



Asset Management

RESPONSIBLE INVESTMENT REPORT 2020

*Beyond
borders*

Aegon Asset Management is the global investment management brand of Aegon N.V. See disclosures for more detail.
For institutional and professional investor use only.



Investing beyond borders

€388 billion
(\$475 billion)
total assets under
management/advisement

€213 billion
(\$260 billion)
total assets in responsible
investment solutions¹

1,200
employees serving clients
worldwide

17
locations across Europe,
the Americas and Asia

30+
years of responsible
investing

As of December 31, 2020

¹Assets under management/advisement excludes joint ventures. Total responsible investment solutions includes €203.9 (\$249.5) billion of strategies with exclusions, €3.3 (\$4.0) billion of best-in-class strategies, €2.4 (\$2.9) billion of sustainability-themed strategies as well as €3.2 (\$4.0) billion of impact investments.

Active management on a global scale

Aegon Asset Management is an active global investor. In a complex world, we think and act beyond traditional borders. We organize our teams by asset class, to bring the breadth and depth of our global research and investment capabilities together in an effort to exceed client expectations. Across the firm, we support an inclusive and diverse workforce. Across markets, we believe in the investment benefits that come from responsible investing. Whether by asset class, geography or conventional thought, we invest beyond borders. Our 380 investment professionals manage and advise on assets of €388 billion (\$475 billion) for a global client base of pension plans, public funds, insurance companies, banks, wealth managers, family offices and foundations.

We are an international business: Our 1,200 employees work across Europe, the Americas and Asia. We have a supportive owner in the Aegon Group, one of the world's leading financial services businesses, which has a heritage dating back to 1844.

Responsible investment products and services may vary regionally. Refer to disclosures for important information.

Four focused investment platforms

We organize our investment capabilities around four focused investment platforms where we have deep asset-class expertise: fixed income, real assets, equities, and multi-asset & solutions. Each platform has dedicated teams, organized globally and committed to maximizing client benefit from their specialist areas. These platforms are supported by teams dedicated to responsible investing and multi-management.

Research-driven approach

Across platforms, we share a common belief in fundamental, research-driven active management, underpinned by effective risk management and a commitment to responsible investment. Our investment platforms have the flexibility to organize their resources and processes to best suit their area of focus.

A recognized leader in responsible investing

Over the last 30 years, we have built a comprehensive responsible investment approach consisting of three pillars: ESG integration, active ownership and solutions. Through our dedicated responsible investment team, we are continually expanding ESG integration across investment strategies, strengthening our active ownership efforts and expanding our client-centric responsible investment strategies.

This year we added RI team members, expanded our engagements, increased our voting activities and continued to collaborate with research analysts and portfolio managers to support ESG integration practices. As we look ahead, it is our privilege to help our clients pursue better long-term outcomes while contributing to sustainable capital markets and impactful economic activities.

We are proud to report that our responsible investment program continued to receive high ratings and rankings by key industry organizations last year. For example, we were pleased to receive recognition from ShareAction for our work in supporting climate-related resolutions. In ShareAction's 2020 report, we were identified as one of the leading investors globally in this area.² Looking ahead, we remain committed to responsible investing and aspire to drive the industry forward by promoting best practices for the potential benefit of our clients, the industry and society at large.

Our responsible investment approach



Responsible investment quick facts



€213 (\$260) billion
AuM in responsible
investment solutions¹



575
engagements



2,511
company meetings voted on



14
professionals in a dedicated
Responsible Investment team



A+
PRI
RI strategy and governance³



100 / 100
Sustainalytics
RI policy and program⁴



6th / 75
ShareAction
RI program²

As of December 31, 2020. ¹Assets under management/advisement excludes joint ventures. Responsible investment products and services may vary regionally. **Past rankings are no guarantee of future rankings.** Please refer to disclosures for important information on ratings/rankings. ²ShareAction conducted a survey ("Point of No Returns", March 2020) of 75 of the world's largest asset managers across 17 countries (based on AUM as of December 31, 2017 according to IPE's 2018 Top Asset Managers List). <https://shareaction.org/proxy-voting-records-challenge-asset-managers-responsible-investment-claims/>. ³Approximately 29% of signatories received an A+ score for PRI strategy and governance module in 2020. ⁴Approximately 23% of 1,269 participants received a score of 100/100 for their responsible investment policy and approximately 23% of 1,181 participants received a score of 100/100 for their responsible investment program in 2020.

Responsible investing: a tenet of our heritage and our future



Bas NieuweWeme, CEO

This last year has demanded much of our world. Amid the uncertainty at the onset of the pandemic, it was apparent that a greater movement was taking place—bringing a glimmer of hope during an exceptionally challenging time. As Covid-19 coursed across borders, the world adapted and humanity pulled together for the greater good. This was visible in the medical professionals and essential care workers selflessly putting their own health and lives at risk; and it was evident with the quick course of action taken by central banks across the globe to dampen the monetary repercussions of a global pandemic that caused supply chains to come to a stilted and unexpected halt.

The pandemic's disruption to the world's predictable cycles caused a collective reassessment in the monotony and normalcy of our daily life prior to the outbreak. Priorities shifted and more emphasis has been placed on the importance of environmental, social and corporate governance issues on society at large. One good thing to come from Covid-19 is to see responsible investing efforts accelerated during the pandemic. As we enter a post-pandemic world, we are already seeing investors place greater importance upon it with a stronger focus on environmental and social impact.

While our daily life may look a little different, our commitments remain the same: to deliver the highest-quality investment solutions to our clients; pursue competitive long-term results through active investment management; and provide our employees fulfilling careers, financial stability and a safe, inclusive and diverse workplace. Underpinning our ambitions is a strong commitment to expanding our ESG capabilities.

Responsible investing is embedded in our rich heritage at Aegon Asset Management. While others may claim to be pioneers, we actually were with our heritage dating back to the 1980s. But we're not focused on who did what first; to us, one of the most important mandates is held in the future and what's at stake. We believe the way forward with responsible investing is brighter. We are proud of our history, but we know the world does not stand still. To that effect, I can assure you neither will Aegon AM. We are committed to responsible investing and aspire to drive the industry forward by promoting best practices for the benefit of our clients, the industry and society at large.

We believe the way forward with responsible investing is brighter. We are proud of our history, but we know the world does not stand still. To that effect, I can assure you neither will Aegon AM.

Table of Contents

Investing beyond borders	1
A recognized leader in responsible investment	2
Responsible investing: a tenet of our heritage and our future	3
Introduction	5
Our responsible investment principles	6
Over 30 years of investing responsibly	8
Key developments in 2020	9
ESG Integration	10
<i>Structured securities</i>	11
<i>Equities</i>	12
<i>Multi-manager</i>	13
Responsible investment capabilities	14
<i>US Sustainable Equity Income</i>	16
<i>Global Impact Equities</i>	17
<i>Global Sustainable Sovereign</i>	18
Active ownership	19
<i>Engagement</i>	20
<i>Voting</i>	22
Additional information and further reading	23
Appendix	24

Introduction



Brunno Maradei, CFA,
Global Head of Responsible
Investment

2020 could have been a pause for the growth of the RI industry. Instead, we saw an explosion in interest partly fueled by the resilience of sustainable portfolios to the economic shock we lived through. The effects of the global pandemic will continue to be felt for years to come, despite the tremendous global progress to mitigate them, but it wasn't the only

eye-opening experience last year. Oil prices crashed amid collapsing OPEC agreements and a slowdown in economic activity, even becoming briefly negative in April. In May, we all witnessed a strong global resurgence of social justice movements with direct and immediate attention on corporate diversity and inclusion.

Our warming planet took no notice of the global pandemic. Australia faced its worst bushfire season on record, with 6% of the country in flames by some accounts. The United States faced similar record-breaking wildfires. Our teams were directly impacted by the Midwest derecho that hit Iowa in August, the intensity and suddenness of which may well indicate the shape of things to come if society does not act on climate change.

