



Asset Management

ESG Report

Aegon Ethical Equity Fund

As of 30 June 2024

This is a marketing communication

*Beyond
borders*

ESG reporting overview

At Aegon Asset Management, we are committed to active, engaged and responsible investment. Our comprehensive responsible investing approach includes three key pillars: ESG integration, active ownership and focused responsible investment solutions. As part of our commitment to responsible investment, we aspire to provide transparent and informative reporting on our responsible investing approach and activities.

This ESG report includes four primary components:

- **ESG integration and characteristics:** Overview of our approach to ESG integration in our bottom-up fundamental analysis and summary of the portfolio’s ESG profile based on our proprietary ESG view.
- **ESG external view:** Summary of the portfolio’s ESG profile based on external ESG categories or scores.
- **Active ownership activities:** Overview of engagement and voting activities within the portfolio
- **Climate Related Metrics:** Summary of the portfolio’s carbon footprint including carbon impact metrics and intensity of holdings.

This report was prepared for the Aegon Ethical Equity Fund as of 30 June 2024.

Technical terms are defined in the glossary at the end of the document or please visit <https://www.aegonam.com/en/glossary/> for definitions of the financial jargon and common investment terminology used within Aegon Asset Management’s Investment reports.

Fund Objective

The investment objective is to provide a combination of income and capital growth over any 7 year period.

Equities

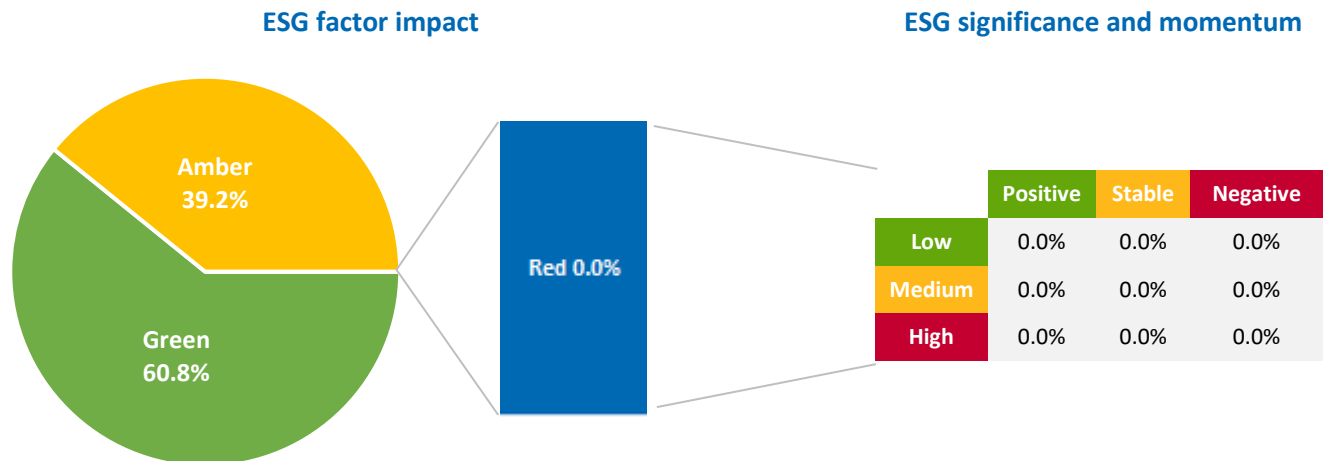
Within equities ESG factors are evaluated in the fundamental bottom-up analysis process, looking across the ESG spectrum to tailor the specific circumstances of a company to identify both risks and opportunities. Our equity fund managers and analysts use a common three-stage ESG framework to determine the materiality of the identified ESG factors from a risk and return perspective:

Stage 1 involves identifying the most material ESG factors for a company, assessing the impact of those factors on the company and categorising that impact as negative (red), neutral (amber) or positive (green); Stage 2 determines its level of significance relative to other considerations; and Stage 3 looks at the direction of travel for a given ESG factor and a company’s overall ESG profile.

	Stage 1	Stage 2	Stage 3
	ESG factor impact	Level of ESG significance	Direction of change
Aegon AM	● Red	● High	↑ Positive
ESG category	● Amber	● Medium	→ Stable
evaluation	● Green	● Low	↓ Negative

ESG category allocation of equity holdings

In the chart below we show the percentage breakdown of the equity holdings in the portfolio, with stages 2 and 3 focusing on the red-rated holdings.



