



Responsible Investment Framework

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Contents

Responsible Investment Defined	3
Guiding Principles	3
Responsible Investment Approach: Three Key Pillars.....	4
ESG Integration	4
Active Ownership.....	5
Responsible Investment Solutions	6
Our Commitment to Responsible Investment in Practice	7

At Aegon Asset Management (Aegon AM), we are active, engaged and responsible investors. We consider investing responsibly a part of our investment philosophy and process as we believe responsible investment practices are critical to securing long-term value for our clients.

This document sets forth our Responsible Investment Framework, including our practices and approaches to investing responsibly as well as the principles that guide them. The framework is applicable across many asset classes and regions as we strive to achieve consistency across our business.

Responsible Investment Defined

Responsible investment (RI) is an umbrella term that covers various tools and approaches to incorporating environmental, social and governance (ESG) considerations into investment decision-making processes. RI may include ESG integration and active ownership as well as dedicated RI solutions more focused on ESG practices and performance. Related terms may include sustainable or ESG investing.

Guiding Principles

Responsible investing can align with clients' interests

We believe it is our responsibility to consider all potential risks and opportunities. With a focus on long-term results, we use RI practices such as ESG integration and active ownership to support a holistic understanding of the investments we make on behalf of our clients.

Responsible investing can contribute to long-term value

We believe investing responsibly creates opportunities to add value for our clients. A growing body of academic research demonstrates that good ESG practices can enhance corporate financial performance in the long-term. This value can manifest itself in the form of lower cost of and access to capital, better operational performance, reduced reputational risks and in turn, potentially superior long-term returns.

Environmental and social risks are investment risks

Exogenous risks, such as natural disasters and pandemics, can disrupt industries and threaten business models. Failure to effectively manage such risks can lead to a range of financial, legal and reputational consequences for the issuer. A company's ability to mitigate such risks can have a profound effect on their ability to create and sustain long-term value.

Integrating ESG factors can help uncover opportunities

We believe integrating ESG factors into investment decisions can lead to better investment outcomes as we seek to maximize long-term performance. We find that it is quite challenging to analyze future profitability without considering ESG factors. By focusing solely on financial metrics, we may inadvertently overlook opportunities to generate value.

Active ownership is a key aspect of active management

Our stewardship ambitions extend beyond today's investment opportunity. By spearheading engagement efforts and exercising shareholder voting rights, we focus on using our voice and actions to help effect positive change. We cannot change the world on our own, so we work to collaborate with other investors and stakeholders to engage where possible.

Responsible Investment Approach: Three Key Pillars

Our RI approach consists of three pillars: ESG integration, active ownership and solutions.



ESG Integration

Incorporating financially material ESG factors into the investment decision-making process to help mitigate risk and uncover opportunities.



Active Ownership

Addressing ESG issues by actively engaging with issuers and investee companies and exercising shareholder rights.



Solutions

Providing RI strategies that go beyond ESG integration and active ownership, ranging from simple exclusions to best-in-class, sustainability-themed and impact investments.

ESG Integration

ESG factors are systematically integrated into our bottom-up research process for fixed income and equity issuers. We are working to expand the reach of our ESG integration practices to other asset classes, such as sovereign and securitized issues. We aim to develop our own holistic house view of issuers' ESG profiles. By integrating ESG considerations with economic factors, and drawing from specialized ESG research sources, the research teams seek to identify financially material ESG factors and arrive at an independent, comprehensive view of the investment.

Financial materiality is key

We view ESG analysis as a risk management tool and a potential alpha source. By integrating ESG factors into the traditional financial analysis framework, we can form a more comprehensive view of the investment and better evaluate future performance potential. The key is to identify financially material factors which could affect the company's long-term growth potential, profitability or creditworthiness, and to assess if they are appropriately priced.

Debunking common ESG myths

The ESG integration process is focused on managing financial risks and identifying opportunities by including additional information in investment analysis to help inform our decision making. ESG integration does not necessarily seek to make ethical, sustainability or responsible value judgements, and imposes no ESG-related restrictions on the investment universe.

Three key benefits of ESG integration

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| 1. Deepens our knowledge | Uncovering additional risks and opportunities and giving us a more comprehensive view of the investment |
| 2. Strengthens our conviction | By giving us more information about the investments we consider |
| 3. Promotes a long-term focus | Clearing the short-term noise around one issuer to focus on long-term and fundamental trends |

Examples of ESG factors we may consider, depending on their materiality to the issuer’s key activities and operational practices:

Environmental	Social	Governance
Climate change & greenhouse gas emissions	Human rights & labor standards	Board independence
Energy efficiency	Product safety and liability	Board diversity
Waste & pollution	Workplace safety	Anti-corruption policies
Water use & conservation	Workplace benefits	Shareholder rights
Deforestation	Employee relations	Compensation structures
Natural resource use	Diversity/inclusion policies	Corporate political contributions
	Data protection and privacy	
	Community involvement	

Active Ownership

By spearheading engagement efforts and exercising shareholder voting rights, we use our voice and actions to try to effect positive change.

