided by, a higher invested value, partly driven by higher market valuations. Note however that year-on-year changes in asset values (EVIC) mean that the portfolio carbon footprint could increase in the future if asset values fall and as methodologies and processes evolve.
- The companies we invest in have reduced scope 1 and 2 emissions.

We've also seen a reduction in our scope 3 carbon footprint (tCO₂e/£M invested using EVIC) by 9.9% over the last year. Similar factors drove our reduction in carbon footprint for scope 3, but the increase in EVIC value and the increase in allocation to companies with lower emissions is partially offset by an increase in companies' scope 3 emissions.

Weighted Average Carbon Intensity (WACI):

The weighted average carbon intensity (tCO₂e/£M revenue) of our corporate fixed income and listed equity

investments (scope 1 and 2) has decreased by 13.0% over the latest year. The scope 3 weighted average carbon intensity for the same asset classes has stayed the same in the latest year. The drivers of our weighted average carbon intensity metrics are the same as for our carbon footprint metrics.

Implied Temperature Rise (ITR):

Our portfolio alignment metric is represented by an implied temperature rise metric, which is calculated by MSCI, (page 47). ITR measures whether the pace of emissions reduction is sufficient relative to a shrinking global carbon budget. The metric suggests that our corporate fixed income and listed equity investment portfolio would be aligned to a 2.4°C temperature increase, which is marginally higher than 2.3°C reported in 2024. The rate of portfolio decarbonisation is still not Paris Agreement aligned to keep any increase in the global average temperature to well below 2°C, above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

Sovereign debt emissions

We report sovereign debt assets emissions separately which accounts for about £13.1 billion, or 12.0%, of our insured investment portfolio. We’ve followed guidance from the PCAF and have used the emissions methodology recommended for deriving carbon intensity for sovereigns.

We’ve obtained GHG production emission data from PRIMAP-hist,¹⁴ with GDP-PPP information from The World Bank.¹⁵

Our sovereign emissions intensity calculation for this year excludes both sub-sovereign and supranational debt. The current methodology and/or data does not yet cover sub-sovereign and supranational debt.

This is the second year of reporting sovereign emissions. Our sovereign intensity for 2025 was 162.1 tCO₂e/£m GDP-PPP, down from 165.3 tCO₂e/£m GDP-PPP in 2024, with 98.1% of our sovereign debt covered in this calculation (2024: 97.4%). Most of our sovereign debt exposure is across developed countries with 89% of our sovereign debt invested in three countries: the UK 74.2%, USA 12.0%, and Japan 2.8%. The chart below provides further information.