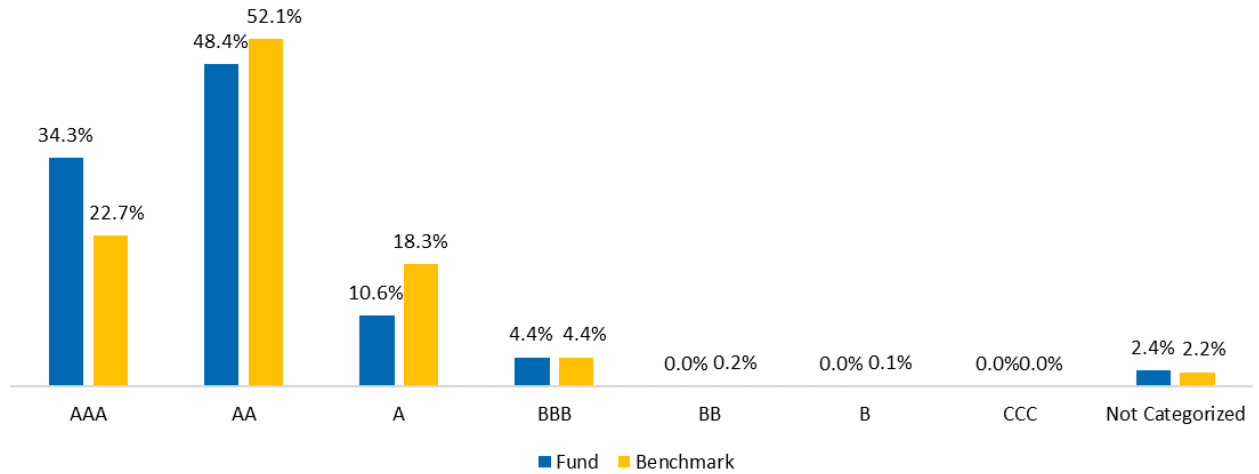
Source: Aegon AM. Values as of reporting date. May not add up due to rounding. Includes equity holdings only. Excludes cash and cash equivalents. ESG Categories can be green, amber or red; ESG Significance can be low, medium, or high; ESG Momentum can be positive, stable, or negative.

Top holdings by ESG integration categories

Name	ESG category	Significance	Momentum	Portfolio weight
Top 5 holdings				
LONDON STOCK EXCHANGE GROUP	Green	High	Positive	4.0%
SSE	Green	High	Positive	3.7%
OXFORD INSTRUMENTS	Green	High	Positive	2.9%
VOLUTION GROUP	Green	High	Positive	2.7%
LEGAL & GENERAL GROUP	Green	High	Positive	2.3%

Source: Aegon AM. Values as of reporting date. date. Top five equity holdings based on ESG categories and portfolio market value. The fund holds no 'red' rated stocks. All information is provided for informational purposes and the reader should not assume that investments in the securities identified and discussed were or will be profitable.

External Rating allocation of Fund



Source: MSCI. Values as of reporting date. The Overall ESG Rating represents either the Intangible Value Assessment (IVA) Rating or Government ESG Rating of the company. IVA Ratings indicate how well a company manages its most material ESG risks relative to sector peers. Government Ratings indicates overall environmental, social, and governance (ESG) performance of a region. Regions with low-risk exposure and strong management of ESG risk factors score highest (AAA); regions with high-risk exposure and weak management of ESG risk factors score lowest (CCC). Ratings are based on a seven-letter scale: best (AAA) to worst (CCC). Certain information ©2024 MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

External Top and Bottom ESG holdings

Top 5 holdings		
Name	ESG Rating	Portfolio Weight
RELX	AAA	5.3%
SSE	AAA	3.7%
DIPLOMA	AAA	3.5%
INFORMA	AAA	2.9%
NATIONAL GRID	AAA	2.7%

Bottom 5 holdings		
Name	ESG Rating	Portfolio Weight
JTC	BBB	3.0%
SOFTCAT	BBB	1.4%
EXPERIAN	A	3.5%
CRANEWARE	A	1.9%
PAGEGROUP	A	1.6%

Source: MSCI. Values as of reporting date. The Overall ESG Rating represents either the Intangible Value Assessment (IVA) Rating or Government ESG Rating of the company. IVA Ratings indicate how well a company manages its most material ESG risks relative to sector peers. Government Ratings indicates overall environmental, social, and governance (ESG) performance of a region. Regions with low-risk exposure and strong management of ESG risk factors score highest (AAA); regions with high-risk exposure and weak management of ESG risk factors score lowest (CCC). Ratings are based on a seven-letter scale: best (AAA) to worst (CCC). Certain information ©2024 MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

External ESG view

Third-party ESG perspectives serve as a helpful input into our process. While informative, the metrics are prone to limitations and do not replace our own proprietary view on ESG matters.