These events point us to an inescapable conclusion: ESG issues are expected to have material impact on markets and valuations. That is why, amid the turmoil, we continued our work to capture ESG value and risk, while hopefully contributing to a more sustainable world.

The enhancement of our in-house ESG capability continued in full force last year. Our work to ensure all corporate credits in our portfolios have a proprietary in-house ESG assessment was completed. We developed a methodology for assessing the ESG profile of securitizations, which, coupled with customized questionnaires and a bilateral engagement program, will support our efforts to help the industry by demanding more ESG transparency from issuers in this market. We also improved our proprietary methodology for assessing sovereign bond issuer sustainability by considering their relative progress toward achievement of the UN Sustainable Development Goals (SDGs).¹ This can now be applied alongside our existing proprietary ESG integration methodology for sovereign bond issuers to create tailored strategies.

Our RI capabilities continued gaining assets while we conducted research and development for new ESG-focused strategies. Our equity team has worked tirelessly this year to bring the philosophy of our market-leading sustainable equity strategy to the equity income universe. Meanwhile, in partnership with a third party, we developed a proprietary methodology and engagement approach to identify and drive positive impact in the listed equity universe, leading to the launch of a new product.

Our engagement specialists have had a great year, rolling out our own engagement tracking system worldwide to enable global active ownership reporting in 2021, while launching a new engagement strategy for fixed income portfolios integrated with our ESG research process. We focused on following up on corporate commitments, deepening dialogues and escalating problematic engagements. We can see the results in the progression of engagements to higher milestones in 2020.

On climate change, we focused on sector specific climate issues by questioning management teams and allocating capital in a way that actively promotes less harmful impacts in the environment. In our inclusion & diversity (I&D) activity, we continued to pressure issuers through engagement for diversity at the board level from a broad range of candidates, and questioning companies on their policies, programs, and results. This has complemented our own initiatives to address I&D and to increase awareness of unconscious bias among our employees. We also dedicated some of our engagement effort to help ensure our portfolio companies applied best practices in managing the impacts of the global pandemic.

In 2021, our focus will be on growing our RI assets by continuing to aim to deliver superior financial and ESG performance through our RI capabilities, launching innovative strategies, and enhancing our ESG integration processes, particularly in more challenging asset classes where ESG information is difficult to procure. We also expect to dedicate significant resources to the new regulatory requirements in the EU. We look forward to these and all the opportunities and challenges the next year promises to bring because it means we are working toward a more sustainable future.

¹The Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all." The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.



Our responsible investment principles

Responsible investing is a key element of our investment philosophy and process. Our responsible investment principles define and guide our approach across asset classes and regions while allowing us to help our clients navigate the responsible investment landscape.

Responsible investing aligns with clients' interests

As stewards of our clients' capital, we think it's prudent to consider all relevant and material risks and opportunities, including ESG factors, as part of our comprehensive issuer research. With a focus on long-term results, we use responsible investing 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

A growing body of academic research demonstrates that sound 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. 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 that focusing solely on financial metrics may lead to overlooking opportunities. We find that it is quite challenging to analyze future profitability and creditworthiness without considering ESG factors. By considering these factors in investment decisions, we strive to deliver better investment outcomes and long-term performance.

Active ownership is active management

Our stewardship ambitions extend beyond today's investment opportunity. By leading engagement efforts and exercising shareholder voting rights, we use our voice to help effect positive change. We collaborate with other investors and stakeholders to engage where possible to maximize our voice.

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. It may include ESG integration and active ownership as well as dedicated, RI-focused capabilities. Related terms may include sustainable or ESG investing.

Responsible investment pillars

Our responsible investment 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 potentially uncover opportunities.



Active ownership

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



Solutions

Providing focused responsible investment strategies including exclusions, best-in-class ESG, sustainability-themed and impact investments.

Responsible investment solutions

Exclusions

Utilize negative screening to avoid certain sectors, companies or practices based on specific criteria

Best-in-class ESG

Seek to outperform by emphasizing positive screening of issuers with better or improving ESG profiles relative to sector peers

Sustainability-themed

Focus on issuers whose activities or practices are aligned with sustainability themes in an effort to generate competitive returns over the long term

Impact investing

Pursue financial returns alongside measurable positive social and/or environmental impact



Over 30 years of investing responsibly

Aegon AM has a rich heritage of investing responsibly. Today, responsible investing is a key component of our culture and a core element of our investment philosophy and process. As a recognized leader in responsible investment, we aim to propel the industry forward and advance responsible investment practices. It is a rapidly changing

industry and we recognize the need to constantly evolve to maintain a competitive advantage. In the years ahead, we will continue to enhance ESG integration, work to effect positive change through active ownership and develop progressive responsible investment capabilities.

Responsible investing is steeped in our heritage and is woven into our process over 30 years.

Our history of responsible investing

1987	Real Assets US closes first investment in low income housing tax credits	2015	Integrates ESG ratings into credit research reports
1989	Aegon AM UK launches first ethical strategy	2016	Aegon AM UK launches first sustainable equity strategy. Aegon N.V. establishes RI as a strategic company initiative
2004	Aegon AM NL launches first multi-manager RI strategy	2017	Launches intensive ESG Next program to enhance ESG processes. Forms Climate Change Working Group
2007	Publishes first RI report	2018	Expands RI team and enhances global support
2010	Develops RI framework and forms central, dedicated team	2019	Aegon AM US launches dedicated ESG and sustainable fixed income strategies
2011	Aegon N.V. adopts a global RI policy. Aegon AM becomes a member of PRI	2019	Formalizes RI principles and develops common terminology
2012	Selects ESG research provider and joins GRESB	2020	Creates a global Responsible Investment Framework
2013	Adopts ESG training for all investment staff and appoints regional ESG officers	2020	Develops a proprietary ESG securitized credit research framework
2014	Introduces carbon footprint analyses		

Responsible investment products and services may vary regionally. Aegon AM became a signatory to UN-supported Principles for Responsible Investment (PRI) in 2011. Aegon AM UK became a standalone signatory to PRI in 2008.

Key developments in 2020



Enhanced ESG integration and developed proprietary methodologies

Environmental (including climate change), social and governance issues are all explicitly considered in our fundamental research, where applicable. Our global research teams continue to refine our ESG integration approach. After rolling out proprietary ESG research methodologies for corporate credit, we tailored the framework to create a proprietary ESG approach for structured credit. Within equities, we also formalized our approach and documented our own views with a proprietary framework that incorporates a three-stage approach to determine the materiality of the identified ESG factors from a risk and return perspective.



Developed a common global RI framework

As part of our global integration in 2020, we combined all local responsible investment policies, standards and guidelines into one global Aegon AM Responsible Investment Framework covering all our businesses. This framework is applicable across all asset classes and regions, and informs our approach to responsible investment, including our practices and approaches to investing responsibly. This framework is accompanied by client- and strategy-specific policies and our Active Ownership policy.



Engaging companies on climate change

We have incorporated further considerations for a company's climate change policies and impact. Our analysts directly engage with management in an effort to better understand the risks, opportunities and materiality of climate change and how companies are adapting their strategies to manage those issues.



Expanded suite of responsible investment capabilities

We continue to expand our suite of focused responsible investment solutions with the addition of the Global Sustainable Sovereign strategy^{1,2} which invests in sovereign bonds we have identified as most advanced in their contribution to the UN SDGs; the Global Impact Equities strategy^{1,2} which supports companies demonstrating measurable net positive impact; and the US Sustainable Equity Income strategy^{1,3}, applying our sustainability-themed approach to the equity income universe for the first time.

Expanded the responsible investment team

We expanded the RI team with one additional professional for a total of 14 members as of December 31, 2020. Our team conducts in-depth sustainability and impact research, contributes to product development efforts, supports the research analysts with ESG integration practices, leads active ownership activities and advises on RI policies and reporting.

Increased active ownership activity

We carried out 575 engagements in 2020, up from 564 the previous year. In 2020, we voted on 2,511 meetings globally, an increase from 2,321 in 2019. We continue to utilize our milestone-based approach to better track and communicate our engagement activities and saw solid progress in our engagement dialogues, demonstrated in their progression to higher milestones.

