

# Responsible Investing Topics

## Aegon Nederland N.V.

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## 1. Reading guide

This document is part of a framework of documents that collectively form the Responsible Investing Policy of Aegon Netherlands N.V.

The following table provides an overview of the different documents that are part of our Responsible Investing Policy.

Link to document	Document name	Description
 <a href="#">EN</a>   <a href="#">NL</a>	Responsible Investing Policy Principles	This document is the overarching document which describes our approach to responsible investing and outlines the different tools within our responsible investing framework.
 <a href="#">EN</a>   <a href="#">NL</a>	Responsible Investing Topics <b>(This document)</b>	This document provides detailed information on how the different tools within our responsible investing framework are applied on a per-topic basis (e.g. climate change). This includes details of our screening, engagement and exclusion criteria.
 <a href="#">EN</a>	Responsible Investing Exclusion List	This document provides an overview of countries and companies we have excluded from our investible universe. This document is updated regularly when any additional exclusions are decided upon.
 <a href="#">EN</a>	Responsible Investing Treaties, Standards and Initiatives	This document provides an overview of all relevant treaties, standards and initiatives that we adhere to or support as part of our Responsible Investing Policy. This document is updated regularly.
 <a href="#">EN</a>	Voting Policy Aegon Aegon Nederland N.V.	This document describes how we make use of the voting rights associated with our investments in listed companies.

## 2. Introduction

Aegon Netherlands N.V. (“Aegon NL”) regards itself as a responsible business and seeks to have a positive impact on society and the environment. As a long-term investor in a wide range of companies, sectors and countries, Aegon NL takes its responsibilities as both an asset owner and steward of client assets seriously. Good stewardship of these assets is viewed as essential.

The Responsible Investing Policy (“RI Policy”) has been prepared to act as the basis for how the proprietary and third-party assets of Aegon NL should be managed to be consistent with our responsible business objectives and any relevant laws or governance standards. An overview of the different elements of our policy is provided below. Collectively, these form our responsible investing framework (“RI Framework”).



*Figure: Visual representation of Aegon NL’s RI Framework*

Good stewardship and active ownership are at the heart of our RI policy and we seek to work with investee companies and relevant stakeholders to address complex environmental, social and governance (“ESG”) challenges that are in line with the interests of our clients. Our approach is built on four pillars: screening; engagement and voting; exclusion; and reporting. Further information on our RI Framework can be found in the Aegon NL Responsible Investing Principles.

The remainder of this document provides detailed information on how our RI Framework applies to the different responsible investment topics shown above. This includes details of our screening, engagement and exclusion criteria.

### 3. Climate change

Climate change represents one of the greatest systemic risks for society, the economy and financial institutions. Mitigating climate change and reducing greenhouse gas (GHG) emissions are a major global challenge.

Aegon NL believes that governments, companies and investors have a responsibility to facilitate a transition to a climate-resilient economy. Companies are expected to operate with the goal of enhancing energy efficiency, to invest in more environmentally friendly production techniques and to contribute and adapt to the energy transition.

By 'climate change', Aegon NL means the effects of global warming resulting from greenhouse gas emissions caused by human actions. Aegon NL endorses the reports drafted by the International Panel on Climate Change (IPCC) and supports the objectives of the Paris Climate Agreement, promising to: hold the increase in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase in temperature to 1.5°C; and make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Furthermore, Aegon NL endeavors to align its investment strategies with the objectives of UN SDG 7 (affordable and clean energy) and SDG 13 (climate action).

#### I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to climate change:

1. Do companies consider climate risk, including consideration of both transition and physical risks?
2. Do companies measure and report on their climate change impact? For example, by providing carbon footprint data.
3. Do companies have plans in place to reduce their climate change impact? Where targets are in place, are these in alignment with requirements to achieve the objectives of the Paris Climate Agreement?
4. Do companies integrate criteria on climate change in their procurement and operational policies?

In addition to the above screening criteria, Aegon NL will also look to understand the impact on long-term climate scenarios from investing in different companies/sectors and how this could impact investment performance.

