



Asset Management

ESG Report

Aegon Sustainable Diversified Growth Fund

As of 31 December 2022

For professional investors only.
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 five primary components:

- **ESG integration and characteristics:** Overview of our approach to ESG integration 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.
- **Sustainability perspective:** Overview of the strategy's sustainability criteria and application within the portfolio.
- **Active ownership activities:** Overview of engagement and voting activities within the portfolio.
- **Carbon footprint:** Summary of the portfolio's carbon footprint including carbon impact metrics, carbon risk and intensity of holdings.

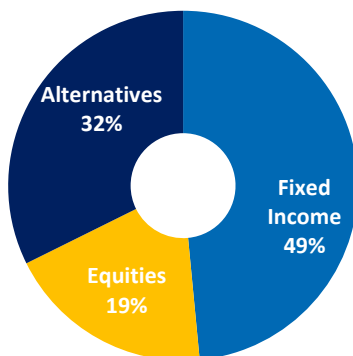
This report was prepared for the Aegon Sustainable Diversified Growth Fund as of 31 December 2022.

Fund objective

To deliver a total return (capital growth plus income) that exceeds the UK Retail Prices Index by at least 4% per annum over any 5 year period.

Asset class breakdown

Our multi-asset strategies are composed of three component building blocks: equities, fixed income and alternatives. The chart below provides an indication of the breakdown of AUM by block for this portfolio at the reporting date.



Source: Aegon AM. Values as of reporting date. May not add to 100% due to rounding. Alternative holdings include listed property (REITs), listed infrastructure and renewable energy securities. Excludes cash and cash equivalents.

ESG integration and characteristics

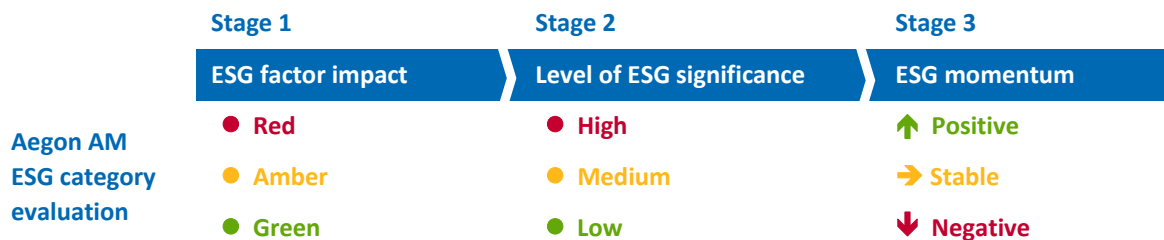
Our Multi-Asset team's primary task is to determine the asset allocation for the component building blocks of the strategy. Security selection within these building blocks is a collaborative effort led by the asset-class specialists within our fixed income and equity teams. It is here, in the bottom-up analysis, that determines issue selection, that all relevant factors, ESG or otherwise, that affect the durability of business models and bond cash flows are considered.

The focus of the process is around identifying and understanding risks and opportunities that may impact the relative attractiveness of an investment. This includes leveraging the ESG research from the equity and fixed income specialists where there is particular focus on macro developments (such as energy transition or social housing policy), as well as corporate governance (board structures, legal jurisdictions and executive pay policies).

