

# **Sustainable Finance Disclosure Regulation (SFDR) Statement of Compliance**

Aegon Cappital B.V.  
March 10, 2021

## Introduction

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Aegon Nederland N.V. ("Aegon NL") is one of the leading providers of life insurance and pension products in the Netherlands. Our operations also include retail banking, general insurance and mortgages. We manage over 100 billion euros of assets on behalf of our customers and for our own account, making us one of the largest investors in the Netherlands. We aim to make a difference by helping people achieve a lifetime of financial security. We do this by providing our customers with the right products, services and advice, and being with them every step of the way.

Aegon Cappital B.V. ("Aegon Cappital") is a subsidiary of Aegon NL and a pension premium institution (PPI). It is one of the largest PPIs in the Netherlands and provides over 265,000 participants with a defined contribution pension scheme in which they invest for their retirement. On behalf of these participants, Aegon Cappital invests almost 5 billion euros globally.

This Statement of Compliance summarises how we comply with the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, also known as the Sustainable Finance Disclosure Regulation or SFDR. More specifically, it addresses the articles of that regulation that require entity-level disclosures by Aegon Cappital.

### **Article 3: Transparency of sustainability risk policies**

Aegon Cappital 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 Cappital takes its responsibilities as a steward of client assets seriously. This includes taking into account and prudently managing all risks associated with its clients' 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. In order to better understand and manage these sustainability risks, Aegon Cappital has integrated ESG considerations throughout its investment process. The following provides a summary of how this happens in practice.

#### ***Responsible Investing Policy and sustainability risk management***

The Aegon NL Responsible Investing Policy ("RI Policy") is applicable to the assets managed by Aegon Cappital on behalf of its clients. The RI Policy sets how these assets should be managed in line with our views and values. It also provides a framework for integrating ESG considerations alongside traditional financial considerations. This enables us to better understand and manage sustainability risks or adverse impacts resulting from our investment decisions.

Our RI Policy consists of a range of documents that cover different aspects of our approach to responsible investing. This includes the Aegon NL RI Policy Principles document, which is applicable to Aegon Cappital, and provides an overview of our responsible investing framework and the four main tools that we use in practice: screening, engagement & voting, exclusion, and reporting.

We focus our efforts on nine topics where we see the highest probability of sustainability risks and adverse impacts resulting from our investment decisions. These have been selected based on alignment with our responsible business objectives and the requirements of the international treaties, standards and initiatives that we adhere to.

We screen our investments to identify sustainability risks and take action to mitigate them. Potential mitigating actions include divesting from and excluding an issuer, or engaging directly with the issuer and exercising any shareholder voting rights in line with our active ownership approach.

Please refer to the appendix for further information and links to the documents in our RI Policy.

## ***Investment managers and investment funds***

Aegon Capital does not directly invest participants' pension premium contributions itself. Instead, it invests these contributions in investment funds that are managed by a range of asset managers. These investment funds provide a participant with exposure to the different asset classes, sectors and geographies that Aegon Capital deems appropriate based on the participant's risk profile.

When selecting a new investment fund, Aegon Capital reviews how the fund's investment manager considers sustainability risks and integrates ESG considerations in the investment process. Aegon Capital will only select funds that are managed in line with the RI Policy.

Aegon Capital regularly monitors all investment managers and funds that are used within its investment proposition. As well as reviewing their investment performance, Aegon Capital periodically reviews how ESG considerations are being integrated in practice and whether sustainability risks are being appropriately considered and managed. This enables us to achieve a better risk and return profile.

If Aegon Capital deems an investment manager to no longer be managing the fund in a way that is consistent with the RI Policy (e.g. sustainability risks are not being sufficiently considered in practice), Aegon Capital will take action in line with the following:

- Aegon Capital will notify the appointed investment manager of any perceived shortcoming and highlight where their investment approach no longer meets the requirements of the RI Policy.
- Aegon Capital will give the appointed investment manager an opportunity to adjust their process and demonstrate that they can manage the fund in line with the RI Policy requirements.
- If the investment manager is unwilling or unable to change its approach to bring it in line with the RI Policy requirements, Aegon Capital will divest participant's pension premium contributions from the fund in question.

