For employers and financial advisers only

Our stewardship policy

Contents

The value of investments may go down as well as up and isn't guaranteed. Investors may get back less than the amount invested.

Our purpose

As the UK's largest investment platform, we have an important role to play in promoting a fairer and more sustainable world. This relates both to how we behave as a business and how we help our customers invest responsibly.

We believe it's critical to take a holistic and long-term view when investing, factoring in impacts on the environment and society. We also believe in the importance of being good stewards of our customers' assets, and part of this is making our principles and expectations very clear. The world faces urgent challenges, particularly climate change, that could upend life as we know it. Swift and bold action is required, and we're determined to play our part.

Our overarching purpose as a business is helping people live their best lives. This involves offering investment solutions for every stage life and paying attention to how our decisions affect people and the planet.

We believe that responsible investment should ultimately lead to better long-term returns by supporting good governance, wise social practices and careful management of environmental impacts. In other words, it's about protecting our customers' best interests. After all, collectively, we decide what is valuable and what isn't, and therefore shape the world we want to live in.

Our stewardship policy is rooted in our commitments as a responsible business and is aligned with relevant UK laws and governance standards. It's informed by the views of those who invest with us and the governance committees and trustees who represent pension scheme members, including the Independent Governance Committee and Aegon Master Trust.

Funds covered by the policy

The policy applies to:

- Shareholder general account assets on the balance sheet of Aegon, ie the assets we as a company invest in for the benefit of our shareholders
- Financial assets invested in Aegon manufactured funds, where we have management control, for example:
    - Insured funds on the balance sheet of Aegon and linked to products sold by Scottish Equitable plc
    - OEIC funds managed by Aegon
    - Aegon With-Profits funds

The policy doesn't apply to other third-party funds that are available on Aegon's platforms.

The policy should be read in conjunction with our **responsible investment policy**, which sets out our minimum expectations for our fund managers.

What is stewardship?

Stewardship is an approach to the management of investments – a commitment by asset owners, like Aegon, and fund managers to champion clients' and beneficiaries' interests and use their influence to promote sustainable value creation.

This involves voting at shareholder meetings and proactively engaging with companies to ensure they are being managed for the long-term benefit of clients. Stewardship also entails supporting good governance, prudent capital allocation and sustainable business practices.

We're signatories of the UK Stewardship Code, and support its definition of stewardship as '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'.

Our stewardship approach

We're an indirect investor, so most of our funds are managed by third-party fund managers. Our stewardship policy is primarily implemented through the selection, appointment, monitoring and engagement of those fund managers. We focus particularly on those managing the largest proportion of Aegon assets.

We don't vote on behalf of customers or engage directly with the companies our funds invest in. Instead, we monitor the degree to which managers of Aegon's funds adhere to our policy and viewpoints.

Some Aegon funds invest mainly in passive, index-tracker strategies. These funds aim to achieve returns in line with the benchmark they track before charges, by investing in the same companies, in the same proportions as that benchmark.

Passive investment brings some constraints – by their nature these funds can't use divestment as a potential 'stick' when engaging with individual companies. However, there are ways in which passive investors can increase pressure, for example through collaborative engagement with like-minded shareholders and other key stakeholders, to drive change.

Our engagement themes

We seek customers' views on sustainability and responsible investment by conducting surveys at least once a year. These indicate customers' growing concerns about environmental and social issues, and a desire to invest for a sustainable future.

Guided by these customer insights, our own research, beliefs, industry best practice, policy and regulation, we have prioritised the following areas for our engagement activities:

Climate change

Including net zero and a just transition to a sustainable world.

Nature

Including biodiversity and deforestation.

Diversity, equity and inclusion

Including board diversity.

Human rights

Including modern slavery

We'll review our engagement themes periodically as appropriate.

Oversight of fund manager stewardship activities

We monitor how our fund managers undertake their engagement activities in line with our engagement principles and guidelines, and we question any that don't align with these.

Engagement principles and guidelines

These principles and guidelines outline our standards and viewpoints for effective, collaborative engagement.

Specific engagement themes

Climate change

We expect fund managers to:

- Clearly articulate investment beliefs regarding climate change, including which climate scenarios the manager considers to be most likely.
- Provide a clear net-zero greenhouse gas transition plan, including interim targets, decarbonisation targets for each sector, and key drivers of progress.
- Quantify physical and transitional climate risks for assets and assess progress against decarbonisation pathways, to inform their engagement strategy.
- Provide their approach to managed phase-outs and/or divestment for high-emitting assets incompatible with a 1.5°C pathway (in particular thermal coal and oil sands).
- Demonstrate the mobilisation of capital towards climate solutions and/or opportunities to incentivise the transition by companies to net zero greenhouse gas emissions, where possible.
- Demonstrate practices in line with the Net Zero Stewardship toolkit as developed by the Institutional Investors Group on Climate Change (IIGCC), for listed equity and corporate fixed income.
- Engage with companies on the transparency of their climate disclosures, net-zero commitment(s), and associated transition plans to reduce greenhouse-gas emissions, aligned with a well below 2°C future, preferably 1.5°C.
- Demonstrate consideration of social issues by companies, to support a just transition to a low carbon economy.