#### II. Engagement and voting

Companies will be identified for climate-focused engagements through:

- Collaborative initiatives, such as Climate Action 100+; and
- Other criteria as relevant to a company's specific industry or situation (e.g. adherence to the Dutch climate agreement).

In climate related engagements, we will encourage companies to:

- Disclose their greenhouse gas emissions and other climate-related information;
- Set and communicate greenhouse gas reduction targets for their own operations that are in line with the objectives of the Paris Climate Agreement;
- Avoid activities that could have a negative impact on the arctic (e.g. engaging in offshore arctic exploration); and
- Consider any other topics as may be relevant to the company's specific industry or situation (e.g. scope 3 emissions, climate risks, or alignment of lobbying activities).

Where possible, our voting activities will be guided by:

- Support for shareholder proposals which encourage or require: the measurement of greenhouse gas emissions; the setting of greenhouse gas reduction targets; disclosure of climate related information; and
- Other topics as may be relevant to the company's specific industry or situation.

### III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.

In addition, Aegon NL excludes companies that:

1. Derive 20% or more of their revenues from thermal coals exploration, mining or refining (the threshold will be decreased to reach effectively zero (0-5%) by 2030). In addition companies that produce more than 20 million tonnes of thermal coal annually and are actively expanding exploration, mining or refining operations are also excluded.
2. Derive 20% or more of their revenues from thermal coal-fired electricity generation (the threshold will be decreased to reach effectively zero (0-5%) by 2030). In addition companies that own coal-fired electricity generation capacity greater than 10 gigawatts and are actively expanding coal-fired electricity production capacity are also excluded.
3. Derive 20% or more of their total oil equivalent production from oil sands. The threshold will be decreased to reach effectively zero (0-5%) by 2030.
4. Are pipeline operators and which are significantly involved in oil sands transportation.

## 4. Biodiversity

Biodiversity underpins everything that sustains us and our society. Permanent loss of biodiversity, like climate change, represents one of the biggest systemic risks for all life on the planet; and therefore, also for society, the economy and financial institutions. Mitigating the decline of biodiversity is a major global challenge.

Aegon NL believes that governments, companies and investors have a responsibility to care for nature, the environment, water resources, and to preserve biodiversity. We expect companies to take measures on these issues where they can.

Biodiversity is generally accepted to mean the totality of genes, species and ecosystems of a region. Aegon NL sees several risks which could threaten biodiversity, including (but not limited to):

- Pollution: Water, waste and land pollution, including from plastics and other toxins
- Land use and over exploitation: Deforestation, increasing intensification of agriculture and negative business impacts regions with water-scarcity issues
- Ocean use and over exploitation (i.e. overfishing)
- Loss of natural habitats (both natural wildlife and individual species)

### I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to biodiversity:

#### *General*

1. Do companies have policies and procedures in place to protect biodiversity and address environmental issues in an appropriate and precautionary manner?

This includes protecting natural habitats and ecosystems; carefully managing species; conserving soil and water resources; re-cycling and disposing of waste in a responsible manner; carefully monitoring production and usage of genetically modified organisms in accordance with international law; conducting water scarcity impact assessments; and not commencing new water-intensive operations in areas where water scarcity is a pre-existing problem.

2. Do companies set targets to reduce their waste production (including plastics and other toxins) and water usage?
3. Do companies provide transparent reporting on their biodiversity impact and targets for reducing waste production and water usage?
4. Do companies actively seek to prevent their products and operations from having a negative impact on UNESCO World Heritage sites, IUCN protected areas, and wetlands as defined in the Ramsar Convention on Wetlands of International Importance?
5. Do companies use measurable environmental goals and calculate their 'No Net Loss' (NNL) or 'Net Positive Impact' (NPI) talking biodiversity into account?

### *Mining and energy*

6. Do companies seek to prevent negative health and biodiversity effects and recover ecosystems after commercial activities have been completed?
7. Do companies seek to mitigate the chance of accidents by making use of best available techniques? In addition, where accidents/crisis situations occur, do companies have a solid management system in place to deal with them?
8. Do companies have policies and/or programs in place with regard to mining of and/or trading in conflict minerals?

