

Realising your net zero ambitions

Association of Financial Mutuals

3 October 2023

For Professional Investors only and not to be distributed to or
relied upon by retail clients.



*Beyond
borders™*

Introducing Aegon Asset Management

Global client base

- Serving clients in Europe, the Americas and Asia
- Institutional, intermediary and wholesale markets

Investment offerings

- Research-driven active management
- Expertise in fixed income, real assets, equities, multi-asset & solutions
- Multi-management
- A responsible investment leader

Deeply-resourced

- Approximately 1,200 employees
- Approximately 375 investment professionals

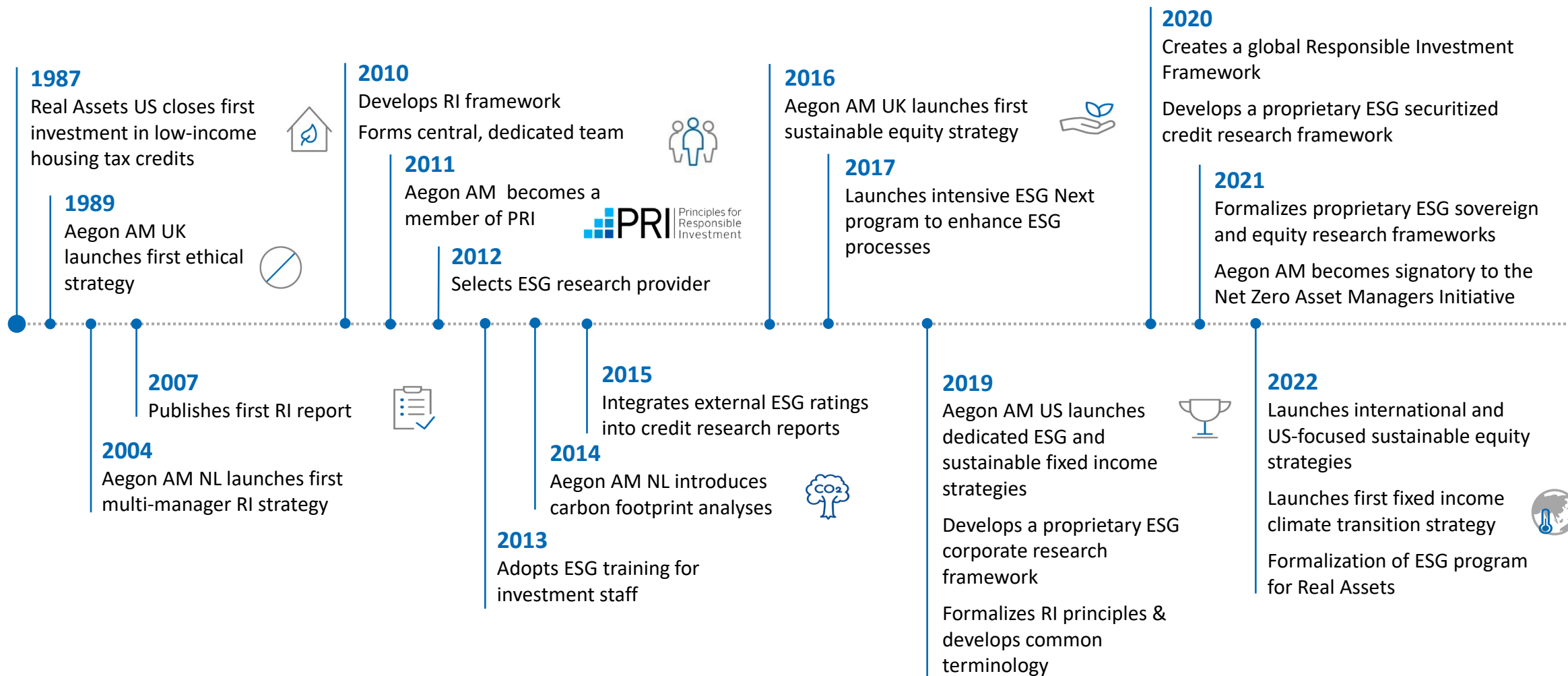
Assets under management/advisement

- \$321 billion (€294 billion / £253 billion)