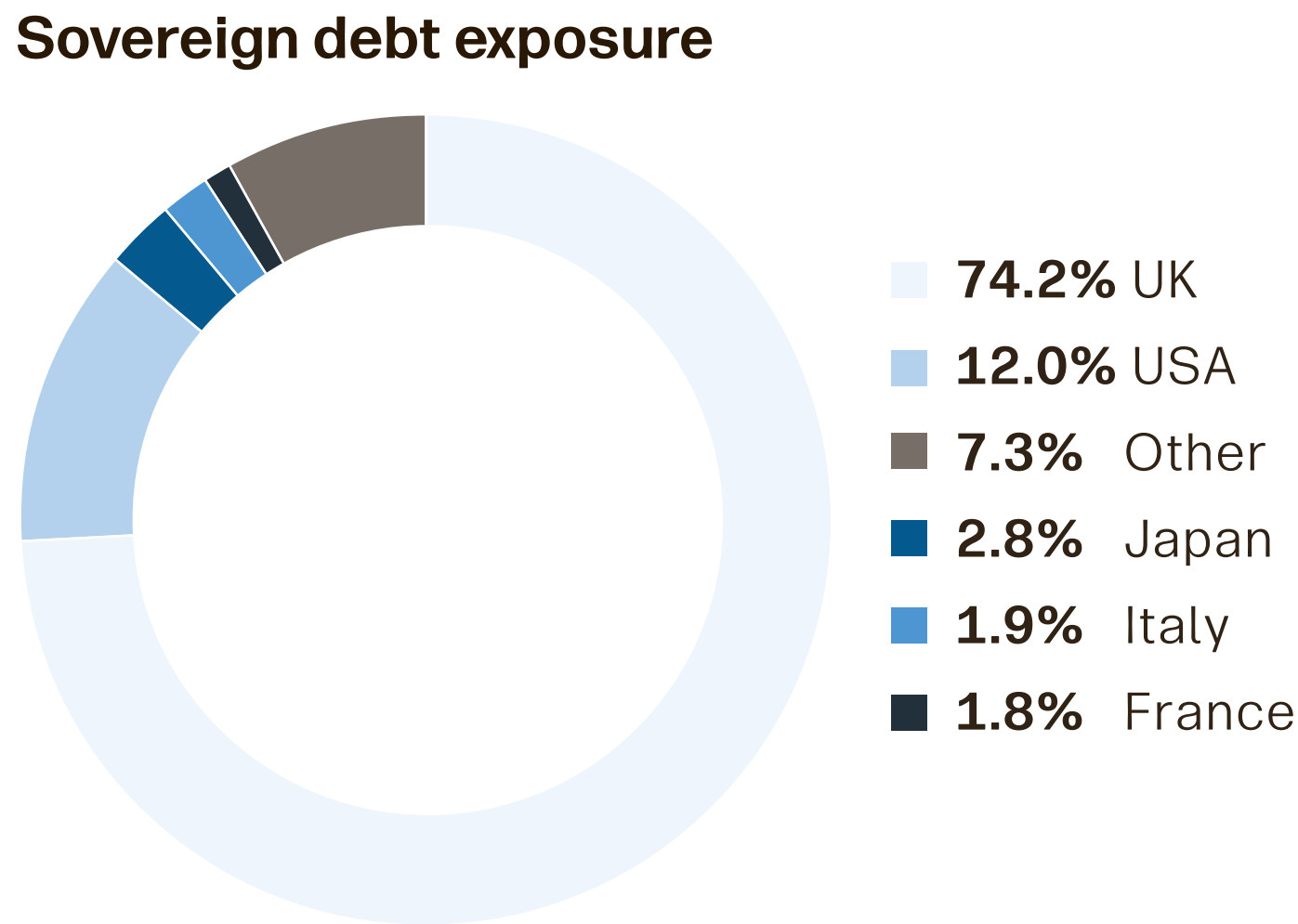


Figure 8 Sovereign debt exposure.
Source: Aegon UK as at 31 December 2025

Data coverage

With several changes in the composition of our main default funds, we worked with our data vendor and our fund managers during the year to retrieve coverage for new funds and maintain our emissions data coverage. This means that the percentage of scope 1 and 2 emissions reported and estimated has remained stable (88.5% vs 88.0% in 2024).

Looking at our sovereign debt separately, we’ve been able to report on just over 98% of our sovereign debt assets in 2025, in line with last year.

We’ll continue to work with our data vendors and fund managers to increase data coverage. As our estate is evolving, we face new data challenges such as integrating emissions from Private Market investments and integration of derivatives positions. Historical challenges remain with the quality, quantity and timing of data provided by investee companies. There are also other factors that will influence the reported metrics and data, such as market volatility, fluctuations of exchange rates and changes in activity of companies we indirectly invest in. We expect reported carbon emissions and emission intensity metrics to fluctuate over time, but over the longer term we expect to see a downward trend as we transition to net zero across our investment portfolio and see real world reduction in carbon emissions.

14 [The PRIMAP-hist national historical emissions time series \(1750-2023\) v2.6](#), zenodo.org, September 2025

15 The World Bank Open Data, [GDP-PPP data](#), worldbank.org

2.3 Key climate metrics and targets for business operations

For our own business operations, we report on key metrics including:

- **Energy consumption:** tracking and reporting our energy usage to identify areas for improvement and measure the impact of our energy efficiency initiatives.
- **Carbon emissions:** monitoring our carbon footprint to ensure we're on track to meet our reduction targets and contribute to global climate goals.
- **Waste management:** measuring the amount of waste generated and the effectiveness of our recycling and waste reduction programmes.
- **Water usage:** reporting on our water consumption to manage and reduce our impact on water resources.