### *Forestry*

9. Do companies act to prevent deforestation (e.g. by planting new forests when clearing existing forests) and protect natural forests (including old growth forests, bogs, mangroves, peatlands and rainforests) as described in the High Conservation Value (HCV) concept?
10. Do companies throughout the wood supply chain work to prevent the usage of illegally cut and traded timber and only use timber in their operations that has been certified in accordance with the criteria of the Forest Stewardship Council (FSC)?
11. Are the production chains of timber traders and companies involved in the wood product chain (including pulp, paper, veneer, and furniture producers) certified according to the FSC Chain of Custody criteria?
12. Do forest construction companies identify and protect High Conservation Value (HCV) areas within the forests they manage and identify and protect High Carbon Stock (HCS) forests?

### *Agriculture*

13. Do agriculture companies prevent the burning of naturally occurring ecosystems (e.g. forests and savanna) for the purpose of land clearing to establish large-scale agricultural plantations?
14. Do agricultural companies have 'No Deforestation, No Peat, No Exploitation' (NDPE) in place?
15. Do agriculture companies make use of pesticides in a sustainable manner?

This could include, for example, minimizing overall usage by giving priority to non-chemical alternatives and considering the creation of buffer zones around target areas to prevent leakage of pesticides into the surrounding surface water and ground water.

### *Fishery*

16. Are the operations of fishing companies certified according to the Marine Stewardship Council (MSC) criteria or comparable standards?
17. Do fishing companies respect Marine Protected Areas, especially no-take zone, and aim to prevent overfishing and the usage of harmful fishing techniques?
18. Do fishing companies prevent riverine tailings/sub-marine tailings disposal and comply with all elements of the FAO Code of Conduct for Responsible Fisheries?



## II. Engagement and voting

Companies will be identified for engagements focusing on biodiversity where we identify breaches with relevant screening criteria or:

- Targeting via collaborative initiatives; and
- Any other criteria as deemed relevant to a company's specific industry or situation.

In engagements related to biodiversity, we will encourage companies to:

- Protect biodiversity, reduce usage of water resources and minimize waste production; and
- Avoid starting any new water-intensive operations in regions where water scarcity is a problem.

Where possible, our voting activities will be guided by:

- Support for shareholder proposals which encourage or require care for nature and the environment, reduce usage of water resources, protect animal rights, and preserve biodiversity; and
- Other topics as may be relevant to the company's specific industry or situation.

## III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.

In addition, Aegon NL excludes companies that:

1. Derive 5% or more of their revenues from palm oil production and/or distribution
2. Manage forests with 75% or lower FSC certification coverage

## 5. Human rights

The signing of the Universal Declaration of Human Rights in 1948 brought human rights into the realm of international law and laid the foundations for a fairer and more just world in the aftermath of the Second World War. In line with this declaration, Aegon NL believes that all governments and companies have a responsibility to respect and protect the freedoms and rights of all human beings.

This responsibility requires governments and companies to avoid causing or adversely contributing to human rights breaches through their own activities. In the case of companies, it also includes preventing or remedying human rights breaches directly arising from their operations, products and/or services.

For the purposes of the RI Policy, Aegon NL means all types of human rights, including (but not limited to): civil rights; political rights; social and economic rights; cultural rights; the rights of minorities; the rights of women; and the rights of vulnerable groups, such as children and indigenous peoples.

### I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to human rights:

1. Do governments and companies respect the Universal Declaration on Human Rights?
2. Do companies have appropriate policies and measures in place to prevent human rights breaches in both their own operations as well as for their supply chains?
3. Do companies apply the UN Guiding Principles on Business and Human Rights to their business activities?
4. Do companies apply OECD Guidelines to identify human rights risks?
5. Do companies respect the UN Declaration on the Rights of Indigenous Peoples?