A history of responsible investing

Key milestones for Aegon Asset Management



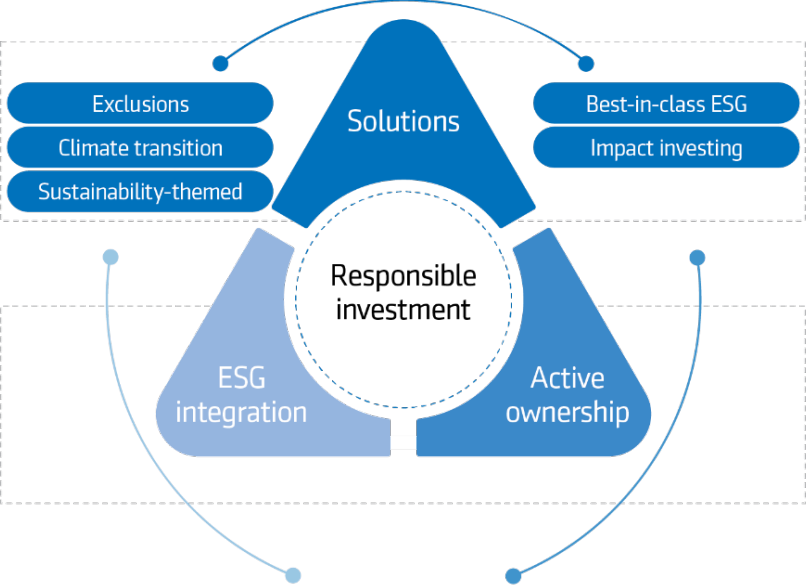
This information reflects certain milestones from one or more Aegon AM affiliates. Not every milestone is applicable, or applicable to the same degree, across all affiliates or strategies. Refer to strategy materials for details. Responsible investment approaches vary regionally. Aegon AM UK became a standalone signatory to PRI in 2008.

Responsible investment at a glance

Committed to delivering an industry leading responsible investment proposition

Responsible investment approach

- **ESG integration** into bottom-up credit, equities, sovereign and structured research
- **Active ownership** to generate long-term economic value
- **Solutions** focused on responsible investment and ESG criteria



30+ years
of responsible investing history¹



397 engagements
conducted by the RI team during 2022



21 professionals
in a dedicated RI team²



10+ year commitment
PRI signatory since 2011

USD 132 billion in responsible investment solutions	Exclusions and ethical³	\$112 billion
	Best-in-class ESG	\$11 billion
	Climate transition	\$1.1 billion
	Sustainable	\$4.5 billion
	Impact investing	\$3.5 billion

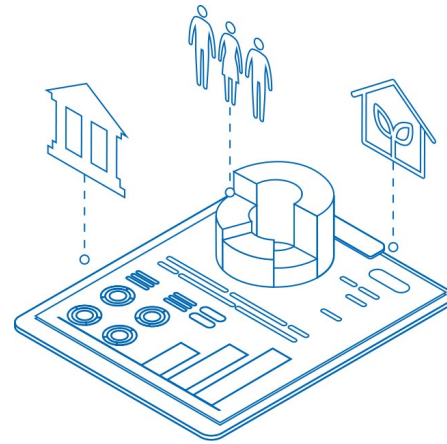
As at 30 June 2023. This is a general description of the firm's ESG process. It may not be applied to every holding in a given strategy. Assets under management/advisement excludes joint ventures. Personnel may be employed by any of the Aegon AM affiliates. ¹Aegon AM UK launched first ethical strategy in 1989. ²As at 3 July 2023. ³Exclusions and ethical include assets primarily managed for Aegon AM affiliates subject to a global exclusion list. The impact of the exclusion list will vary depending on the asset class and may not materially affect the implementation of every strategy. Products vary regionally.

Why focus on climate transition?



