



Aegon UK

# Climate Roadmap

Our transition plan to net zero

2022



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# Glossary

## Biodiversity

Diversity within species, between species and of ecosystems.

## Default fund

A type of lifestyle fund that members of a pension scheme are automatically invested in, if they don't choose to select their fund(s) when they join the scheme.

## Double materiality

This takes into consideration a company's impact on society from our financial portfolio, as well as how climate-change risks will affect the company's financial value.

## Ecosystem services

The benefits people obtain from ecosystems, for example climate regulation, food or recreational uses.

## Fiduciary duty

How we take care of our customers' money by considering all long-term investment value drivers in the investment decision-making process, including environmental, social and governance (ESG) factors.

## Just transition

'Greening' the economy in a way that's as fair and inclusive as possible to everyone, creating decent work opportunities and leaving no one behind.

## Pathways

A set of emissions and technology-reduction trajectories that can be used to evaluate progress and targets of investments against the goal of global net-zero emissions.

## Physical risks

Financial losses resulting from more frequent or severe weather events that damage physical assets like infrastructure, buildings and supply chains.

## Real economy

The production and flow of goods and services in the economy from all non-financial firms.

## Scope 1 and 2 greenhouse-gas (GHG) emissions

Scope 1 emissions are direct GHG emissions that occur from sources owned or controlled by the company. Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting company. Aegon UK's operational net-zero commitment covers our scope 1 and 2 emissions.

## Scope 3 GHG emissions

All other indirect GHG emissions, not included in scope 2, that occur in the value chain of the reporting company. Our net-zero, workplace-default commitment focuses on scope 3, the financed emissions from our investments.

## Stewardship

The responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

## Transition risks

Political, legal, technological, market-related and reputational risks coming from the low-carbon transition.

## Net-zero portfolio

A portfolio that doesn't generate any GHG emissions, aligned with the goals of the Paris Agreement of keeping global temperature to well below 2°C and preferably 1.5°C.

## Universal owner

An asset owner that owns a representative portion of the economy, so is exposed to systemic risks like climate change.

# Foreword

In 2019 we committed to net-zero greenhouse gas (GHG) emissions for our pension default fund range by 2050, and to a 50% reduction in emissions by 2030\*, following scientific consensus. We know that sustainability, and specifically climate change, is a top priority for our customers and I'm proud to introduce our first climate transition plan – our climate roadmap. This roadmap provides an overview of our progress so far and our vision for the future. It focuses on taking decisive action now to ensure our customers' assets are responsibly invested in the context of climate change. The fact that global temperatures seem likely to exceed 1.5°C spurs our business further to use our pension and investment expertise for good. The way we invest impacts and can benefit the world around us: by 2050 we hope not only to have a greener portfolio, but more importantly, a greener portfolio in a greener world.

At Aegon, our purpose is helping people live their best lives. One way we embody this purpose is by investing assets responsibly so our customers can enjoy the environment they live in when they benefit from their savings. The journey to net zero is not easy but I'm encouraged by partnerships and collaboration across the industry to drive systemic and ambitious change.

## Mike Holliday-Williams

Chief Executive Officer, Aegon UK

As a large asset owner in the UK<sup>2</sup> we have both the opportunity and a responsibility to play an active role in the fight against climate change. We believe that this isn't just an environmental issue, but one that's central to the future financial wellbeing of our customers.

Our roadmap shows how we're embracing change to succeed in the net-zero transition, starting with the £34 billion invested in our default funds. This is where we have most management control in our estate and where customers expect us to manage risk, including climate risk, on their behalf. Our climate roadmap is an essential part of our forward management of our investment estate. I'm hopeful that, by being transparent about our climate targets and progress, we'll inspire others to do the same and increase accountability in the pensions industry.

## Tim Orton

Chief Investment Officer, Aegon UK

The Net Zero Investment Framework is the most widely utilised framework by investors that have set net zero commitments to date. It is intended to support not only target setting, but transition planning too, and Aegon UK's climate roadmap uses it in a thoughtful and holistic way. This includes setting short, medium, and long-term targets to monitor the progress of its transition activity.

Aegon UK clearly recognises that investing responsibly in the face of climate change is a key part of fulfilling its fiduciary duty to its clients. While the most crucial aspect of achieving net zero is implementation, a credible plan is the vital first step. Aegon's climate roadmap clearly signposts the steps it must take to achieve net zero and lays down the groundwork to achieving them.

## Stephanie Pfeifer

CEO, The Institutional Investors Group on Climate Change (IIGCC)

<sup>2</sup> [About Aegon UK](#)

\*Measured using carbon footprint across our full range of default funds. Emissions targets don't apply to individual funds. 2030 target applies to scope 1 and 2 emissions from listed equities (shares) and corporate fixed income (bonds) only.

# Introduction

The scale and urgency of the climate crisis was clearly set out in the Intergovernmental Panel on Climate Change (IPCC) report, in which 234 of the world's leading scientists, drawing on 14,000 different studies, concluded with high confidence that the climate crisis is a 'code red for humanity'.<sup>2</sup> Climate-action failure is the number one long-term threat to the world, already rapidly showing in the form of extreme weather events and species loss.<sup>3</sup> It's clear the world is not on track to meet the goal of the 2015 Paris Agreement: to keep global average temperature to well below 2°C above pre-industrial levels, ideally 1.5°C.<sup>4</sup>

As indicated by IPCC scientists, the earth's surface has already warmed by 1.2°C since 1850-1900. In addition, multiple planetary thresholds have been crossed, which increases the likelihood of large-scale abrupt or irreversible environmental changes, referred to as tipping points.<sup>5</sup> The consequences of climate change are far-reaching and interconnected; mitigating and adapting to climate change requires an unprecedented scale and pace of systemic change. Despite mounting public- and private-sector commitments, our planet is still anticipated to warm by 2.7°C by 2100.<sup>6</sup>

## **Financial consequences of climate change are significant and pressing - the United Nations refers to a closing window for transforming our societies.**

As a long-term savings provider, responsible investing is core to what we do. Our fiduciary duty includes helping to make sure our customers' assets are responsibly invested in the face of climate change, supporting the outcomes customers need to enjoy their pensions and savings.

