

Responsible Investing Policy Principles 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
 EN NL	Responsible Investing Policy Principles (This document)	This document is the overarching document which describes our approach to responsible investing and outlines the different tools within our responsible investing framework.
 EN NL	Responsible Investing Topics	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.
 EN	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.
 EN	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.
 EN	Voting Policy Aegon Nederland N.V.	This document describes how we make use of the voting rights associated with our investments in listed companies.

2. Introduction

I. Purpose

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.

As a long-term investor in a wide range of companies, sectors and countries, Aegon NL recognises that the impact of its investment decisions can be far reaching and potentially negative for people and the planet. As such, Aegon NL considers it important to take account of potential and actual adverse impacts when evaluating new or existing investments.

It is becoming increasingly accepted in the financial industry that the financial performance of an investment can be significantly and negatively impacted by exogenous risk factors linked to environmental, social and governance (“ESG”) events. Aegon NL has integrated ESG considerations throughout its investment process in order to better understand and manage these sustainability risks.

This 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 in line with its responsible business objectives and its desire to effectively manage both adverse impacts and sustainability risks.

II. Scope

The RI Policy covers the proprietary assets of all Aegon NL entities as well third-party assets where Aegon NL has a duty of care (e.g. defined contribution investment schemes). Relevant entities include among others.: Aegon Nederland N.V.; Aegon Schadeverzekering N.V.; Aegon Levensverzekering N.V.; Aegon Spaarkas N.V.; Aegon Bank N.V. (Knab); Aegon Hypotheken B.V. and Aegon Cappital B.V., hereafter referred to as Aegon NL.

The RI Policy is primarily executed by Aegon Investment Management B.V. as the preferred asset manager of Aegon NL. Where assets are originated directly by an Aegon entity or an external asset manager is used, Aegon NL will have policies and procedures in place to ensure that these assets are managed consistently with the RI Policy.

III. Governance

The Responsible Investment Committee (“RIC”) is the delegated advisory and decision-making body of Aegon NL with regards to its RI Policy. The applicable RIC Charter describes the tasks, responsibilities, and authority of the RIC. The RIC is responsible for monitoring, discussing and deciding upon all subjects and issues which are deemed relevant for the proper execution of Aegon NL’s RI Policy. From time to time, the Aegon NL may revise the RI Policy as necessary to ensure it remains appropriate and reflects Aegon NL’s ambitions as a responsible investor.

3. Our approach to responsible investing

Good stewardship and active ownership lay at the heart of our approach to responsible investing. We seek to work with investee companies and other relevant stakeholders to address the complex challenges facing our society.

As a long-term investor in a wide range of companies, sectors and countries, we recognise that the impact of our investment decisions can be far reaching and potentially negative for people and the planet. We recognise that our responsibility extends far beyond achieving strong financial returns alone, and that we must take action to ensure that we do not cause harm with our investments. This requires us to integrate ESG considerations alongside traditional financial considerations, and enables us to evaluate the potential and actual adverse impacts associated with our investments.

We seek to understand and manage all sources of risk in relation to our investments. For us, this includes risks relating to ESG events (i.e. sustainability risks). We believe that failure to manage these risks can lead to a range of financial, legal and reputational consequences for the issuer, which in turn can have a profound impact on its ability to create and sustain long-term value. This poses a risk to the value of our investments. By integrating ESG considerations throughout our investment process, we can better evaluate these sustainability risks and take actions to mitigate them if necessary. This enables us to achieve a better risk and return profile for our investments.

We have developed a comprehensive framework to help us manage our investments in line with our RI Policy. This uses four main tools in practice: screening, engagement & voting, exclusion, and reporting. We focus our efforts on nine Responsible Investing Topics which are aligned with our responsible business objectives and the requirements of the international treaties, standards and initiatives that we adhere to. These include the UN Global Compact Principles, UN Guiding Principles and the OECD Guidelines for Multinational Enterprises. A full list of all relevant sources we have referred to when developing our RI Policy can be found in the *Aegon NL Responsible Investing Treaties, Standards and Initiatives* document.

Visual representation of Aegon NL's responsible investing framework



I. Screening

As part of our ESG integration efforts, we have developed a comprehensive set of screening criteria that are used during the investment due diligence process. These can be found in the Aegon NL Responsible Investing Topics document, and cover nine different focus areas where we see the greatest potential for sustainability risks or adverse impacts as a result of our investment decisions.

We also periodically screen our investments to identify those that do not meet global behavioural standards and norms or are incompatible with our views and values.

Where screening identifies any issues, we will consider the most appropriate course of action in line with the RI Policy. This can include exclusion, in the most extreme cases, although our preference is to try engaging with an investee company and using our influence to encourage them to make the changes necessary to mitigate the identified sustainability risks or adverse impacts.