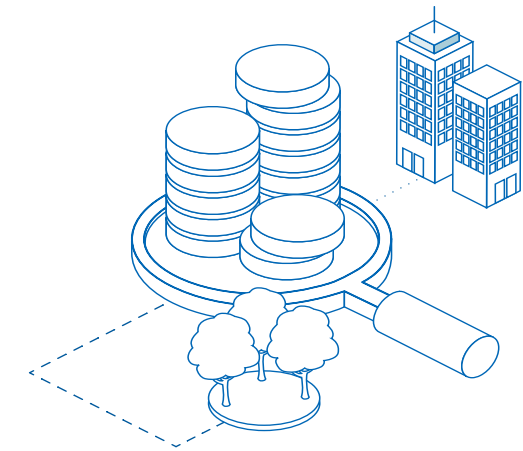
Real economy challenge

Action required to reduce GHG emissions



Implication for asset owners

Greater scrutiny by regulators and investors and increasing reporting obligations



Role of investment managers

Analyse and manage risks associated with climate change

Fund the transition

Building a comprehensive climate framework

Designed to mitigate risk, identify opportunities and support clients' net zero goals



*An internal climate transition research framework was recently developed. Climate research has been conducted on a subset of the investment grade and high yield corporate universe with plans to expand coverage over time. **We are onboarding a climate stress-testing tool during 2023.

Climate solutions – The building blocks

Building blocks to constructing solutions to meet our clients' climate goals

Targeted climate transition solutions: Invest in companies with credible net zero transition strategies

Carbon reduction targets: Implementing decarbonization strategies to reduce portfolio emissions based on bespoke or industry wide pathways

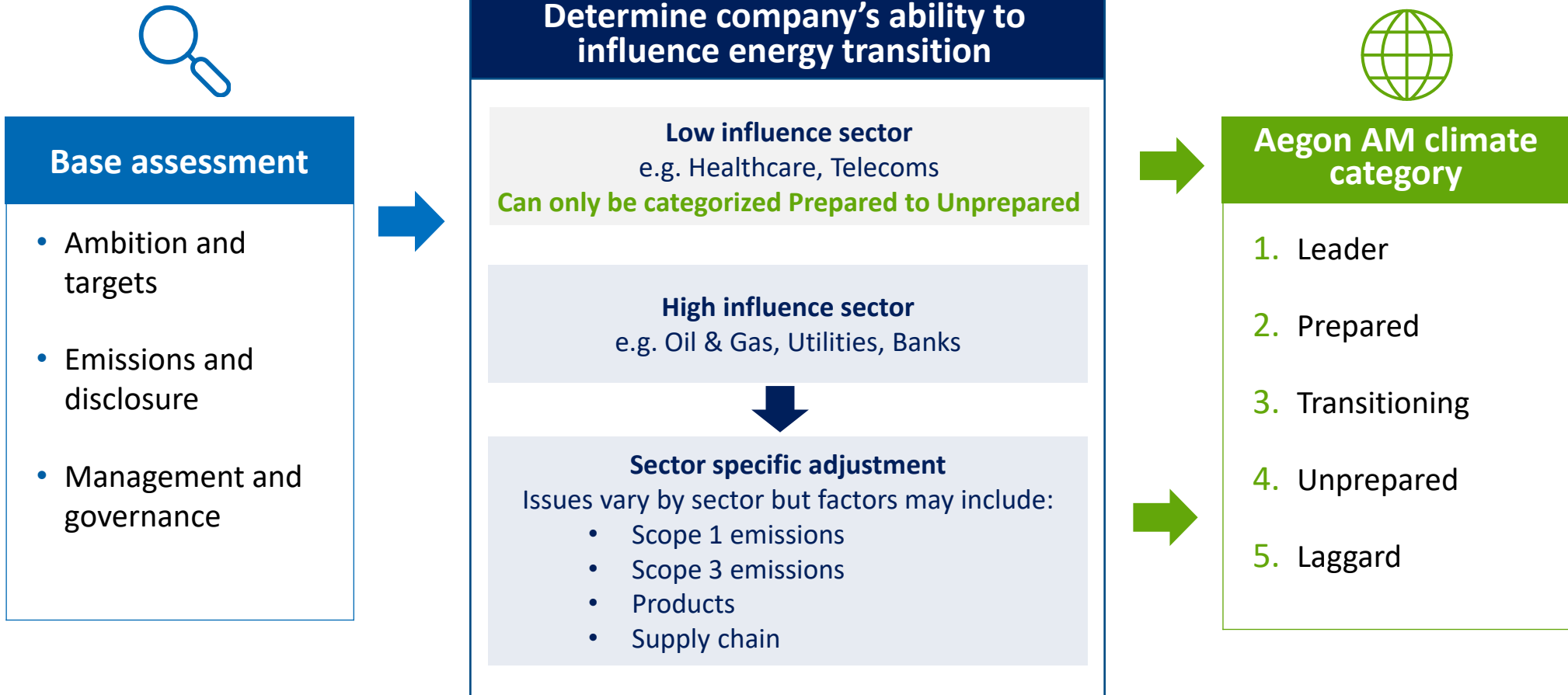
Exclusions: Screening approach – Criteria can be based on client led or benchmark led (e.g. PAB, CTB)