Equities and alternatives

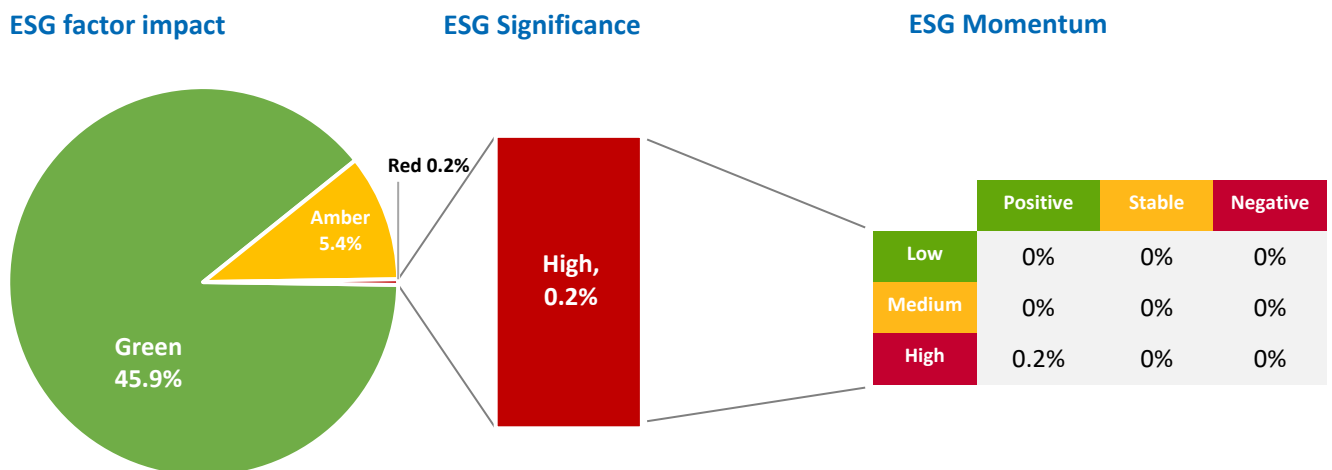
Within equities ESG factors are evaluated in the fundamental analysis process, looking across the ESG spectrum to tailor the specific circumstances of a company to identify both risks and opportunities. Our equity fund managers and analysts use a common three-stage ESG framework to determine the materiality of the identified ESG factors from a risk and return perspective: Stage 1 involves identifying the most important ESG factors for a given company; 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.

Alternatives are generally accessed through listed vehicles and are correspondingly evaluated following the same method as equities for ESG.



ESG category allocation of equity and alternative holdings

In the chart below we show the breakdown of the equity and alternative 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 and alternative 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 and bottom ESG equity and alternative holdings

Name	ESG Category	Significance	Momentum	Portfolio weight
Top 5 holdings				
Astrazeneca Plc	Green	Low	Positive	0.5%
State Street Corp	Green	Low	Positive	0.3%
First Republic Bank/ca	Green	Low	Positive	0.2%
Telus Corp	Green	Low	Positive	0.2%
Oxford Nanopore Technologies Plc	Green	Low	Positive	0.1%
Bottom 5 holdings				
Taylor Wimpey Plc	Red	High	Positive	0.2%
Air Products And Chemicals Inc	Amber	High	Stable	0.5%
Samsung Sdi Co Ltd	Amber	High	Stable	0.2%
Cummins Inc	Amber	High	Positive	0.3%
Eurofins Scientific Se	Amber	High	Positive	0.3%

Source: Aegon AM. Values as of reporting date. Includes top and bottom five equity and alternative holdings based on ESG categories and portfolio market value 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.

Fixed Income

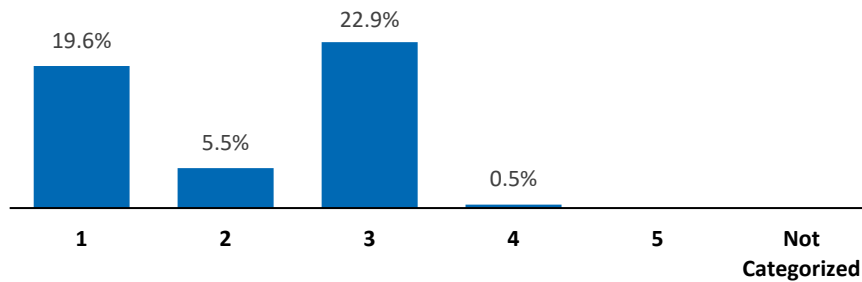
ESG factors are systematically integrated into our bottom-up credit research process for sovereign and corporate credits. By integrating ESG considerations with economic factors, and drawing from specialized ESG research sources, the Credit Research teams seek to identify financially material ESG factors and arrive at an independent, comprehensive view of the investment.