In doing so, we consider both the long-term financial stability of assets given climate-change risks and the impact that

our investments have on the wider portfolio, environment and society.

We also have a responsibility to use our size and our investments to support the shift towards a net-zero economy, avoiding both the most catastrophic effects from climate change and exacerbated inequalities arising from a disorderly climate transition.

Rising temperatures could reduce global gross domestic product by 14% by 2050.<sup>7</sup> Acting now in the 2020s will help to avoid a sudden contraction of the economy due to climate change, compared with taking action later in the 2030s.<sup>8</sup> While the downsides of climate change are stark, the transition to a lower carbon and more circular economy is bringing significant financial opportunities to generate green jobs and financial returns. For instance, research has shown that a rapid green-energy transition will likely result in overall net savings of trillions of pounds, compared with continuing with a fossil-fuel-based system.<sup>9</sup> So we believe that the energy trilemma (the cost of energy, energy security and rising carbon) can be addressed through bold and accelerated climate action.

A just transition towards net zero is financially sound, more equitable and is already on the agenda of business and governments. Policymakers, including the UK and Scottish governments, are already looking to make sure that all parts of the economy are aligned with the necessary transition to net zero, with a clear focus on the financial sector.<sup>10</sup>

We support the UK and Scottish governments' net-zero target and associated strategy through increasing our climate financial disclosures, expanding our level of ambition around net zero and being supportive of green policy developments.

This roadmap outlines our transition plan to get to net zero; its content was informed by the Paris Aligned Investment Initiative Net Zero Investment Framework 1.0. While climate change impacts all of our business in different ways, our transition plan focuses on Aegon's workplace default funds, where our carbon impact is most material and our opportunity to influence change is the greatest. We continue to develop our emissions reductions across our operational activity and general account. General account investments are those where the financial risks are not borne by our customers but by our shareholders. We have control over how these assets are invested.

Please see the [\*\*Appendix\*\*](#) for information on our net-zero commitment across our operations and general account.

2 [\*\*Climate Change 2022: Impacts, Adaptation, and Vulnerability\*\*](#), Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, IPCC, 2022

3 [\*\*The Global Risks Report 2022\*\*](#), 17th Edition, World Economic Forum, 2022

4 [\*\*The Closing Window - Climate crisis calls for rapid transformation of societies\*\*](#), United Nations Environment Programme, 2022

5 [\*\*Planetary Boundaries: Exploring the Safe Operating Space for Humanity, Ecology and Society\*\*](#), Johan Rockström et al, 2015

6 [\*\*The CAT Thermometer\*\*](#), Climate Action Tracker, November 2021

7 [\*\*The economics of climate change: no action not an option\*\*](#), Swiss Re Institute, April 2021

8 [\*\*2021 Climate Biennial Exploratory Scenario \(CBES\)\*\*](#), Bank of England, May 2022

9 [\*\*Empirically grounded technology forecasts and the energy transition\*\*](#), Joule, Way et al, September 2022

10 [\*\*Net Zero Strategy: Build Back Greener\*\*](#), Department for Business, Energy & Industrial Strategy, October 2021

# Strategy overview

## Climate investment principles

As a long-term investor guided by responsible-investment beliefs, we're in a strong position to respond to the challenges of climate change. We follow the definition of fiduciary duty from the United Nations Principles for Responsible Investment (UN PRI) when setting our decarbonisation targets. The UN PRI states that investors are required to incorporate all value drivers, including sustainability risks and opportunities, in investment decision-making. 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'.