Promoted continuous learning

We offer in-house responsible investing training for all employees. We require analysts and portfolio managers to complete the PRI Academy Advanced RI Analysis course, along with our own RI training. Our program spans three levels and includes additional optional training courses for those interested in pursuing a more in-depth education.

Designed ESG reporting

As part of our commitment to responsible investing, we aspire to provide transparent and informative reporting to depict portfolios' ESG characteristics and active ownership activities. Through close interaction with clients, we developed an ESG reporting package consisting of four key sections: internal ESG view, third-party ESG data characteristics, active ownership activity statistics and carbon footprint analysis.

¹Not all products are available to all investors or in all jurisdictions. Certain capabilities may not be open to new investors.

²Managed by a third party. ³Advised or sub-advised by Aegon AM US.

ESG Integration

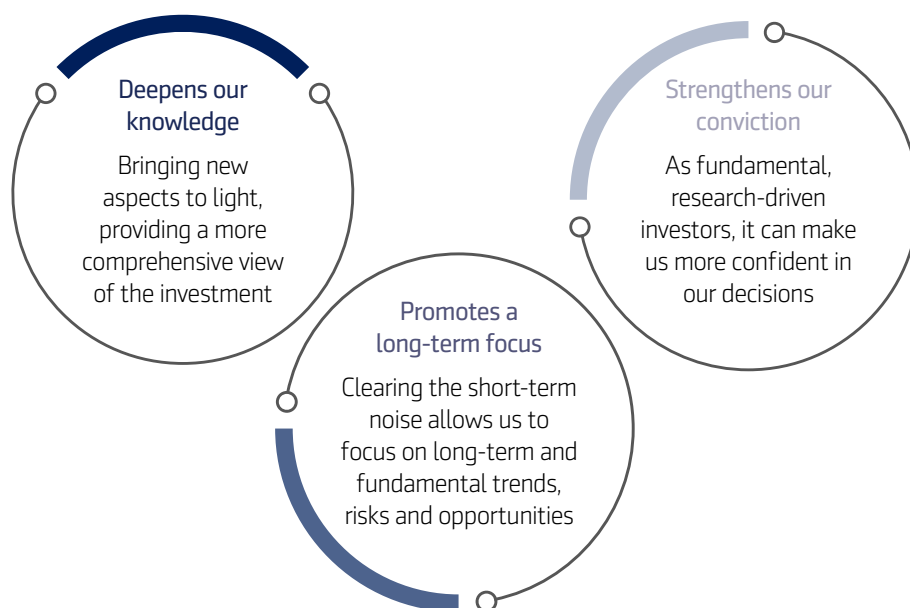
Our research framework

ESG factors are systematically integrated into our bottom-up research process for fixed income and equity issuers. 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.

We seek to answer three key questions:

- What is the potential economic impact of the ESG issue and its associated effect on the issuer's long-term growth potential, profitability or creditworthiness?
- Are ESG risks and opportunities accurately reflected in valuations?
- Is engagement beneficial to generate long-term economic value?

Three key benefits of ESG integration



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 aim to identify financially material factors which could affect the issuer's long-term growth potential, profitability, or creditworthiness, and to assess if they are appropriately priced.

Debunking common ESG myths

Our ESG integration process focuses on managing financial risks and identifying opportunities by including additional information in investment analysis to help inform our decision making. ESG integration does not seek to make ethical judgements and imposes no ESG-related restrictions on the investment universe. It seeks to systematically uncover ESG risks and opportunities to ensure they are appropriately priced in the investment being considered.



ESG integration: Structured securities

Integrating ESG factors requires striking the right balance between quantitative and qualitative insights. A proprietary assessment of environmental, social and corporate governance considerations is a vital component of our structured credit research framework and investment decision-making process. Unlike equities or corporate bonds, formal ESG integration is comparatively nascent within structured credit. There is limited third-party ESG research and few industry standards for private securitized issuers. As a result, assessing ESG factors for securitized assets requires a more creative approach.

Mitigate risk and uncover opportunities

To reflect the specific considerations for structured credit, we built a proprietary framework that is rigorous and comprehensive, but not overly rigid. We aim to uncover risks and potential mitigants that could affect collateral, structure and/or issuer performance.

ESG integration can also uncover opportunities. Our process identifies financially material ESG factors in combination with traditional financial criteria. We look for potential ESG concerns or opportunities around the sponsor's business model that could impact performance. We also assess if there are mitigants in place to help address the ESG risks we identify and we explore ways to extract value from ESG-related opportunities. This process aims to answer three key questions:

Environmental: Are there specific environmental and climate change considerations that should be contemplated?

Social: Does the issuer create utility and long-term value for customers, bondholders and itself?

Governance: Is the deal structured to provide an appropriate economic split and incentives to transaction parties?

A holistic and comprehensive approach

After determining the potential financial impact of relevant ESG factors, our research team considers various outcomes to help understand the potential impact on economics, creditworthiness and valuations. The process includes quantitative and qualitative factors. Our ESG integration process includes four key steps:

#1 Identification
Analysts identify important ESG factors alongside financial metrics

#2 Assessment
Assess impact of ESG factor on issuer's fundamentals

#3 Incorporation
Incorporate the fundamental impact into the credit assessment

#4 Integration
Portfolio managers integrate into the portfolio construction process

ESG categories for structured credit

Category	Description
Responsible Leader	Securitization fundamentals are positively affected by leading ESG practices.
Minimal Risk	Fundamentally low exposure to ESG risks or presence of factors that mitigate most of the ESG risks.
Event Risk Potential	ESG risk exposures could negatively affect the securitization fundamentals, but the effect is not measurable and timing is uncertain.
Credit Outlook Impact	ESG risks are resulting in pressure on the securitization fundamentals, however, we expect limited impact on the credit rating.
Internal Rating Override	ESG factors have resulted in a material effect on the securitization fundamentals that is not reflected in its credit rating.

ESG integration: Equities

As active equity investors we believe integrating ESG into our investment decision-making strengthens our investment conviction, supports the management of concentrated portfolios and promotes a long-term focus—an important consideration when the general trend in many markets is more short term.

ESG considerations are part of our fundamental equity research

Rather than taking a broad approach, environmental, social and governance issues are explicitly considered in our fundamental research. We know ESG issues have the potential to materially impact both the financial performance and the valuation of our investee companies. This has always been integral to our investment approach.

The heart of our process lies within the teamwork between our fund managers and our independent responsible investment team. In our traditional equity strategies, i.e., those not classified as responsible investment solutions, it is the responsibility of our fund managers to form a judgment on ESG issues, ensuring that ESG analysis is comprehensive and robust, and to leverage the responsible investment team for their expertise. Examples of areas we assess include: a company's range of products and their implications for ESG outcomes; climate change policies and impact; carbon emissions; governance structure; management board structure and compensation; social policies; how a company is positioned for the transition to a greener economy; and its resource efficiency.

Three-stage ESG assessment process

To bring this together, our equity team uses a three-stage ESG assessment process to determine the materiality of the identified ESG factors from a risk and return perspective.

Stage 1: Identifying the most important ESG factor impacts for a given company.

Stage 2: Determine an ESG factor's level of significance relative to other considerations. What is the overall impact upon the investment proposition? Is it a headwind or a tailwind to business performance or valuation?

Stage 3: Finally, we look at the direction of travel for a given ESG factor and a company's overall ESG profile. Is exposure to these ESG risks or opportunities improving or not? We believe this consideration is critical as ESG (similar to other investment considerations) cannot be viewed in a static manner and as a firm we value and support ESG improvement over time.

Our one-team approach

Importantly, all information related to research, company meetings notes and responsible investment team engagement activity is centrally stored to provide easy access to all team members, reflecting our one-team culture. We have a number of examples where the investment team has concluded that ESG considerations were the primary driver behind whether to invest in a stock or not.