Integration of ESG factors into the investment process first occurs as part of the fundamental credit research analysis for issuers. Our Credit Research teams integrate ESG information into their analysis by evaluating data from various third-party sources in combination with internal research to assign credits into a proprietary ESG category. Focus is given to the potential economic impact ESG issues may have on the issuer's ability and willingness to meet debt obligations. The level of credit impact is categorized as one of five levels with increasing magnitude.

Aegon AM ESG Categories	
Category	Description
1. Leader	The fundamentals are positively affected by effective ESG practices.
2. Minimal Risk	Fundamentally low exposure to ESG risks or presence of factors that mitigate most of the ESG risks.
3. Event Risk	ESG risk exposures could negatively affect the issuer fundamentals, but the effect is not measurable, and timing is uncertain.
4. Fundamental Risk	ESG risks are resulting in pressure on the issuer fundamentals, however we expect limited impact on the credit rating.
5. Rating Risk	ESG factors have resulted in a material effect on the issuer fundamentals, that may or may not be currently reflected in its credit rating.

ESG category allocation of fixed income holdings

Please note that 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.



Portfolio	
Weighted average ESG category	2.1
Fixed Income Coverage	100%

Source: Aegon AM. Values as of reporting date. May not add up due to rounding. Includes all fixed income holdings. Excludes cash and cash equivalents. ESG Categories are based on a scale of 1 to 5 where: 1: Leader; 2: Minimal Risk; 3: Event Risk; 4: Fundamental Risk; 5: Rating Risk.

Top and bottom fixed income holdings by ESG category

Top 5 holdings		
Name	ESG category	Portfolio weight
United Kingdom Inflation-linked Gilt	1	18.1%
Digital Realty Trust Inc	1	0.9%
Amgen Inc	1	0.7%
Stichting Ak Rabobank Certificaten	2	1.8%
Sba Communications Corp	2	0.9%

Bottom 5 holdings		
Name	ESG category	Portfolio weight
Avaya Inc	4	0.5%
United Treasury Note/bond	3	19.7%
Pinnacle Bidco Plc	3	1.8%
American Water Capital Corp	3	1.1%
Hta Group Ltd/mauritius	3	0.3%

Source: Aegon AM. Values as of reporting date. Includes top and bottom five fixed income holdings based on ESG categories and portfolio market value exposure. 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 ESG view of entire portfolio

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.

Sustainalytics	Portfolio
ESG Risk Rating	18.1
Coverage*	33%

Source: Sustainalytics. Values as of reporting date. ESG Risk Ratings are based on a scale of 0 to 100 where: 0-10: Negligible; 10-20: Low; 20-30: Medium; 30-40: High; 40-100: Severe. Certain information ©2021 Sustainalytics. Reproduced with permission. Not further distribution.

*Sustainalytics does not cover sovereign holdings which accounts for 38% of the fund as per 31 December 2022

MSCI	Portfolio
ESG Key Issue Score	6.3
Coverage**	35%

Source: MSCI. Values as of reporting date. ESG Weighted Average Key Issue Scores are the foundation for MSCI ESG Ratings and are based on a scale of 0 to 10 where; 0.0-2.9: CCC/B; 2.9-7.1: BB/BBB/A; 7.1-10: AA/AAA. Certain information ©2021 MSCI ESG Research L.L.C. Reproduced with permission. Not further distribution.