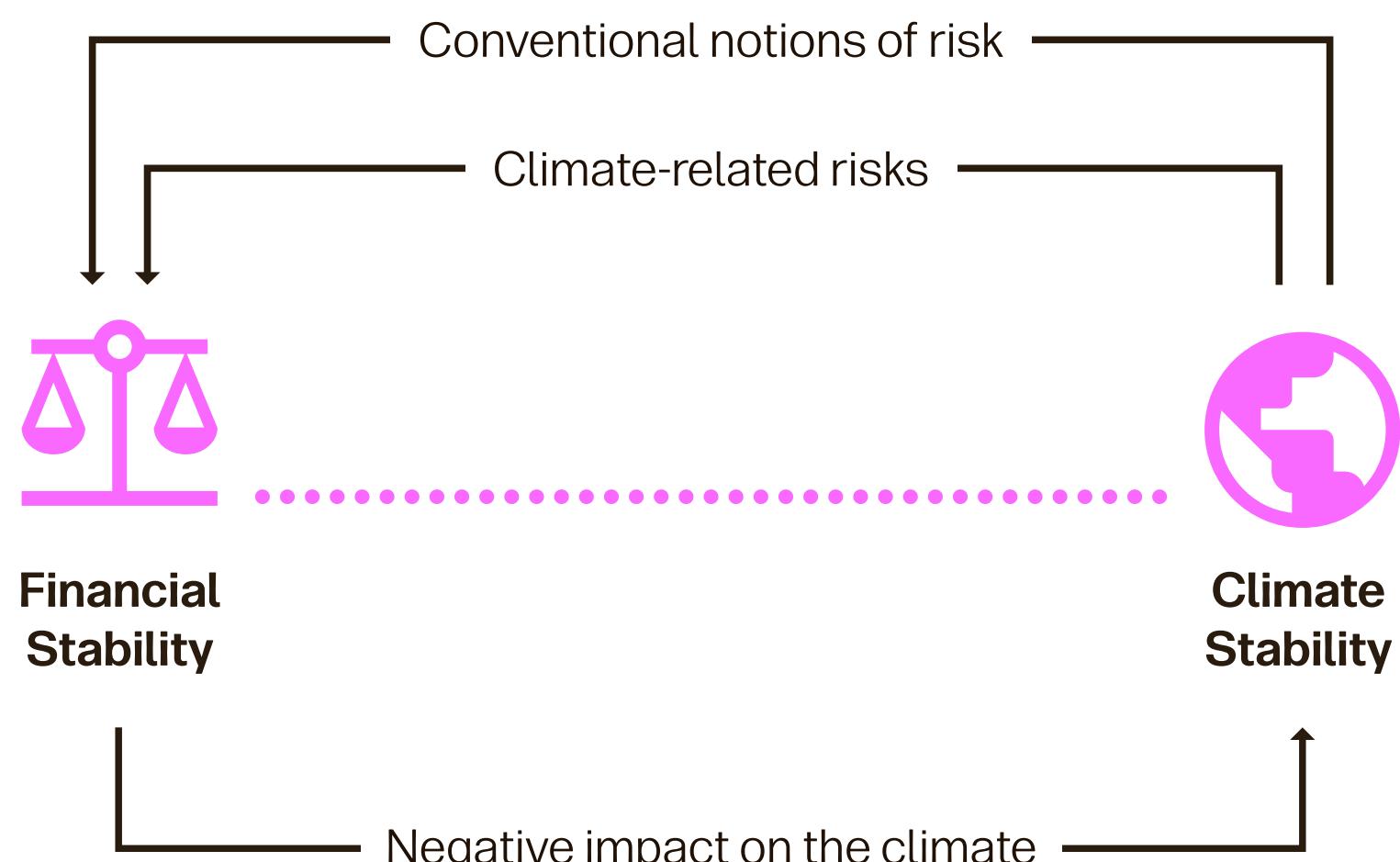


Figure 1 – Illustration of double materiality for the financial sector

## Our climate roadmap follows three broad principles:

- 1 **Climate-change mitigation and adaptation is complex.** We measure GHG emissions but don't solely focus on emissions to assess and manage climate risks and opportunities. The financial sector has heavily focused on GHGs as indicators to measure both risk and progress on climate-change mitigation. As well as tracking GHG emissions across our portfolio, measured in a carbon dioxide equivalent basis, we also consider other economically and socially significant climate change factors. Climate change exacerbates problems stemming from the pressures humans are putting on the natural world and the ecosystem services we depend on – like the availability of clean freshwater and the pollination of foods. We assess nature risks and opportunities in our portfolio, paying particular attention to mass biodiversity loss and related material issues, like deforestation. We're also engaging with our fund managers on how they're ensuring a just transition, making sure no groups are left behind as we transition to a lower-carbon economy. We've also started considering the relevance of climate justice and equity in the pensions sector.
- 2 **Double materiality is core to our net-zero strategy and how we consider other climate-related topics. We follow the concept of double materiality, assessing both the biggest impacts climate change has on portfolios and the significant impact our portfolio has on nature, climate and society.** Double materiality considers a company's impact on society in our financial portfolio, as well as how climate-change risks will affect the company's financial value. Over time, companies that have a negative environmental impact will contribute to increased global temperatures and the climate crisis and, in turn, reduce the value of assets in our portfolio. Not considering double materiality today means more difficult decarbonisation later on.
- 3 **We look for 'real' economy outcomes rather than divesting our portfolio away from climate-change risks and issues. This means we make long-term decisions to decarbonise our portfolio, focusing on real-world changes.** As an asset owner, our ability to drive real-world changes lies in our engagement with our fund managers, which is why we drive the changes required through engaging and collaborating with our fund managers. We also anticipate that policy and industry advocacy will become a more prominent part of our climate strategy in the years to come. Policy and market changes are particularly relevant to our strategy: as a universal owner our portfolio cannot fully decarbonise without markets moving towards net zero. Finally, we haven't used carbon offsets to progress towards our net-zero target for our default portfolio. Instead, we're focusing our work on the need to rapidly decarbonise all economic activities.<sup>11</sup>

<sup>11</sup> As per industry guidance (Net Zero Asset Owner Alliance Target Setting Protocol Third Edition and IIGCC [Paris Aligned Investment Initiative Net Zero Investment Framework 1.0](#)) we are not using offsets at a portfolio level to meet our emissions reductions targets.

# Our net-zero transition plan

**Delivering climate action and allocating capital to a low-carbon transition, while ensuring risk-adjusted returns for our customers, is challenging. Our climate strategy has three pillars, supported by nine practical actions. These actions are underpinned by a set of activities and targets that will enable us to deliver our nine-point transition plan.**



## Align with science and industry best practice

**Aligning the default portfolio with the Paris agreement to reach net zero emissions by 2050**

1. Setting short- and medium-term targets
2. Using pathways for decarbonisation
3. Reviewing strategic asset allocation



## Increase responsible investments in the context of climate change

**Increasing responsible investments to support climate change mitigation/adaptation and the low-carbon transition**

4. Increasing investments in assets aligning to net zero
5. Increasing investments in climate solutions



## Engage for long-term value and systemic change

**Engaging with fund managers and the wider market to increase concrete climate ambition and action**

6. Partnering with fund managers and data providers to decarbonise our portfolio
7. Supporting climate policy regulation
8. Collaborating with industry groups to collectively reach net-zero
9. Engaging with customers and advocating for their financial wellbeing