ISS	Portfolio	Benchmark
ESG Performance Score	46.1	51.9
Coverage	94%	98%

Source: ISS ESG. Values as of reporting date. The ISS ESG Performance Score is a numerical expression of the alphabetic overall rating (A+ to D-) on a scale of 0 to 100, where 0 is very poor and 100 is outstanding. The alphabetic ESG Ratings reflect a company’s demonstrated ability to adequately manage material ESG risks, mitigate negative and generate positive social and environmental impacts, and capitalize on opportunities offered by the transformation towards sustainable development. Within the ISS Performance score scale (1-100), 50 represents the normalized Prime threshold – Prime status is granted to companies with an ESG performance in line with or above the respective industry rating (B-, C+, C). The industry rating is determined based on an assessment of the industry’s overall magnitude of risk exposure to ESG factors. Reproduced with permission. Not further distribution.

MSCI	Portfolio	Benchmark
MSCI Overall ESG Score	8.1	7.8
Coverage	98%	98%

Source: MSCI. Values as of reporting date. The Overall ESG Scores represents either the ESG Ratings Final Industry Adjusted Score or Government Adjusted ESG Score of the company. ESG Ratings indicate how well a company manages its most material ESG risks relative to sector peers. Government Ratings indicates overall environmental, social, and governance (ESG) performance of a region. The score is on a 0-10 scale, where 0 is very poor and 10 is outstanding. Certain information ©2024 MSCI ESG Research L.L.C. Reproduced with permission. Not for further distribution.

Active ownership

We believe taking responsibility as an investor also means being a truly active owner, not just as a shareholder but as a financier more broadly. With a long-term focus, we have built a robust active ownership program that includes exercising shareholder voting rights in the best interest of our clients and engaging with investee companies in an effort to mitigate ESG risk, to help better understand the opportunities that companies face and encourage more sustainable practice. We aspire to influence positive change to improve companies’ performance and to pursue competitive returns for our clients.

Engagement activity

We aspire to influence positive change by engaging in dialogue with companies, either bilaterally or as part of an investor consortium. This dialogue can provide opportunities to highlight ESG risks, inform management on sustainability concerns, promote growth in sustainable business lines or advocate for changes that align with responsible investment standards. Successful engagement can also create new investment opportunities. By spearheading engagement efforts and exercising shareholder voting rights, we use our voice and actions to try to effect positive change.

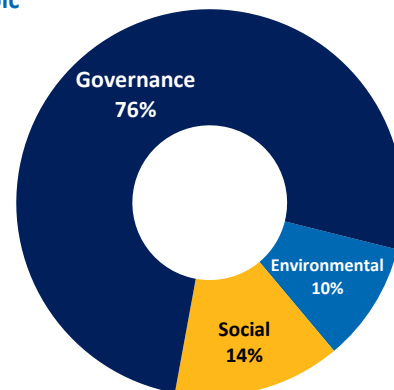
We classify our engagements by topic: general disclosure, where we are seeking additional information from the company on practices or products; and by ESG headings, where we are seeking performance improvements in environmental, social or governance areas respectively. Engagements are tracked with a milestone-based approach:

Milestone 1	We have flagged our concerns and contacted the company
Milestone 2	The company responds (letter, email, phone call) and the dialogue starts.
Milestone 3	The company has taken concrete steps to resolve our concerns.
Milestone 4	The engagement goal has been achieved.
No further action required	In some cases our assessment changes and - following discussions with the company - we do not pursue the engagement. We categorize the engagement as ‘no further action required’.

Over the one-year to 30 June 2024 we have had 44 engagements with 29 companies. Below we break this down by milestone and topic.