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Sustainability

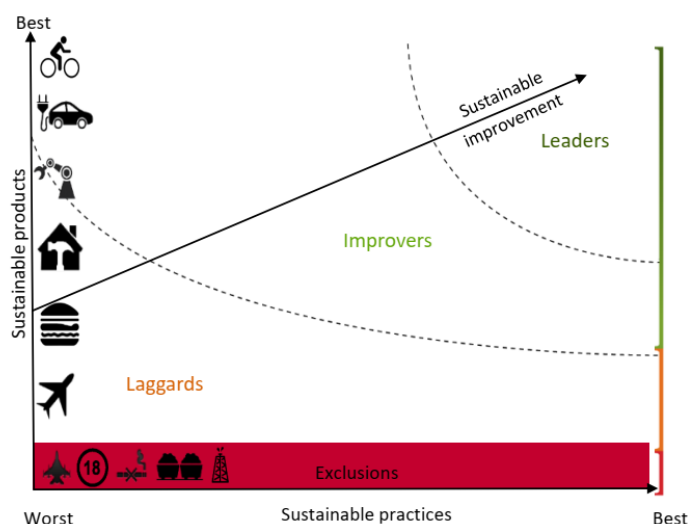
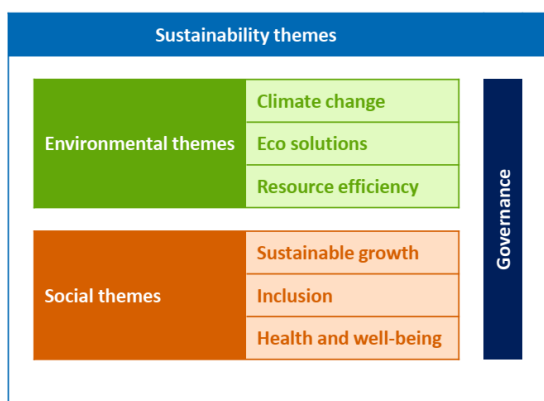
We define sustainability as a global economic state that meets the needs and aspirations of people today and in the future, while protecting and improving the environment and preserving the quality of life for all. We believe there is growing interest from consumers, governments and companies in promoting sustainability globally.

Our sustainability-themed strategies go beyond the universal integration of ESG in our investment analysis to incorporate our sustainability philosophy, criteria and process throughout the entire portfolio.

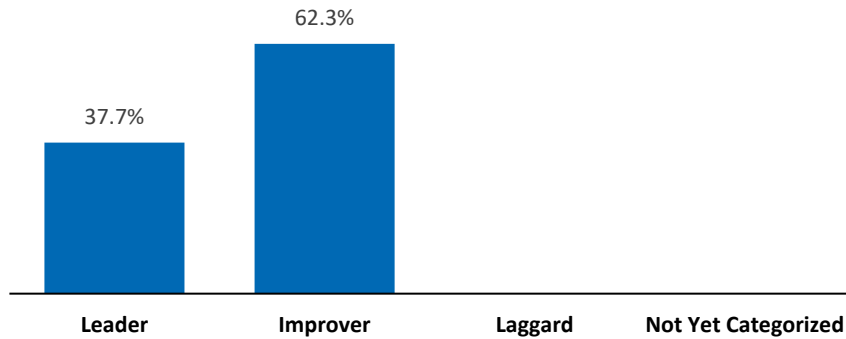
Sustainability analysis is a key consideration when assessing investment opportunities. This helps us to identify structural growth opportunities in addition to avoiding unnecessary ESG-related risks. We believe that a strong sustainable focus can provide a long-term tailwind to performance. We consider sustainability performance within the context of a company's industry-level competitive landscape, in relation to its peers and the geographic regions in which it operates.

We define sustainable businesses as those where products, services and business practices are positively aligned with at least one of six sustainability themes. In a bottom-up assessment that combines quantitative and qualitative analysis, we consider the impact of the products and services a company offers, as well as the nature of its operational practices and any improvement over time. If this contributes positively to one (or more) of the themes, the issue will qualify as 'sustainable' and be eligible for investment. The findings are used to create a recommendation to classify the security into one of our three categories:

- 1. Leaders** - Companies that meet a large amount of our absolute sustainability criteria and are demonstrably leaders in their sub-sector.
- 2. Improvers** - Companies where material sustainability issues have been identified and the company is showing clear evidence of significant improvements in its sustainability performance.
- 3. Laggards** - Companies that are either excluded due to a combination of poor product exposure (e.g. tobacco or defence manufacturers), poor sustainability disclosure and performance and/or with little evidence of a desire to improve.



Sustainability category allocation



Source: Aegon AM. Values as of reporting date. May not add to 100% due to rounding. Excludes cash and cash equivalents.