We've set a target to reduce emissions from our offices (scopes 1 and 2) by 77% by 2029 compared to a 2019 baseline. In 2025, we achieved a 62% reduction against the same 2019 baseline (scopes 1 and 2 location-based).

An example of our targets for 2026 include:

- **Carbon emissions:** Reduce emissions from our offices (scopes 1 and 2) by 65% against a 2019 baseline.
- **Waste:** Maintain reuse at a minimum of 3%, achieve a minimum recycling rate of 46%, limit composting waste to 5%, restrict waste sent to anaerobic digestion to 15%, reduce waste sent for recovery to 30%, limit incineration to 1%, ensure zero waste to landfill, and achieve a minimum disposal accuracy of 75%.

- **Utilities:** Make sure that the consumption of electricity, gas, and water does not go beyond the levels recorded in previous years. Specifically, electricity should not exceed 2025 consumption, gas usage should not exceed the levels of 2025 (Edinburgh), 2023 (Witham), and water consumption should remain below the levels of 2025 (Edinburgh), 2023 (Witham).
- **Travel:** Don't exceed previous years' CO₂ emissions for short-haul flights, improve company fleet fuel efficiency by 1% compared to previous year, and maintain the average vehicle age of the grey fleet (personal employee vehicles used for business purposes) at 6.2 years.
- **ISO Certifications:** Maintain ISO 14001 and ISO 50001 certifications during yearly assessments or recertification audits with no major failures to meet the requirements.

3. The progress we've made against our targets

In this section we describe our key performance indicators (KPIs) that we use to track performance against the targets we've set. We've committed to a net zero by 2050 target across our default funds, general account, and operations.

Default funds

Our portfolio of default funds represents about £53 billion of assets as at 31 December 2025 and is where we have most management control in our investment estate. You can find our full approach and activities for decarbonising our default funds in our [**Climate Roadmap**](#), which is our transition plan to net zero.

In previous TCFD reports the metrics for the default funds were reported as at 30 June each year. As a result of process improvements, we can now align the reporting date of our workplace default funds to our insured estate to facilitate comparison. All metrics are now reported as at the end of December.



Aegon UK’s climate-related KPIs

Table 6 outlines our Climate Roadmap Key Performance Indicators (KPIs). Our short-term and medium-term carbon emission targets apply to emissions from listed equities and corporate fixed income only, measured using carbon footprint across our full range of default funds. Emission targets don’t apply to individual funds.

Emissions KPIs	Engagement KPIs	Investment KPIs	Tracking KPIs
Short-term targets i. 14% reductions in scope 1 and 2 over 2023-26 ii. 14% reductions in scope 1 and 2 over 2027-30 Medium-term targets iii. 50% reductions in scope 1 and 2 by 2030 Long-term targets iv. Net-zero GHG emissions in scope 1, 2 and 3 for all asset classes by 2050	i. Engage via our fund managers with companies representing at least 70% of our financed emissions (scope 1, 2 and 3) through direct or collective engagement by 2025 ii. Engage to support market-wide decarbonisation in two or more net-zero relevant industry groups/policy forums a year	i. £500 million invested in climate solutions by 2026 ii. 70% of our default funds’ AUM screened and/or optimised for ESG factors by 2026	i. Significant % increase in assets under management in net-zero aligned or aligning assets, so that 100% of assets are net-zero or aligned to net-zero by 2040 ii. Progress from engagement with fund managers based on climate outcomes and expectations

Table 6: Aegon UK’s climate-related KPIs. Source: Aegon.

Our target setting and methodologies are guided by the Paris Aligned Investment Initiative Net Zero Investment Framework 1.0¹⁶. We monitor our targets every year and review them at least every two years. Our targets can change as new data and information become available. Short and medium-term emissions targets use a 2020 baseline and cover listed equity and corporate fixed income, which represents 85.7% of our portfolio of default funds by AUM value, as at 31 December 2025.