By milestone	Engagements
Milestone 1	25%
Milestone 2	36%
Milestone 3	30%
Milestone 4	7%
No further action required	2%

By topic

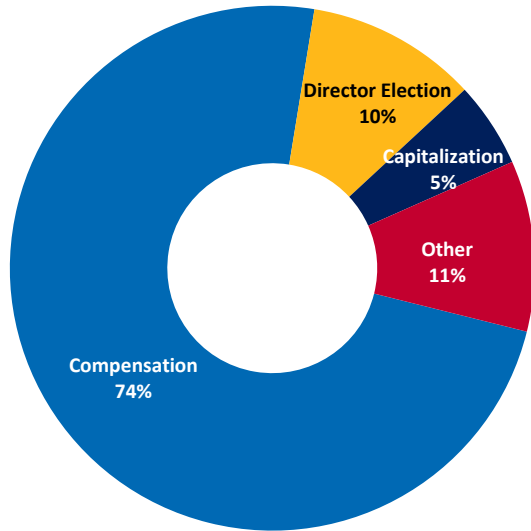


Source: Aegon AM. Includes engagement activity for companies held in this portfolio during the one-year period ending on the reporting date. Companies may be engaged more than once over the same period and on one more than one topic.

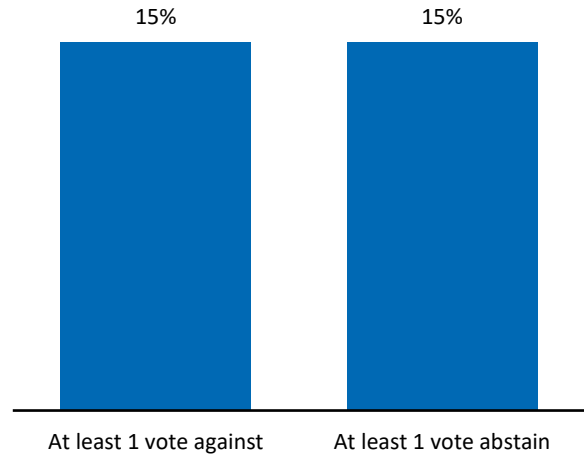
Voting activity

Over the one-year to 30 June 2024, we voted in 62 meetings conducted by companies in the portfolio.

Opposed Votes by resolution topic



Overview of opposed votes cast



Source: Aegon AM. Includes voting activity for companies held in this portfolio during the one-year period ending at the reporting date. Multiple votes may be cast for the same meeting and on one more than one topic.

Carbon Related Metrics

Climate change is ubiquitously one of the most urgent risks facing the sustainability of our planet. We measure and report the carbon footprint and other climate metrics of portfolios in order to help our clients understand the climate impact of their investments.

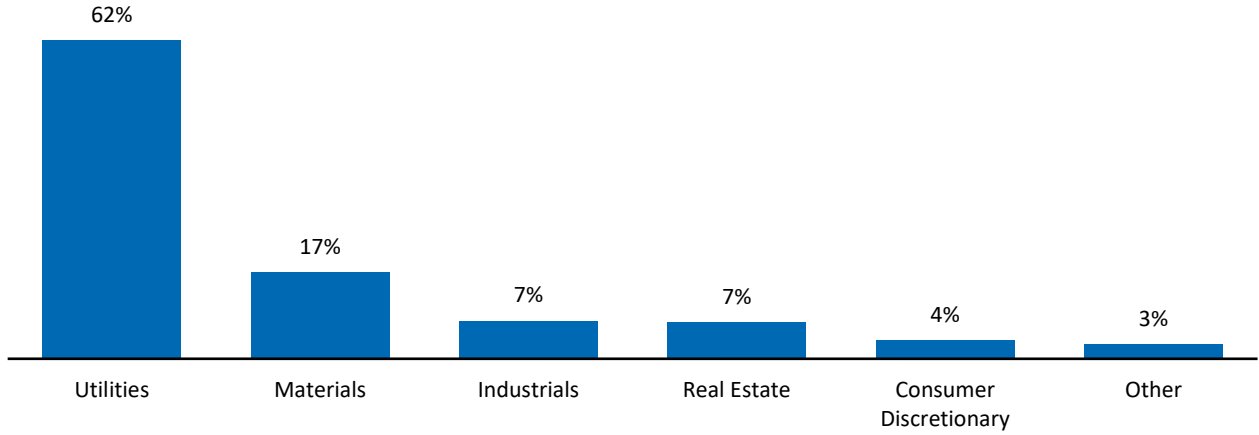
Total emissions	The total emissions of a portfolio can be determined by multiplying the carbon footprint times the total amount invested in GBP millions. Total emissions will vary by exposure and is thus not included in the table below.
Carbon Footprint	This metric represents the financed carbon emissions (only Scope 1&2 emissions are included in this report) of a portfolio normalised by the total portfolio value in millions of GBP. This metric is useful for comparing portfolios but is sensitive to the same EVIC data dependencies detailed above under financed emissions. In addition, when comparing changes in carbon footprint over time, the metric can be driven by changes in EVIC rather than changes in carbon emissions. To correct for this, PCAF has suggested applying an adjustment factor to the formula to enable comparison of carbon footprint over time. This formula is conceptually endorsed by AAM, but fails to consider the implications of portfolio composition changes as well as data availability. As such, the carbon footprint used in this report has not been calculated using any adjustment factors, but we are awaiting and monitoring the maturation of the calculation methodology guidance from PCAF.
GHG intensity	This metric represents the carbon emissions (only Scope 1&2 emissions are included in this report) of an issuer divided by their revenue in millions of GBP which is then allocated by portfolio weight. This metric is useful for comparison between portfolios of different sizes and allows for comparison of issuers’ carbon intensity. However, companies with higher prices compared to their peers may be favourably impacted when normalising their emissions by revenues. In the future, we also expect the same inflation adjustment factor to be applied to issuers’ revenues as suggested for issuers’ EVIC, but to date, no specific guidance has been issued on this metric by PCAF.
Coverage	Coverage of our portfolio gives an indication on the data availability per metric from our external provider – it should be noted that exposures to assets other than public equities, fixed income and sovereign bonds are filtered out of the report. Coverage is expressed as a %, which is the sum of the market value of portfolio holdings that are covered by ESG data. Securities with no ESG data coverage are disregarded from the aggregation methodology for all metrics and the rest of the dataset is renormalized.

