

A woman with long blonde hair, seen from behind, stands in a field of tall grass. She is wearing a dark backpack and looking out over a vast valley. The scene is bathed in the warm, golden light of a sunset or sunrise, with a soft glow over the distant hills and buildings. The sky is a pale, hazy blue.

AEGON MASTER TRUST

Responsible Investment Policy

Introduction

This policy explains to our Members how we, the Trustees of the Aegon Master Trust (the “Trustees” of the “Scheme”), manage investments in a responsible manner on their behalf. It covers:

1. Our responsible investment beliefs,
2. Selection, appointment and monitoring of asset managers, and our responsible investment minimum expectations,
3. Our engagement themes and expectations of asset managers, including expressions of wish,
4. Our net-zero targets and progress.

The Trustees oversee the implementation of this policy and the Scheme’s responsible investment strategy. Aegon UK is responsible for the day-to-day execution and implementation of the Scheme’s investment strategy. We work constructively with our asset managers but we are ready to take action if they are consistently not meeting the responsible investment and engagement expectations set out in this policy.



1. Our responsible investment beliefs

Investment beliefs are guiding principles which inform the investment strategy and design of the Aegon Master Trust default arrangements and the number and type of other investment options we make available to Members. We re-evaluate our responsible investment beliefs as part of a review of our Statement of Investment Principles, which takes place at least every three years and following any significant change in (a) investment policy or (b) the demographic profile of relevant Members in our most popular Scheme default fund, Aegon BlackRock LifePath Flexi. Our responsible investment beliefs are as follows:

Risk management

- The Trustees believe that active consideration of ESG issues will lead to improved outcomes for Members and better management of risk.
- The Trustees believe that a broad approach to ESG integration is important, considering all three components of ESG investing. Climate change, in particular, presents significant risks, as well as opportunities to invest in the transition to a low-carbon and climate-resilient future.

Investment approach

- ESG issues which are considered to be financially material should be integrated into the overall management of the standard default options.
- The standard self-select fund range should include specialist funds which invest in line with sustainable and / or responsible investment themes, taking into account Member preferences where relevant.
- The Trustees will only select asset managers that integrate ESG issues within their overall decision making. A key aspect is to ensure that each asset manager has committed to net zero by 2050 or has a definitive plan for setting a net-zero target.

Reporting and monitoring

- The Trustees will regularly monitor key ESG metrics within the Scheme's investment portfolio, to understand the impact of their investments and to assess progress over time.

Voting and engagement

- The Trustees recognise that active engagement with investee companies, including thoughtful voting, is key to driving change. They will therefore monitor the asset managers' voting and stewardship engagement activity to assess improvements over time.

Collaboration

- The Trustees expect asset managers to engage actively with other market participants to raise ESG investment standards and facilitate best practices. They also expect their chosen asset managers to be signatories to the United Nations Principles for Responsible Investment (UN PRI) and the UK Stewardship Code as minimum, and that they are be able to demonstrate ongoing progress in raising ESG standards.

2. Asset managers' selection, appointment and monitoring and our responsible investment minimum expectations

Due to our assets being managed by external asset managers, our responsible investment approach focuses on asset manager selection, appointment, and monitoring. Prospective managers are screened based on their ability to meet our minimum expectations across five areas of responsible investment below.

Responsible Investment Category	Minimum Expectations
1. Responsible Investment Governance	Ensuring robust and adequately resourced governance is in place
2. Voting and Engagement	Driving active engagement and voting informed by material sustainability issues
3. Climate Change	Supporting our climate ambition and net zero commitment
4. Industry Advocacy	Using their voice to drive systemic sustainable changes in the economy
5. Diversity and Inclusion	Improving representation for better decision-making

We expect our asset managers to have a view and be able to report back to us on activities across these responsible investment categories. Examples of specific minimum expectations of our asset managers include:

- having made a commitment to net zero by 2050
- being a signatory to both the United Nations Principles for Responsible Investment and UK Stewardship Code

New asset managers are required to adhere to all our minimum expectations above in order to be appointed. No new business can be awarded to asset managers that fail to meet our minimum expectations unless they are credibly working to meet these expectations.

Every year we assess our asset managers' credentials and progress on the five responsible investment categories to ensure adherence with our policy. We also use the scores to inform our engagement throughout the year. Where an existing asset manager fails to meet one of our minimum expectations, we assess their willingness and ability to improve following a process of escalation, starting with additional dialogue with management and/or directors. Escalation may result in the removal from the Scheme's range if an asset manager continues to fall short of our expectations. We review our minimum expectations in line with market developments, industry best practice and regulatory changes.