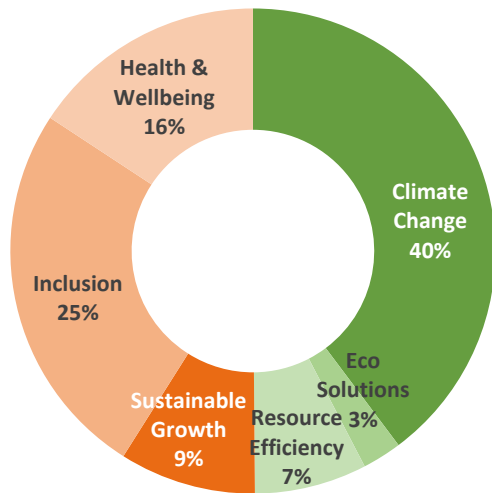
Top and bottom holdings by sustainability category

Top 5 holdings		
Name	Sustainability Category	Portfolio Weight
Renewables Infrastructure Group Ltd	Leader	2.7%
HICL Infrastructure Plc	Leader	2.4%
International Public Partnerships Ltd	Leader	2.4%
Greencoat UK Wind Plc/funds	Leader	2.3%
National Grid Plc	Leader	1.9%

Bottom 5 holdings		
Name	Sustainability Category	Portfolio Weight
United Treasury Note/bond	Improver	19.7%
United Kingdom Inflation-linked Gilt	Improver	18.1%
3i Infrastructure Plc	Improver	2.3%
Pinnacle Bidco Plc	Improver	1.8%
Bbgi Global Infrastructure Sa	Improver	1.4%

Source: Aegon AM. Values as of reporting date. Includes top and bottom five holdings based on sustainability categories and portfolio weight. 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.

Sustainability theme allocation



Source: Aegon AM. Values as of reporting date. May not add to 100% due to rounding. Excludes cash and cash equivalents and fixed income government holdings.

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 bond or equity issuers 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 believe taking responsibility as an investor also means being a truly active owner, not just as a shareholder but as a financier more broadly. We aspire to influence positive change by engaging in dialogue with issuers, 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 and exercising voting rights, we use our voice and actions to try to effect positive change.

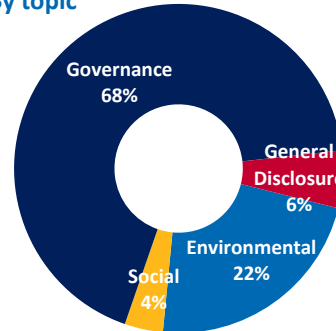
We classify our engagements by topic: general disclosure, where we are seeking additional information from the issuer on practices or products; and by ESG headings, where we are seeking performance improvements in environmental, social or governance areas respectively. Engagements are tracked with a 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 31 December 2022 we engaged with 43 issuers in the portfolio. Below we break this down by milestone and topic.

By milestone	Engagements
Milestone 1	19
Milestone 2	15
Milestone 3	13
Milestone 4	3
No further action required	1

By topic



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

Engagement case studies

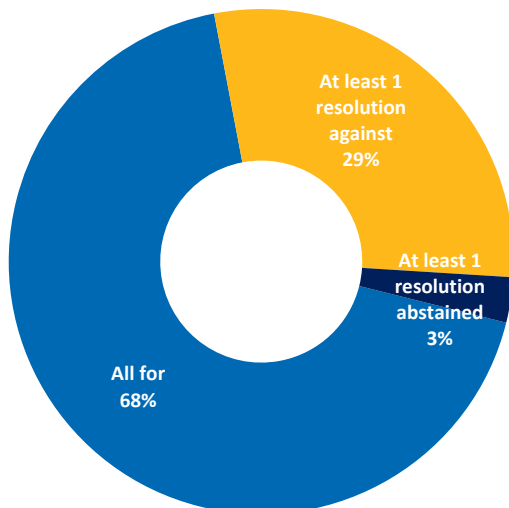
Case studies regarding Aegon Asset Management engagement activities can be found in our “Responsible Investment Report” which is available on our website:

www.aegonam.com/responsible

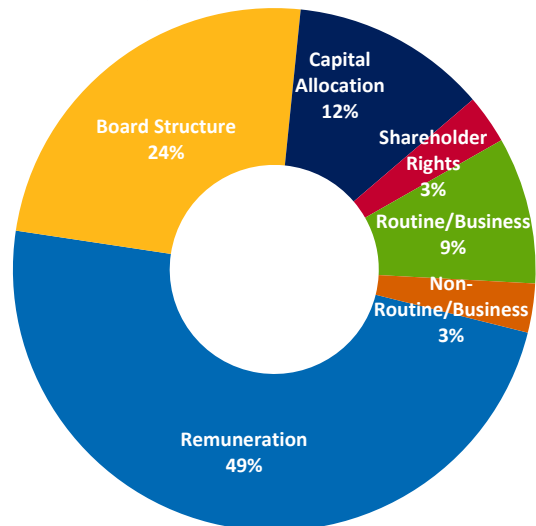
Voting activity

Over the one-year period to 31 December 2022, we voted in 68 meetings conducted by issuers in the portfolio. Below we break this down by voting intention.

By voting intention



By resolution topic



Source: Aegon AM. Includes voting activity for issuers 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 footprint

Climate change is 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	A measure of the most recently reported or estimated scope 1 (direct energy use) and 2 (indirect from purchased energy) emissions available for issuers allocated by exposure.
Relative intensity	Total carbon emissions (scope 1 and 2) for a portfolio normalized by the market value (in GBP millions) of the portfolio.
Weighted average carbon intensity	Total carbon emissions (scope 1 and 2) of issuers held in the portfolio normalized by revenue (in GBP millions) and allocated based on portfolio weight.
Carbon risk rating	The Sustainalytics measure of unmanaged exposure to the risks arising from the transition to a low-carbon economy on a scale of 0-100 where: 0-10 is Low; 10-30 is Medium; 30-50 is High; 50-100 is Severe.

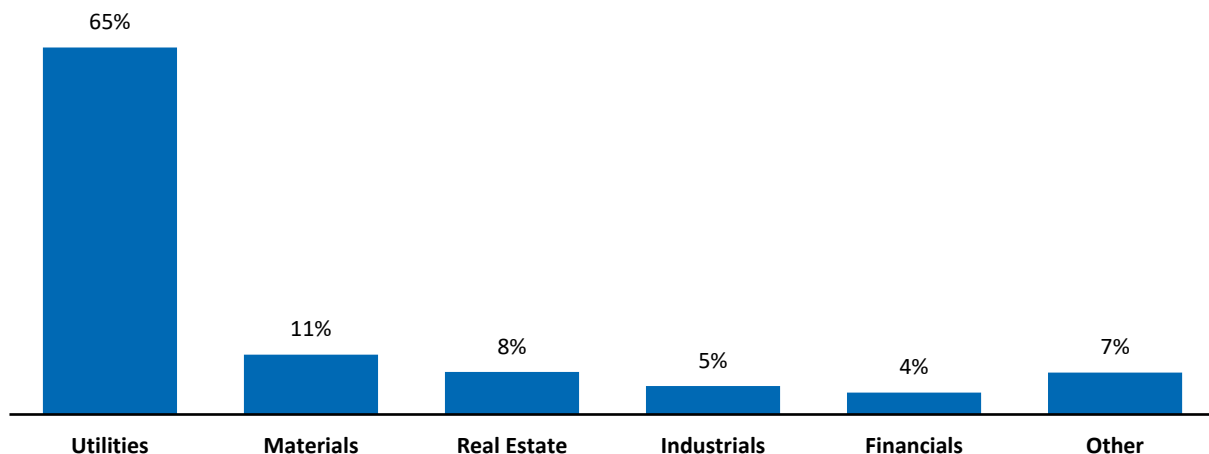
Carbon footprint metrics

Metric	Unit	Portfolio	Portfolio coverage
Total emissions	tCO2e	12,300	37%
Relative intensity	tCO2e / GBP million invested	57	37%
Weighted average carbon intensity	tCO2e / GBP million revenue	333	38%
Carbon Risk Rating (Sustainalytics)	Scale of 0-100	6.6	30%

Source: Aegon AM. Values as of reporting date. Climate metrics calculated in line with Partnership for Carbon Accounting Financials (PCAF) and Taskforce for Climate-related Financial Disclosures (TCFD) recommendations. Relative intensity and weighted average carbon 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 ©2022 Sustainalytics, MSCI ESG Research L.L.C. and Bloomberg Finance L.P. Reproduced with permission. Not for further distribution.