## **Article 4: Transparency of adverse sustainability impacts at entity level**

Aegon Capital regards itself as a responsible business and seeks to have a positive impact on society and the environment. However, we also recognize the potential and actual adverse sustainability impacts our investment decisions can have on people and the planet. To address potential adverse impacts, and where relevant to the specific asset class in question, investments are subject to policies that require the identification, prioritization, and mitigation of potential and actual adverse impacts according to certain criteria.

### ***Identification and prioritisation of Principle Adverse Impacts***

Aegon Capital expects the companies it invests in to comply with global norms and generally accepted standards of behaviour. These include those defined in the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

We have developed screening criteria based on these minimum standards and our own responsible investing views and beliefs. All our investments are periodically screened using these criteria to identify those that are/or at risk of causing harm by failing to meet these minimum standards.

Where an investment is flagged during the screening process as having a potential or actual adverse impact, Aegon Capital will take action in line with the RI Policy to mitigate this impact. This could include, for example, exclusion or prioritising the investment for engagement.

Our screening criteria cover nine topics where we see the greatest potential for sustainability risks and adverse impacts:

- Climate change
- Biodiversity
- Human rights
- Labor rights
- Good health & well-being
- Corporate governance
- Controversial weapons and controversial arms trade
- Financial institutions
- Animal welfare

The topics and screening criteria have been developed with reference to several responsible business codes and international standards, which are also detailed in the Policy.

### ***Engagement on Principle Adverse Impacts***

Where adverse impacts are identified by our screening process, we use our influence as a long-term investor to encourage companies to take the steps needed to remedy them. We do this asking our appointed asset manager(s) to engage directly with the company in question to alert them of our findings and make it clear what we expect is needed to remedy the identified adverse impacts.

We regularly monitor the progress being made with our engagement activities. If it becomes clear that further engagement with a company will not lead to the required results (e.g. because the company is unwilling or unable to change its behaviour), then we will take action to limit the harm being caused with our investment and exclude the company.

Full details on our approach to active ownership which includes voting as well as engagement can be found in the RI Policy. This includes specific engagement and voting criteria for each of the nine topics that we focus on.

### ***Exclusion on Principle Adverse Impacts***

Exclusion is considered appropriate for investments with the highest potential adverse impacts, as well as in cases where engagement and voting targeted at mitigating adverse impacts have been unsuccessful.

All investments are periodically (and at least annually) reviewed for compliance with the exclusion rules set out in the RI Policy.

## **Article 5: Transparency of remuneration policies in relation to consideration of sustainability risks**

Aegon NL recognizes that environmental, social and governance events and conditions (ESG factors) are increasingly a (potential) core topic for our stakeholders. The Aegon NL remuneration policy, as applicable to Aegon Cappital, is aligned to integrate sustainability risks; ESG factors are integrated into multiple components of the variable compensation structure.





The structure of remuneration within Aegon Cappital does not encourage excessive risk-taking with respect to sustainability risks. To achieve an accurate reflection of the overall performance from a long-term sustainability perspective, the remuneration policy outlines limits on unadjusted financial performance indicators on both the organisational and individual level.

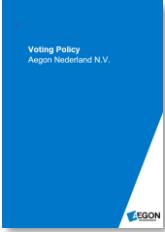
The remuneration policy promotes sound and effective risk management with respect to sustainability risks. Our remuneration policy outlines the inclusion of risk assessments which are aimed at the risk alignment and sustainability of business performance.

## Appendix 1: Aegon NL RI Policy

The Aegon NL Responsible Investing Policy (RI Policy), as applicable to Aegon Capital, consists of a range of documents that collectively provide a comprehensive framework for how ESG considerations should be integrated throughout the investment process in order to understand and manage sustainability risks and adverse impacts.

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	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.

Link to document	Document name	Description
 <p data-bbox="277 629 312 656"><a href="#">EN</a></p>	Voting Policy Aegon Nederland N.V.	This document describes how we make use of the voting rights associated with our investments in listed companies.