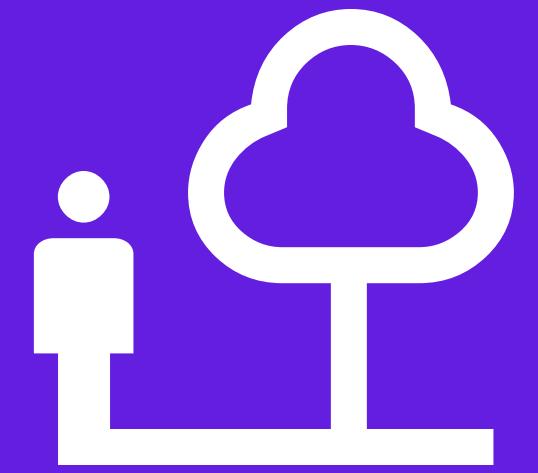
Table 1 - Our three-pillar climate strategy and nine-point transition plan

Our target setting and methodologies are guided by the [Paris Aligned Investment Initiative Net Zero Investment Framework](#). We monitor them annually and review them at least every two years. The targets might 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, representing 84% of our default funds, excluding cash.

Emissions targets	Engagement targets	Investment targets	Tracking targets
<b>Short-term targets</b> (1) 14% reductions in scope 1 and 2 over 2023-26* (2) 14% reductions in scope 1 and 2 over 2027-30*	(1) 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  (2) Engage to support market-wide decarbonisation in two or more net-zero-relevant industry groups/ policy forums a year	(1) £500 million invested in climate solutions by 2026  (2) 70% of our default funds' assets under management screened and/or optimised for ESG factors by 2026	(1) 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  (2) Progress from engagement with fund managers based on climate outcomes and expectations
<b>Medium-term target</b> (3) 50% reductions in scope 1 and 2 by 2030*			
<b>Long-term target</b> (4) Net zero GHG emissions in scope 1, 2 and 3 for all asset classes by 2050			

Table 2 - Aegon UK's climate-related targets

\*Measured using carbon footprint across our full range of default funds. Emissions targets don't apply to individual funds. Short-term and medium-term targets apply to scope 1 and 2 emissions from listed equities (shares) and corporate fixed income (bonds) only.



# First pillar

Align with science and industry best practice

## Action 1 – Setting short- and medium-term emissions targets

We've been tracking our investments' emissions for our default funds since 2019, **when we set a medium target, committing to net-zero greenhouse gas emissions for our pension default fund range by 2050 and to a 50% reduction in emissions by 2030\***. Carbon footprint is defined as tons of CO<sub>2</sub> equivalent per million pounds invested, calculated using enterprise value including cash (EVIC).

We reduced our investments' carbon intensity for scope 1 and 2 emissions by 23% for listed equity and corporate fixed income between 2020 and 2022, supported by the introduction of ESG screens and tilts. We've set two four-year, short-term scope 1 and 2 targets at portfolio level, for listed equity and corporate fixed income. **We target reducing scope 1 and 2 emissions by 14% between 2023-26 and another 14% between 2027-30, against a 2020 baseline.<sup>12</sup>**

<sup>12</sup> Although we've been tracking emissions since 2019, EVIC data isn't available from our data provider MSCI for 2019 to calculate our scope 1 and 2 carbon footprint using EVIC. Using EVIC is recommended by regulatory and industry guidance to calculate the carbon footprint of listed equity and corporate fixed income.

\*Measured using carbon footprint across our full range of default funds. Emissions targets don't apply to individual funds. Our short-term and medium-term targets apply to scope 1 and 2 emissions from listed equities (shares) and corporate fixed income (bonds) only.



### Carbon footprint

Defined as tons of CO<sub>2</sub> equivalent per million pounds invested, calculated using EVIC