The responsible investment team's engagement is well-suited to advancing broad themes such as diversity and inclusion which, in aggregate, are key to the functioning of the financial system. Engaging with companies on climate change risk is another example of the team's activity. On the other hand, the fundamental equity analysts' focus is more specifically upon the strategy of the company to deliver sustainable long-term returns to shareholders. Our analysts directly engage with management to better understand the risks, opportunities and materiality of ESG factors, and how companies are adapting their strategies to manage those issues.



ESG integration: Multi-manager

Responsible investing is an integral part of our investment process within Aegon AM's multi-manager solutions. We believe it is imperative for external managers to have high standards and values when it comes to responsible investing. As a result, ESG criteria are a critical component of our disciplined multi-manager selection process.

In 2020, we formalized the assessment of ESG practices in external managers and the mandates we assign to them. The aim of this project was to improve the comparability of various managers, while acknowledging the particular approach of each asset manager, and to enhance the RI presence in the governance of external managers' assessment and approval. To that end, we reviewed our ESG assessment framework and improved business processes to make use of the RI expertise across Aegon AM.

This framework consists of two parts. The first part is a standard questionnaire which investment managers at Aegon AM answer internally on the basis of their conversations with external managers. For each section and question of this framework, we provide an explanation and a summary assessment as an answer. The questionnaire covers the following:

- **Culture of the firm:** Whether the firm has a clear commitment to ESG Integration, which can be signaled by memberships of various organizations, the reporting framework and the availability and clarity of information about ESG concerns.
- **Culture of the team:** How knowledgeable the investment team is with ESG topics relevant to the portfolio, the extent to which it is discussed internally and externally by the team and the team's philosophy on ESG Integration.
- **Organization:** Quality of the organizational structure around ESG, for instance access to external ESG information and presence of dedicated ESG analysts within the team or in a separate department.

- **Process:** Quality and integrity of the process around ESG integration, as signaled by the actual implementation of ESG integration, the standardization of ESG as a component of the investment decision, the periodical review of portfolios on this basis, and the scope, intensity and transparency of engagement with investee companies.
- **Outcomes:** The demonstrable impact that ESG integration has on the investment portfolio's ESG performance, as evidenced by comparison with a benchmark and by the availability of ESG reports.

Next to this standardized section, we also leave room to capture the particular approach of each manager to ESG integration and, more broadly, responsible investment. As formal ESG and RI practices are relatively recent developments globally, a one-size-fits-all approach is not sufficient to fully capture managers' thinking and practices. Thus, in order to make fully informed decisions on the approval of external managers, we rely on this additional section.

Together, these two parts form the basis for our assessment of managers' ESG practices. This is applied across our multi-management fund range, regardless of asset class—though the framework is slightly adapted to reflect different market standards and expectations depending on the asset class. Each manager we assess then goes through the External Manager Approval Committee, in which an expert from our Responsible Investment team participates to provide a second opinion on the appropriateness of the manager's ESG practices and commitment. This ensures that no manager can be approved if there are ESG-related concerns since we operate by consensus.

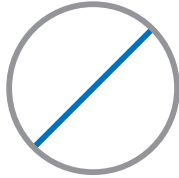
After initial manager selection, we continue to monitor asset managers' ESG practices and stewardship activities as we seek to ensure that our clients' assets are being invested responsibly. We also engage with these managers at least on a quarterly basis in an effort to improve outcomes. Together, we seek to deliver better long-term outcomes for our clients.



Responsible investment capabilities

Our responsible investment capabilities are segmented into four primary categories: exclusions, best-in-class ESG, sustainability-themed and impact investments. These serve as building blocks that can be combined to create customized client strategies.

Utilize **negative screening** to avoid certain sectors, companies or practices based on specific ESG criteria



Exclusions

Aegon AM offers exclusionary screening according to legal requirements and client preferences. We act on mandates to exclude certain sectors or companies whose activities are considered incompatible with our clients' values. Notably, our affiliated clients require ESG-related exclusions in the management of their proprietary assets so over half of the assets we manage are subject to customized exclusion lists mandated by several different clients.

Seek to outperform by emphasizing **positive selection** of issuers with better or improving ESG profiles



Best-in-class ESG

A significant and 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. The shift toward sustainable business practices presents interesting investment 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.

Positive screening enables us to focus on issuers aligned with **sustainability themes** in an effort to generate competitive returns over the long term



Sustainability-themed

There is an evolution in sustainability-themed products and services, enticing a growing number of companies to provide solutions to key sustainability challenges. We believe this also presents compelling investment opportunities and may generate better returns while contributing to a more sustainable world.

Our sustainability-themed strategies center around a set of investment opportunities contributing to one or more sustainability challenges or trends. Our dedicated Responsible Investment team leads the development of their methodology and the 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.

Pursue financial returns alongside measurable **positive social** and/or **environmental impact**



Impact investing

We develop impact investment strategies to align investments with sustainability goals and use capital to drive environmental and social impact. Our approach 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, which consists of monitoring our progress, measuring and reporting impact after the investment is made.

Responsible investment products and services may vary regionally.

Responsible investment capabilities

	Exclusions	Best-in-class ESG	Sustainability-themed	Impact investing
Description	Utilize negative screening to avoid certain sectors, companies or practices based on specific criteria	Seek to outperform by emphasizing positive selection of issuers with better or improving ESG profiles	Focus on issuers 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
Fixed income	<ul style="list-style-type: none"> • UK Ethical Corporate Bond • Customized solutions 	<ul style="list-style-type: none"> • US High Yield ESG • Global Investment Grade ESG • Euro ABS 	<ul style="list-style-type: none"> • US Sustainable Fixed Income • Global Sustainable Sovereign 	<ul style="list-style-type: none"> • Government-Related Investments
Equities	<ul style="list-style-type: none"> • UK Ethical Equity • Customized solutions 		<ul style="list-style-type: none"> • Global Sustainable Equity • US Sustainable Equity Income 	<ul style="list-style-type: none"> • Global Impact Equities*
Real assets	<ul style="list-style-type: none"> • Customized solutions 			<ul style="list-style-type: none"> • UK Healthcare Property • US Low Income Housing Tax Credit Equity • US Workforce Housing Private Equity
Multi-asset & multi-manager (MM) solutions	<ul style="list-style-type: none"> • UK Ethical Cautious Managed • Customized solutions 	<ul style="list-style-type: none"> • MM World Equity SRI Index • MM European Equity SRI Index • European Real Estate 	<ul style="list-style-type: none"> • MM Long-Term Investment Equity • Sustainable Diversified Growth 	<ul style="list-style-type: none"> • MM Global Green Bonds

Advised and/or sub-advised by:

- Aegon AM UK
- Aegon AM US
- Aegon AM NL
- Aegon Real Assets US

The above is not an exhaustive overview of all strategies of Aegon Asset Management that promote environmental or social characteristics or that have a sustainable investment objective. Not all products are available to all investors or in all jurisdictions. Strategies are generally offered through locally licensed affiliates. Certain capabilities may not be open to new investors. *This strategy is managed by a third party and may not be available to all investors or in all jurisdictions.

Responsible investment capabilities: US Sustainable Equity Income¹

Our differentiated approach goes beyond investing in consistent dividend growers.

We closed the year with the launch of our US Sustainable Equity Income strategy which builds upon Aegon AM's experience managing equity RI strategies since 1989. The team uses a high-conviction approach and a proprietary, bottom-up sustainability research framework to identify potential alpha opportunities in sustainable leaders and improvers.

Along with a high yield ESG and a sustainable fixed income mandate, this represents Aegon AM's third responsible investing sub-advisory relationship in the US with Transamerica Asset Management. The investment process includes quantitative screening which complements our bottom-up fundamental analysis. The strategy has a long-term investment horizon and a strict buy and sell discipline based on dividend and sustainability criteria. The outcome is a portfolio that typically exhibits an active share of 90% or higher and a relatively low beta.

Our differentiated approach goes beyond seeking investment in compounders or consistent dividend growers. We also seek to identify hoarders and de-equitisers. The former are companies that we think can substantially increase their dividend payouts and the latter are those where we see the potential for an improved capital structure through equity buybacks.