As noted earlier, we’ve also set KPIs to measure our progress and we provide a summary of the progress on some of those here.

While our short and medium-term targets relate to scope 1 and 2 for corporate fixed income and listed equity, our

2050 net-zero commitment applies to scope 1, 2, 3 and all asset classes.

Emission KPIs: Between June 2020 (our base line year for measuring our decarbonisation journey) and December 2025, the carbon footprint of our default fund portfolio has reduced by 61.2% (scope 1 and 2 only for corporate fixed income and listed equity). This puts us on target to halve the emissions of the default fund portfolio by 2030, and we’re in a good position to exceed our 2026 emissions reduction target. Note however that year-on-year changes in asset values (EVIC) mean that the portfolio carbon footprint could increase in the future if asset values fall and as methodologies and processes evolve.

Investment KPIs: We aim for 70% of our default funds’ AUM to be screened and/or optimised for ESG factors by 2026. As at 31 December 2025, we’d achieved 84.1% and we’re on track to reach this target for 2026.

Engagement KPIs: Our first target was to engage with companies representing 70% of our financed emissions (carbon footprint for scope 1, 2 and 3) by 2025. During 2025, we were able to engage with companies representing 70.7% of our financed emissions by leveraging on our Expression of Wish process (section **5.1.2**), fund manager engagement (section **5.1**) and collaboration activities (section **5.3**).

16 IIGCC, **Net Zero Investment Framework 1.5oC Implementation Guide**, parisalignedassetowners.org, April 2021

Default fund portfolio during 2025

Table 7 tracks relevant metrics for our workplace default funds for 2023, 2024 and 2025. This information is provided for comparison with our insured estate.

Between December 2024 and December 2025, the AUM value of our default fund portfolio increased from £46 billion to £53 billion.

Similar to our insured estate, the 31.1% reduction year on year in our carbon footprint for scope 1 and scope 2 emissions over the latest year can primarily be explained by an increased allocation to companies that report lower emissions (numerator) and an increase in the EVIC value (denominator).

The scope 3 carbon footprint emission of our default fund has also decreased between December 2024 and December 2025 by an estimated 18.3% and can be explained by an increased allocation to companies with lower emissions, and an increase in the EVIC value of companies held. We also see a reduction in the absolute scope 3 emissions of individual companies.



Climate metrics for workplace default funds			December 2023	December 2024	December 2025
Assets under management			£40.8 billion	£46.1 billion	£53.0 billion
Absolute emissions metrics					
GHG emissions	Scope 1 and 2 tonnes CO ₂ e		2,828,326	3,028,678	2,190,505
	Scope 3 tonnes CO ₂ e		21,354,551	24,466,889	21,552,993
Total GHG emissions	Total (scope 1, 2 and 3) tonnes CO ₂ e		24,182,877	27,495,567	23,743,498
Emissions intensity metrics					
Carbon footprint	Scope 1 and 2 tonnes CO ₂ e /£M EVIC		54.8	49.4	34.0
	Scope 3 tonnes CO ₂ e /£M EVIC		445.9	413.7	337.9
Weighted average carbon intensity	Scope 1, and 2 tonnes CO ₂ e/£M revenue		115.8	106.9	85.0
	Scope 3 tonnes CO ₂ e /£M revenue		869.1	827.2	788.4
Portfolio alignment metric					
Implied temperature rise in degree Celsius			2.3°C	2.3°C	2.4°C
Data quality metric					
Data quality (% total portfolio)	Scope 1 and 2 emissions: Covered (%)	Estimated (%)	8.4%	7.3%	4.3%
		Reported (%)	70.9%	71.9%	83.0%
	Scope 1 and 2 emissions: Not covered (%)	No coverage (%)	20.7%	20.8%	12.7%

Table 7: Climate metrics for workplace default funds.

Source: Aegon UK/MSCI.