### 23% emissions' reduction so far

### 50% emissions' reduction projected by 2030

### Net-zero emissions

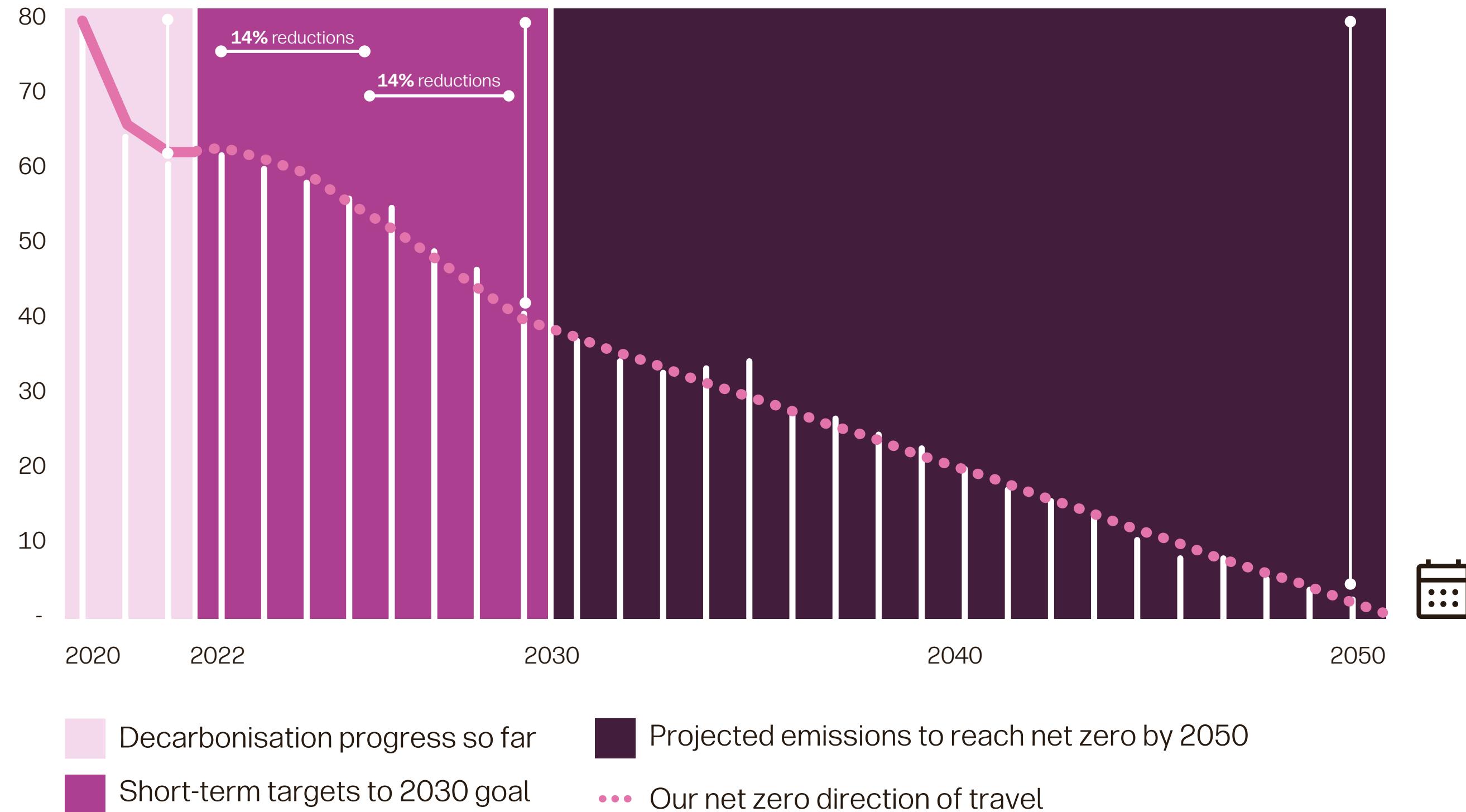


Figure 2 – Our 2020 emissions intensity baseline, progress so far for scope 1 and 2 emissions, and expected reductions required to reach net zero<sup>13</sup>

<sup>13</sup> Climate data is supplied by MSCI and based on available funds and available scope 1 and scope 2 emissions reported, verified or estimated, for June 2022. It's likely to change notably in the coming years.

**As our understanding of the default funds' emissions increase, and decarbonisation methodologies improve, we expect to:**

- Review opportunities to set more granular sectoral and regional targets, informed by decarbonisation pathways
- Expand targets beyond listed equities and corporate fixed income, including sovereign bonds and real estate
- Set specific targets to reduce the most material sources of emissions, scope 3, once reported data becomes more widely available and the quality of scope 3 estimates improves

Our aim is to achieve net-zero GHG emissions by at least 2050 for scope 1, 2 and 3 of our entire default portfolio.

## Action 2 – Using pathways for decarbonisation

Pathways are a set of emissions and technology-reduction trajectories that can be used to evaluate progress and targets of investments against the goal of global net-zero emissions. Decarbonisation pathways are a helpful tool for us to assess the alignment of assets, set portfolio targets accordingly and measure progress against these.

We support keeping global warming to 1.5°C with net zero by 2050, which guides the shape of decarbonisation needed for our portfolio. We expect our fund managers to assess and use decarbonisation pathways and to contribute to the development of such approaches. We engage with fund managers where they might not already be using a credible decarbonisation pathway or where the investments they manage materially deviate from net-zero pathway models.

While we recognise that granular sectoral and regional pathways will be further developed and standardised, we seek to take advantage of modelling capabilities and industry guidance that's already available.