When considering this, Aegon NL will look to assess whether companies have an appropriate policy on the protection and consultation of local and indigenous communities and look to obtain Free, Prior and Informed Consent where relevant.

6. Do companies engage in any activities which do not respect International Humanitarian Law?

When considering this, Aegon NL will look to establish whether companies enable settlements, including with their own economic activities, in occupied territories.

7. Where companies operate exclusively in areas affected by conflict or weak governance zones, are they able to demonstrate that they are not causing or contributing to human rights abuses?
8. Do companies operating in the adult entertainment industry have adequate policies and procedures in place to prevent illegal human trafficking, sexual exploitation and violence?
9. Do companies respect and support the rights of children? Where relevant, do companies contribute to the elimination of child labour in all business activities and work to provide a safe environment for all children?

## II. Engagement and voting

Companies will be identified for engagements focusing on human rights where we identify breaches with relevant screening criteria or:

- Targeting via collaborative initiatives; and
- Any other criteria as deemed relevant to a company's specific industry or situation.

Where possible, our voting activities will be guided by:

- Support for shareholder proposals which ask for human rights risk assessments to be conducted and result in increased disclosures; and
- Other topics as may be relevant to the company's specific industry or situation.

## III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.

Aegon NL also excludes investments in any form of government-issued debt (e.g. government bonds) from countries that systematically breach human rights.

## 6. Labour rights

Labour rights include the freedom of association, the effective recognition of the right to collective bargaining, the elimination of all forms of discrimination in respect to employment, the elimination of all forms of forced labour, and the effective abolition of child labour.

Aegon NL expects companies to strive to provide good employment conditions for their workers by protecting labour rights and promoting a productive, safe and healthy workplace.

For the screening of companies and their labour rights policy and practices we find the following elements important: living wage, working hours, safe and healthy working conditions, equal treatment and non-discrimination, freedom of association as well as abolishing forced labour and child labour.

### I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to labour rights:

1. Do companies respect and apply internationally accepted standards concerning labour rights?

When considering this, Aegon NL will refer to all relevant sources, including:

- ILO Declaration on Fundamental Principles and Rights at Work;
- UN Global Compact Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- UN Global Compact Principle 4: The elimination of all forms of forced and compulsory labour;
- UN Global Compact Principle 6: The elimination of discrimination in respect of employment and occupation.

With respect to labour rights concerning children, Aegon NL will refer to all relevant sources, including:

- UN Global Compact Principle 5: The effective abolition of child labour; and
- Minimum Age Convention (ILO 138);
- Worst Forms of Child Labour Convention (ILO 182);
- The Convention on the Rights of the Child; and
- The Children's Rights and Business Principles.

2. Do companies have appropriate policies and management systems in place to monitor compliance with all relevant labour rights and to take action to ensure compliance should breaches occur?
3. Do companies ask their suppliers to draw up a supply chain policy to protect labour rights?
4. Do companies apply a cap on working hours and pay a 'living wage' to their employees?
5. Companies provide a safe and healthy workplace and actively monitor risks arising from work activities, have management systems and take actions to eliminate or reduce these risks within their own operations and their supply chains

6. Do companies have a diversity program and discrimination policy in place?

When considering this, Aegon NL will look for policies and data that provide evidence whether a company looks to hire from a diverse pool of candidates and seeks to protect the rights of migrant workers, minorities and women in the workplace (e.g. by ensuring equal treatment, working conditions and pay. This will also include looking for evidence of a zero-tolerance culture in the workplace against verbal, physical and sexual harassment.

7. Do companies have a robust mechanism in place to allow employees and third parties to report on violations of workplace rules concerning health and safety, employee welfare, equal working rights and other relevant incidents.

8. Do companies have a policy in place which demonstrates that they respect the freedom of association and collective bargaining?

## II. Engagement and voting

Companies will be identified for engagements focusing on labour rights where we identify breaches with relevant screening criteria or:

- Targeting via collaborative initiatives; and
- Any other criteria as deemed relevant to a company's specific industry or situation.