Our experienced investment team uses a comprehensive framework to examine companies' alignment with multiple sustainability megatrends such as clean energy and transport, industrial automation and precision medicine, while also assessing how sustainable their operational practices are. This results in a high-conviction sustainability-themed portfolio that aims to generate a steadily growing income stream from investing in companies that are addressing a range of sustainability challenges.

¹This strategy is advised or sub-advised by Aegon AM UK and may not be available to all investors or in all jurisdictions. Certain capabilities may not be open to new investors.



Responsible investment capabilities: Global Impact Equities Strategy¹

Impact investing challenges long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns. Companies often exhibit strong growth prospects due to their alignment to the UN SDGs, excellent management and robust business fundamentals.

In 2020, Aegon AM supported the launch of the co-branded Global Impact Equities strategy. An extension of our well-established responsible investment capability, the strategy was developed to invest in companies working to generate significant social and environmental impact alongside solid financial returns. It aims to generate measurable socio-economic or environmental benefits by investing in companies worldwide, including emerging markets.

The investment process combines quantitative and qualitative analysis of financials and impact, actual or potential. The strategy aims to invest in growth companies driven by long-term sustainability themes with a strong commitment to delivering positive impact in their processes and products. Our approach looks beyond surface-level environmental and social risks. This helps us find the companies that are better positioned to mitigate these risks, as well as companies with improving ESG practices. The strategy aims to invest in companies that have a well-articulated ESG strategy and solid governance practices.

Executing on impact

The lens through which we view potential investment targets is a precise one. From a broad range of over 9,000 companies, we distill our investable universe down to 40-80 high-conviction holdings. At the heart of our process, we look at three specific areas when analyzing corporate impact:

Process: First, we review the processes of companies within the investable universe; how they operate and if those processes have a net positive impact.

Products: Then, we look at their products, or services that they offer, and how much of their revenue comes from products that have a positive impact on society or the environment.

Progress: Lastly, we look at the progress of companies. Specifically, we assess whether they are on a positive trajectory—or if they are generally increasing their positive impact in the future with both their process and products.

Advocating for positive impact

Shareholders can be a voice of change and support meaningful change through:



Voting



Engaging



Impact

Rigorous requirements for what counts as impact based on ESG, revenue and qualitative analysis



Return

Similar characteristics to a conventional equity portfolio that is broadly diversified across sectors and countries.



Insight

Clear reporting about impact based on the SDGs.

¹This strategy is managed by a third party and may not be available to all investors or in all jurisdictions. Certain capabilities may not be open to new investors.

Responsible investment capabilities: Global Sustainable Sovereign Strategy¹

Sustainability is quickly becoming a significant focus of investors across the marketplace. Our Global Sustainable Sovereign strategy provides one option to help meet this growing demand. Incorporating sustainability alignment into sovereign portfolio construction can help investors to mitigate risk, contribute to sustainable growth and pursue competitive long-term performance. However, sustainable investing in sovereign debt requires an additional set of tools and expertise beyond traditional portfolio management; it requires a comprehensive and tailored process.

Aligned with the UN SDGs, the strategy targets a balance between developed markets and investment grade emerging markets. The strategy is supported by research in sustainable investment in fixed income. Focused on sovereign bonds with a global sustainable approach, we provide comprehensive reasoning on investments.

The objective of the strategy is to invest in financially strong countries making contributions towards the targets defined by the UN SDGs. The main drivers of return for the strategy consist of the spread of non-core assets, i.e., assets below the average credit rating of the portfolio, along with core assets which are intended to provide resiliency under adverse scenarios, like those presented by the physical risks of climate change.

Sovereign sustainable assessment in practice

Evaluating the sustainability of sovereign issuers requires a tailored approach. From quantitative inputs such as SDG scores to qualitative assessments of sustainability risk, a comprehensive sustainability research framework combines various inputs to form a holistic view of an issuer's sustainability profile. The assessment methodology should be flexible and granular enough to account for differences between countries. Our process for identifying qualified issuers for the strategy is twofold: it is a combination of sustainability and fundamental analysis supported by proprietary research.

Using our proprietary methodology to classify each country into one of five categories reflecting their sustainability profile, countries are identified as leaders, influencers, improvers, neutral or detrimental.

By conducting a thorough sustainability assessment, we look beyond the high-level SDG scores to identify gaps in the country's sustainability profile. Challenge gaps—SDGs in which countries show a significant lag against the general average—are dependent on the initial circumstances of each country, in terms of development, income and region. For example, by splitting all countries into different income groups, we can identify which SDGs are the most challenging per specific group, or what we denominate “salient SDGs”, and assess whether a country is leading or lagging within its reference group.

Besides income group, geographical location or Organization for Economic Co-operation and Development (OECD) membership can also help to identify a relevant peer group and SDGs where the largest challenge gaps exist, and thus, where the most effort is needed. For example, Inequality (SDG 10) and Infrastructure (SDG 9) stand out as particularly challenging for non-OECD countries. Given differences that exist across countries, we believe geographic diversification within a sustainability-themed portfolio promotes consistent consideration of all relevant SDGs.

Finally, as active owners of sovereign debt, we seek adequate disclosure and transparency on ESG factors and progress on SDGs. Given the long-term investment horizon of a sustainability-themed sovereign portfolio, we believe it is paramount that we analyze ESG risks upfront and engage with issuers to understand the creditworthiness and determinants of sovereign bond performance. Active engagement can help us to assess the sustainability profile of a developed and emerging country, and ultimately can help inform portfolio construction and alter portfolio composition.

Sovereign Sustainability Categories

Leader	Achieved critical SDGs and outstanding commitment to sustainability
Influencer	On track to achieve some SDGs, clear commitment to sustainability and limited sustainability risk
Improver	Above average sustainability profile with low risk and promise to tackle controversies, but faces SDG achievement challenges
Neutral	Not on track to achieve most SDGs, no clear ambition and average sustainability risk
Detrimental	Not on track to achieve the SDGs, higher sustainability risk and possible major controversies

¹This strategy is advised or sub-advised by Aegon AM NL and may not be available to all investors or in all jurisdictions. Certain capabilities may not be open to

Active ownership

Engagement Highlights

575
company engagements
in 2020

2,511
company meetings
voted on

78%
of cases generally
followed up on with
a call or meeting

Reasons for engagement

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

Active management, active ownership

As an active asset manager, our responsibility extends beyond today's investment opportunities. We take a long-term focus built around our robust active ownership program, which includes exercising shareholder voting rights in the best interest of our clients and stakeholders, while engaging with bond or equity issuers in an effort to mitigate ESG risk and encourage more sustainable practices. We aim to be the voice of change, as we endeavor to not only improve risk-adjusted returns for our investors, but to also to contribute to a more sustainable future.

Our active ownership activities are governed globally by the Aegon AM Active Ownership Policy. We also apply several approaches to specific strategies in addition to those outlined in the policy. This active ownership policy which is supported by more detailed local policies in the US and the Netherlands, as well as client voting policies.

Our global responsible investment team leads our active ownership program with input and participation from investment professionals across the organization.

Engagement

At Aegon AM, 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, educate management on sustainability concerns, promote growth in sustainable business lines and advocate changes that align with responsible investment priorities. Successful engagement can create new investment opportunities. Where possible, we vote in line with our engagement activities.

Aegon AM's engagement efforts can be divided into three types:

Long-term value: Our engagement work supports our objectives to generate value and reduce risk in the longer term. As part of our bottom-up research process, we actively engage with companies we identify as facing specific ESG risks which we believe need to be addressed or further understood. We also systematically engage on ESG themes that are of immediate concern to long-term investment value such as climate change and corporate governance. We also actively engage with companies on key management and shareholder resolutions at their general meetings to clarify our expectations and make fully informed voting decisions.

ESG and impact research support: RI solutions demand scrutiny of the ESG and sustainability practices of companies at a deeper level than is often achievable through existing corporate disclosures and ESG data provider assessments. As part of this process, we engage with companies to help enhance our understanding of sustainability practices, to request further ESG-related or impact disclosures or to encourage positive change in alignment with the objectives of our RI strategies.