Carbon footprint metrics

Metric	Unit	Portfolio	Portfolio coverage	Benchmark	Benchmark coverage	Delta
Total emissions	tCO2e	11,192	99%	39,994	98%	-72%
Carbon Footprint	tCO2e / GBP million invested	24	99%	87	98%	-72%
GHG intensity	tCO2e / GBP million revenue	62	99%	116	98%	-47%

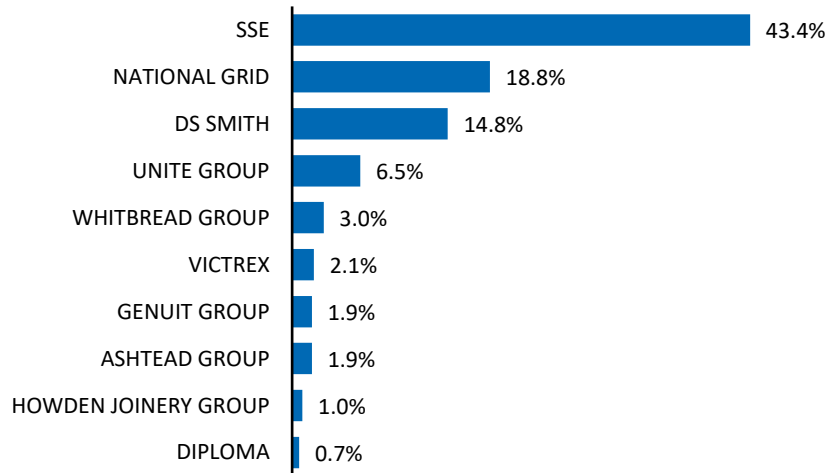
Source: Aegon AM. Values as of reporting date. Climate metrics calculated in line with Sustainable Finance Disclosure Regulation (SFDR) and Taskforce for Climate-related Financial Disclosures (TCFD) recommendations. Carbon Footprint and GHG Intensity values have been adjusted to account for variance in coverage. Climate change data availability may change over time and characteristics will vary. Certain information ©2024 Sustainalytics, MSCI ESG Research L.L.C. and Bloomberg Finance L.P. Reproduced with permission. Not for further distribution.

GHG Intensity: By Sector



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Top 10 Holdings by GHG intensity (top-10)



Source: Aegon AM. Values as reporting date. Top ten holdings by GHG intensity. All information is provided for informational purposes only and the reader should not assume that investments in the securities identified and discussed were or will be profitable. Certain information ©2024 Sustainalytics, MSCI ESG Research L.L.C. and Bloomberg Finance L.P. Reproduced with permission. Not for further distribution.

Investment policy and risks

Investment policy

Objective: to provide a combination of income and capital growth over any 7 year period.

Policy: The Fund will invest at least 80% in equities of companies which are listed, quoted or traded in UK markets or which have their headquarters or a significant part of their activities in the UK but which may also be quoted on a regulated market outside of the UK.