Where possible, our voting activities will be guided by:

- Support for shareholder proposals which ask for labour rights risk assessments to be conducted and result in increased disclosures; and
- Other topics as may be relevant to the company's specific industry or situation.

## III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.

## 7. Good health & well-being

Good health and well-being are interrelated. This is underpinned by the United Nations Sustainable Development Goals (SDGs) that have been set for 2030. These provide an ambitious and comprehensive plan of action for people, planet and prosperity, ultimately aiming to end the injustices that underpin poor health and development outcomes. SDG 3 aspires to ensure health and well-being for all.

Aegon NL acknowledges that health and well-being have an impact on its customers and wider society. For example, improvements in medicine mean that people are on average living longer and are developing additional needs later in life. This creates additional responsibilities for the society in general, as well as for Aegon NL.

Aegon NL believes that all companies have an important role to play in securing good health and well-being. This involves many things, including widening access to affordable healthcare and ensuring we live in a clean and sustainable environment (see also RI Topics: Climate change and Biodiversity); providing good employment conditions (see RI Topic: Labour rights); and putting policies in place to encourage employees to have active and healthy lifestyles.

Aegon believes investing in the tobacco industry is not compatible with our strategy as a responsible investor, and therefore we decided to end further investment in the industry.

### I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to health and well-being:

#### *Healthy employees*

1. Do companies have policies in place to encourage employees to have active and healthy lifestyles?

#### *Healthy society*

1. Long-term affordability of social healthcare systems. For example the increasing misuse and of uncontrolled prescription of medicines for pain relief such opioids, and anti-competitive practices regarding price-fixing of (generic) medicines.

#### *Impact of hazardous chemicals and waste*

2. Do companies involved in handling or producing hazardous chemicals and waste acquire and maintain relevant permits?
3. Do companies have appropriate measures in place to measure and report on their usage of hazardous chemicals?

#### *Access to nutritious and safe food*

4. Do companies involved in the manufacturing and distribution of food and beverage products work to increase access to healthy food options?

#### *Access to affordable medicine and healthcare*

5. Do companies involved in the pharmaceutical and healthcare industries work to ensure universal access to essential medicines and healthcare at an affordable cost level in both low- to middle-income countries, as well as in developed countries?
6. Do vaccine companies improve access to preventive vaccines for priority diseases in high-need countries?
7. How are pharmaceutical companies responding to the global threat of Antimicrobial Resistance, in relation to company actions relating to medicines and vaccines for bacterial and fungal infections?

## II. Engagement and voting

Companies will be identified for engagements focusing on good health and well-being where we identify breaches with relevant screening criteria or:

- Via collaborative initiatives; and
- Any other criteria as deemed relevant to a company's specific industry or situation.

In engagements related to good health and well-being, we will encourage companies to:

### *Employee health and well-being*

1. Promote the health and well-being of their employees by having policies in place that promote active and healthy lifestyles and to design working environments with employee health and well-being in mind

### *Hazardous chemicals and waste*

2. Work to their reduce emissions of harmful substances and make greater use of sustainable technologies and production practices
3. Set targets and to work towards eliminating their usage of hazardous chemicals in their products and manufacturing processes

### *Access to nutritious and safe foods*

4. Increase access to healthy food options and to nudge consumers' choice and behaviour

### *Access to medicine and healthcare*

5. Work to improve access to medicine, for example, by considering the affordability of their products when setting their pricing strategy
6. Provide full disclosure of clinical trial results in the public domain to allow the scientific community and wider public to understand the efficacy and risks of new medicines and treatments.
7. Provide honest and clear information regarding safe-usage and risks associated with their products

Where possible, our voting activities will be guided by:

- Support for shareholder proposals which encourage or require the above-mentioned items; and
- Other topics as may be relevant to the company's specific industry or situation.