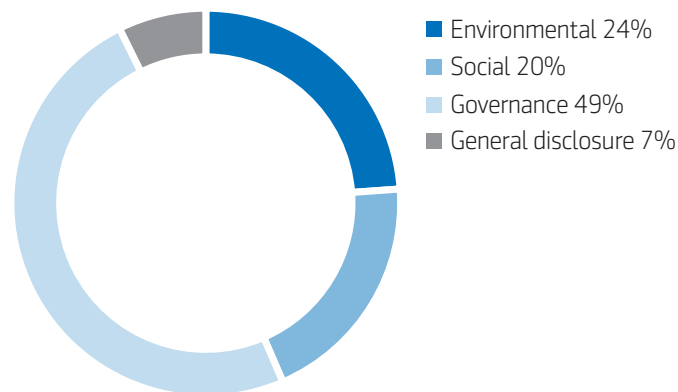
Compliance with standards: Aegon AM and its clients have defined certain ESG standards with which our investments are expected to comply. We engage with companies when we see actual or potential breaches of such standards, also leading to actual or potential adverse impacts on society and the environment. Our objective for these engagements is to encourage compliance, communicate expectations and assure continued portfolio adherence to the agreed standards.

Engagement

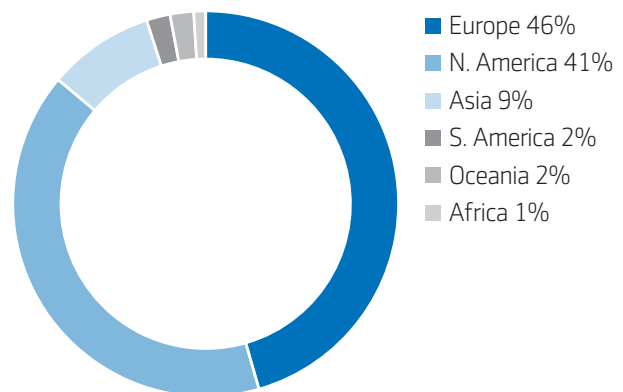
Engagement progress in 2020

We stepped up our engagement activities in 2020, increasing the number of companies we engaged with from 564 in 2019 to 575 in 2020. In this section, we provide a brief overview of our engagement and voting activities. More detailed reporting on this aspect of our responsible investment program will be provided in our forthcoming Active Ownership Report.

Engagements per topic



Engagements per region



Source: Aegon AM as of December 31, 2020. Percentages may not sum to 100 due to rounding. Themes are divided according to the main issue. At times, there is more than one theme for an engagement. A small number of engagements were outsourced and therefore not included in this dataset.

Key engagement themes

We selected key ESG issues that pose long-term financial risks to our investment portfolios such as health and well-being and climate change. This led to proactive engagements on these themes, often in collaboration with other investors and organizations.

Example engagement themes

Climate change



As an active member of the Climate Action 100+ IIGCC Working Group, we are committed to actively engaging companies that pose a challenge to climate change mitigation. In particular, we aim to encourage the world's largest corporate GHG emitters including intensive sectors such as oil and gas, utilities and steel, to take necessary action.

We engaged with one such company identified as a systemically important greenhouse gas emitter. Our progress to date has garnered a commitment from the company to obtain carbon neutrality by 2050, in addition to reduce emissions within its European business to reduce emissions by 30% by 2030. The company also introduced various pilot technologies for carbon-neutral steel making and will be producing steel with hydrogen from renewables.

Health & well-being



The global pandemic further brought to light the disparity between the healthcare systems within the world's wealthiest and poorest nations. We believe a focus on sustainable financing for health can bring about improvements to under-served areas of the globe where vaccines are needed and avoid situations in which health emergencies push people into bankruptcy or poverty.

We partnered with other insurers, NGOs and the Dutch government to collaborate and share knowledge to improve access to medicines. As the Covid-19 pandemic unfolded, we focused our efforts on issues relating to vaccines. After various communications with a particularly large global player in consumer healthcare, it announced the advanced vaccine purchase agreement for low and lower-middle income countries.



Climate change

A major energy company with additional operations in energy services and coal mining is a systematically important greenhouse gas emitter involved in all stages of the thermal coal value chain.

Engagement

Our engagement called on the energy company to minimize their dependence on thermal coal while simultaneously improving their disclosure related to their thermal coal mining operations as part of their 2050 climate neutral commitment.

Initial contact was made in 2019 as part of a collaborative effort with other Climate Action 100+ signatories regarding their long-term net-zero ambitions. When it became clear that it would end up in violation of the

thermal coal exclusionary criteria, we continued to engage bilaterally in order to push for greater disclosure and clarity regarding their thermal coal mining business. For a time, it was excluded from our investment universe due to the scale of their coal mining business exceeding our policy threshold.

Outcome

As a result of our engagement efforts, the energy company increased the level of detail, transparency and disclosure related to their coal mining operations as part of their climate strategy. Investor pressure, coupled with an overall contraction of economic activity in Europe throughout 2020, continues to pressure the company to eliminate their dependency on thermal coal.



Defending creditor rights

A pandemic-induced liquidity event caused a large automotive company to plan to move assets out of the restricted group and therefore remove that credit support for the existing bonds. The company subsequently planned to raise debt against those assets to improve its liquidity, which would effectively subordinate bondholders to the new debt.

Engagement

As these assets were also substantially all the firm's tangible assets, Aegon AM worked with existing bondholders to oppose this transaction. Scale in bondholder groups is key to have credibility, as well as to ensure voting and blocking power. Aegon AM's position was important to achieve the thresholds required to block this transaction. We joined with a group of like-minded bondholders to discuss this with the company.

Outcome

Despite attempts to engage with the company as a bondholder group, the business was initially reluctant to engage. This required immediate escalation to protect investors. The

company attempted to circumvent its existing bondholders by applying to the court to instruct it to release security pledged to the bondholders. After our legal representation was able to delay the firm's ability to push through the transaction, we were able to negotiate and confirm several key investor outcomes:

- The collateral stripping transaction was blocked.
- The legal documentation governing the bonds was materially improved, restricting the business from taking certain actions without bondholder consent or requiring them to pay down debt. Importantly, the most valuable assets underpinning credit support were explicitly protected from being transferred out of the bondholder's control.
- Shareholders invested new capital into the business and no new debt was required.

Ultimately, as part of this bondholder group, Aegon AM was able to proactively work to defend creditor rights.

Voting

Voting: Exercising shareholder rights

Similar to engagement, our voting activities seek to ensure our voice as investors is heard, in an effort to improve companies' performance and to pursue competitive returns for our clients. Our approach to voting is also informed by engagement.

In 2020, we voted on 2,511 meetings globally, up from 2,321 in 2019 and 1,373 in 2018. Approximately 91% of votes were cast with management and 9% were against. Votes cast spanned multiple regions and countries across Europe, North America, Asia and Australia with no one country comprising more than 25% of the activity. Most of the votes cast against management were related to resolutions on corporate governance, and also voting on environmental and social issues, as these matters become more material to companies and investors.

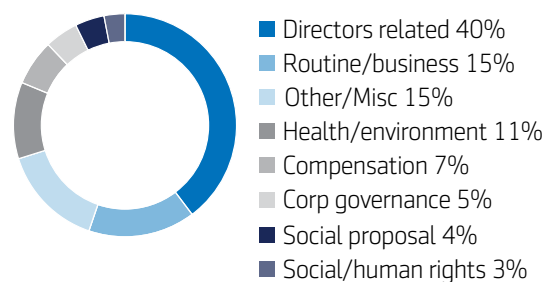
In the event Aegon AM casts a vote against or withholds a vote on a management proposal, we are prepared to explain the reasons for this voting behavior to the company's board either pro-actively or per company request. As with the votes against management, most of the shareholder proposals we supported relate to directors (i.e., election).