3. Our engagement themes and expectations of asset managers, including expressions of wish

Our Members' views inform and guide our approach to responsible investment. We have developed three engagement themes guided by Member insights, our own research supported by Aegon UK's expertise, our responsible investment beliefs, industry best practice and policy and regulation to help us prioritise our activities. Our engagement themes are reviewed periodically as appropriate.

Climate change

Including net zero and biodiversity



Diversity and inclusion

Including board diversity



Human rights

Including modern slavery



We monitor how our asset managers undertake their engagement activities in line with our engagement themes and expectations, and we engage with them on any areas of divergence. Our expectations are as follows:

<p>Specific engagement themes</p>	<p>In respect of climate change;</p> <ul style="list-style-type: none"> • Quantify physical risks¹ and transition risks² for assets and assess progress against decarbonisation pathways to inform their engagement strategy. • Provide their approach to managed phaseouts and/or divestment for high-emitting assets incompatible with a 1.5°C pathway³ (in particular thermal coal and oil sands) • Demonstrate practices in line with the Net Zero Stewardship toolkit as developed by the Institutional Investors Group on Climate Change (“IIGCC”), in respect of listed equity and corporate fixed income • Engage with companies on the transparency of their climate disclosures, their net zero commitment(s), and associated transition plans to reduce greenhouse gas emissions aligned with a well below 2°C future, preferably 1.5°C. • Engage with companies on how they identify, assess and manage nature-related risks and opportunities⁴ in the context of climate change.
	<p>In respect of diversity and inclusion (D&I);</p> <ul style="list-style-type: none"> • Support greater transparency by companies on D&I policies and practices at board and management levels and throughout the workforce • Consider engaging on D&I with companies in respect of their business processes (including talent lifecycle, (from recruitment to retention and advancement); product and/or service development; and supply chain), taking into account diversity beyond gender, intersectionality and corporate culture.
<p>Engagement outcomes</p>	<p>In respect of human rights;</p> <ul style="list-style-type: none"> • Have an engagement program on human rights and be able to provide data on level of engagement with companies in relation to human rights and modern slavery (particularly within sectors and/or geographical areas where the risk of labour exploitation is higher). <ul style="list-style-type: none"> • Define pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives where appropriate. • Demonstrate case studies and metrics on engagement outcomes, instead of just engagement activities. • Demonstrate a robust approach in relation to escalation strategy, which employs a range of escalation tools (e.g., vote against board, filing a shareholder proposal etc.) and in which divestment is a last resort (not a first response).

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

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

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

4. Nature-related risks are the potential threats posed to an organisation linked to its own and other organisations' dependencies on nature and their impacts on nature.

Expressions of wish refer to non-binding requests by asset owners, particularly in respect of pooled funds, for managers to vote a certain way. We see expressions of wish as an extension of our monitoring of asset managers, especially in relation to most significant votes. We provide expressions of wish to select asset managers in our pooled mandates to set out how we prefer them to vote, in relation to most significant votes. Factors that inform our definition of most significant votes include size of holdings, alignment with our engagement themes, as well as the degree of impact on our financial or stewardship outcomes. We discuss our voting preferences with select managers in advance of most significant votes. Subsequently, we monitor the voting behaviours of our key asset managers against our expressions of wish and engage with them on any areas of divergence.

4. Our net-zero targets and progress

Trustees recognise that climate change poses risks and opportunities to the Scheme. As part of our fiduciary duty, we incorporate climate change considerations into our investment strategy. We have begun our journey by committing our most popular Scheme default fund, Aegon BlackRock LifePath Flexi, to net-zero greenhouse gas emissions by 2050 and to halve its financed carbon footprint⁵ by 2030, against 2019 levels. Our medium-term target is supported by:

- our asset manager's target of reducing BlackRock LifePath UK's carbon emissions intensity by sales by 50% between 2019 and 2029;
- our investment service provider's net-zero transition plan (see Aegon UK's climate roadmap).

Further detail on how we are making progress towards net-zero through the way we allocate capital and how we engage with our asset managers, climate data providers, relevant industry groups and policy forums can be found in our latest financial climate-related disclosures.

5. Carbon footprint refers to the carbon emissions for which an investor is responsible, per million of British pounds invested, by their total overall financing. Emissions are apportioned across all outstanding shares and bonds, using enterprise value including cash.