### III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.

In addition, Aegon NL excludes companies that:

1. Derive 5% or more of their revenues from tobacco production



## 8. Corporate governance

Good corporate governance is essential to long-term corporate success and for ensuring that companies deliver value for all stakeholders, including shareholders. For the purposes of its RI Policy, Aegon NL has identified four focus areas regarding corporate governance:

### *Taxes*

Since paying taxes is a corporate responsibility, Aegon NL expects companies to pay taxes in the countries where they have operations. In this respect, we support the OECD's framework on base erosion and profit shifting (BEPS), which refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

### *Anti-Corruption*

A wave of ethical scandals at businesses across the globe has eroded confidence and trust among investors, customers, employees and the general public. Companies are now learning the hard way that they can be held responsible for not paying enough attention to the actions of their employees, agents and associated businesses. Aegon NL expects the companies in which it invests in to adhere to high ethical standards and operate free from corruption. All companies, no matter how big or small, are vulnerable to corruption. Where companies fail to effectively combat corruption in all its forms, the risks and reputational damage can be severe.

### *Transparency*

At the heart of good corporate governance lies the belief that stakeholders should be kept informed of all relevant information regarding a company's activities, future plans and risks associated with its business strategy. To enable this, companies need to be transparent regarding their operations and be willing to provide clear and unbiased information to shareholders and other relevant stakeholders. These disclosures should be timely and accurate, allowing investors and other stakeholders to build up a clear picture of a company's financial position and its impact on society and the environment. Companies should also ensure that information regarding the roles and responsibilities of board members and management are made public to allow shareholders to keep them accountable.

### *Executive remuneration*

High levels of executive remuneration, regardless of performance, continue to be the norm at many organizations. Aegon NL believes that executive remuneration packages should be structured in such a way as to align executive, investor and society horizons over the longer term. When done right, executive remuneration will optimize financial results and promote sustainable behavior without generating or exacerbating systemic risks that might undermine investors' long-term interests. Ideally, all companies would link executive remuneration to key ESG metrics.

## I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to corporate governance:

### *Anti-corruption*

- Do companies integrate anti-corruption criteria in their procurement and operational policies and have an appropriate management system in place to take immediate action if suspicions arise that employees or suppliers are guilty of corruption?

### *Transparency*

- Do companies and financial institutions report in accordance with GRI Standards?
- Are companies transparent regarding their corporate organizational and governance structure and the way that internal business activities and related financial transactions are organized and accounted for?

This includes providing suitable disclosures on: owner(s); countries in which they operate; remuneration policies and executive pay; taxation; revenue and profit disclosures; staffing arrangements (e.g. FTEs or equivalent); and their diversity policy.

### *Executive remuneration*

- Do companies have a clear and understandable process for identifying appropriate ESG metrics that relate to sustainable shareholder returns and company strategy?
- Do companies link appropriate ESG metrics to reward systems in a way that forms a meaningful component of the overall remuneration framework?
- Do companies disclose their rationale and methodology for incorporating ESG metrics into executive pay in a clear and concisely manner? In addition, do they provide details of any challenges faced by this process and how they plan to tackle with them?

## II. Engagement and voting

Companies will be identified for engagements focusing on corporate governance where we identify breaches with relevant screening criteria or:

- Via collaborative initiatives; and
- Any other criteria as deemed relevant to a company's specific industry or situation.

In engagements related to corporate governance, we will encourage companies to:

- Be more transparent regarding their tax payments, executive remuneration policies and executive pay.

Where possible, our voting activities will be guided by:

- Support for shareholder proposals which aim to improve a company's corporate governance performance; and
- Other topics as may be relevant to the company's specific industry or situation.

## III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.

## 9. Controversial weapons and controversial arms trade

Every sovereign nation has the right to maintain international peace and security. Though it should be prevented, situations could occur in which weapons are necessary to prevent war and promote peace and stability. There is a substantial risk that weapons and weapons trade can have the effect of propagating destruction and promoting a situation of ongoing armed conflict, causing to harm civilians and human rights violations.

Aegon NL supports peace and believes that living in peace and freedom from fear are core human rights. However, Aegon NL does recognize that the usage of certain types of weapons are unavoidable for achieving and maintaining internationally accepted objectives, such as peacekeeping activities, security and humanitarian missions.