II. Engagement and voting

If the screening process highlights that an investee company is not entirely in compliance with our RI Policy (e.g. it does not meet our minimum standards or we have identified any adverse impacts), we will look to use our influence as a long-term investor to encourage that company to change its behaviour and bring it into alignment. This will involve regular dialogue with company management and informing them of where they are failing to meet ESG norms.

We also engage with companies where our investment analysis has highlighted that there are material financial risks for a company arising from unmanaged sustainability risks (e.g. climate change or biodiversity). Here, again, we will attempt to use our influence as a long-term investor to encourage the company to make the necessary changes to its business in order to protect the value of our investment.

We will regularly monitor the outcome of our engagement activities and discuss progress internally. This may lead to further engagement or, in extreme cases, divestment/exclusion if it is determined that engagement is unable to lead to a positive outcome.

In addition to engagement, as providers of equity capital we will seek to use our voting rights to enhance long-term value creation and promote sustainable business practices in a manner that is consistent with our RI Policy. Further information can be found in the Aegon NL Voting Policy.

III. Exclusion

We strongly believe in being an active owner and engaging directly with investee companies on any identified ESG issues. There may, however, be occasions where engaging does not lead to the desired outcome and another course of action is needed.

This situation can arise both because an investee company is unwilling or unable to make the changes necessary to mitigate the sustainability risks or adverse impacts that our screening process has identified. In such cases, we will consider divesting from the investee company or excluding it entirely from Aegon NL's investible universe.

There are a number of topics that Aegon NL believes to be controversial and has decided to exclude them from its investible universe. These fall into two broad categories:

- Engaging in controversial behaviour; and
- Involvement in specific products or services (e.g. controversial weapons, tobacco etc.).

Further information on what we deem to be controversial behaviour and excluded products/services can be found in the Aegon NL Responsible Investing Topics document.

IV. Reporting

We believe that it is important to not only have an RI Policy in place, but also to report on the activities covered by that policy. We want to be transparent on our activities and the impact that our investing decisions has on both society and the planet. To help with this, we make available a wide range of responsible investment reports which include, but are not limited to:

- Annual reporting disclosing the investments we hold;
- Annual reporting disclosing our climate change impact;
- Annual disclosure of meetings held with stakeholders regarding our RI Policy; and
- Details of any excluded investments.

The remainder of this document provides an overview of how our responsible investing framework applies to different types of investments (e.g. company or government debt). For detailed information on Aegon NL's views on specific responsible investing topics (e.g. climate change) and how we implement them in accordance with our responsible investment framework, please refer to the Aegon NL Responsible Investing Topics document.

4. RI Policy for companies

Aegon NL invests directly/indirectly in companies via a range of financial securities, including equity and bond investments. We require our appointed investment managers to integrate ESG considerations throughout all stages of their investment decision-making process and to consider both sustainability risks and adverse impacts alongside traditional financial considerations.

Consistent with our responsible investing framework, all company investments are subject to screening, engagement and voting. If necessary, we may also exclude a particular company from our investible universe if it does not meet the requirements of our RI Policy.

An overview of how our responsible investing framework applies to company investments is provided in the following table.

	How it works in practice
Screening	<p>Where applicable (i.e. non-passively managed strategies), we expect our appointed investment managers to consider any material ESG factors that could negatively impact the value of that investment when evaluating an investment in a company. We provide a comprehensive list of screening criteria for our investment managers to reference as part of this process. These cover nine topics where we see the greatest potential for sustainability risks and adverse impacts.</p> <p>Aegon NL expects the companies it invests in to comply with global norms and generally accepted standards of behaviour. These are defined in the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. On top of this baseline, industry-specific standards and policies may also be applicable.</p> <p>We also periodically screen our investments to identify those that do not meet these minimum standards or are incompatible with our views and values. This screening process uses data from various external research provider. Where an investment is not covered by the external research provider, we expect our investment manager(s) to evaluate if this particular investment meets the standards of the RI Policy on an ad-hoc basis.</p> <p>A full list of all screening criteria can be found in the Aegon NL Responsible Investing Topics topic.</p>
Engagement and voting	<p>In cases where screening highlights that a company is not compliant with the Aegon NL RI Policy or identifies any sustainability risks, we will engage with that company and its management to initially inform them of the issue and then to aim for improvement. The outcome of the engagement process will be regularly monitored and discussed to evaluate progress and decide on next steps. This may lead to further engagement or, in extreme cases, divestment/exclusion if it is determined that engagement is unable to lead to a positive outcome.</p>

	<p>Aegon NL will publish an annual disclosure covering its engagement and voting activities.</p>
Exclusion	<p>Any company which is involved in severely controversial activities or repeatedly violates globally accepted standards of behaviour (e.g. UN Global Compact Principles) will be excluded from the investible universe.</p> <p>Aegon NL excludes investments in companies which are involved in controversial activities, such as producing tobacco, manufacturing or trading in controversial weapons, and systematically breaching human rights. A full list of all excluded companies can be found in the Aegon NL Exclusion List.</p> <p>Should any new exclusions be deemed necessary, Aegon NL will look to liquidate all applicable equity holdings as soon as practicably possible, taking account of market liquidity and other relevant factors. Excluded bond holdings will be subject to a run-off strategy.</p>

5. RI Policy for 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, Aegon NL believes it important to consider the additional responsible investment aspects of investing in financial institutions separately from those of other companies.