Aegon AM votes in accordance to the principles outlined in its Active Ownership Policy. It is supported by more detailed local policies in the US and the Netherlands, as well as client voting policies. Voting policies are reviewed regularly to ensure they reflect new regulation and the latest developments in the investment industry.

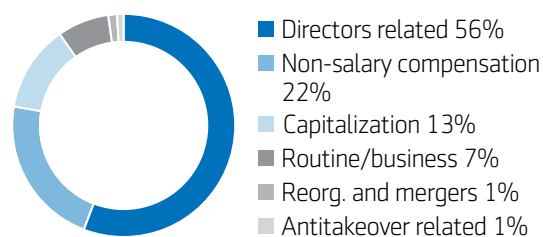
Voting activities in 2020

Voted on 2,511 meetings globally in 2020, up 8% from 2019

Votes on supported shareholder proposals



Votes against management proposals



Source: Aegon AM as of December 31, 2020.

Additional information

Regulatory developments

2021 has begun with significant enhancements to the regulatory frameworks governing sustainable finance in several jurisdictions. Aegon AM welcomes these enhancements and is committed to achieving the highest levels of transparency regarding its RI practices and solutions.

Investors in the EU can read more about our approach to compliance with the EU Sustainable Finance Disclosure Regulation in our Statement of Compliance, available on the Responsible Investing page of our website aegonam.com.

Aegon AM is a proud signatory to the Financial Reporting Council's UK 2012 Stewardship Code. We are awaiting the outcome of the Financial Reporting Council's review of our submission to become a signatory to the 2020 Stewardship Code. Stakeholders in the UK can read more about our approach to compliance with the Code in our detailed Compliance Statement, also available on our website for UK investors.

Our commitment to sustainability

Aegon is committed to helping our customers achieve a healthy and financially secure future. This commitment requires a sustainable, long-term-oriented business that can fulfil our purpose and considers our obligations to individuals,

society and the environment. More information on our approach to running a sustainable business can be found [here](#) and in Aegon's Integrated Annual Report 2020.

Our commitment to inclusion and diversity

Aegon AM is committed to embracing diversity and inclusion, acknowledging, understanding and appreciating the differences between individuals, and developing a workplace culture that enhances their value.

An inclusive and diverse culture helps us to be more effective in developing our people, serving our clients and strengthening our communities. We are committed to a work environment that embraces employee individuality. By nurturing this environment, our people feel valued for their authentic selves and we are better positioned to consistently deliver the performance and services our clients seek.

For further information on the actions we are taking to live up to this commitment, please refer to our [website](#).

Further reading

Further reading

We hope you have enjoyed reading about the progress we have made on our responsible investment practices last year. We have focused this report on key changes we felt were most important to our stakeholders and clients. However, several other Aegon AM publications are available to further inform you on our responsible investment approach and practices, and these can be found on the Responsible Investing page of our website aegonam.com:

- Our Responsible Investment Framework describes our overall approach to responsible investing and goes into further detail on our practices.

- Our Active Ownership Policy outlines our standards and procedures for engagement and voting, including our Corporate Governance Guidelines.
- Our 2020 Active Ownership Report will be published shortly to provide further detail on our engagement and voting progress.
- Our full Assessment Report from the Principles of Responsible Investment.

Responsible investment policies are applied to specific subsets of our funds, such as the Responsible Investment Policy for Multi-Management Funds, as well as the annual sustainability reports for our flagship RI strategies.

Appendix

Responsible investment governance

The Aegon AM Management Board approves and oversees the implementation of Aegon AM's Responsible Investment Framework as well as all Responsible Investment policies.

Responsible investment program oversight

Aegon AM's Responsible Investment team acts as a resource and central point of contact for all responsible investment matters. The team is responsible for maintaining an overview of all responsible investment activities. In addition to providing sustainability and impact research and guiding the company on best practices, the team manages most ESG-related engagement activities, regularly reviews policies and creates exclusions lists according to clients' criteria. With a focus on innovation and continuous improvement, the Responsible Investment team partners with investment teams in an effort to enhance ESG integration practices and ensure consistency across our responsible investment strategies.

ESG integration oversight















Aegon AM's investment teams are directly responsible for ESG integration. Research analysts identify and analyze relevant and material ESG factors while portfolio managers have final decision-making authority regarding the creation of a client's portfolio. Because we view ESG analysis as part of the typical fundamental research process, there is no explicit ESG integration governance process. However, we have multiple oversight functions in place that seek to preserve the quality of our ESG research process.

Responsible investment policies

Complementing our Responsible Investment Framework which guides our approach globally, Aegon AM has adopted several policies that govern its RI activities and capabilities. The Active Ownership Policy outlines our standards and procedures for engagement and voting, and includes detailed Corporate Governance Guidelines delineating our governance standards. The Responsible Investment Policy for Multi-Management Funds and the Sustainability Risks and Impacts Policy, applicable to specific Aegon AM strategies, describe our approach to identifying and mitigating certain ESG risks through active ownership and exclusion.

Furthermore, our parent company, Aegon N.V., has adopted a responsible investment policy that is applicable to the general account assets managed on behalf of all its affiliated insurance companies. The policy and its underlying principles also guide Aegon AM's overall responsible investment approach. However, Aegon AM manages third-party client accounts based on client guidelines and preferences and adopts processes and practices that are appropriate for each asset class.

Memberships and collaborative bodies

	Access to Medicine Foundation	The Access to Medicine Foundation stimulates and guides pharmaceutical companies to do more for people living in low- and middle-income countries without access to medicine.
	As You Sow	As You Sow is a shareholder advocacy group, promoting environmental and social corporate responsibility. Aegon AM is part of As You Sow's Plastic Solutions Investor Alliance, launched in 2018. As part of the Alliance, we have signed the Investor Declaration on Plastic Pollution.
	CDP (formerly Carbon Disclosure Project)	CDP encourages increased disclosure on environmental impact from investors, companies and government. Aegon has been a member at Group level since 2009.
	Ceres	The Ceres Investor Network focuses on climate risk and sustainability; the network comprises 163 institutional investors around the world – and organizes regular corporate engagement on sustainability issues.
	Climate Action 100+	Climate Action 100+ is an investor initiative aimed at ensuring the world's largest greenhouse emitters take necessary action on climate change. Aegon AM joined Climate Action 100+ in 2017.
	Eumedion	Aegon AM is an active member of Eumedion – a forum for institutional investors on corporate governance and sustainability topics.
	FAIRR – Farm Animal Investment Risk & Return	FAIRR works on ESG issues related to farming and agriculture. Aegon AM joined FAIRR in 2016. In 2018, we took part in FAIRR's engagement on sustainable protein.
	Global Impact Investment Network (GIIN)	Aegon is a founding network member of GIIN, which works to improve the effectiveness of impact investing.
	Institutional Investors Group on Climate Change (IIGCC)	IIGCC is an investor network on climate change; the group works with business and policymakers, as well as investors to help mobilize capital for the transition to a more sustainable economy.
	Interfaith Center on Corporate Responsibility (ICCR)	ICCR brings together more than 300 institutional investors; its objective is to engage companies directly on ESG issues. In 2018, Aegon AM took part in ICCR engagements on opioids and water management.
	Investors for Opioid Accountability (IOA)	IOA is a coalition of institutional investors, established in 2017. The IOA engages with manufacturers, distributors and retailers on ways to tackle the current opioid crisis in the US.
	Principles for Responsible Investment (PRI)	Aegon AM has been a signatory to the UN's PRI since 2011 (Aegon AM UK since 2008). Membership commits us to upholding the six principles for responsible investment and reporting annually on our progress. We are active in the PRI's methane working group.
	Principles for Sustainable Insurance (PSI)	Aegon is a founding member of PSI, launched in 2011. PSI members commit to incorporating ESG into their business and investment decisions.
	ShareAction	ShareAction promotes responsible investment and works to improve company performance on ESG issues.

All third-party names and logos are property of their respective owners and are used in this material for identification purposes only. Aegon AM is not associated with, nor endorsed by, the organizations depicted above. In addition to those above, Aegon AM is also a member of various other national organizations such as the UK Sustainable Investment and Finance (UKSIF) and VBDO (Dutch Association of Investors for Sustainable Development).