Carbon measurement: Measuring and monitoring the carbon profile of the portfolio

ESG Integration & Active Ownership: Incorporating climate considerations into research where financially material, and engaging on climate issues

Proprietary, forward looking climate transition research framework

Evaluating net-zero alignment and transition readiness



Source: Aegon AM

Identifying issuers with robust and credible net-zero plans

Iberdrola SA

Base assessment: Prepared

- Commitment to Net Zero with strong and credible short and medium-term targets covering scope 1,2, and 3 emissions
- Historical GHG reductions
- Good integration of climate risks and opportunities within business strategy and capex decisions

Sector-specific adjustment: Positive

- Generally supportive of ambitious action on climate change
- TPI carbon performance on 1.5C trajectory until target date for Net Zero in 2039
- No exposure to coal (coal-fired power stations closed)
- Gas represented c30% of operating capacity, however they recent finalised agreement to sell majority of Mexican gas-fired portfolio
- Net Zero commitment aligns with ambition of IEA NZE scenario*

Final classification: Leader - Policies, targets and actions aligned toward progress on net-zero



Building a net-zero pathway

Climate transition guidelines

Climate Transition Category	Portfolio as of 31 August 2023*	Current guideline	End 2024	End 2029	End 2034	End 2039
Leader	10.6%			No maximum limit		100%
Prepared	27.9%			No maximum limit		
Transitioning	46.4%	< 80%	< 60%	< 40%	< 20%	0%
Unprepared	12.3%	< 40%	< 30%	< 20%	< 10%	0%
Laggard	2.9%	< 10%	< 5%	0%	0%	0%

- Guidelines have been set to reflect a reasonable pace of transition and encompass issuers from all sectors
- Approach is expected to be compatible with emerging net-zero market frameworks such as those from the Paris Aligned Investment Initiative and the Net-Zero Asset Owner Alliance

Climate related engagement



The aim

- Engage with focused group of companies on net zero targets and progress towards decarbonization
- Climate transition research and exposures will drive engagement prioritisation



Focused approach

- Issuers in high influence sectors
- Focus on issuers categorised as ‘Unprepared’ or ‘Laggards’
- Engagement dialogue will vary across companies and sectors
- Common objectives centre on target setting, target verification, robustness of strategic and decarbonisation strategy



Multiple ways to initiate engagement

- Bilateral engagement, leveraging Aegon AM’s global responsible investment team
- Collaborate with industry groups to encourage the largest emitters to take action (Climate Action 100+, CDP etc.)
- Active involvement in industry bodies seeking to influence climate change (e.g. IIGCC)



Research and portfolio considerations

- Insights and outcomes from engagement could prompt transition category upgrade or downgrade
- Where we see no prospect for improvement – holding review will be prompted
- Portfolio action taken in line with fund’s short dated remit and climate guidelines

Summary

- Climate risk considered at each stage of investment process and integrated within ESG analysis when economically material
- Climate is a key building block in our suite of responsible investment solutions
- We can offer a range of climate focused investment solutions which can be tailored to your climate and net-zero goals and reporting needs
- Capability to incorporate client specific goals or align with industry climate benchmarks or net-zero frameworks
- Innovative, forward looking climate transition framework - contributing to success of global short dated climate transition strategy
- Engagement is a core pillar of our approach to actively managing climate related risks and combines collaborative and targeted engagement

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