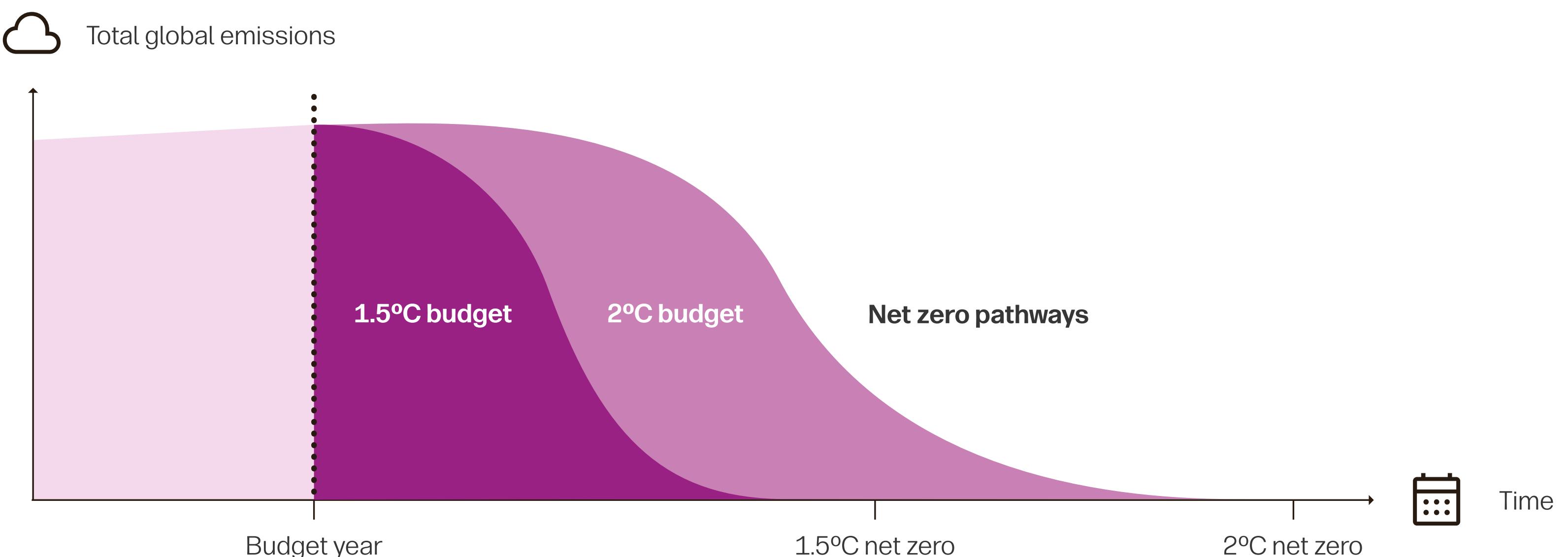


Figure 3 – Illustrative global net zero pathways for different carbon budgets

### Action 3 – Reviewing strategic asset allocation

We already integrate ESG factors into our default funds through optimisation, paying particular attention to climate factors and associated carbon emissions. But we know that optimisation through tilts and screens isn't enough to reach net zero.

Traditional financial considerations need to be complemented with climate considerations in our strategic asset allocation to set our default portfolio on a course towards net zero by 2050.

Over time we'll work to review opportunities and constraints to achieving net zero, and to improve our net-zero alignment through strategic asset allocation. This means reviewing our capital-market assumptions and asset class mix with a climate risk and opportunity lens, while maintaining an appropriate level of diversification and risk-return profile for our customers. We'll also consider the role that alternative asset classes, like private markets, can play to meet our net-zero commitment.

The passive equity components of our default funds that have transitioned to a range of screened and ESG- optimised indices apply a set of exclusions, including a baseline exclusion list for thermal coal and oil sands. For example, ESG index exposure was first added to LifePath in June 2019, ultimately moving 80% of early growth-stage assets to ESG tilts and screens. LifePath is one of our key default funds. As a result, since 2019 levels, the sales carbon intensity<sup>14</sup> of the LifePath Flexi Early Days funds declined by 23% and the LifePath Flexi At Retirement funds declined by 28%.

<sup>14</sup> Measured as scope 1 and scope 2 tons of CO2 equivalent per million US dollars of sales





# Second pillar

Increase responsible investments in the context of climate change



## Action 4 – Increasing investments in assets aligning to net zero

We're tracking the proportion of investments invested in net-zero, and net-zero aligned or aligning assets, with a view to significantly increasing it over time.

### We're targeting:

- **Having 100% of our default fund assets net zero or aligned to net zero by 2040**
- **Having 70% of our default funds screened and/or optimised for ESG factors by 2026<sup>15</sup>**

We're taking action to progress this 2040 commitment through our fund-manager engagement activities, industry participation and collaboration with our data providers. £15.6 billion of assets in our default portfolio have already been screened and/or optimised for ESG factors. We know that plans need to be made well in advance to achieve net zero by 2050 and so we expect to set more net-zero alignment targets in the near future. We'll continue to work with our climate data providers to improve methodology for calculating net-zero alignment and associated data available for our portfolio.

## Action 5 – Increasing investments in climate solutions

We know that, as well as decarbonising public-market portfolios, achieving global net-zero emissions by 2050 requires investments that directly support the transition to a low-carbon economy.

### We're doing our part to support the low-carbon transition by having a £500 million target for climate-solutions investments by 2026.

Climate solutions are defined as investments that directly and substantially contribute to climate-change mitigation or adaptation.<sup>16</sup> The Paris Agreement is likely to require over \$120 trillion of investments into climate solutions to 2050, mainly coming from the private sector.<sup>17</sup> Climate solutions cover a range of sectors and activities, for example renewable energy, electric vehicles or green buildings. They represent an opportunity to capitalise on the attractive returns that the transition to a low-carbon economy might bring.

We'll review our investment in climate solutions in line with investment trajectories based on net-zero pathways. Over time, we'll consider increasing our allocation to climate solutions, subject to fiduciary and regulatory constraints.

<sup>15</sup> Growth stages, excluding cash where ESG factors don't apply

<sup>16</sup> [Target Setting Protocol](#), Second edition, Net Zero Asset Owner Alliance, January 2022

<sup>17</sup> [Climate Investment Roadmap](#), IIGCC report, 2022





# Third pillar

Engage for long-term value and systemic change

## Action 6 – Partnering with fund managers and data providers to decarbonise our portfolio

**1. Fund managers** – Working with our third-party fund managers is key to the delivery of our climate roadmap, especially as a significant part of our assets are invested in pooled funds that they directly manage. Climate is already one of the key responsible investment topics we assess when we select, monitor and engage with our fund managers.

Our **responsible investment policy** also includes minimum climate expectations, like having a net-zero target, and we review it every year. Our **stewardship policy** sets out our climate engagement principles and guidelines for fund managers on climate topics, engagement outcomes and collective engagement. We also have dedicated engagement with our fund managers to monitor and drive progress towards net zero. We meet at least annually, and more frequently with strategic partners.

**We track progress from our engagement with fund managers based on climate outcomes and our expectations. We've set a target for fund managers to engage with companies representing at least 70% of our financed emissions through direct or collective engagement by 2025.<sup>18</sup>**

**2. Data providers** – Data providers support financial markets with setting and tracking their net-zero transition plans. We engage with our data providers to continually improve the climate data quality and availability, to support our target setting and monitoring for this roadmap.