Active ownership defined

The practice of engaging in a dialogue with issuers on responsible investing topics and exercising voting rights to advocate for change.

We believe taking responsibility as an investor also means being a truly active owner, not just as a shareholder but as a financier more broadly. We aspire to influence change by engaging in dialogue with issuers, either bilaterally or as part of an investor consortium. This dialogue can provide opportunities to highlight ESG risks, inform management on sustainability concerns, promote growth in sustainable business lines and advocate for changes that align with responsible investment standards. Successful engagement can create new investment opportunities.

Reasons for engagement

- Exercise our stewardship responsibilities
- Better understand the companies we invest in and support their long-term financial performance
- Monitor, manage and work to mitigate investment risk
- Fulfill client expectations with respect to their policies and standards
- Attempt to maximize positive ESG outcomes

Further details of our approach are outlined in our Active Ownership Policy.

Responsible Investment Solutions

At Aegon AM we segment RI solutions into four primary categories: exclusions, best-in-class, sustainability-themed and impact investments. These serve as building blocks that can be combined to create customized client solutions.

			
Exclusions	Best-in-class	Sustainability-themed	Impact investing
Negative screening	Positive screening	Positive screening and thematic investing	Thematic investing
Utilize negative screening to avoid certain sectors, companies or practices based on specific ESG criteria	Seek to outperform by emphasizing positive selection of issuers with better or improving ESG practices	Focus on issuers whose activities or practices are aligned with sustainability themes in an effort to generate competitive returns over the long term	Pursue financial returns alongside measurable positive social and/or environmental impact

Exclusions

Aegon AM offers exclusionary screening according to legal requirements and client preferences. Several of our clients do not invest in certain sectors or companies whose activities are considered incompatible with their values. Notably our affiliated clients require ESG-related exclusions in the management of their proprietary assets. As such, over half of the assets we manage are subject to customized exclusion lists mandated by several different clients.

Best-in-class Solutions

The growing shift by companies to adopt sustainable business practices presents interesting investment opportunities. Aegon AM acknowledges the importance of being innovative and progressive in its approach to RI by developing new proprietary methodologies to address these opportunities. Best-in-class strategies are usually based on research undertaken as part of our ESG integration process. It focuses on mitigating ESG-related risk through the positive selection of issuers applying better or improving operational sustainability practices relative to their peers.

Sustainability-themed Solutions

A secular shift toward sustainability is underway, bringing with it an evolution of sustainability-themed products and services. The growing movement of companies to provide solutions to key sustainability challenges also presents compelling investment opportunities. We believe portfolios aligned with long-term sustainability themes may generate better returns while contributing to a more sustainable world.

We set up our sustainability-themed strategies by selecting a set of investment opportunities contributing to one or more sustainability challenges or trends. Our dedicated RI team takes a leading role in the development of their methodology and in determination of their investment universe. The processes for these activities vary according to asset class, but usually involve a committee or discussion group chaired by an RI team member to help ensure consistency and credibility of the strategy's sustainability proposition.

Impact Investing Solutions

We develop impact investment strategies not only to align investments with sustainability goals, but also to use capital to help drive environmental and social impact. Our approach to impact investment typically builds on two key characteristics: ex-ante intentionality, whereby we outline the intended positive environmental or social impact as part of the investment decision-making process; and ex-post measurement, whereby we monitor progress, measure and report impact after the investment is made.

Our Commitment to Responsible Investment in Practice

A dedicated global Responsible Investment team serves as a company-wide resource to support our RI practices. Team members lend their expertise to ESG integration initiatives, conduct and validate ESG research for certain RI solutions, contribute to product development and lead active ownership activities. Furthermore, our RI specialists serve a central resource for responsible investment education, best practices and research.

Furthermore, we have taken several organizational steps to support our commitment, including:

- Ensuring our investment teams have access to high quality, broad coverage, specialist ESG data services. Given the diversity of research methodologies on the market, we aim to maintain access to different views to inform our own in-house assessments;
- Providing our staff access to appropriate RI and ESG training for their specific function, encouraging personal development and a corporate culture conducive to best RI practices;
- Supporting investment and academic research to further develop our approach to RI and for the benefit of the investment industry more broadly;
- Collaborating with other investors, industry associations, regulators and stakeholders where possible to exchange best practice, create market standards, develop new solutions and shape RI regulation;
- Maintaining the transparency with respect to our RI activities through external reporting.

Disclosures

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