Disclosures

This material is provided by Aegon Asset Management (Aegon AM) as general information and is intended exclusively for institutional and wholesale investors, as well as professional clients (as defined by local laws and regulation) and other Aegon AM stakeholders.

The following Aegon affiliates are collectively referred to herein as Aegon Asset Management: Aegon USA Investment Management, LLC (Aegon AM US), Aegon USA Realty Advisors, LLC (Aegon RA), Aegon Asset Management UK plc (Aegon AM UK), and Aegon Investment Management B.V. (Aegon AM NL). Each of these Aegon Asset Management entities is a wholly owned subsidiary of Aegon N.V. In addition, the following wholly or partially owned affiliates may also conduct certain business activities under the Aegon Asset Management brand: Aegon Asset Management (Asia) Limited (Aegon AM Asia).

The assets under management described herein incorporates the entities within Aegon Asset Management as well as the following wholly or partially owned affiliates: Aegon Asset Management Asia LTD (AAM Asia), Aegon Asset Management Central and Eastern Europe (AAM CEE), Aegon Asset Management Pan-Europe BV (AAM PE), Aegon Asset Management Holding B.V. and Aegon Asset Management Spain along with joint-venture participations in Aegon Industrial Fund Management Co. LTD (AIFMD), La Banque Postale Asset Management SA (LBPAM), Pelargos Capital BV (Pelargos) and Saemor Capital BV (Saemor).

Aegon Asset Management entities deliver services to, and share resources with, one another pursuant to applicable law as well as both global and local, policies, monitoring, and supervision. Personnel employed by a foreign Aegon Asset Management entity engaged in activity for, or through, a local Aegon Asset Management entity are subject to that local entity's applicable requirements and oversight. This may include the use of delegation arrangements and/or a participating affiliate arrangement (as this term is used by the U.S. Securities and Exchange Commission (SEC).

This document is for informational purposes only in connection with the marketing and advertising of products and services, and is not investment research, advice or a recommendation. It shall not constitute an offer to sell or the solicitation to buy any investment nor shall any offer of products or services be made to any person in any jurisdiction where unlawful or unauthorized. Any opinions, estimates, or forecasts expressed are the current views of the author(s) at the time of publication and are subject to change without notice. The research taken into account in this document may or may not have been used for or be consistent with all

Aegon Asset Management investment strategies. References to securities, asset classes and financial markets are included for illustrative purposes only and should not be relied upon to assist or inform the making of any investment decisions.

The information contained in this material does not take into account any investor's investment objectives, particular needs, or financial situation. It should not be considered a comprehensive statement on any matter and should not be relied upon as such. Nothing in this material constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to any particular investor. Reliance upon information in this material is at the sole discretion of the recipient. Investors should consult their investment professional prior to making an investment decision. Aegon Asset Management is under no obligation, expressed or implied, to update the information contained herein. Neither Aegon Asset Management nor any of its affiliated entities are undertaking to provide impartial investment advice or give advice in a fiduciary capacity for purposes of any applicable US federal or state law or regulation. By receiving this communication, you agree with the intended purpose described above.

Past performance is not a guide to future performance. All investments contain risk and may lose value.

Responsible investing is qualitative and subjective by nature, and there is no guarantee that the criteria utilized, or judgement exercised, by any company of Aegon Asset Management will reflect the beliefs or values of any one particular investor. Responsible investing norms differ by region. There is no assurance that the responsible investing strategy and techniques employed will be successful. Investors should consult their investment professional prior to making an investment decision.

This document contains "forward-looking statements" which are based on Aegon AM's beliefs, as well as on a number of assumptions concerning future events, based on information currently available. These statements involve certain risks, uncertainties and assumptions which are difficult to predict. Consequently, such statements cannot be guarantees of future performance, and actual outcomes and returns may differ materially from statements set forth herein.

This report includes ratings and rankings for Aegon Asset Management's responsible investment activities. The rating or ranking is not indicative of future performance or ratings and may not be representative of any one client's experience because the rating reflects an average.

The Principles for Responsible Investment (PRI) rating of A+ is as of April 2020 and is reflective of Aegon NV's rating on the Strategy and Governance module. Approximately 29% of signatories received an A+ score for the PRI strategy and governance module in 2020 a mandatory module within a set of ten modules. The Strategy and Governance module assesses the firm's responsible investment policy, responsible objectives and strategies, governance and human resources, responsible investment promotion activities and incorporation of ESG issues in asset allocation. The activities presented in this module are reflective of Aegon NV's asset management business conducted by Aegon Asset Management companies. Indicator scores are assigned to one of six performance bands and assigned a letter rating ranging from E to A+ (worst to best). A rating of A+ corresponds with a score of > 95%. PRI does not require an explicit rating fee, however all PRI signatories pay a general annual contribution fee.

The Sustainalytics ranking of 100/100 is as of February 2020 and is reflective of Aegon NV's responsible investment program and responsible investment policy. Approximately 23% of 1,269 participants received a score of 100/100 for their responsible investment policy and approximately 23% of 1,181 participants received a score of 100/100 for their responsible investment program in 2020. Sustainalytics evaluates companies on various ESG issues and assesses the company's individual performance in relation to industry peers. The assessment identifies key issues for each company. For Aegon NV, the key ESG issues include human capital, ESG integration and product governance. Within each ESG issue category, Sustainalytics identifies key indicators. The ESG integration category includes the Responsible Investment Policy and Responsible Investment Program indicators which are reflective of Aegon NV's asset management business conducted by Aegon Asset Management companies. Company scores can range from 0 to 100 (worst to best). Sustainalytics does not require a fee for providing this ranking.

ShareAction conducted a survey ("Point of No Returns", March 2020) of 75 of the world's largest asset managers across 17 countries (based on AUM as of December 31, 2017 according to IPE's 2018 Top Asset Managers List). The survey results are based on responses from the asset manager and do not reflect the experience of the clients individually or collectively of any company of Aegon N.V. Rankings were not based on the performance not indicative of future results. Aegon Asset Management did not pay a fee to participate in the survey. The assessment includes the ranking and analysis of the manager's performance on stewardship, transparency and governance. The themes covered in the survey include

responsible investment governance, climate change, biodiversity and human and labour rights, a development from previous AODP assessments that focused solely on climate change. The questionnaire was developed with input from external experts and mapped to the structure of the TCFD recommendations for all themes. For additional information, please visit ShareAction's site: <https://shareaction.org/research-resources/point-of-no-returns/methodology/>.

Aegon AM US is an affiliated solicitor and acts on behalf of Aegon AM UK with respect to the promotion of its strategies to US based Institutional Investors. Aegon AM UK is authorised and regulated by the Financial Conduct Authority (FRN: 144267) and is additionally a registered investment adviser with the United States (US) Securities and Exchange Commission (SEC). Aegon AM US and Aegon RA are both US SEC registered investment advisers. Aegon AM US is also registered as a Commodity Trading Advisor (CTA) with the Commodity Futures Trading Commission (CFTC) and is a member of the National Futures Association (NFA). Aegon AM NL is registered with the Netherlands Authority for the Financial Markets as a licensed fund management company and on the basis of its fund management license. is also authorized to provide individual portfolio management and advisory services in certain jurisdictions. Aegon AM NL has also entered into a participating affiliate arrangement with Aegon AM US. Aegon AM Asia is regulated by the Securities and Futures Commission of Hong Kong (CE No. AVR688) to carry out regulated activities in Dealing in Securities (Type 1) and Advising on Securities (Type 4).

©2021 Aegon Asset Management or its affiliates. All rights reserved.

Editor: Laura Klocek | Designer: Nick Braglia & Alan Owen

Adtrax:3069543.11GBL
Exp. May 31, 2023

Contact information

Contact

Website

aegonam.com

Media

Adrian Cammidge (Europe)

+44 207 200 2510

adrian.cammidge@aegonam.com

Bradley Dawson (US)

+1 312 777 2732

brdawson@aegonam.com