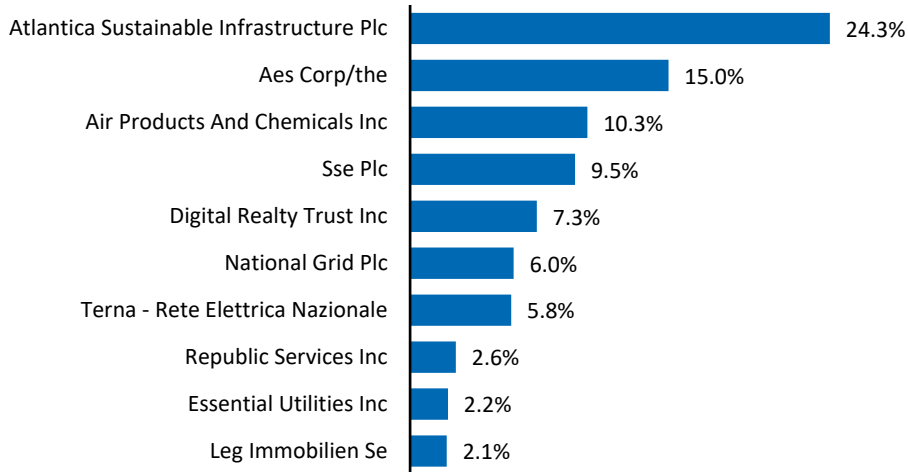
Sustainalytics and MSCI do not cover sovereign holdings which accounts for 38% of the fund as per 31 December 2022.

Weighted Average Carbon Intensity: By Sector



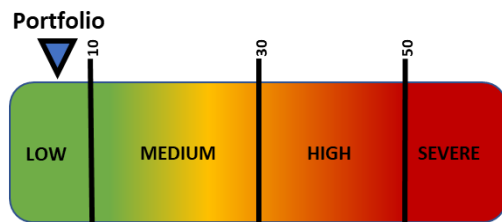
Source: Aegon AM. Values as reporting date. Reflects sector allocations based on weighted average carbon intensity. Top ten fixed income and listed equity issues by weighted average carbon intensity. All information is provided for informational purposes only and the reader should not assume that investments in the securities identified and discussed were or will be profitable.

Weighted average carbon intensity by issuer (top-10)

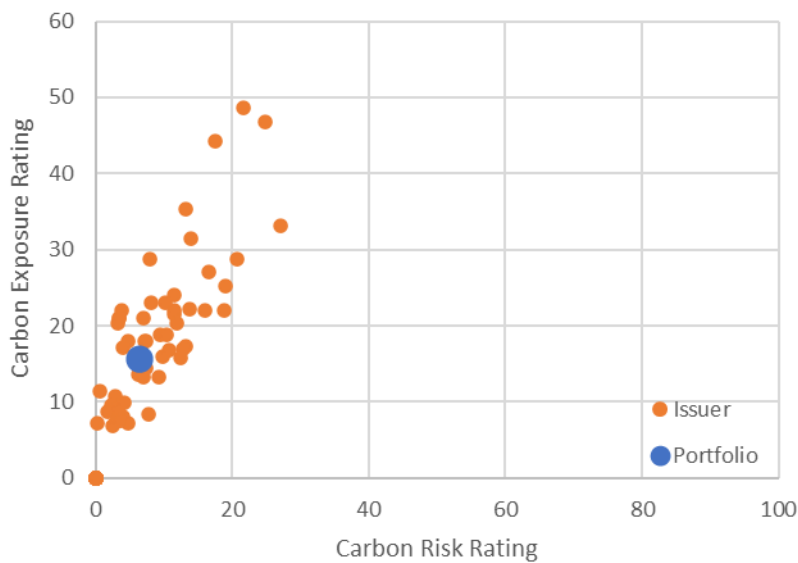


Source: Aegon AM. Values as reporting date. Reflects sector allocations based on weighted average carbon intensity. Top ten fixed income and listed equity issues by weighted average carbon intensity. All information is provided for informational purposes only and the reader should not assume that investments in the securities identified and discussed were or will be profitable.