Business operations

Over the past year, we've continued to make progress in achieving our climate-related targets:

- **GHG emissions:** We've reduced our scope 1 and scope 2 GHG emissions by 62% compared to our 2019 baseline. This progress is because of increased energy efficiency and the adoption of renewable energy sources.
- **Energy consumption:** Electricity consumption in Edinburgh reduced by 13% from 2024 to 2025, largely due to the continued adoption of energy-saving measures and transition to more efficient technologies. Gas consumption, once weather adjusted, is in line with 2019 target.
- **Water Management:** Water consumption was set not to exceed 2022 usage and achieved a 4% improvement on target.
- **Travel:** CO₂ emissions from short-haul flights was capped at the previous year's level, and achieved a 17% reduction, supported by increased colleague uptake of rail travel as planned.
- **Waste management:** In 2025, we continued to strengthen our waste management performance through improved segregation, contractor engagement and clearer on-site guidance. We achieved 3% reuse. Recycling reached 42%, supported by better separation at source. Composting increased to 6%. Our anaerobic digestion rate was 16% and waste recovered for energy generation reached 32%. Importantly, we maintained zero waste to incineration and zero waste to landfill throughout 2025.

- **ISO certifications:** All ISO certifications (9001, 14001, 45001, 50001) were retained with no major failures to meet the requirements raised during yearly assessment audits.

These achievements show our commitment to sustainability and our ability to meet our climate-related targets.

4. Data limitations Investments

We've set up systems and processes to gather climate data and relevant insights to help guide our climate strategy. We receive climate metrics and scenario analysis for our funds from data providers but remain mindful of key limitations to current data, which include:

- Climate data and reporting of emissions is more established for listed equity and corporate fixed income, and we've set short and medium-term emission reduction targets for these asset classes. We also report emissions data for sovereign debt following the industry guidance issued by the PCAF. However, this metric differs from other asset classes as emissions reporting for sovereign debt is more complex because of the broader scope of activities financed by national governments. This limits how easy it is to make comparisons between listed equity and corporate fixed income.
- For sovereign debt, emissions for each country are allocated using Gross Domestic Product (GDP) and adjusted for purchasing power parity (PPP), as

recommend by the PCAF. GDP is a key economic indicator that measures the total value of all goods and services produced within a country. PPP allows for the comparison of the purchasing power of various world currencies to one another, and when applied to GDP it allows for a more accurate comparison of economic productivity and standard of living between countries. The GDP-PPP data is only published in US dollars (USD) and we've converted to pounds sterling (GBP) using the USD/GBP spot rate.

- We may have gaps in our data because the asset manager has not shared fund data with our data provider, or the data for the asset class we hold is limited or data is not available (for example, sub-sovereign debt, property and some private assets). We've not used any proxy data in place of unavailable data as we believe this could lead to misleading metrics.
- Whether reported or estimated, the quality of emissions data available is inconsistent:
 - MSCI uses robust processes to make sure company-reported emissions data is reliable. When companies don't report their emissions, MSCI estimates them using data from similar companies in the same industry. However, because there's no standard auditing or regulation across industries, some inconsistencies may occur.
 - We know that reliable scope 3 emission reporting won't be available in the short-term. While the disclosure of scope 3 emission data is improving, there are differences in what similar sector companies report on, what a single company chooses to include in their reported emissions from one year to another, the consistency of approach and risk of double counting

when company scope 3 emissions are aggregated, and how complete the scope 3 emissions are.

- Limitations specific to scenario analysis are addressed in the '**Strategy**' section of this report.

In summary, we recognise that the methods used to measure carbon emissions in investments and associated climate disclosure requirements will evolve. We expect that the data we report may change in the future, in line with regulations and market best practice.

We'll continue to work with our fund managers and data providers to help improve the data we have access to, ultimately driving our climate insights and decision-making.

Business operations

While we strive for accuracy and transparency in our reporting, we acknowledge certain data limitations:

- **Data availability:** In some cases, data collection is challenging because of the lack of standardised reporting mechanisms across our operations. This can lead to incomplete or inconsistent data.
- **New reporting streams:** Reporting for certain categories, specifically refrigerant gas emissions from refrigeration and HVAC systems, and diesel consumption associated with the backup generators, commenced in 2025. As a result, historical comparability for these metrics is limited.
- **Estimation methods:** For certain metrics, such as scope 3 GHG emissions, we rely on estimation methods that may introduce uncertainties. We're continuously working to improve the accuracy of these estimates.