Aegon NL considers the production and use of controversial weapons that have an indiscriminate and disproportional impact on civilian populations (e.g. weapons of mass destruction) to be unacceptable. Often, the effects of these controversial weapons can be felt for many years after armed conflict ends.

The prevention of controversial international arms trade is enshrined in the UN Arms Trade Treaty, which entered into force in December 2014. Recognizing that the primary responsibility of enforcing the UN Arms Trade Treaty lies with governments, Aegon NL is committed to monitoring companies with heightened risk in this area (and engaging with them where necessary). Aegon NL does not invest in companies that supply weapons to countries identified for arms embargoes by the UN Security Council, United States or the European Union.

### I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to controversial weapons and controversial arms trade:

1. Do companies and states adhere to the Arms Trade Treaty and the EU Common Position on Arms Export Control? This includes an assessment of, for example, the risk of:
  - Human rights violations;
  - Fueling an armed conflict;
  - Selling military goods to a corrupt or fragile state; and/or
  - Selling military goods to a state that spends a disproportionate share of its budget on military goods.
2. Are companies involved in the production of controversial weapons?

### II. Engagement and voting

With regards to weapons and weapons trade, product-based engagements, as compared with conduct-based ones, are generally not very effective. Engagements with defense companies are likely only to be effective in a limited number of situations since arms trade is highly regulated by governments.

When it concerns a permissible company based on the screening criteria, it may be useful to engage if the issue(s) is/are unrelated to the company's core business.

### III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.

In addition, Aegon NL excludes companies that:

1. Are involved in development, production, maintenance and trade of:
  - Anti-personnel mines
  - Biological or chemical weapons
  - Cluster munitions
  - Ammunitions containing depleted uranium
  - Incendiary weapons using white phosphorus
  - Nuclear weapon systems
2. Produce or develop key and dedicated components for controversial weapons, as listed above, or offer essential services for their use
3. Are involved in controversial arms trade to countries:
  - Where an arms embargo by the United Nations Security Council, the United States, the European Union or another relevant multilateral arms embargo is in place;
  - That are part of a war zone; and/or
  - That spend a disproportionate share of its budget on military goods.
4. Are involved in arms trade to high-risk countries for which the Dutch Government applies a 'presumption of denial'

## 10. Financial institutions

Financial institutions serve an important intermediary role in the economy and the investments they make can have a significant impact on wider society. As such, financial institutions can have both a direct (from their own business operations) and indirect (from their investments) ESG impact.

Aegon NL invests in a wide range of financial institutions, including banks, asset managers and other insurance companies. We believe that financial institutions have a central role to play in tackling many of the challenges facing today's society (e.g. climate change and the transition to a carbon-neutral economy) and have the ability to make a very large and positive impact when it comes to sustainable development.

### I. Screening

We have identified the below criteria for consideration which can be included when making decisions on investment in financial institutions:

- Do financial institutions comply with the UN Global Compact Principles (principle 10 in particular), UN Guiding Principles and the OECD Guidelines for Multinational Enterprises?
- Do financial institutions comply with the Wolfsberg Group principles? Particularly with respect to Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies.
- Are financial institutions financing or insuring activities with a negative environmental impact?
- Do financial institutions adhere to the United Nations Environment Programme Finance Initiative declaration?
- Where relevant, are financial institutions a signatory of the UN Principles for Responsible Investment and apply these principles in practice?
- Where relevant, do financial institutions make available a clear responsible investment policy, including details of their selection, engagement and exclusion criteria; ongoing engagement activity; and their exclusion list.
- Where relevant, do financial institutions apply the Equator Principles (e.g. where they engage in project finance)
- Do financial institutions consider climate risk, including consideration of both transition and physical risks?
- Do financial institutions measure and report on their climate change impact? For example, by providing carbon footprint data.

When making climate-related disclosures, do financial institutions adhere to the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and similar programs?

- Do financial institutions adopt GHG reduction plans, specifically seeking alignment with the reductions in GHG emissions required to achieve the objectives of the Paris Climate Agreement?