Sustainalytics Carbon Risk Rating



Sustainalytics Carbon Risk Rating Distribution



Source: Sustainalytics. Values as of reporting date. Carbon Risk Rating is based on a scale of 0-100 where: 0-10 is Low Risk; 10-30 is Medium Risk; 30-50 is High Risk; 50-100 is Severe Risk. Based on portfolio market value weight. Certain information ©2022 Sustainalytics. Reproduced with permission. Not for further distribution.

Important information

Investment Policy

The Fund is a flexible multi-asset fund that invests across a range of asset classes on a global basis, taking into account factors such as global economic trends and growth opportunities. As a result, at any one time the Fund may be diversified across asset classes, sectors, currencies or geographies in various proportions.

At least 80% of the Fund will usually consist of equities, corporate bonds and government and public securities and derivatives, with some flexibility to hold high levels of cash to meet the investment objective. All of the Fund's investments are subject to the ACD's sustainability criteria relevant for each asset class. The ACD will, firstly, apply an exclusionary screen to exclude investments which the ACD considers have a negative impact on society and/or the environment. The ACD then, through applying a detailed analysis, focusses on the equities and bonds of companies which are aligned with, or are expected to contribute to, one of the ACD's sustainability themes. The analysis for government securities will permit investment in governments showing, in the ACD's view, significant progress towards achieving the UN's Sustainable Development Goals. The ACD will use a combination of external third party research and internal analysis in the application of its sustainability criteria.

To the extent not fully invested in the main asset classes above, the Fund may invest in other transferable securities, collective investment schemes (up to 10% of Net Asset Value and including schemes managed by the ACD or its affiliates), money market instruments, cash and near-cash. It is intended that investment in any other collective investment schemes will be predominately in approved money market instruments.

Through these investments, the Fund may obtain an indirect exposure to property, commodities and other alternative investments, such as companies that specialise in aircraft leasing, infrastructure and renewable energy. Derivatives may be used for investment purposes, for example exposure to assets may be gained through the use of derivatives (including long and short positions for the purposes of adjusting risk exposures). Derivatives may also be used for efficient portfolio management (including hedging to reduce currency risk).

The Fund may invest in assets denominated in any currency. Non-Sterling exposure will typically be hedged back to Sterling to reduce currency risk but the Fund is permitted to take active non-Sterling exposure. A substantial proportion of the Scheme Property of the Fund may consist of cash, near cash and/or deposits. The Fund is actively managed and can invest in companies of any market capitalization (small, medium or large) and in any industry sector. Through diversification, the Fund also looks to achieve lower volatility (i.e. changes in value) than global equities.

Risks

The main risks are:

Credit: An issuer of bonds may be unable to make payments due to the Fund (known as a default). The value of bonds may fall as default becomes more likely. Both default and expected default may cause the Fund's value to fall. High yield bonds generally offer higher returns because of their higher default risk and investment grade bonds generally offer lower returns because of their lower default risk.

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.

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

Target Benchmark: RPI+4%. UK RPI is selected as a commonly accepted measure of UK inflation. We consider that exceeding RPI by at least 4% over 5 years is an attractive return and therefore an appropriate target benchmark in relation to which the Fund is managed. Comparison of the Fund's performance against the target benchmark will allow investors to determine whether and to what extent the Fund has delivered returns in excess of inflation. Any comparison of the Fund's performance against this benchmark should be performed over a 5 year period to provide the most useful medium term comparison.

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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 www.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.

Opinions and/or example trades/securities represent our understanding of markets both current and historical and are used to promote Aegon Asset Management's investment management capabilities: they are not investment recommendations, research or advice. Sources used are deemed reliable by Aegon Asset Management at the time of writing. Please note that this marketing is not prepared in accordance with legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing by Aegon Asset Management or its employees ahead of its publication.

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

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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