The following provides an overview of how our responsible investing framework applies to investments in financial institutions, detailing any additional responsible investment considerations that are applicable in addition to those set out in our RI Policy for companies (Section 3).

<p>Screening</p>	<p>In addition to complying with the screening criteria set out for all companies in Section 3, and if applicable to their business, Aegon NL expects financial institutions to comply with the United Nations Environment Programme Finance Initiative, the Equator Principles for project financing and the United Nations Principles of Responsible Investment.</p> <p>Where relevant to their business (e.g. asset managers and other insurance companies), Aegon NL expects ESG considerations to be integrated throughout the financial institution’s investment in order to identify and manage any adverse impacts or sustainability risks. This is best evidenced by having a suitable responsible investment policy in place and providing regular reporting in line with this policy. As part of the screening process, Aegon NL will consider other financial institutions’ responsible investment policies and evaluate whether they are compatible with the requirements of Aegon NL’s RI Policy.</p> <p>Given their systemic importance, we believe financial institutions should be transparent when it comes to their organisational/ownership structure and taxation practices. We, therefore, screen financial institutions to check if they provide basic financial and non-financial disclosures, such as ownership details, countries in which they operate, strategic objectives, executive remuneration policy, tax payments and profits. This allows us to evaluate any potential sustainability risks and assess whether the financial institution is operating in a manner that is consistent with the best interests of the economy and wider society.</p> <p>Further details on relevant screening criteria can be found in the Aegon NL Responsible Investing Topics.</p>
<p>Engagement & voting</p>	<p>Aegon NL will engage with financial institutions and their management teams to initially inform them of any identified issues arising during our screening process and then to aim for improvement. The outcome of the engagement process will be regularly monitored and discussed to evaluate progress and decide on next steps. This may lead to further engagement or, in extreme cases, divestment/exclusion if it is determined that engagement is unable to lead to a positive outcome.</p>

Exclusion	<p>Should any new exclusions be deemed necessary, Aegon NL will look to liquidate all applicable equity holdings as soon as practicably possible, taking account of market liquidity and other relevant factors. Excluded bond holdings will be subject to a run-off strategy.</p> <p>Aegon NL will publish an annual disclosure covering its engagement and voting activities.</p>
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6. RI Policy for government debt

Aegon NL invests a significant proportion of its assets in government debt and thereby has a direct financial relationship with sovereign governments. Aegon NL believes that countries (and their governments) should respect and uphold universally accepted values, such as the Universal Declaration of Human Rights. As such, Aegon NL requires an evaluation of these to be included in the investment decision-making process for any investment in government debt.

An overview of how our responsible investing framework applies to government debt investments is provided in the following table.

	How it works in practice
Screening	<p>Where applicable (i.e. non-actively managed strategies), we expect our appointed investment managers to consider any material ESG factors that could negatively impact the value of that investment when evaluating an investment in government debt. These should include, but not be limited to, factors such as the following:</p> <ul style="list-style-type: none"> Environment (E) <ul style="list-style-type: none"> ▪ Impact on climate change ▪ Energy sources and energy intensity ▪ Sustainable consumption practices Social (S) <ul style="list-style-type: none"> ▪ Societal peace and individual freedoms ▪ Basic rights and needs ▪ Labour protection rights Governance (G) <ul style="list-style-type: none"> ▪ Strength of institutions ▪ Policy sustainability <p>We recognise that not all countries are at the same stage of development and that some factors may have a more material impact on, for instance, on a developing country than a developed country. As such, we ask our investment managers to reflect a country's stage of development when considering materiality.</p> <p>The majority of our government debt investments are managed by Aegon Asset Management and are evaluated using a proprietary ESG scoring model which takes account of multiple human rights indicators alongside other relevant ESG factors.</p>
Exclusion	<p>We exclude investments in any form of government-issued debt (e.g. government bonds) from countries that systematically breach human rights.</p> <p>We exclude investments in any form of government-issued debt from countries that are under an arms embargo of the United Nations, the European Union, or the United States of America from our investible universe. The full list of excluded governments can be found in the Aegon-NL exclusion list.</p> <p>Should any new exclusions be deemed necessary, all relevant government-issued debt will be subject to a run-off strategy.</p>