Nature

We expect fund managers to:

- Demonstrate how they identify and assess nature risks and opportunities in their funds, considering available data, qualitative assessments, and with a focus on sectors that are particularly at risk.
- Engage with companies on how they report on nature-related impacts and dependencies, for example in relation to the Taskforce for Nature-Related Financial Disclosures.

Human rights

We expect fund managers to:

- Articulate their engagement and voting policies in relation to human rights.
- Have an engagement programme on human rights, and be able to provide data on the level of engagement with companies in relation to human rights and modern slavery (particularly within sectors and/or geographical areas where the risk of labour exploitation is higher).

Diversity, equity and inclusion

We expect fund managers to:

- Support greater transparency by companies on diversity, equity and inclusion policies and practices at board and management levels, and throughout the workforce.
- Consider engaging on diversity, equity and inclusion with companies in respect of their business processes (including the talent life cycle from recruitment to retention and advancement) and product and/or service development, and supply chain.

Stewardship across all asset classes

We expect fund managers to demonstrate the spirit of stewardship across all asset classes, commensurate with significance, achievable impact and manager size.

Listed equity

We expect fund managers to:

- Have a merit-based voting policy that sets clear criteria for evaluating shareholder resolutions and other routine votes (e.g. director reappointment).
- Explain how net-zero greenhouse gas emission goals, material sustainability factors, and factors relating to our key engagement themes, are integrated into voting policy on routine votes.
- Consider pre-declaration of voting intentions, for important and/or contentious responsible investment resolutions, to clients and companies where regulations allow.

Corporate fixed income

We expect fund managers to:

- Engage with companies on material sustainability issues, particularly at debt origination and reissuance points.
- Leverage both equity and bond holdings, where applicable, to influence company management.
- Assess covenants when reviewing prospectus and transaction documents, and request where applicable the amendment and/or inclusion of contractual obligations to support stated sustainability objectives.

Sovereign Debt

We expect fund managers to:

- Engage with sovereign issuers on material sustainability risks.
- Engage with other stakeholders, for example, trade unions and supranationals, such as the World Bank and the International Monetary Fund (IMF) to raise stewardship and sustainability issues.

Engagement outcomes

We expect fund managers to:

- Define pre-defined ‘SMART’ (specific, measurable, achievable, realistic and time-bound) engagement objectives where appropriate.
- Provide clear and transparent expectations of companies, particularly in relation to our engagement themes.
- Provide timely and transparent engagement reporting, including information to support our ‘expression of wish’ (see next page).
- Provide data and statistics reflecting engagement progress and outcomes (beyond simply engagement activities).
- Demonstrate a robust approach to escalation strategy, which employs a range of escalation tools (e.g. voting against the board, filing a shareholder proposal etc.) and in which divestment is a last resort (not a first response).
- Provide mechanisms that enable effective oversight of, and input into, a fund manager’s engagement strategy.
- Demonstrate how engagement is systematically integrated into investment decisions.

Collaborative engagement

We expect fund managers to:

- Where resources allow, be signatories/ members of key industry groups (for example, the Principles for Responsible Investment (PRI), Nature Action 100, IIGCC, Climate Action 100+, Net Zero Asset Managers and UK Stewardship Code) and participate actively in the spirit of those initiatives' principles.
- Ensure that its own, and investee company policy engagement, aligns with key principles under the UN-convened Net Zero Asset Owner Alliance's guidance.

Voting and expressing our wishes on voting to managers

Shareholder votes on resolutions at the companies our funds invest in are cast by the fund managers we have appointed. We expect our asset managers to have a clear voting policy, particularly in relation to the topics outlined in the guidelines above, and to report to us on their voting activities. Our segregated mandates[1] are managed by Aegon Asset Management who are delegated to vote in line with their own policies.

We provide an 'expression of wish' to select fund managers in our pooled mandates to set out how we prefer them to vote, in relation to most significant votes. Factors that inform our definition of most significant votes include size of holdings and alignment with our engagement themes, as well as the degree of impact on our financial or stewardship outcomes.