Material data gaps that we hope to see further progress on in the market include:

- Increasing data coverage of climate data
- Improving methodologies for different asset classes
- Improving decarbonisation pathways and climate scenarios
- Expanding data collection and insights beyond emissions, for example on biodiversity and nature loss

Climate-related data is rarely complete, but we continue to act because of the urgency and the risks associated with unmitigated climate change.

18 Defined as carbon footprint using EVIC for scope 1, 2 and 3 emissions





## Action 7 – Supporting climate policy regulation

Policy and regulation will play a critical enabling role in making sure markets move towards net zero by 2050. We're ready to play our part to support the UK's legally binding commitment to net zero by 2050.

Sustainable finance and investment policies and regulations have dramatically increased over the past 10 years and this trend is set to grow.<sup>19</sup> This reflects the recognition that, to transition to a lower-carbon economy, our financial system must also transform. While most of the finance for this transition will need to come from the private sector, it can be enabled and accelerated through robust and continued government guidance and legislation.

- 1. Supporting climate disclosures** – We support increasing climate disclosures and adopting a green taxonomy. We're also encouraged by the amount of new information made available by companies and financial institutions. Although climate reporting can be resource-intensive, we believe that investors need accurate and up-to-date information to unlock better management of climate risks and opportunities. This is why we'll continue to support climate-disclosure regulations that are aligned with science and focused on outcomes.  
We published our first Task Force on Climate-Related Financial Disclosures (TCFD) report ahead of mandatory disclosure deadlines in 2022. Because of the complexity of different reporting frameworks, we welcome the new International Sustainability Standards Board (ISSB), which we hope will bring more comparability in the market. We're also encouraged by the development of frameworks that complement climate disclosures, like the Taskforce on Nature-related Financial Disclosures (TNFD).
- 2. Calling for net-zero aligned regulation** – For us to meet our own net-zero commitment, we also need governments to increase the level of climate ambition by implementing short- and medium-term climate policies. Bold policies will allow more capital to flow towards assets aligned or aligning to net zero, and facilitate and accelerate decarbonisation, for example through carbon pricing. We support ambitious policy and regulation and take part in government consultations and engagement with regulators on climate where possible, including through collaborative and industry groups.

<sup>19</sup> [Regulation database](#), UN PRI, April 2022

## Action 8 – Collaborating via industry groups to collectively reach net zero

Climate change is a global issue that transcends individual business strategies and requires cooperation at local, national and international levels. We work towards addressing systemic issues such as climate change through collaboration.

Industry advocacy is one of our key levers to catalyse change across the market and fulfill our net-zero goals. **We have a target of engaging with two or more net-zero-relevant industry groups or policy forums each year to encourage market-wide decarbonisation and raise standards across the industry.** We choose to participate in collaborative engagement activities where there are clear objectives, roles and outcomes, and where we believe we can have the most impact and additionality in driving positive change.

We advocate for change in three main ways:

**1. Supporting industry guidance** – One of the strengths of industry collaboration is the ability to pool resources to produce best-practice guidance. By participating in industry groups, we provide input, and test and seek to leverage industry guidance and standardised practices. As a result, we aim to support the development of more consistent reporting across the financial industry, as well as challenge the industry to accelerate the transition to net zero.

2. **Driving collective engagement** – We're particularly supportive of industry groups that coordinate high-level agendas for fund managers or companies. We believe engagement is more likely to be successful if different stakeholders coordinate requests. We're also careful to focus our resources on the most material issues and where we can make the most difference. Because of this, we consider where adding our voice to collective engagement will be significant to our portfolio and where we can support collective engagement but aren't best placed to lead.
3. **Taking part in industry consultations** – We respond to consultations organised by industry groups with a view to supporting bold advocacy and action that's consistent with our net-zero goals. We share our perspective as an asset owner and platform provider so that gaps and opportunities along the financial value chain can be better addressed.

## Action 9 – Engaging with customers and advocating for their financial wellbeing

We want to help people make the most of their time on the planet and leave it a little better than they found it. We believe that taking climate action, reducing emissions and working towards net zero by 2050 will increase the financial resilience of our customers' investments to climate shocks, such as extreme weather events.

Our climate roadmap is informed and guided by our customers' interests and views. Over 70% of our customers agree climate change is an important risk when investing.<sup>20</sup> Specifically, we found that about two-thirds of our customers are concerned about droughts and wildfires, deforestation and high temperatures. Customers are also noticing climate-change patterns, with 69% noting more heatwaves, for example. Also importantly, over half say long-term return is the most important factor when considering how to invest their pension, in preference to minimising short-term costs.

These responses, showing our customers' concerns about climate change, are aligned with other UK consumer-research findings. For example, the FCA found that over 81% of UK adults with retail investments or a defined-contribution pension would like their money to be invested in a way that does some good as well as providing them with a financial return.<sup>21</sup> Our climate roadmap rests on the belief that a climate-resilient future will benefit our clients' financial wellbeing and their ability to enjoy their savings. We'll continue to monitor our customers' views on responsible investment and climate change, as a key input to our nine-action transition plan.

20 Aegon customer panel, sample size of 1,200 Aegon UK Customers, August 2022

21 Financial Lives 2022 Survey, Data source, Financial Conduct Authority, May 2022

# Appendix

## Climate roadmap governance

Our efforts to address climate change are supervised by the Aegon UK Group Board, which oversees our approach to sustainability and stewardship, and in particular our responsible-investment and stewardship commitments. This includes Aegon's net-zero commitments, our climate roadmap and the long-term resilience of the Aegon UK business with regards to climate change.

