Aegon UK Equity Fund

A sub fund of Aegon Asset Management UK ICVC

TCFD Product Disclosures Report as at 31 December 2023

The disclosures in this report have been created to satisfy the FCA's climate-related disclosure requirements for asset managers, which are consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Unless otherwise disclosed, the Aegon UK Equity Fund approach to the consideration of climate-related risks and opportunities is consistent with the approach followed by Aegon Asset Management UK plc as set out in the Entity Level Report which can be found **here**.

Fund information

Base currency	GBP	The Fund is an actively managed equity fund. At least 80% of the assets will be invested in equities of companies which are listed, quoted or traded in UK markets or have a significant part of their activities in the UK.
NAV	£155 million	
Total listed equity and corporate bonds versus NAV	94.61%	

Source: The remaining exposures are to cash. derivates and other investments.

Climate-related metrics

At Aegon Asset Management, we use a range of metrics to identify and assess climate-related risks and opportunities, and track progress against our targets. We follow the Partnership for Carbon Accounting Financials (PCAF Standard) recommended methodologies for calculating the financed carbon emissions of our portfolios.

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 not filtered out of the report, but no carbon emissions data is available for these asset classes. 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.

Data source: ESG data may be either: reported directly by the issuer company, estimated by a financial market participant or by a third party ESG data vendor. The source of the carbon emissions data used in this report is indicated accordingly, expressed as the aggregated market value or market value % of holdings in each respective category. For listed equities and corporate fixed income assets no internal estimations are carried out, estimated data is sourced from a third-party data provider and is based on their proprietary estimation models. We have seen an increase in company disclosures on emissions, particularly for Scope 1 and 2. Where data is available for Scope 3 emissions, it has been estimated by our third-party data provider.

The below explanations to each metric will highlight these to ensure clarity and transparency around the data captured in this report. It should be noted that explanations are based on recommended calculations for listed equity and corporate fixed income – for single-name derivative instruments, the issuer's emissions of underlying assets are used.

Metric	What it is and what it tells us	How we use it
Financed GHG emissions metrics (tons of CO_2 equivalent, "tCO_2e")	Financed GHG emissions, shown in this report as Scope 1 & 2 emissions and Scope 3 emissions, are the absolute greenhouse gas emissions associated with a portfolio. This metric uses an ownership-based methodology; multiplying the emissions of the issuer by an ownership factor: for listed equity and listed corporate fixed income issuers, it uses the current value of the asset manager's investment against the enterprise value including cash (EVIC) of the issuer to quantify the emissions associated with the investment.	This metric is useful for considering the overall emission impact of a portfolio – changes can be monitored in the emissions and attribution analysis can be done on an issuer level. However, this metric is not optimal for comparison between portfolios since it is not normalised. Additionally, the EVIC, an underlying datapoint in the calculation, is calculated by external data providers and has been observed to differ greatly (by up to 300% in some cases) dependent on the exact calculation methodology used by a provider, which might inadvertently inflate or minimise the financed emissions.
Scope 1	Scope 1 carbon emissions are emissions generated from sources that are controlled by the company that issues the underlying assets	
Scope 2	Scope 2 carbon emissions are 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	Scope 3 carbon emissions are all indirect emissions that are not scope 1 or scope 2 emissions and 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	
Carbon footprint (economic emissions intensity)	This metric represents the financed carbon emissions (Scope 1 & 2 and Scope 3 reported separately 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.

Weighted average carbon intensity (or GHG Intensity)	This metric represents the carbon emissions (Scope 1 & 2 and Scope 3 reported separately 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.
Science based targets (SBTi)	This metric represents the sum of the market value % of our investments in issuers with approved Science based targets. The Science Based Targets initiative (SBTi) is a global body enabling businesses and FIs to set ambitious emissions reductions targets in line with climate science. It is focused on accelerating companies and financial institutions across the world to align with the Paris Agreement goals and halve emissions before 2030 and achieve net-zero emissions before 2050. The initiative is a collaboration between four of the world's most established environmental organizations: CDP, the United Nations Global Compact (UNGC), World Resources Institute (WRI) and the World Wide Fund for Nature (WWF), and is one of the We Mean Business coalition (WMB) commitments. The SBTi defines and promotes best practice in science-based target (SBT) setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets.	This metric is a useful indicator to assess portfolio's exposure to issuers that have a clearly-defined, validated and approved path to reduce emissions in line with the Paris Agreement goals.

Carbon emissions for this portfolio

		Listed equity & corporate bonds		
		Scope 1&2	Scope 3	Total
Financed GHG emissions	tCO_2e	11,310	138,997	150,307
Carbon footprint	tCO_2e / £M	79	971	1,050
Value with emissions data	also known as **Coverage**	£143,174,087	£143,174,087	
		92.30%	92.30%	
Value reported	Amount of data collected from investee company reports, either directly or indirectly via third-party vendors	£141,103,222	-	
		90.96%	-	
Value estimated internally (%)	The amount of data that is estimated using an internal methodology	-	-	
Value estimated externally (%)	The amount of data that is estimated by the external provider	1.34%	92.30%	
Weighted average carbon intensity (WACI)	WACI tCO_2e / £M	99	1,327	1,427
Value with emissions data	also known as **Coverage**	£143,174,087	£143,174,087	
		92.30%	92.30%	
Value reported	Amount of data collected from investee company reports, either directly or indirectly via third-party vendors	£141,103,222	-	
		90.96%	-	
Value estimated internally (%)	The amount of data that is estimated using an internal methodology	-	-	
Value estimated externally (%)	The amount of data that is estimated by the external provider	1.33%	92.30%	
Science based targets (SBTi)	Investments with approved SBTs	N/a	N/a	44.09%

Source: MSCI ESG.