## II. Engagement and voting

Financial institutions will be identified for engagement where we identify breaches with relevant screening criteria or:

- Via collaborative initiatives; and
- Any other criteria as deemed relevant to a financial institution's specific industry or situation.

In engagements related to financial institutions, we will encourage financial institutions to:

- Take a greater role in the transition towards a carbon neutral economy by setting targets for and providing reporting on the financing of renewable energy infrastructure projects.

Where possible, our voting activities will be guided by:

- Other topics as may be relevant to the financial institution's specific industry or situation.

## III. Exclusions

Where it is determined that further engagement with a financial institution is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the financial institution to its exclusion list and / or divest its existing investments.

## 11. Animal welfare

The World Organisation for Animal Health (OIE) defines animal welfare as how an animal copes with the conditions in which it lives. An animal is in a good state of welfare if it is healthy, comfortable, well nourished, safe, able to express innate behavior and if it is not suffering from pain, fear and distress. With all living things connected in some way, the welfare of animals is inextricably linked to the welfare of humans. Despite broader trends toward urbanization and detachment from the natural world, the relationship between humans, animals, and nature remains as crucial as ever.

Animal welfare is first and foremost important for the animals, for where welfare is poor, an animal may suffer physical and mental distress. However, animal welfare can also be relevant to business. For instance, poor welfare can impact the ability of animals to grow, produce and reproduce, which in turn can reduce productivity and food quality, ultimately impacting company performance.

Aegon NL believes that governments, companies and investors have a responsibility to care for animals and to consider the suitability of the conditions in which they live. We expect companies to act on these issues where they can. Where businesses use animals as part of a testing regime, Aegon NL believes that all efforts should be taken to identify and implement alternative testing methodologies. This includes the pursuit of replacement, reduction and refinement, commonly referred to as the “3R strategy”.

### I. Screening

We have identified the below criteria for consideration which can be included when making investments and related decisions with respect to animal welfare:

1. Do companies take account of the Five Freedoms of Animal Welfare (as detailed below) where animals are used in their business operations?
  - i. Freedom from hunger and thirst: By ready access to fresh water and a diet to maintain full health and vigor
  - ii. Freedom from discomfort: By providing an appropriate environment including shelter and a comfortable resting area
  - iii. Freedom from pain, injury or disease: By prevention or rapid diagnosis and appropriate treatment
  - iv. Freedom to express normal behavior: By providing sufficient space, proper facilities and the company of other animals of its kind
  - v. Freedom from fear and distress: By ensuring conditions and treatment that avoid mental suffering
1. Do companies with operations related to animal farming / hunting / fishing / animal captivity conduct their business in a manner that does not violate animal welfare?
2. Aegon NL sees violations of animal welfare as including (but not limited to): the cruel treatment of animals in factory farming; farming or trading of animals grown for their fur or skin; cruel practices relating to fishing and hunting; and keeping animals that were born in the wild captive or keeping them in conditions that are not comparable to their natural habitat resulting in them experiencing serious discomfort and harm.



3. Do companies engaging in animal testing comply with the Helsinki Declaration and all relevant EU Directives (i.e. animal testing is only permitted for the development of medicines)?
4. This includes companies sub-contracting research and development to third parties.

## II. Engagement and voting

Companies will be identified for engagements focusing on animal welfare where we identify breaches with relevant screening criteria or:

- Targeting via collaborative initiatives, such as FAIRR (Farm Animal Investment Risk & Return); and
- Any other criteria as deemed relevant to a company's specific industry or situation.

In engagements related to animal welfare, we will encourage companies to:

- Support shareholder proposals which look to improve animal welfare; and
- Other topics as may be relevant to the company's specific industry or situation.

Where possible, our voting activities will be guided by:

- Support for shareholder proposals which encourage or require the above-mentioned items; and
- Other topics as may be relevant to the company's specific industry or situation.

## III. Exclusions

Where it is determined that further engagement with a company is unlikely to yield the required results set out in the engagement plan, Aegon NL may decide to add the company to its exclusion list and / or divest its existing investments.