- The Aegon UK Group Investment Committee (GIC) has oversight of the responsible-investment approach as it relates to Aegon UK strategy, including responsible-investment and climate-strategy implementation and stewardship activities. The GIC will:
  - Review and recommend to the Aegon UK and Aegon NV Boards strategies related to responsible investment and climate
  - Input on setting and reviewing targets for our climate roadmap
  - Make recommendations to the Board Risk and Capital Committees regarding our responsible-investment policy, including manager expectations on the management and mitigation of climate risk

- The Board Risk and Capital Committees oversee alignment of responsible-investment execution with Aegon UK's risk-management framework, including continuous monitoring of environmental and climate risks.
- The Management Investment Committee (MIC) reports to the Aegon Group Executive Committee and is responsible for reviewing our approach to responsible-investment strategy, policies and reporting. The MIC is supported by a Responsible Investment Steering Committee, which is tasked with giving a steer on critical climate developments, chaired by our Chief Investment Officer.
- The UK Sustainability Board, chaired by the General Counsel, coordinates the business sustainability approach. It provides updates to, and receives direction from, the Aegon Group Sustainability Board.
- The Aegon Master Trust Investment Sub Committee reviews the roadmap as it applies to the Aegon-owned default funds in the Aegon Master Trust.

Our Responsible Investment Working Delivery Group co-ordinates ongoing climate roadmap implementation. This group includes business representatives from our Investment Proposition, Portfolio Management, Fund Governance, Investment Operations, Investment Marketing, Business Assurance, Finance, Legal and Distribution teams. All investment professionals at Aegon UK have a sustainability-related performance objective, many of which directly support our net-zero transition plan.

Our climate roadmap aligns with and supports our local UK and wider Group sustainability roadmaps, outlining how we'll further integrate sustainable practices across our business leading up to 2025. The Aegon Responsible Investment team manages day-to-day implementation, while the MIC and UK Group Board review progress every year.



### Aegon UK Group Board

Chaired by Non-Executive Director



### Group Investment Committee

Chaired by Non-Executive Chairman



### Management Investment Committee

Chaired by Chief Financial Officer



### Aegon UK Responsible Investment Steering Committee

Chaired by Managing Director Investment Solutions



### Responsible Investment Programme Working Delivery Group

Chaired by Head of Responsible Investment

Figure 4 – Organisational diagram of Aegon UK's climate governance

# Other net zero commitments

## Going net zero across our operations

We're on a path to reducing emissions across our operations, with the ambition of becoming net zero operationally by 2050. As an interim target, we've committed to reducing emissions across our real-estate operations by 25% by 2025, in line with Aegon Group's sustainability strategy.

Here are some areas where we're already making strides towards a more sustainable business:

- We purchase 100% certified renewable electricity and have reduced spend from travel by around 50% since 2019.
- We recycle over 80% of our waste streams. Our food waste is either composted or goes to biomass. We also support local biodiversity by having beehives, fruit trees and wild flower areas.
- Our Property Services team continues to improve efficiency across energy consumption, waste management and travel.
- We're incorporating circular-economy practices while expanding procurement and assessment processes across our supply chain, including more detailed ESG and climate considerations with our vendors.

## General account

Aegon Group signed up to the Net Zero Asset Owners Alliance in 2021, 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. This is the first step in the journey to transitioning the general account to net zero by 2050. To support this target, we've established periodic monitoring to make sure that the existing portfolio is running in line with our forecasts and that commitments remain on track.

We're also working with Aegon Asset Management under existing investment-management agreements to make sure that stewardship activity takes place in line with our objectives. We're considering real-world impacts of any trading where rebalancing is required to remain aligned with our objectives, for example to avoid greenwashing.

In addition, we'll take action as necessary to disinvest from any new entries to the exclusions list or to support wider group objectives. We'll also test any new investments against the commitments we make here, with any new mandates, including appropriate ESG criteria. Directly owned assets in Aegon UK are small relative to the rest of the Aegon group and are forecast to run off over time.

# Aegon UK Responsible Investment Team



## Hilkka Komulainen

Head of Responsible Investment

- Responsible for overall responsible-investment strategy and implementation
- Ensures climate considerations are embedded in investments and long-term business strategy
- MSc International Public Management, MA International Relations



## Pauline Vaskou

Climate and Responsible Investment Strategy Lead

- Responsible for Aegon UK climate roadmap and responsible-investment policy
- Leads development of climate reporting and net-zero commitments' implementation
- MSc Environmental Technology, CFA Investment Management Certificate (IMC), CFA Certificate in ESG Investing and CFA Certificate in Climate and Investing



## Samantha Chew

Stewardship Lead

- Responsible for Aegon UK Stewardship Code submission and stewardship policy
- Leads development of stewardship practices and reporting, with a focus on climate
- Called to the Bar of England and Wales, Chartered Accountant (CA), CFA Certificate in ESG Investing



## David Flint

Responsible Investment Analyst, Climate

- More than 30 years' experience in financial services
- Analyses climate data across investment estate to inform strategy and reporting
- BA Business Studies, RSGS Climate Solutions Professional qualification



## Gildas Ehrmann

Responsible Investment Analyst, Climate

- Drives climate reporting including TCFD
- Develops data-led climate insights that support climate strategy
- MSc Sustainable Development, CFA Certificate in ESG Investing



## Helen Blanking

Responsible Investment Analyst, Stewardship

- More than 15 years' experience in asset management
- Analyses climate voting and engagement activities and supports stewardship strategy, including fund managers' monitoring
- Currently studying for CFA Investment Management Certificate (IMC)



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