We may discuss our voting preferences with select managers in advance of any resolutions we consider important (i.e. most significant votes). Subsequently, we monitor the voting behaviours of our key managers against our expressions of wishes and engage with them on any areas of divergence.

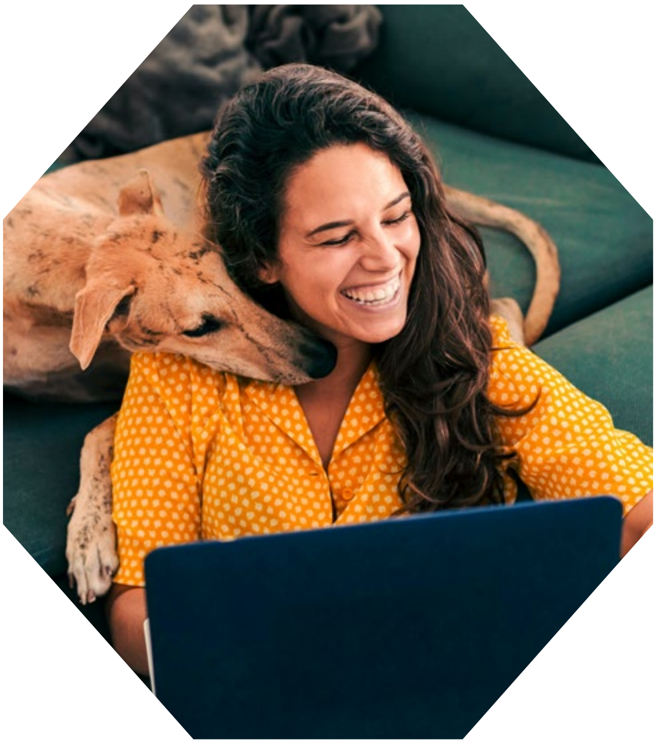
Escalation

A combination of regular and ad hoc meetings with our fund managers allows us to better understand how they are managing existing and emerging sustainability risks and opportunities.

If a fund manager fails to meet our stewardship expectations, we'll assess their willingness and ability to improve. In cases where fund managers consistently fail to meet our expectations, we may decide to take further action. This might mean reassessing our business relationship. If a fund manager fails to align with our values and interests, we may remove them from our funds.

Escalation may include:

- additional dialogue with management and/ or directors.
- collaboration with other investors through industry initiatives.
- downgrading of the business relationship.
- entering the process of removal from Aegon funds.



[1] A segregated mandate refers to a fund that is managed exclusively for a specific client.

Collaborative engagement

We believe that working collaboratively with a range of stakeholders is essential for delivering our sustainability objectives. Also, the scope and scale of our investments means that we need to draw on additional expertise, beyond that of our existing fund managers.

We therefore participate in and support a number of industry initiatives and groups to collaborate with stakeholders such as investors, issuers, service providers, policymakers, not-for-profits, regulators, associations and academics. We'll report on these initiatives in our **Responsible Investment and Stewardship Report**.

Conflicts of interest

Conflicts of interest related to stewardship may arise, given the potential tensions between our various roles as asset owner, pension provider and legal entity operating within a group, working with fund managers as well as other service providers.

Voting and engagement

Engagement or votes affecting one of our existing or prospective corporate clients.

Engagement or votes affecting a company where staff, who could have an operational influence on stewardship activity, own securities or have a personal relationship with senior staff members in the company.

One of our fund managers engaging with a contrary position to our 'expression of wish' with a company in which we hold shares.

Being part of a group

Engaging with Aegon Asset Management as one of our fund managers who is also part of Aegon Group.

Our external service providers

Our fund managers and/or other service providers have a stewardship conflict that prevents them from undertaking stewardship activities effectively on our behalf.

How we deal with conflicts of interest

We take a number of steps to manage and prevent conflicts of interest related to stewardship, which include but are not limited to the following:

Our responsible investment team must identify and declare their conflicts related to stewardship, where appropriate, to the Head of Responsible Investment.

We provide training on the identification, disclosure and management of conflicts of interest.

Where we believe that a fund manager's activities or policy on conflicts presents a risk to the effectiveness of their stewardship activities undertaken on our behalf, we will escalate to the investment oversight team and seek to engage with the fund manager.

We ensure the parts of our business with responsibility for client relationships have no influence on our engagement or voting decisions.

We will provide annually in our Responsible Investment and Stewardship Report, examples of where we have identified and managed any conflicts of interest related to our stewardship activity.

Governance

This policy is reviewed and approved by the Aegon UK Management Investment Committee on a regular basis.

Employers can find out more at

aegon.co.uk/workplace/responsibleinvesting

and advisers at

aegon.co.uk/adviser/responsibleinvesting

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