The Fund operates an ethical screen which means that the Fund may not invest in particular industries and sectors. In all cases, the investments of the Fund will meet the Fund's predefined ethical criteria. Set out in Appendix D of the Prospectus, the Fund is actively managed and can invest in companies of any market capitalization (small, medium or large) and in a range of industry sectors, subject to the Fund's ethical criteria. The Fund will typically invest in publicly quoted companies although it will tend to have a bias towards small and medium companies.

At any one time, the scope of investment may be themed by industry, size or style to take advantage of opportunities identified by the ACD.

The Fund can also invest up to 20% in equities of non-UK companies. To the extent that the Fund is not fully invested in the main asset class listed above, the Fund may also invest in other transferable securities, collective investment schemes (up to 10% of Net Asset Value and which may include schemes managed by the ACD or its affiliates), money market instruments, deposits and cash and near cash. It is intended that investment in any other collective investment schemes will be predominately in approved money market instruments.

Derivatives can be used for efficient portfolio management (including hedging to reduce currency risk).

Non-Sterling exposure will typically not be hedged back to Sterling.

Risks

The main risks are:

- **Concentration Risk:** Holding a limited number of underlying investments means a change in the value of any one investment has more impact on the Fund's value. This increases potential gain but also potential loss.
- **Liquidity:** The Fund's value may fall if some investments, especially in smaller companies or high yield bonds, become more difficult to trade or value due to market conditions or a lack of supply and demand.
- **ESG Risk:** Applying ESG factors to the investment analysis may impact the investment decision for securities of certain companies and therefore the Fund may forgo some market opportunities available to funds that do not use ESG factors. Securities of companies with ESG practices may shift into and out of favor depending on market and economic conditions, and the Fund's performance may at times be better or worse than the performance of funds that do not use ESG factors.

For more details on the risks for this fund please see the KIID or Prospectus at www.aegonam.com/documents.

Glossary

ESG Integration

ESG integration means incorporating financially-material ESG factors into our investment analysis to better understand risk and uncover potential opportunities.

Active Ownership

Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee companies. Active ownership can be applied differently in each asset class. For listed equities, it includes engagement and voting activities.

Carbon Footprint

This metric represents the financed carbon emissions (only Scope 1&2 emissions are included in this report) of a portfolio normalised by the total portfolio value in millions of GBP. This metric is useful for comparing portfolios but is sensitive to the same EVIC data dependencies detailed above under financed emissions. In addition, when comparing changes in carbon footprint over time, the metric can be driven by changes in EVIC rather than changes in carbon emissions. To correct for this, PCAF has suggested applying an adjustment factor to the formula to enable comparison of carbon footprint over time. This formula is conceptually endorsed by AAM, but fails to consider the implications of portfolio composition changes as well as data availability. As such, the carbon footprint used in this report has not been calculated using any adjustment factors, but we are awaiting and monitoring the maturation of the calculation methodology guidance from PCAF.

Scope 1, 2 and 3 emissions

Scope 1 carbon emissions are namely emissions generated from sources that are controlled by the company that issues the underlying assets.

Scope 2 carbon emissions are namely emissions from the consumption of purchased electricity, steam, or other sources of energy generated upstream from the company that issues the underlying assets.

Scope 3 carbon emissions are namely all indirect emissions that are not covered by points (I) and (II) that occur in the value chain of the reporting company, including both upstream and downstream emissions, in particular for sectors with a high impact on climate change and its mitigation.

Important information

This is a marketing communication. Please refer to the Prospectus of the UCITS and to the KIID before making any final investment decisions. The relevant documents can be found at aegonam.com. The principal risk of this product is the loss of capital.

Past performance does not predict future returns. Outcomes, including the payment of income, are not guaranteed.

This information is provided in line with methodologies that may contain uncertainties arising from limitations inherent within these.

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.

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Fund Charges are taken from income but will be taken from capital where income is insufficient to cover charges.

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Aegon AM NL's German branch markets AAMICI in Germany, Austria and Switzerland, is registered with and supervised by the AFM and supervised by BaFin in Germany. Aegon AM NL's branch in Spain markets AAMICI in Spain, Italy and Switzerland. Aegon AM NL's Spanish branch is registered with and supervised by the AFM and is supervised by the CNMV in Spain. Aegon AM UK markets AAMICI in the UK and otherwise outside of the EEA. Aegon Asset Management UK plc (Aegon AM UK) is authorised and regulated by the Financial Conduct Authority.

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