- **Temporal variability:** Climate-related data can be influenced by seasonal and yearly variations, which may affect the comparability of year-on-year data.

- **Technological constraints:** The availability and implementation of advanced monitoring technologies can vary across our operations, affecting the precision of our data.

We're committed to addressing these limitations by enhancing our data collection processes, investing in advanced monitoring technologies, and standardising reporting practices across our operations.



Other notable targets

General account

Our general account covers the assets that Aegon UK as a company invests in on behalf of its shareholders. General account assets are recognised on Aegon’s balance sheet. In 2021, Aegon Ltd signed up to the Net-Zero Asset Owners Alliance (NZAOA), with a commitment

to reduce the weighted-average carbon intensity of corporate bonds and listed equity held in the general account by 25%, by the end of 2025, relative to 2019 levels. Directly owned assets in Aegon UK are small relative to the rest of Aegon Group and are forecast

to decrease over time. In 2025, all new bond investments in the Aegon UK general account were completed in-line with our Environmental, Social and Governance (ESG) criteria.



Looking ahead

Investments

We continue to make good progress in reducing portfolio carbon footprint (scope 1 and 2 tCO₂e/£m invested using enterprise value including cash values (EVIC)). This reduction in carbon footprint also resulted in reduction in total carbon emissions (tCO₂e), driven mostly by a reallocation to less emitting assets.

We’re aware that changes in weight allocations (Environmental, Social and Governance (ESG) integration) are reducing our investment portfolio’s carbon footprint, but so are other factors outside of our control, for example an increase in the denominator (higher EVIC values for some sectors). Growing absolute emissions also underscores the importance of the following ongoing activities:

Being clear about the external dependencies of our Climate Roadmap

The companies that we invest in don’t operate in isolation. Each is part of a wider ecosystem and the rate at which they (and therefore our investment portfolios) can reduce their greenhouse gas (GHG) emissions is determined by factors such as the availability and cost of low carbon alternative energy sources, supply chain opportunities, demand from customers and importantly the regulatory environment in which they operate. Explaining the external dependencies of our Climate Roadmap decarbonisation target remains critical.

Stewardship work and our policy advocacy

For the reasons stated above, a supportive climate policy environment is critical to enable an orderly transition. As a major UK asset owner, Aegon UK plays an important role in advocating for suitable climate and sustainability regulation in the UK and overseas. We’re working with established climate advocacy groups like the Institutional Investors Group on Climate Change (IIGCC) and the Net Zero Asset Owners Alliance (NZAOA) together with other Aegon group companies to leverage our voice and scale.

Understanding climate change physical risks

The main signs of climate change are indicating continued deterioration. While regulatory and transition risk from climate change may be temporarily reduced, the increasing number of extreme weather events means that we must consider the physical impacts of climate change that are impacting many of the companies that we invest in today.

Understanding the physical impacts of climate change on portfolios is complicated and evolving. We’ll continue to challenge our fund managers to understand how they’re considering climate physical risk in their investment decision-making and stewardship activities. We’d expect that climate scenario analysis tools will better reflect physical risk as they incorporate geospatial data and artificial intelligence.

Real-world emission reductions

Our plans to extend our private markets investment approach into our second-largest workplace default, Aegon Lifepath, will provide pension fund investors access to an asset class not previously available to them, diversification benefits, and the opportunity for real-world emission reductions via investing in infrastructure and forestry. We expect the opportunity to invest in private markets to evolve further with our commitment as a signatory to the Mansion House Compact.

Business operations

Looking ahead, we will focus on enhancing operational efficiency through advanced analytics and automation to reduce energy use, minimise waste and optimise resources.

We’ll continue to invest in resilience projects to safeguard our operations against climate impacts, upgrade infrastructure, and develop contingency plans. By fostering a sustainable supply chain and investing in innovative technologies, we aim to achieve our climate goals and contribute to a greener economy. Specific, measurable targets will guide our progress, ensuring transparency and accountability in our journey towards sustainability.

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