Climate scenario analysis

Our approach to climate scenario analysis

Climate-related scenario analysis can be useful tool for identifying which areas of our strategies and businesses might be impacted by climate change, under a range of plausible future states. We have a set of climate risk tools, which assess both transition and physical risk and refer to this as **climate value-at-risk:** a way to measure climate-related valuation impacts at a portfolio and/or asset level.

We have carried out scenario analysis on how the market value of our listed equities and corporate fixed income holdings held within the fund would be impacted under the following Network for Greening the Financial System ("NGFS") phase 3 scenarios:

Scenario	
Orderly – Net Zero 2050	Limits the global mean surface temperature rise to 1.5°C by 2100 by introducing early and gradually more strict climate policies. The representative scenario for an orderly transition assumes immediate action is taken to reduce emissions consistent with the Paris Agreement. It assumes introducing a carbon emissions price in 2020 calibrated to keep global warming well below 2°C. Since policy measures are introduced early and increase progressively, physical risks are assumed to remain low over the period.
Disorderly	Limits the global mean surface temperature to 1.8°C by 2100, which explores higher physical risk due to delayed climate policies followed by aggressive policy response starting in 2030. The representative scenario for a disorderly transition shows a much more challenging pathway to meeting the Paris Agreement targets. The delay means that net-zero CO2 emissions must be reached more quickly by around 2050. Correspondingly the increase in emissions prices is much more rapid.
Hot House	Limits the global mean surface temperature to 3.3°C by 2100, assuming that policies are implemented in some jurisdictions, but globally efforts are insufficient leading to high physical risks. The representative scenario for a "Hot House World" assumes that only current policies are implemented. As a result, the climate goals set out in the Paris Agreement are not met, leading to substantial physical risks over the medium and long term.

In addition, we are reporting implied temperature risk:

Implied Temperature Rise	Temperature Alignment evaluates the climate performance of an issuer by comparing cumulative emission projections to emission budgets implied from NGFS scenario benchmarks. The result is expressed as an implied degree Celsius temperature increase (compared to pre-industrial levels) which the issuer is aligned to. Issuer projections feeding this metric reflect company information (such as emission reduction targets) and technological advancements and policy changes (as accounted for through a choice of scenarios). The Temperature Alignment metric shown in this report is for 2050, uses the Hot House – Nationally Determined Contributions climate scenario and assumes any GHG reduction targets issuers have set are met in full.

We are also aware of the limitations of such analysis, in particular around the potential for physical risk impacts to be materially underestimated due to, for example, models not capturing the impact of climate tipping points and second order impacts.

Scenario analysis results

The analysis below covers the corporate fixed income and equity holdings within the in-scope fund list. The charts below set out the transition and physical climate adjusted values under the three scenarios analysed.

Exposure to carbon intensive sectors	23.51 %	Not High

Source: Aegon Asset Management. % of total NAV invested in holdings in 'carbon intensive' sectors. We use the Global Industry Classifications Standard (GICS) to define sectors. We have identified the following carbon intensive sectors that significantly contribute to our fund's emissions – Materials: all industry groups and sub-sectors, Energy: all industry groups and sub-sectors, Consumer Discretionary: automobiles and components; consumer durables and apparel , Consumer Staples: agriculture products & services, Industrials: construction and engineering; air freight and logistics; passenger airlines, Information Technology: technology distributors; electronic manufacturing services and Utilities: electric; gas; multi; independent power & renewable electricity producers . We consider a 25% exposure or greater to be high.

	Climate Value at Risk	Coverage	Comment
Orderly Scenario (transition)	-7.17%	99%	Under the orderly scenario, there is a higher negative impact on the value of the assets, reflecting the cost of transition on the underlying issuers. This also reflects the higher exposure to carbon intensive sectors relative to other equity funds in the range.
Disorderly Scenario (transition)	-7.44%	99%	Under the disorderly scenario, there is a higher impact on the value of the assets, reflecting the cost of transition on the underlying issuers. This also reflects the higher exposure to carbon intensive sectors relative to other equity funds in the range.
Hot House World Scenario (physical)	-2.68%	99%	Under hot house world scenario, there is a moderate negative impact on the value of the assets, reflecting the cost of adapting to a changing physical climate. This also reflects the higher exposure to carbon intensive sectors relative to other equity funds in the range.

Implied Temperature Rise	2.13

Source: Blackrock Aladdin Climate.

Disclaimer

This is not intended to be used for marketing purposes and does not constitute investment advice or recommendation and should not be relied upon as such. Past performance does not predict future returns.

Please refer to the Prospectus of the UCITS and to the KIID before making any investment decisions.

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